

ROYAL MONETARY AUTHORITY  
OF BHUTAN



ANNUAL REPORT 2002/2003

JANUARY 2004

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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 during the fiscal year 2002/2003. Nevertheless, some important events, which have occurred in the more recent past, have also been covered. 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, April 2003 and September 2003. The annual accounts of the RMA are published in accordance with the requirements stipulated in the RMA Act of 1982.

Introduced from the last Annual Report 2001/2002 was the 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.

New to this edition of the Annual Report, however, is a review on developments in the financial sector during 2002, as evaluated by the Financial Institutions Supervision Division of the RMA. Kindly refer to the end of the Report for a list of all articles published by the RMA.

It also has to be mentioned that there have been recent changes in the Management structure of the Royal Monetary Authority with effect from December 2003, with the appointment of a new Managing Director, and the reconstitution of its Board of Directors. These have also been outlined in this edition of the Annual Report. Please refer to the Management and Board Structures on pages 2-4 for this information.

The Royal Monetary Authority would like to take this opportunity to extend its deepest appreciation to all the distinguished Members of the previous Board of Directors, and Mr. Sonam Wangchuk, former Managing Director of the RMA, for their invaluable service to the Royal Monetary Authority.

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 Wangdi Norbu Minister Ministry of Finance	Chairman
Aum Yangki T. Wangchuk Secretary Ministry of Finance	Vice-Chairman
Dasho Karma Dorjee Secretary Ministry of Trade, Industries & Power	Director
Mr. Sonam Wangchuk Director Department of Budget & Accounts Ministry of Finance	Director
Mr. Daw Tenzin Managing Director Royal Monetary Authority	Member Secretary
Mr. Dechen Tshering Deputy Managing Director Royal Monetary Authority	Observer

\*) Newly appointed Board of Directors with effect from December 2003.



## BOARD OF DIRECTORS – (2002/2003)

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

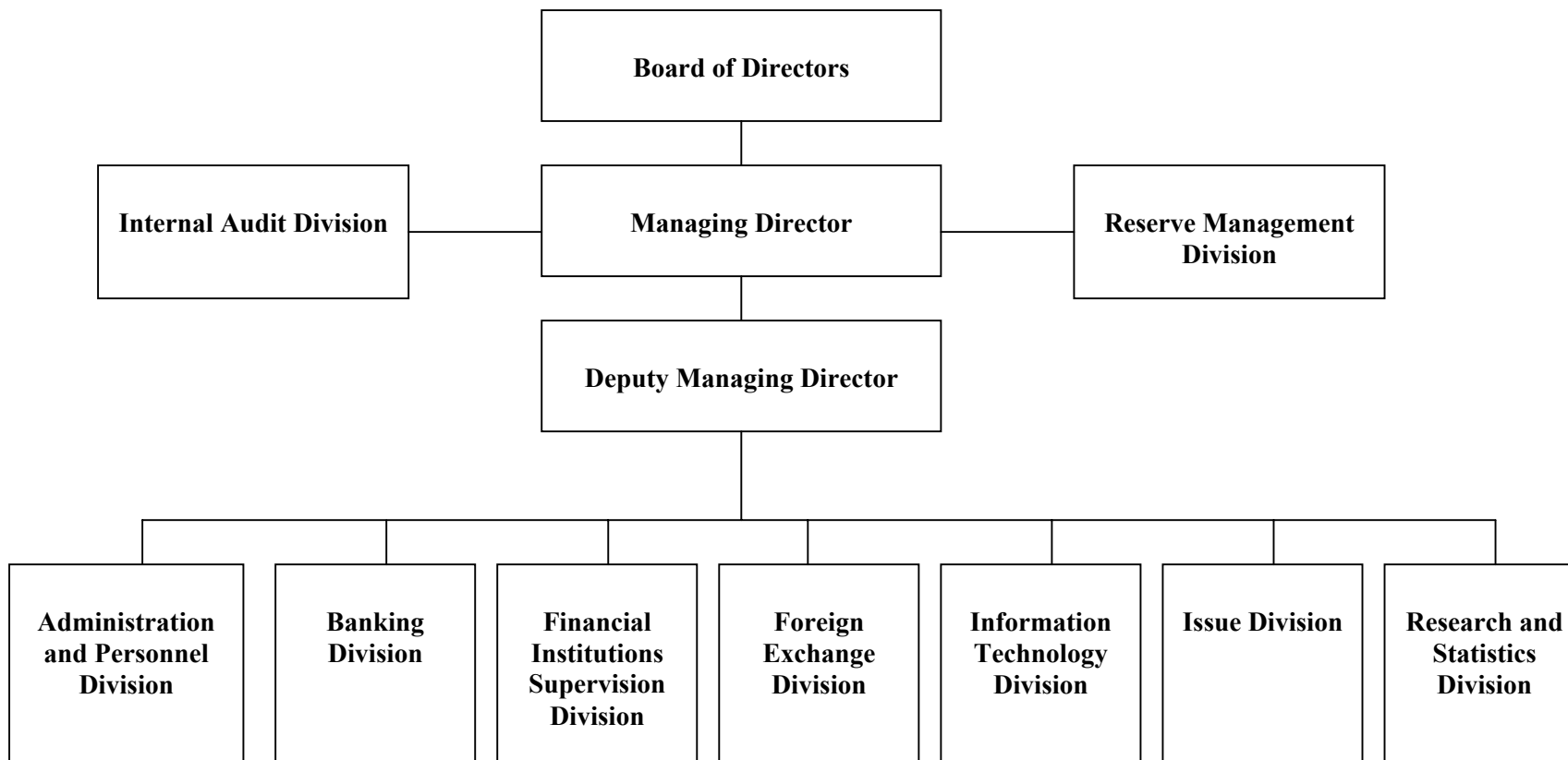
## MANAGEMENT

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1. Managing Director*	Daw Tenzin
2. Deputy Managing Director	Dechen Tshering
3. Head, Administration and Personnel Division	Phub Dorji Tangbi
4. Head, Banking Division	J.N. Pradhan
5. Head, Financial Institutions Supervision Division	Pema Tshering
6. Head, Foreign Exchange Division	Namgay Tshering
7. Head, Information Technology Division	Roshan Sharma
8. Head, Internal Audit Division	Pushpa Lal Chettri
9. Head, Issue Division	Chhimi Dorji
10. Head, Research and Statistics Division	Penjore
11. Head, Reserve Management Division	Sonam Lhaden

\*) With effect from December 2003.

**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 2002/2003 continued its momentum from the previous year, with a number of major political and economic developments taking place within the country. Highlights from these include approval of the Bhutan Foreign Direct Investment Policy, Bhutan's membership to the International Finance Corporation (IFC), and the submission of the Memorandum on the Foreign Trade Regime Document to the World Trade Organization (WTO), Geneva as part of the process of Bhutan's accession. Proceedings of the 81<sup>st</sup> Session of the National Assembly towards the end of 2002/2003 also culminated in significant restructuring of the Royal Government, with bifurcations in the Ministries of Health and Education and Communications, as well as the creation of the Ministry of Labor and Human Resources. Consequently, these efforts have had wide-reaching effects in other government departments, and the Central Statistical Organization, now known as the National Statistical Bureau, has also been established as an autonomous agency.

Similarly, Bhutan's major power project, Tala, is well on its way to completion in September 2005, while the Kurichhu project was formally inaugurated in June 2003, and Lower Stage Basochu will be completed in June 2004. Kurichhu, since its commissioning in 2001, has already increased overall power generation and boosted exports with 97 percent of its electricity sold to India. Energy from Upper Stage Basochu however, has been primarily channeled to Chukha's total generation, thereby providing additional support for internal supply of power.

Numerous global events beginning with the September attacks in the United States to the war in Iraq and SARS scare, placed a heavy damper on tourism in Bhutan spanning 2 years. Now after a long period, the slump in the Bhutanese tourism industry finally displayed encouraging signs of recovery at the end of 2002/2003, with actual figures of visitors and convertible currency revenue increasing by 11 percent and 5.2 percent, respectively.

And in other developments, the Bhutan Beverages Company Limited (BBCL) became the 15<sup>th</sup> company to be listed on the Royal Securities Exchange of Bhutan. BBCL commenced operations in Pasakha in January 2003, for the commercial production of the Coca Cola range of aerated soft drinks, and pre-form bottles, prior to which it had scaled capital market transactions when its shares were oversubscribed on the stock exchange in June 2002.

Bhutan continues to experience strong macroeconomic performance, with real GDP growth of 7.7 percent in 2002, and a fall in inflation to 1.8 percent in June 2003, the lowest level in the last 20 years.

During 2002/2003, the economy experienced greater monetary expansion in comparison to the past, with money supply (M2) and narrow money (M1) growing by 29.7 percent and 37.6 percent, respectively. The expansion in M2 can be attributed mostly to the rise in net foreign assets by 22 percent. Domestic credit maintained its upward growth during the period and rose sharply by 67.3 percent over 2001/2002. So also, credit to the private sector grew at a higher rate of 35.7 percent, up from 29.3

percent in the previous fiscal year, contributing to the Royal Government's efforts of stimulating private sector development. Into the first quarter of 2003/2004, the Bank of Bhutan, Bhutan National Bank, and the Royal Insurance Corporation of Bhutan have made decisions to lower their interest rates on housing loan schemes to 10 percent. These developments were prompted by the Pension Fund's offer of housing loan schemes at 10 percent to members in mid 2003.

As at the end of 2002/2003, the overall balance of payments continued to record a surplus, thus taking the level of foreign exchange reserves to USD 374 million, which is sufficient to cover 23 months of imports. The trade deficit recorded an improvement over the preceding year as a result of a substantial decline in imports from countries other than India. On account of sizable invisible receipts, particularly from current transfer inflows of grant and aid, the current account recorded a surplus that is estimated at 10.7 percent of GDP. This, combined with increased disbursements of loans and additional FDI inflows in the financial account, led to a considerable growth in the overall balance. Notably, the Bhutan-Bangladesh Bilateral Trade Agreement, which expired in 2000, was also renewed, under which Bangladesh has agreed to reduce duty and value added tax on the import of 18 products exported by Bhutan. Bangladesh is Bhutan's second largest export destination after India.

Despite the Government's policy of cautious fiscal management, the overall budget deficit worsened to Nu.2,784 million from Nu.1,225.4 million in 2001/2002. 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. Due to a drop in grant receipts by 12 percent, grants financed 29.5 percent of total expenditure compared to 37.3 percent in the previous year. Soft borrowing helped to narrow the budget deficit by 40.5 percent. Successful talks with donor and development partners during the Round Table Meeting in February 2003 and other discussions with the Government of India, provide a positive outlook for the improvement in fiscal components during 2003/2004. External debt grew by 39 percent to USD 405.5 million, though debt servicing remains manageable at 4.9 percent of the total export of goods and services.

On account of stable macroeconomic conditions in India and the accumulation of comfortable foreign exchange reserves levels, the BTN has been gradually appreciating vis-à-vis the US Dollar since May 2002. Continuing well into 2002/2003, the BTN appreciated by 4.8 percent between June 2002 and June 2003.

## KEY ECONOMIC INDICATORS (+)

	1998/99	1999/00	2000/01	2001/02	2002/03(e)
<b>GDP Growth and Prices</b> (percent change)					
Real GDP at Factor Cost (a)	6.4	7.6	5.3	6.6	7.7
Consumer Prices (b)	9.2	3.6	3.6	2.7	1.8
Wholesale prices (India) (c)	2.5	6.6	5.3	2.4	5.4
<b>Government Budget</b> (in millions of Nu.)					
Total Revenue & Grants	6919.5	7859.5	8686.7	8826.7	8417.9
Of which: Foreign Grants	3262.6	3274.1	3711.0	3748.5	3299.7
Total Expenditure and Net Lending	7224.4	8624.1	11177.6	10052.1	11201.9
Current Balance	478.6	883.3	540.1	610.3	254.4
Overall Balance	-304.9	-764.5	-2490.9	-1225.4	-2784.0
<b>Money and Credit</b> (percent change, end of period)					
Broad Money, M2	21.4	21.4	5.5	17.6	29.7
Credit to Private Sector	5.2	4.1	48.3	29.3	35.7
<b>Interest Rates</b> (end of period)					
One Year Deposits	10.0	9-10	9-10	9.0	7.0
Lending Rate	13-16	12-16	12-16	12-16	12-16
91-day RMA Bills	7.5	7.3	6.9	4.7	3.5
<b>Balance of Payments</b> (in millions of Nu.)					
Trade Balance	-2453.7	-3087.3	-4490.4	-3995.5	-3636.2
With India	-738.3	-1354.5	-3085.6	-2288.3	-3108.2
Current Account Balance	984.6	1283.6	-370.1	-297.0	2937.1
(In percent of GDP)	6.1	6.9	-1.7	-1.2	10.7
With India	-921.4	1584.7	-709.6	-90.6	2522.7
(In percent of GDP)	-5.7	8.5	-3.4	-0.4	9.2
Foreign Aid	1404.6	1793.6	2310.0	2846.2	4527.5
Of which: India	1218.5	1572.5	1707.9	1863.2	3116.0
Errors and Omissions	1385.1	-1507.4	-815.7	-1391.9	-5009.4
Overall Balance	1847.4	1569.8	242.8	1244.0	2573.1
(In percent of GDP)	11.5	8.5	1.1	5.2	9.3
<b>External Indicators</b> (end of period)					
Gross Official Reserves in Millions of USD	259.0	292.6	294.2	316.9	374.0
(In months of imports)	19.4	19.4	18.2	20.7	23.2
External Debt (percent of GDP)	39.8	40.9	51.9	58.8	70.6
Debt-Service Ratio (d)	12.1	4.8	4.6	4.8	4.9
<b>Memorandum Items:</b>					
Nominal GDP (in millions of Nu.)	16080.9	18540.5	21165.6	23933.0	27532.7
Ngultrum per USD (period average)	42.6	43.6	46.4	48.2	47.9
Money Supply, M2 (end of period)	7359.2	8930.5	9419.8	11076.9	14370.0
Money Supply, M1 (end of period)	2868.4	3691.7	4477.9	5019.5	6908.7
Counterparts					
Foreign Assets (Net)	11335.9	13248.3	12788.9	14348.5	17508.0
Domestic Credit	380.9	752.1	2017.9	2280.5	3815.0
Claims on Private Sector	1306.5	1360.0	2016.6	2607.0	3536.6
Components					
Currency Outside Banks	852.8	1119.4	1483.1	1600.2	1699.0
Demand Deposits	1832.6	2474.8	2889.7	3313.6	5094.7
Quasi-Money	4490.8	5238.9	4942.0	6057.5	7461.3

a) On a calendar year basis, e.g., the entry under 2000/01 is for 2000. - b) June. - c) June. Source: Reserve Bank of India. Wholesale Price Index of All Commodities, Base 1993-94 = 100. - d) Debt service payments in percent of exports of goods and services.

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## **I. SECTORAL DEVELOPMENTS**

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## 1. DOMESTIC ECONOMY

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This section provides an overview of economic developments in Bhutan during 2002/2003. 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 National Statistical Bureau (NSB).

As per the latest estimates provided by the NSB, real GDP is expected to have grown by approximately 7.7 percent in 2002, as compared to 6.6 percent

of the previous year. As in the past year, the construction sector was the main contributor to the growth, followed by electricity. Composition-wise, the agricultural sector is expected to continue to give way to other sectors, accounting for around 33 percent of GDP in 2002, as compared to 34 percent in the previous year.

Annual inflation has been falling for the past few years and as per the latest consumer price index, published half-yearly by the NSB, the annual inflation for June 2003 reached 1.8 percent. The low inflation during the review period was mainly due to the fall in prices of fruits, which decreased by around 19 percent since June 2002.

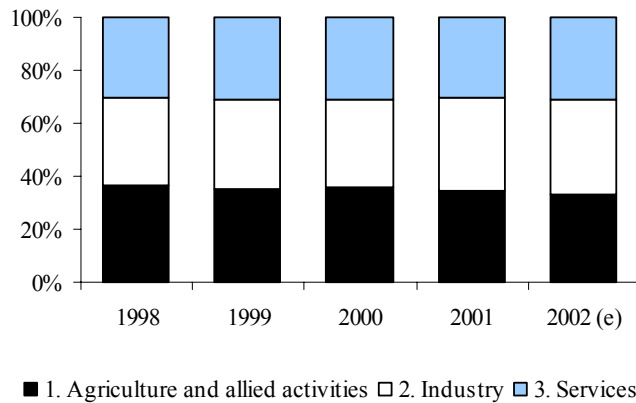
As per the Thimphu food price index, published quarterly by the NSB, the annual change in food prices grew by 0.1 percent in the second quarter of 2003 as compared to an increase of 1.1 percent in the same quarter of last year.

### 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 2.5 percent in 2002, the lowest rate since 1999. Although the livestock production improved, growing at an annual rate of 3 percent in 2002, compared to 1.3 percent in the previous period, the significant slowdown in the agriculture proper (consisting of principal crops, such as maize, rice, wheat, and major cash crops, such as apples, oranges, potatoes, ginger, and cardamom), which deteriorated from 4.3 percent in 2001 to 2.4 percent in the review period, resulted in a lower overall growth in the sector.

Although the contribution of the agricultural sector to the GDP is estimated to have fallen further to about 33 percent in 2002, after rising from 35 percent in 1999 to

Graph 1.1: Sectoral Composition of GDP



almost 36 percent in 2000, it still remains the most significant sector, providing occupation to around 75 percent<sup>1</sup> of the total labor force.

## **1.2. Manufacturing, Mining, and Electricity**

Estimates indicate that the growth of the manufacturing, mining, and electricity sector deteriorated slightly from 10.8 percent in 2001 to 9.3 percent in the current period. This could reflect a convergence towards normal levels following an exceptional spurt in growth after recovery in the sector following major setbacks caused by the flood in August 2000. The contribution of this sector to overall GDP fell further as well, reaching 19.3 percent in 2002, after declining from 23 percent in 1999 to about 20 percent in 2001. The share of electricity in the GDP has been declining since 2000 with the latest contribution being 9.7 percent in 2002. Given the substantial contribution of energy to GDP, the lower growth and contribution of this sector could have also been caused by poorer production levels from Chukha.

Of the ten major industries covered by the report in 2002, Penden Cement Authority was the biggest in terms of total value of sales at Nu. 814 million followed by Bhutan Carbide and Chemicals Ltd. at Nu.708 million, and Bhutan Ferro Alloys Ltd. at Nu.643 million. In other developments, beginning January 2003, the Bhutan Beverages Company Limited (BBCL) commenced operations in Pasakha for the commercial production of the Coca Cola range of aerated soft drinks, and pre-form bottles, catering mainly to the Indian markets in North Bengal, Orissa, and Meghalaya, with about 10 percent of production for sale within Bhutan. Its share offers were widely received when floated on stock exchange in June 2002.

In the energy sector, sales of the Chukha hydropower project were cut short by 2 percent (to Nu.2,128 million) in 2002/2003 after rising from Nu.2,111 million in 2000/2001 to Nu.2,171 million in 2001/2002. This development was mainly due to the decline in earnings from the export of power to India. However, the Chukha Hydropower Corporation (CHPC) has in general been experiencing a decline in overall production from 2000 for three consecutive years up till 2002. Poor river inflow during the non-monsoon months and failure of a new turbine wheel in 2002 were some of the reasons for the downfall in production. And while power generation had decreased on an annual basis, domestic consumption was rising, thereby affecting the earning of the corporation. Sources from the CHPC indicate that, owing to good rainfall in April and October 2003, they expect to cross their generation figure of 2000 by the end of 2003.

Nonetheless with the commissioning of two additional power projects, the Upper Stage Basochu and Kurichhu projects, energy is anticipated to have made a significant contribution to the economy. Details of the production and sales of both projects are available in *Table 5*. A detailed description of Bhutan's power sector is also presented in *Annex V*.

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<sup>1</sup> Statistical Yearbook of Bhutan 2001, CSO.

**Table 1.1: Real GDP Growth by Sector 1998 - 2002**

Year-to-year change in %

Item	1998	1999	2000	2001	2002 (e)
GDP at Factor Cost	6.4	7.6	5.3	6.6	7.7
Agriculture	2.8	5.2	4.5	3.2	2.5
Industry	8.6	11.6	2.2	13.4	12.1
Services	6.6	5.9	9.5	6.6	8.0

### 1.3. Construction

The construction sector is estimated to have grown at a slightly lower pace of 16.4 percent, compared to 17.5 percent of the previous year. However, the sector's share to nominal GDP is expected to have maintained the upward trend since 1996, accounting for 17 percent of nominal GDP in 2002, compared to 15 percent in 2001. The 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.

### 1.4. Tourism

The fiscal year 2002/2003 displayed a positive development in tourist arrivals with an increase by 11 percent to 6093 from 5490 in 2001/2002. Similarly, foreign exchange revenue for 2002/2003 grew to USD 8.4 million from the previous fiscal year's earnings of USD 8 million. A brief feature on the tourism industry is provided in *Annex IV*.

**Table 1.2: Selected Tourism Indicators 1998-2002**

Item	1998	1999	2000	2001	2002
Tourist Arrivals	6023	7158	7559	6393	5599
Of which: Cultural	4860	6328	6633	5925	5242
Trekking	1343	830	926	468	357
% Change in arrivals	12.3	18.8	5.6	-15.4	-12.4
Gross Receipts <sup>1</sup>	8.0	8.9	10.5	9.2	8.0
% Change in receipts	21.2	11.3	18.0	-12.4	-13.0
Government Revenue	3.0	3.5	4.1	3.3	2.8
% Change in revenue	20.0	14.3	17.1	-19.5	-15.2

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 Phase I construction (Paro, Thimphu and Punakha) of the joint venture between Bhutan

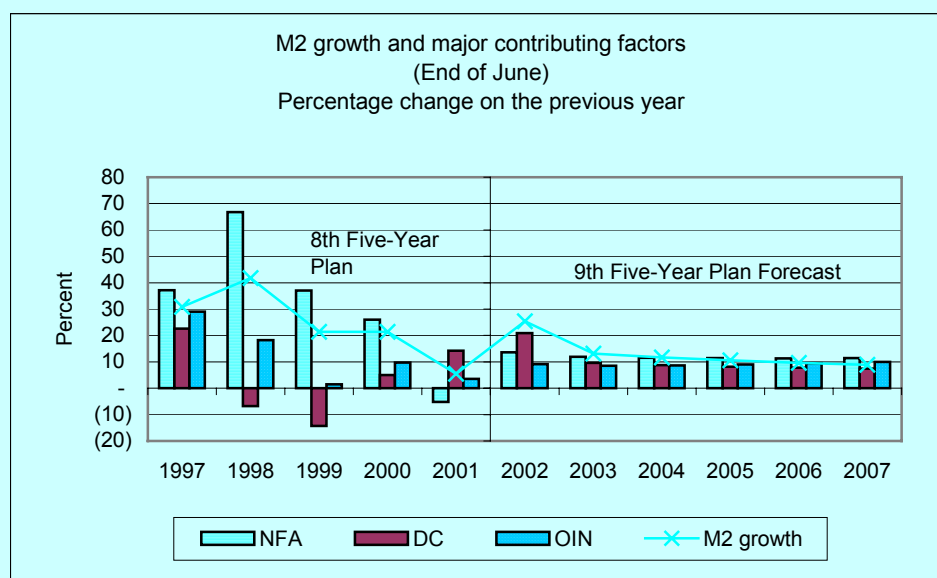
Tourism Corporation Ltd. and Maha/Aman Resorts, Singapore has completed over 50 percent of its Paro resort, while the others are still undergoing work. Of Phase II, construction has only commenced in Gangtey Gompa, while that in Trongsa and Bumthang are yet to begin. Meanwhile, another similar joint venture between Bhutan International Company and M/s. HPL Properties (West Asia) Pte. Limited Singapore resulted in the formation of Bhutan Eco Ventures Limited in November 2001, a partnership formed with the objective of setting up luxury resorts initially in Paro, and subsequently in Bumthang and Wangdue Phodrang. The Paro resort is planned for completion in 2004.

## Box 1.1

### Medium-Term Macroeconomic Prospects

The Ninth Five-Year Plan (9 FYP) began from July 2002 and in the light of preliminary estimates, macroeconomic prospects in the Plan period are favorable. 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 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 percent per annum, well in line with the anticipated growth of nominal GDP.



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

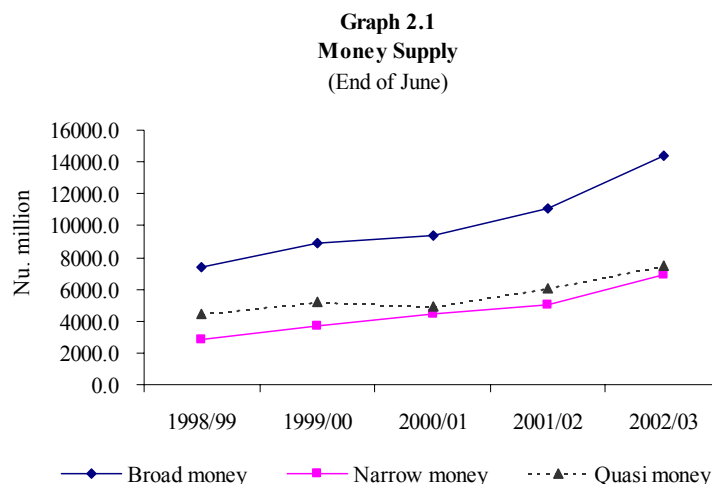
The external sector will continue to be dominated by close trade and exchange links with India. As an import-dependent economy, the expansion of domestic activities entails the use of foreign currency reserves, limiting the influence of the external sector on monetary expansion, which was experienced 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

During 2002/2003, monetary conditions experienced greater expansion compared to past developments, with broad money supply (M2) increasing at a rate of 29.7 percent (year-to-year change) against 17.6 percent in the fiscal year ending June 2002. Contributing to this expansion were increases in the annual growth of narrow money supply (M1) and quasi money (QM) on the component side, while on the counterpart side, there were increases in net foreign assets (NFAs), net domestic credit (NDC), and other items net (OIN).



On the component side, of its two major elements, M1 exhibited a higher annual growth of 37.6 percent in contrast to its 12.1 percent increase in the previous period. Looking at the sub-components of M1, higher growth in the current account deposits of individuals and government corporations resulted in the higher overall annual growth of M1. On the other hand, there was only a slight increase in the growth of the other M2 component, QM, which increased by 23.2 percent in 2002/2003 from 22.6 percent in 2001/2002. During the same period, growth in the commercial banks' deposits with the RMA increased the level of reserve money (M0) by 34.9 percent to Nu.8,123 million. Therefore, the key challenge facing the financial sector remains addressing the issue of excess liquidity through credit expansion and the establishment of a central bank and government securities market.

Meanwhile, on the counterpart side, all its major components, namely NFA, DC and OIN, recorded larger annual growth during the review period. Net foreign assets increased by a substantial 22 percent from 12.2 percent in the previous year, of which net convertible currency assets increased by 17.6 percent, and net Rupee assets increased by 44.8 percent.

In the current period, domestic credit maintained its positive growth from 2001/2002 and rose to Nu.3,815 million as at the end of June 2003 from Nu.2,280.5 million. This development was primarily on account of a significant change in the government's net position with the banking sector, combined with positive growth in credit to the private sector. Credit to the private sector grew considerably higher by 35.7 percent from 29.3 percent in the last fiscal year.

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

<i>Millions of Ngultrum</i>	<i>End of period</i>				
Item	1998/99	1999/00	2000/01	2001/02	2002/03
<u>MONEY SUPPLY, M2</u>	8930.5	8930.5	9419.8	11076.9	14370.0
<u>MONEY SUPPLY, M1</u>	3691.7	3691.7	4477.9	5019.5	6908.7
<u>Counterparts*</u> <sup>1)</sup>					
1. Foreign Assets (Net)	13248.3	13248.3	12788.9	14348.5	17508.0
2. Domestic Credit	752.1	752.1	2017.9	2280.5	3815.0
Claims on Govt. (Net)	-1110.6	-1110.6	-455.7	-744.5	-109.8
Claims on Private Sector	1360.0	1360.0	2016.6	2607.0	3536.6
Others <sup>1)</sup>	502.7	502.7	457.0	417.9	388.2
3. Other Items (Net) <sup>2)</sup>	4980.6	4980.6	5381.4	5552.0	6939.8
<u>Components</u> <sup>+</sup>					
4. Currency Outside Banks	1119.4	1119.4	1483.1	1600.2	1699.0
5. Demand Deposits <sup>3)</sup>	2474.8	2474.8	2889.7	3313.6	5094.7
6. Quasi-Money <sup>4)</sup>	5238.9	5238.9	4942.0	6057.5	7461.3
<u>Memorandum Item:</u>					
Reserve Money	4950.9	4950.9	4710.9	6023.0	8123.0
of which:					
Currency Issued	1167.4	1167.4	1567.5	1694.5	1765.1
Banks' Deposits	3686.0	3686.0	3045.3	4222.9	6242.9

\*) 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. 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.

The following are the supporting factors for the present system:

- a) Close economic and financial relationships exist between India and Bhutan.
- b) There is a dual currency system, with the Ngultrum and the Rupee circulating freely side by side in Bhutan. This 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 into the 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 sterilize additional excess liquidity from the banking system, the CRR was further revised to 20 percent



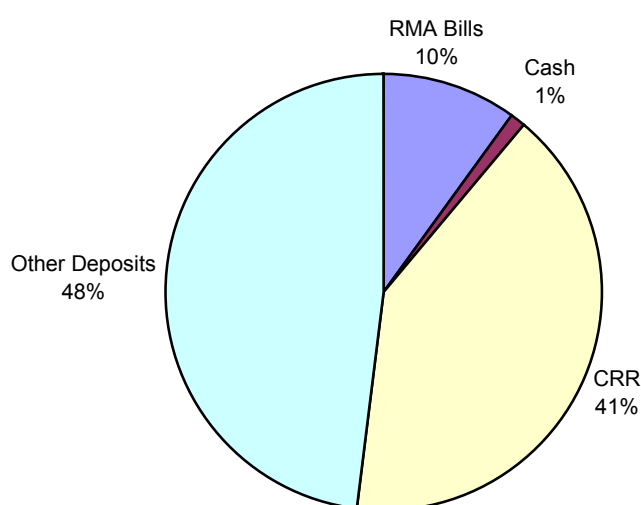
on total deposit liabilities, while interest payable on the balance was also amended from 2 percent to 3 percent per annum.

At the end of June 2003, the CRR instrument alone accounted for Nu.2,801.2 million of banks' liquidity. As the level of liquidity is progressively declining through increased lending, the policy stance is to free bank reserves to an appropriate level by reducing the CRR rate and RMA bills issuance. In this respect, the CRR rate has been cut to 13 percent from the present level of 20 percent, which will free about Nu.1,000 million of bank liquidity to meet new investments, as well as avoid the crowding-out of private sector lending. It has also been decided to reduce the interest rate on the CRR balance from 3 percent to 1.5 percent. The proposed revision has been recommended to take effect from January 1, 2004.<sup>2</sup>

### 2.2.2. RMA Discount Bills

The RMA discount bills were introduced in December 1993. At the end of June 2003, there were Nu.700 million worth of bills (maturity of 91 days) outstanding, at a weighted discount rate of 3.5 percent.

**Graph 2.2: Composition of Commercial Banks' Reserves with the RMA (June-end 2003)**



### 2.3. Review of Developments in Commercial Banking

During the fiscal year 2002/2003, total collective assets and liabilities of the commercial banks, Bank of Bhutan (BOB) and Bhutan National Bank (BNB) grew at a higher rate of 31 percent to Nu.17.6 billion, from Nu.13 billion in 2001/2002. This was evidence of major growth that took place in the deposits on the sources side and an increase in the growth of the liquid funds on the uses side.

On the uses side, the commercial bank's reserves with the RMA grew at a higher rate of 34 percent to Nu.7 billion during the fiscal year 2002/2003 from Nu.5 billion (26

<sup>2</sup> Decision taken by the Monetary Operations Committee of the Royal Monetary Authority.

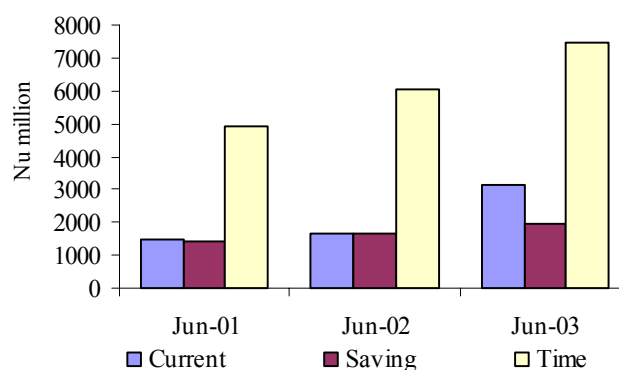
percent) in the previous year, representing roughly 39 percent of their total assets. Of the total reserves, 51 percent were absorbed by the RMA through RMA bills and CRR, while the rest were held as other deposits included in the RMA definition of excess liquidity. The latter amounts to Nu.3 billion (representing about 19 percent of their total assets). In addition to that, the banks are allowed to maintain foreign assets consisting of rupee and convertible foreign currency. As at the end of the fiscal year 2002/2003, they held Nu.2.5 billion Rupees and Nu.2.7 billion in convertible currencies. Therefore, as at end of June 2003, actual funds available for investments in the economy were Nu.12 billion, which constitutes approximately 68 percent of the two banks' total assets, or 44 percent of nominal GDP (2002 estimates). This indicates that despite improvements in domestic credit in recent months, excess liquidity continues to persist in the banking system. Credit to the private sector achieved a higher growth of 35.7 percent as against a growth of 29.3 percent in the previous year.

On the liability side, growth in total deposits (including foreign currency deposits), was much higher at 34 percent (20 percent in 2001/2002), influenced by a higher growth in current account deposits and foreign currency deposits, which grew at 89 percent and 307 percent, compared to 11 percent and 27 percent, respectively in 2001/2002. This significantly higher growth in both the current account and foreign currency

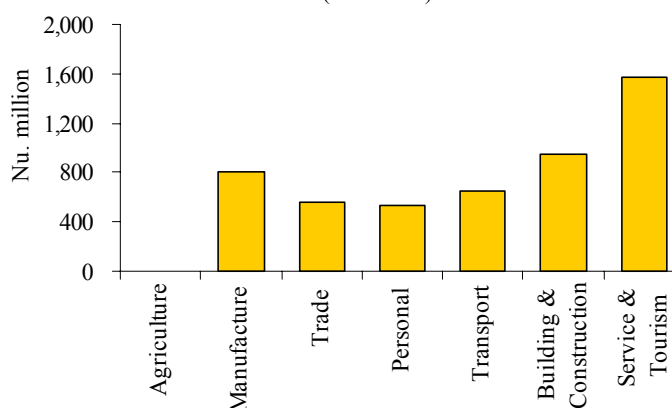
deposits can be attributed to the much higher growth in the individual and government corporations' current account deposits, which grew at the rate of 93 and 141 percents, respectively. The increase in the growth of foreign currency deposits resulted from increased deposits by the Dai Nippon Constructions, SNV, Helvetas, Bhutan Trust Fund and Ministry of Finance during 2002/2003. Fixed deposits continued to compose the bulk of deposits placed by the non-financial private sector, and constitutes 59 percent of the total deposits during the period ended June 2003.

The commercial banks' sector-wise distribution of credit indicates an overall surge (by 67 percent) in credit when compared to the last fiscal year, with the biggest increase going to the service and tourism sector (from Nu.349.9 million in 2001/2002 to Nu.1,570 million in 2002/2003), followed by building and construction (from Nu.641.2 million to Nu.950.8 million)

**Graph 2.3**  
**Types of Deposits of Commercial Banks**



**Graph 2.4**  
**Sector-wise Investment of Commercial Banks**  
(June 2003)



and manufacturing (from Nu.536.5 million to Nu.799 million). Credit to other major sectors except for agriculture, such as, transport, personal and consumer loans, also registered higher growth rates.

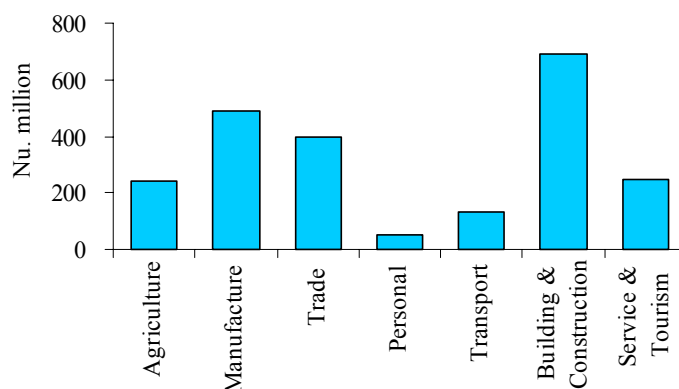
A detailed description of the development of the two commercial banks is presented in *Annex III*.

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

As at the end of 2002/2003, the combined assets of the Royal Insurance Corporation of Bhutan (RICB) and the Bhutan Development Finance Corporation (BDFC) rose by 24 percent, with expansion of credit to the private sector increasing by 20 percent during 2002/2003.

In terms of sector-wise growth of credit during the year by non-bank financial institutions, the highest share of credit went to building and construction (690.5 million), followed by manufacturing (Nu.491 million), and then trade and commerce (Nu.399.3 million during 2002/2003).

**Graph 2.5**  
Sector-wise Investment of Non-Bank FIs  
(June 2003)



A detailed description of the developments in the activities of the two non-bank financial institutions is presented in *Annex III*. The Financial Institutions Supervision Division of the RMA also prepared a report on developments that took place in the financial sector during 2002. This is presented in *Annex VII*<sup>3</sup>.

At the draw of 2002, the listing of the Bhutan Beverages Company Ltd. (BBCL), made it the 15<sup>th</sup> company registered on the Royal Securities Exchange of Bhutan (RSEB). Total market capitalization at the RSEB was approximately Nu.3,441.8 million, up from Nu.2,944.4 million in the previous year. Driven mainly by the new issuance of shares by BBCL, overall shareholders' count grew by 59.5 percent to 11,461 from 6,813 in 2001. Consequently, there was an upsurge in year-wise traded volume in initial public offers (IPOs) to 1,150,000 in 2002, as against 334,032 in the year before that. In terms of percentage turnover, IPOs constitute 65.8 percent, and secondary markets, the residual 34.2 percent.

The trading of RMA Bills more than doubled at the end of 2002 to Nu.3,801.6 million. In the secondary markets, the most active trading during 2002 took place with Penden Cement Authority Limited (PCAL), whose traded shares amounted to Nu.13.7 million, followed by Bhutan Polythene Company Limited (BPCL) shares with a

<sup>3</sup> It is important to note that the analysis provided in this sectoral commentary and reviews made in their report may vary on account of the choice of definitions of financial items (e.g. excess liquidity).

traded value of Nu.13.3 million. A major development in the capital markets however remained, the floating of shares for the newly opened Bhutan Beverages Company Ltd. (BBCL) between June 1, 2002 and June 28, 2002. The turn of events is a positive indication of growing public awareness of the stock market potential, and willingness to adopt risks in the market.

In September 2002, the Ministry of Finance re-issued RGOB Treasury Bills worth Nu.500 million at a 7 percent coupon rate by extending its term for a further period of one year to the existing bondholders.

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

In 2002, the RMA 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.

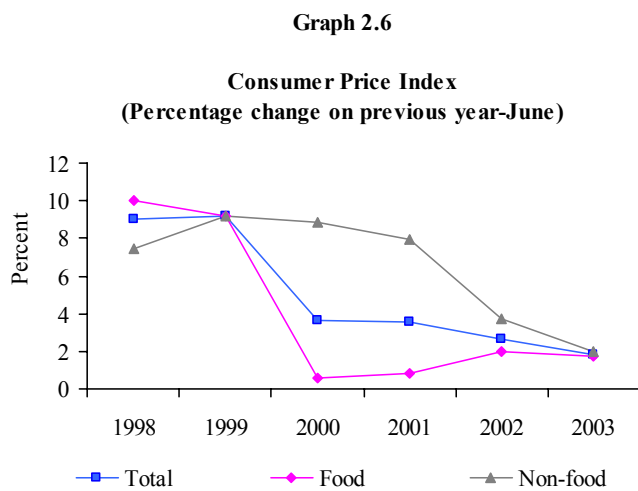
Therefore, the key challenge in the Bhutanese financial sector continues to be the need to improve market infrastructure, the legal and regulatory framework, institutional and human resources development. Emphasis is placed on reducing risk to financial institutions through the promotion of a sound market 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.

Encouragement to set up small and specialized non-bank financial institutions are moreover 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 regarded as a means to improve efficiency in overall financial intermediation.

Strengthening the supervisory arm of the central bank is deemed as the most important element of financial sector reform. Revision of the RMA Act is in progress and work on other important legislation on insurance activities, securities exchange, and pension is under consideration.

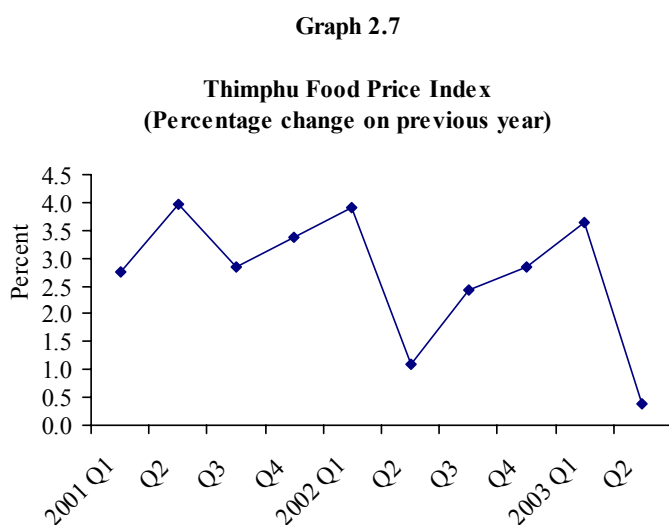
With the assistance of the ADB, the RMA conducted a series of trainings on Project Appraisal and Monitoring for the staff of the four financial institutions (March and April 2002) and simultaneously formed a six-member Trainers Group (constituted from the financial institutions). In the second phase of the program, the Trainers Group carried out 2 training sessions on Project Appraisal and Monitoring in October 2002 to participants in Thimphu and Phuentsholing. There are plans to continue by conducting a similar training in January 2004. The long-term plan of the RMA is to establish a Financial Sector Development Training Institute at the RMA.

## 2.6 Prices



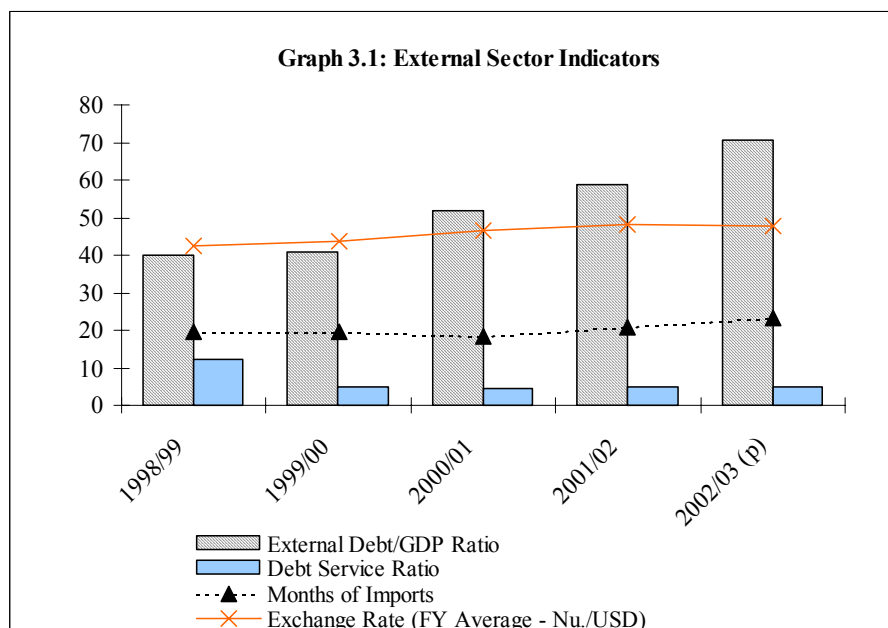
The Central Statistical Organization (CSO) is now referred to as the National Statistical Bureau (NSB) as per the restructuring exercise of the government. According to the consumer price index (CPI) published half-yearly by the NSB, annual inflation continued to decline reaching 1.8 percent in June 2003 from 2.3 percent in December 2002, the lowest till date. As regards the components of the CPI, the annual growth of non-food items dropped from 2.7

percent (December 2002) to 2 percent, while the annual growth of food items also fell to 1.7 percent from 2 percent December-end 2002.



The Thimphu food price index (quarterly publication of the NSB), indicates a much lower growth in prices at 0.1 percent (year-to-year rate of change) compared to 3.6 percent in the quarter ending March 2003. The annual change in the prices of vegetables and fruits, which was negative at 14 percent, was the primary reason for the very low price rise in food. The prices of other food items continued to grow at a slightly lower rate of 7.4 percent at the end of June 2003 from 7.6 percent in the previous quarter.

### 3. EXTERNAL SECTOR

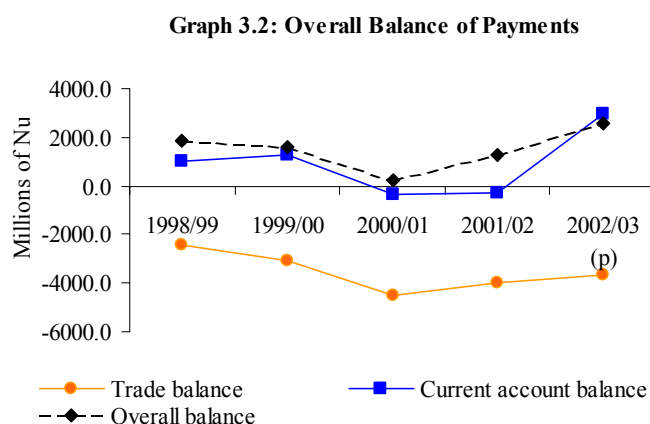


Bhutan's balance of payments improved significantly during 2002/2003, recording a doubled overall surplus of Nu.2,573.2 million over the previous fiscal year. Propelled by the inflow of loans, grants, and foreign direct investment, foreign exchange reserves accordingly registered an increase by USD 57.1 million to USD 374 million, which is sufficient to finance over 23 months of imports. With the growing strength of the Indian Rupee against the US Dollar, the Ngultrum followed suit in its appreciation vis-à-vis the USD by 4.4 percent during the fiscal period. And the debt service ratio<sup>1</sup> has worsened marginally to only 4.9 percent from 4.8 percent in 2001/2002. A feature on Bhutan's external debt has been attached in *Annex VIII*.

#### 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 (DRC). Commencing 2002/2003, the DRC will be generating half-yearly trade data, thereby enabling the use of fiscal year data for the composition of trade, thus supplementing present calendar-year information.



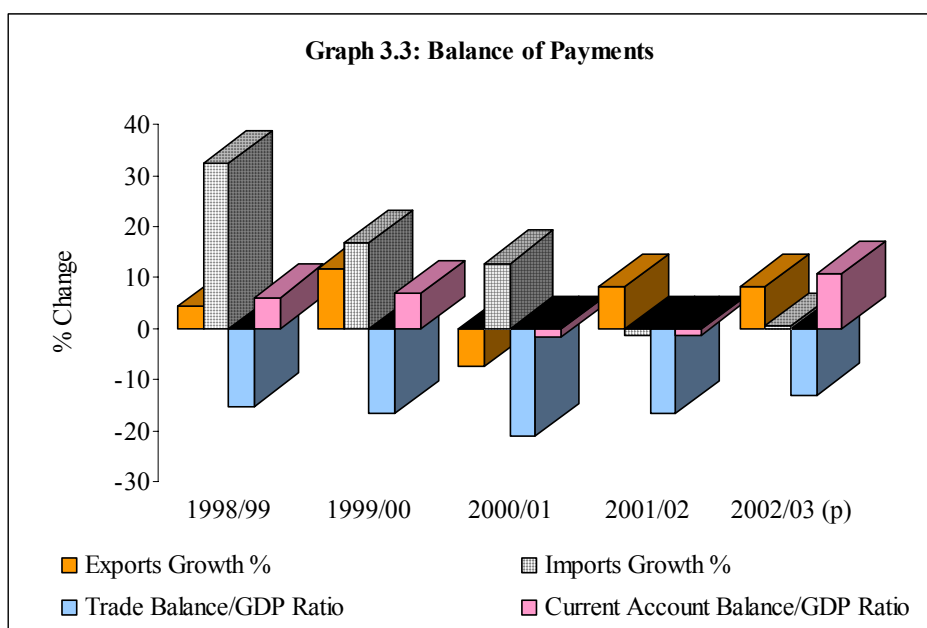
<sup>1</sup> Debt Service Ratio - Debt service payments as a percentage of the export of goods and services.

A striking fall in imports from countries other than India (COTI) and a minimal rise in total exports by less than a percent improved the trade account during 2002/2003. On the other hand, exports led by the sale of electricity to India from the Chukha and Kurichhu projects, increased by 8.2 percent, relatively on par with its performance in 2001/2002.

**Table 3.1 Bhutan's Balance of Payments**

Item	2000/01	2001/02	2002/03 (p)	2000/01	2001/02	2002/03 (p)
	<i>Millions of Ngultrum</i>			<i>Millions of USD</i>		
<b><u>A. Current Account</u></b>	<b>-370.1</b>	<b>-297.0</b>	<b>2937.1</b>	<b>-8.0</b>	<b>-6.2</b>	<b>61.3</b>
Goods	-4490.4	-3995.5	-3636.2	-96.8	-82.9	-75.9
Exports	4615.8	4994.8	5405.9	99.5	103.6	112.8
Imports	-9106.3	-8990.2	-9042.1	-196.3	-186.5	-188.6
Services	-113.4	-115.1	-780.5	-2.4	-2.4	-16.3
Credit	1570.3	1530.3	1272.0	33.9	31.7	26.5
Debit	-1683.7	-1645.4	-2052.5	-36.3	-34.1	-42.8
Income	34.1	-226.5	-646.6	0.7	-4.7	-13.5
Credit	718.5	436.3	513.6	15.5	9.1	10.7
Debit	-684.4	-662.9	-1160.3	-14.8	-13.7	-24.2
Current Transfers	4199.7	4040.0	8000.5	90.5	83.8	166.9
Credit	6083.6	6222.0	10180.7	131.2	129.1	212.4
Debit	-1883.9	-2181.9	-2180.3	-40.6	-45.3	-45.5
<b><u>B. Capital and Financial Account</u></b>	<b>1428.6</b>	<b>2933.0</b>	<b>4645.5</b>	<b>30.8</b>	<b>60.8</b>	<b>96.9</b>
Foreign Direct Investment	0.0	86.8	117.9	0.0	1.8	2.5
Portfolio Investment	-881.4	0.0	0.0	-19.0	0.0	0.0
Net Official Flows	2310.0	2846.2	4527.5	49.8	59.0	94.5
Other Loans	0.0	0.0	0.0	0.0	0.0	0.0
<b><u>C. Net Errors and Omissions</u></b>	<b>-815.7</b>	<b>-1391.9</b>	<b>-5009.4</b>	<b>-17.6</b>	<b>-28.9</b>	<b>-104.5</b>
<b><u>D. Overall Balance</u></b>	<b>242.8</b>	<b>1244.0</b>	<b>2573.1</b>	<b>5.2</b>	<b>25.8</b>	<b>53.7</b>

Bhutan has always faced large trade deficits as almost all consumer and capital products are imported from India and other countries. The onset of major power projects in the late 1990s resulted in a boost of import levels during the construction of these projects. And during 2002/2003, imports at Nu.9,042.1 million increased slightly by 0.6 percent from Nu.8,990.2 million in 2001/2002, entirely on account of Indian imports. However, the growth in total import levels was lower from the previous year due to a sudden drop in imports from other countries by over 58 percent. On the other hand, despite a small growth in overall exports, there were lower sales of prepared food commodities, mineral products, wood-based items, and handicrafts.



Studying 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 in November 2001) dominating the composition of Bhutan's exports and accounting for 43.7 percent of overall merchandise trade. Electricity exports to India earned Bhutan Nu.2,363.7 million during 2002/2003. Other major export commodities to India continue to be agro-based, chemical, mineral, base metal and base metal products. In 2002, animal products, textiles, and machinery and mechanical appliances (mostly scrap metal) were the biggest gainers. In terms of COTI exports, leading items consist of vegetables and fruits, processed foods, mineral products, textiles, and household commodities. Significant export performance was achieved for wood products, and textiles with over 100 percent growth in 2002 over the previous year.

**Table 3.2 Composition of Exports to India**

	Percentage Share of Total				
	1998	1999	2000	2001	2002
Electricity	32.1	43.0	50.0	44.1	47.7
Mineral Products	16.8	14.8	12.0	13.0	7.7
Base Metals and Metal Products	11.4	11.4	10.3	12.7	12.8
Chemical Products	14.7	12.1	11.1	12.5	13.7
Food Products	11.7	10.3	9.0	10.6	11.0
Wood and Woodpulp Products	10.6	6.3	5.7	5.2	3.5
Others	2.9	2.1	1.9	2.0	3.6
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Department of Revenue and Customs.

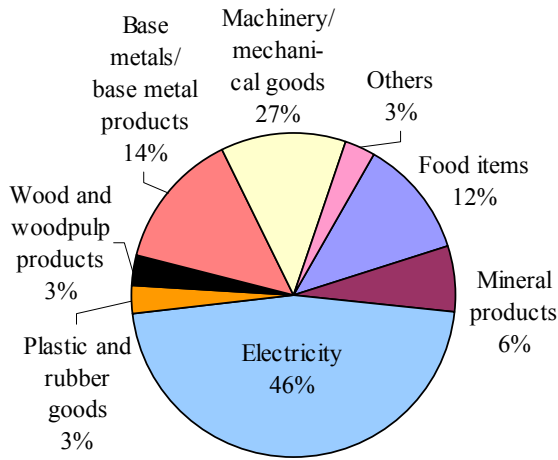
**Table 3.3 Composition of Exports to Countries Other Than India**

	Percentage Share of Total				
	1998	1999	2000	2001	2002
Agricultural Products	66.6	63.8	49.3	55.7	33.6
Mineral Products	22.8	21.9	31.3	31.3	40.6
Processed Foods	2.0	2.9	6.0	4.9	1.9
Textiles	0.4	5.9	5.8	1.7	3.2
Household Items	0.0	0.3	4.1	2.7	0.7
Others	8.2	5.2	3.5	3.8	19.9
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

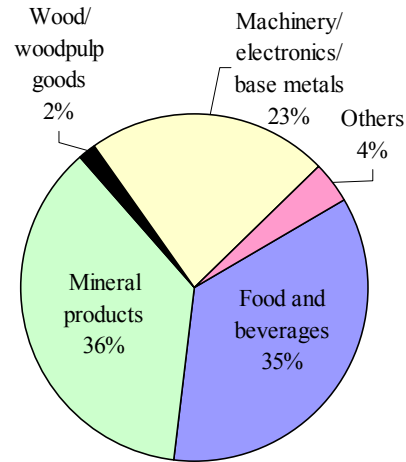
Source: Department of Revenue and Customs.



**Graph 3.4: Composition of Commodity Exports to India: 2002/2003 (p)**

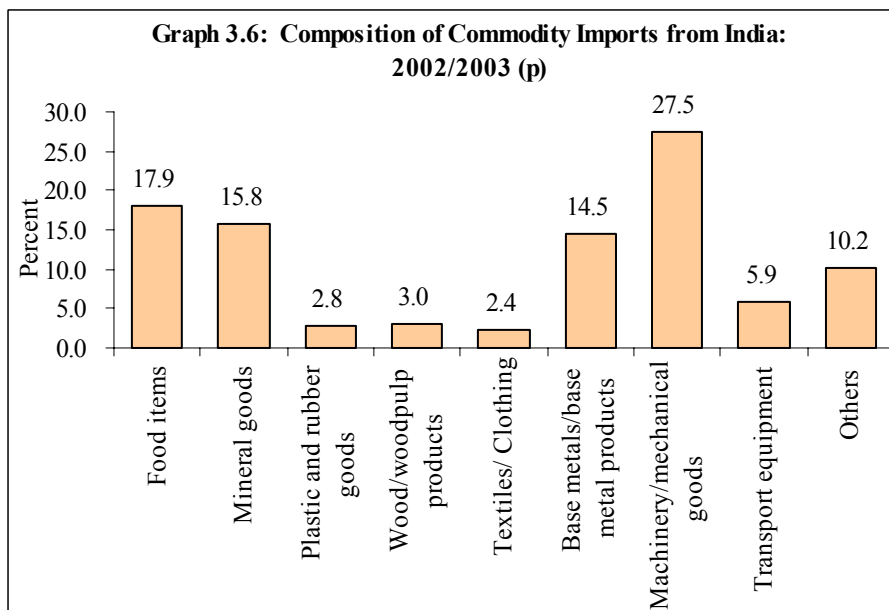


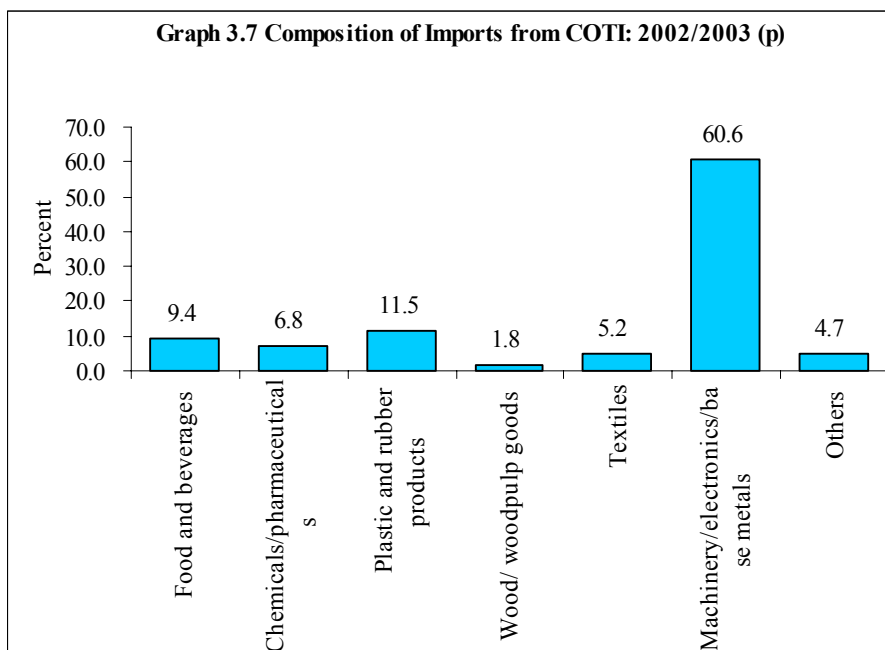
**Graph 3.5: Composition of Exports to COTI: 2002/2003 (p)**



Meanwhile, in the debit trade account, major categories of imports from India include food, fuel and mineral commodities, capital equipment, and a range of consumer products, with the largest share going to machinery and mechanical appliances, making up 27.5 percent of total Indian imports during 2002/2003. Over 50 percent of cars imported during 2001 were Indian-manufactured. Today there are a total of 24,430 cars registered in the capital town alone (excluding cars belonging to the armed forces). Most Indian imports registered a decrease in 2002, while the highest gainers for 2002 included semi-precious and precious metal products, as well as works of art. Popular imports from COTI cover machinery, mechanical and electronic items along with edible items and plastic goods. The import of prepared food items continued to rise during 2002, in addition to other manufactured goods.

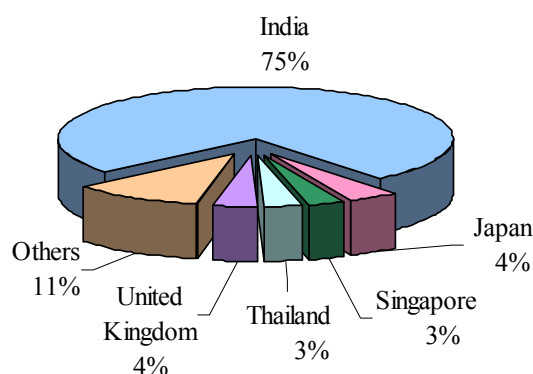
**Graph 3.6: Composition of Commodity Imports from India: 2002/2003 (p)**





In terms of the direction of trade, it is evident that there is a steadily increasing shift in export destination away from India and Bangladesh to other countries. India presently accounts for 94.3 percent (2002/2003) of all of Bhutan's exports at Nu.5,405.9 million in 2002/2003, while Bangladesh follows suit at about 4 percent. As per the most recent data (2002 end figures), exports to India decelerated for almost all categories of products in contrast to exports to other countries. Meanwhile, the top 3 sources for Bhutanese imports are now India, Japan, and the United Kingdom.

**Graph 3.8 Year 2002 Source of Imports**



The net outcome of exports and imports ended in 2002/2003 with a notable improvement in the trade deficit by 9 percent to Nu.3,636.2 million on account of the substantial decline in imports from COTI.

**Box 3.1**  
**Guide to New BOP**

The services account is the net outcome of receipts and payments for services rendered to and availed from 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.

**Invisibles**

**Table 3.4 Summary of Overall Invisibles Receipts**

	Millions of Nu.	
	2001/2002	2002/2003 (p)
Travel	472.6	498.6
Transportation	320.2	172.0
Insurance and GNIE	599.7	466.1
Miscellaneous	137.8	134.8
Transfers	6,222.0	10,180.7
Income	436.3	513.6

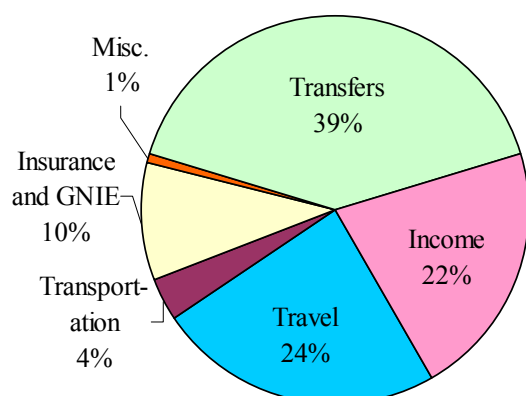
GNIE: Government not included elsewhere.

introduced from 1995/1996 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.

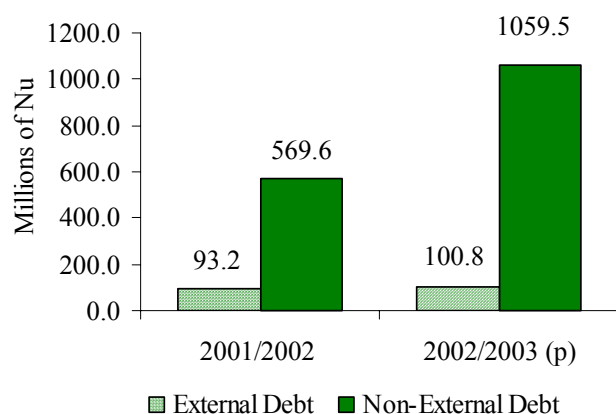
Adjustments have been made to Bhutan's balance of payments (BOP) compilation methodology from fiscal year 2001/2002 onwards (*Box 3.1*). A re-classification exercise has been carried out to restructure Bhutan's BOP along International Monetary Fund (IMF) standards. Due to the unavailability of past records, changes can only be

In the services account, imports exceeded exports, and led to the net outflow of Nu.780.5 million. The negative growth in services exports can be attributed to lower export receipts from insurance services, transportation (from COTI), and lowered government services inflows (from India). On the other hand, there was a huge expansion in payments for services imports by 24.7 percent mainly in the areas of travel, financial services, and government services expenditure abroad. Tourism and travel, and government services, continue to provide Bhutan with the largest services

**Graph 3.9 Invisibles Payments: 2002/2003 (p)**



**Graph 3.10: Income Payments**



receipts, while government services expenditure abroad and travel abroad by Bhutanese were the largest imports for the period under review.

The net outflow from income of Nu.646.6 million was a two-fold increase from 2001/2002, propelled by lowered investment income from COTI, a result of global declines in interest rates, countered by relatively large compensation of Indian employees in Bhutan (related to aid and loan projects), as well as interest payments made towards Rupee and convertible currency debt service. Previously, compensation of Indian workers was clubbed together with workers remittances included in the current transfers payments account. This system has been revised this year to include roughly 10 percent of the received aid and grants as compensation of employees under income payments. In terms of income receipts, Nu.513.6 million were earned from investment income interest of the RMA and financial institutions deposits held abroad, a 17.7 percent increase from Nu.436.3 million at the end of 2001/2002.

Outward remittances from aid-related projects and programs were estimated at roughly 20 percent of all foreign aid received by Bhutan, including concessional loans and grants. This was reflected in current transfer payments of Nu.2,181.9 million during 2001/2002. From 2002/2003, Indian labor remittances are calculated based on average wages of workers, estimated expenditure and remittances against the number of workers in the country. Accordingly, the estimates have been downsized for BOP with India, and overall transfer payments have marginally dropped to Nu.2,180.3 million for the fiscal year ending 2002/2003.

In spite of extensive current transfer outflows, these were more than adequately supported by current transfer receipts of Nu.10,180.7 million as compared to receipts of Nu.6,222 million in 2001/2002. Reasons for its significant growth point to substantial releases of non-budgetary Indian grant funds for major power projects, as well as larger convertible currency official grant disbursements. Consequently, a net inflow for current transfers of Nu.8,000.5 million was recorded for 2002/2003.

In light of growing numbers of Bhutanese living in foreign countries and sending money back to their families in Bhutan, commencing from 2002/2003, remittances

from Bhutanese living abroad (specifically the United States) are being included under the current transfer credit account as non-resident Bhutanese (NRB) remittances. During 2002/2003, these totaled Nu.28.9 million.

### Current Account

Though smaller imports may have helped improve the trade deficit, it was the surge in current transfer receipts that contributed to the narrowing of the trade deficit, and deficits in the invisibles account, finally allowing a current account surplus of Nu.2,937.1 million. This demonstrates a considerable jump from 2001/2002's current account deficit of Nu.297 million, and also represents 10.7 percent of GDP.

### Capital and Financial Account

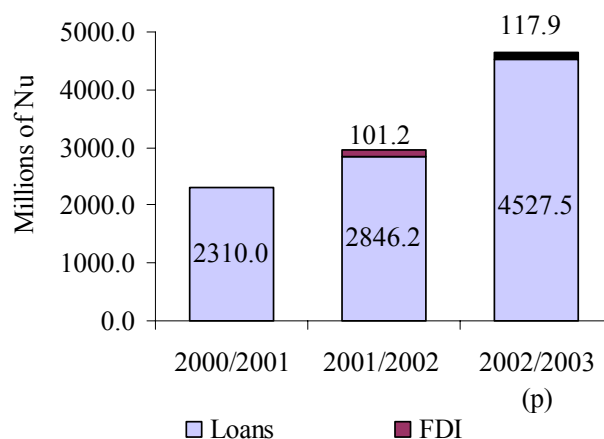
Bhutan's financial inflows have been dominated by concessional loans provided by foreign governments and international aid agencies. Disbursement of loans was fuelled in recent years by the development of the Tala, Kurichhu, and Basochu hydropower projects. Commercial borrowings are negligible and direct investment has only begun to take off with recent FDI in the tourism and hotel industry. This however is a promising development in Bhutan's balance of payments, especially since inflows from FDI is the beginning of alternative foreign exchange inflows and corresponding future improvements in the invisibles account.

As per the FDI Policy approved on December 3, 2002, FDI will initially be allowed in the manufacturing and service sectors, with minimum FDI investment (total project cost) of USD 1 million for manufacturing, and USD 500,000 for the service industry. Foreign investors are also allowed to hold up to 70 percent of shareholding in both sectoral investments.

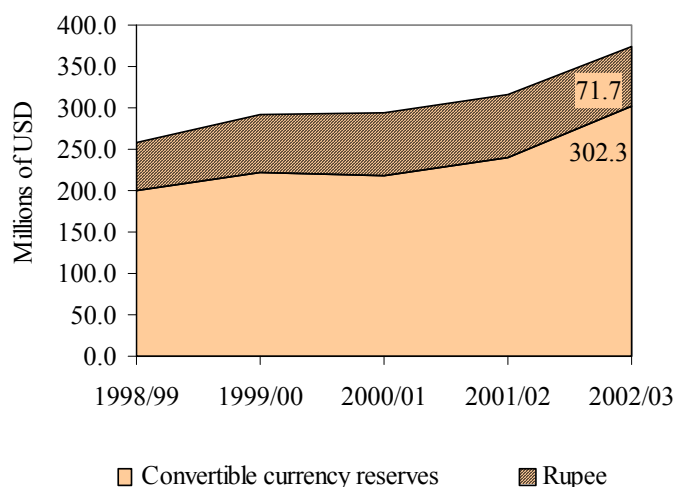
In Bhutan's capital and financial account, total financial inflows for fiscal year 2002/2003 shot up to Nu.4,645.5 million, a 58.4 percent increase over the last year. Total disbursement of loans for the fiscal year, after deducting repayments of principal, rose by 59.1 percent to Nu.4,527.5 million.

In conclusion, Bhutan's balance of payments recorded an overall surplus for the fiscal year 2002/2003 due to combined grant and financial account inflows and grew from Nu.1,244 million to Nu.2,573.1 million.

**Graph 3.11: Summary of Financial Inflows**



**Graph 3.12: Bhutan's Gross International Reserves**



Corresponding to this increase in the overall balance of payments is the improvement in the country's international reserves to USD 374 million from USD 316.9 million in 2001/2002. Rupee reserves fell by approximately 10.2 percent to Nu.3,351.6 million, whereas convertible currency reserve levels rose to USD 302.3 million from USD 240.7 million in 2001/2002.

**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.
- ❖ 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.

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).

(contd...)

(concl...)

- ❖ All three major hydropower projects will be completed this FYP period, with the giant Tala project due for completion in September 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 reduce 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 application to the World Trade Organization 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 2002/2003**

- ❖ December 2002: Approval of the Foreign Direct Investment (FDI) Policy.
- ❖ January 2003: In a bid to promote industrial development within the country, the Royal Government granted the Ministry of Trade and Industry to approve the industrial import of raw materials up to USD 2 million in hard currency from third countries. Requirements above USD 2 million will be referred to the Ministry of Finance. As a pre-requisite, promoters seeking import of raw materials will have to ensure a 40 percent value addition besides other eligibility requirements.
- ❖ January 2003: The National Environment Commission enforces the provision in the Environment Act of 2000 that all industries and mines in Bhutan must obtain an environmental clearance certificate (EC).
- ❖ February 2003: A major step in the accession process, Bhutan handed over the Memorandum on the Foreign Trade Regime Document (MFTR) to the World Trade Organization (WTO) Secretariat in Geneva. The MFTR will form the basis of discussions for WTO members interested in forging trade and economic relations with Bhutan. Bhutan hopes to join the WTO by the end of the Ninth Plan.
- ❖ May 2003: Renewal of the Bhutan-Bangladesh Bilateral Trade Agreement. As per the new agreement, Bangladesh has agreed to reduce duty and value added tax from 50 percent to 15 percent on the import of 18 products exported by Bhutan. These include assorted fruits, vegetables, timber products, and construction materials. Bangladesh is Bhutan's second largest destination for exports after India.

### **3.1.1. Balance of Payments with India**

Imports from India grew by 17.4 percent to Nu.8,203.5 million in 2002/2003, out-sizing exports of Nu.5,095.3 million. Consequently, the trade deficit deteriorated from Nu.2,288.3 million in 2001/2002 to Nu.3,108.2 million. The trade deficit as a percentage of GDP rose from 9.6 percent to 11.3 percent for FY 2002/2003. And heavy inflows in the invisibles account from current transfer receipts from grants helped reduced the trade deficit to a current account balance surplus of Nu.2,522.7 million (roughly 9 percent of GDP).

In spite of huge counter inflows of project-related financial aid in the form of concessional hydropower project-related loans from the Government of India, there has been a negative overall balance of payments with India after almost 8 years. At this point, it is essential to note that BOP figures are conclusively estimates and that large inflows in the current transfers and financial account for both India and other countries must be treated with caution.

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

A sudden reduction in other country imports by about 58 percent resulted in the improvement of Bhutan's trade deficit with other countries, falling by 25.4 percent from Nu.1,707.1 million in 2001/2002 to Nu.528 million in 2002/2003. Lowered imports of plastic and rubber products as well as machinery and electronic items contributed to the drop in COTI imports. Nonetheless, import payments were still approximately three times greater than export earnings of Nu.310.6 million. Under services, a fall in transportation and insurance receipts combined with greater travel, financial and government expenditures resulted in a net outflow of Nu.439.7 million. In terms of income transactions however, even though earnings from foreign investments were lower during 2002/2003, they were still sufficient to meet income payments of Nu.84.7 million, thereby recording a net inflow of Nu.135.2 million. Similarly, overall current transfers growing by 10.7 percent were steered by huge grant aid in excess of transfer payments. In the end, the current account balance registered a surplus of Nu.414.4 million from a deficit of Nu.206.5 million in 2001/2002. In relation to nominal GDP, the current account surplus with COTI stood at 1.5 percent for the fiscal year under review.

In addition to the strengthening of the current account, the overall balance is also positive at Nu.2,952.1 million, up from Nu.1,130.7 million in 2001/2002. During 2002/2003, there were FDI inflows of Nu.117.9 million, funds received by the Bhutan Resorts Corporation Limited, and Bhutan EcoVentures Limited towards resort constructions within Bhutan. Moreover, there were also increased gross disbursements of convertible currency concessional loans to the amount of Nu.1,560.3 million from last year's receipt of Nu.1,113.7 million. A majority of these loans till date has been awarded towards developing Bhutan's energy and agricultural sector.



### 3.2. External Debt and Debt Service

The stock of external debt outstanding grew significantly by 39 percent during fiscal year 2002/2003 to USD 405.5 million. Of this figure, 44 percent consisted of convertible currency outstanding loans amounting to USD 176.8 million, a 36 percent increase over the previous year. The remaining 56 percent of outstanding debt are Rupee loans of Rs./Nu.10,963.7 million, which is a 40.5 percent surge from last year's outstanding balance of Rs./Nu.7,803.6 million. The growth in total outstanding debt is largely attributed to sizeable disbursements by the ADB in the health and financial sectors, as well as other increased disbursements for the communications and agriculture sectors. Furthermore, USD 7.9 million were released by the Austrian Government towards lower-stage Basochu hydropower project. In addition, Rs./Nu. 3,041.6 million and Rs./Nu.162 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 escalated from 58.8 percent in 2001/2002 to 70.6 percent in the current period. Meanwhile, total debt as a percentage of gross international reserves has also exceeded itself, rising from 92.1 percent in 2001/2002 to 108.4 percent in 2002/2003.

**Table 3.5: External Debt Indicators**

Item	End of period			
	1999/00	2000/01	2001/02	2002/03 (p)
Debt Outstanding (in millions)				
Total (USD)	173.8	236.8	291.8	405.5
Convertible Currency (USD)	98.7	106.9	129.9	176.8
Indian Rupee (Rs.)	3276.9	6024.4	7803.6	10963.7
Debt Outstanding/GDP (%) <sup>1)</sup>	40.9	51.9	58.8	70.6
Debt Service Ratio (%) <sup>2)</sup>	4.9	4.6	4.8	4.9

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 1988/1989 to purchase an aeroplane. Repayments on this loan were completed in 1998/1999. Since then, all other loans have been concessional. There are plans however, to seek external commercial borrowing to finance one of two aeroplanes that Druk Air Corporation will purchase in 2004. Notably, 59 percent of all cumulative soft loans (both convertible currency and Rupee) have been disbursed to the power sector, while another 25 percent have been shared by the communications, agricultural, industrial, and education sectors of the economy (in that order).

Bhutan's largest creditor remains the Government of India (Rupee loans), with an outstanding Rupee debt of Rs./Nu.10,963.7 million (USD 228.7 million), followed by the Asian Development Bank (ADB), World Bank, and the Austrian Government,

with outstanding debt figures of USD 75.8 million, USD 42.9 million and USD 34.7 million, respectively.

### **Box 3.4**

#### **World Bank Commends Projects in Bhutan**

According to the President of the World Bank, Mr. James D. Wolfensohn, World Bank projects in Bhutan are the most successful among the Bank's international development association (IDA) projects in the world. "There is caring in your country for getting the job well done... There is a natural reluctance to take on too much debt and to make every financial support and technical support effective."

During his visit to the Kingdom in May 2003, he commended the process of decentralization and devolution of power, stating that with proper support from the district level and from the government, there was no reason why, in a relatively short period of time, the process should not work.

Till date, Bhutan has received from the World Bank, over USD 60 million in loans, of which USD 40 million have been disbursed mostly towards the education, agriculture, and communications sectors.

#### **Bilateral Momentum Continues**

During the presentation of her credentials to His Majesty the King on May 7, 2003, Dr. Stefan-Bastl Jutta, described Austrian-Bhutanese cooperation as "very open, transparent, and close," expressing her satisfaction at the way projects under Austrian assistance were implemented in Bhutan.

Ever since formal diplomatic relations began in 1989, Austria has assisted Bhutan primarily in the fields of energy development, renewable natural resources and environmental management, tourism, and culture. Presently tourism and mitigatory measures against glacial lakes have been identified as the chief areas of focus in Austria-Bhutan development cooperation. Dr. Jutta explained that tourism as an industry is "an area where [Bhutan] may also need to increase foreign exchange, earn hard currency, and also provide job opportunities to young people in the country," while global warming and potential hazards of melting glacier lakes was an area of concern that needed to be addressed.

Financial assistance from the Government of Austria is estimated at Euro 2.2 million in the next 3 years, focusing on rural electrification, mountain ecology, and tourism.

Source: Kuenselnewsonline archives.

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 4.5 million for fiscal year 2002/2003, of which 65 percent, or USD 3 million, were spent on principal repayments. The convertible currency debt service ratio increased from 19.4 percent to 25.4 percent at the end of

June 2003, fuelled mostly by a decline in foreign exchange earnings from services exports by 23 percent, compared to the growth in convertible currency loans. Meanwhile, out of the total Rupee debt service on the Chukha hydropower loan of Rs./Nu.112.7 million, Rs./Nu.25.2 million were spent on interest and Rs./Nu.87.6 million on principal repayments during 2002/2003. The Rupee debt service ratio declined marginally from 2.1 to 1.9 for the period under review.

### Box 3.5

#### Medium-Term Prospects - External Debt

Total current and capital expenditure incurred during the 8<sup>th</sup> Plan period were Nu.42,247.5 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 were financed through receipts of official grant aid, leaving behind a total deficit of Nu.5,044.4 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.

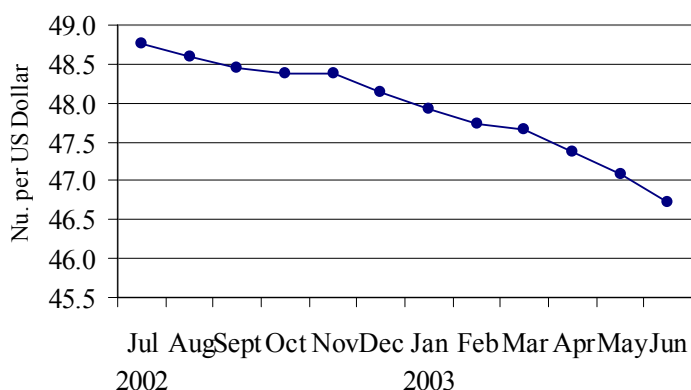
Despite improvements in the collection of domestic revenue, the Government is simply unable to support all of its development capital expenditures and will, therefore, seek external assistance in the form of grants, program and project loans (in that order of preference) to cover nearly half of the 9<sup>th</sup> FYP total outlay which is estimated at Nu.70,000 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 VIII*.

### 3.3. Exchange Rate Developments

The Ngultrum (BTN) is pegged at par to the Indian Rupee (INR), and therefore, follows changes in the exchange rate developments of the Rupee. Stable macroeconomic conditions in India and especially the accumulation of comfortable levels of foreign exchange reserves have benefited Bhutan in terms of exchange rate stability.

Graph 3.13  
Monthly Movements, FY 2002/2003



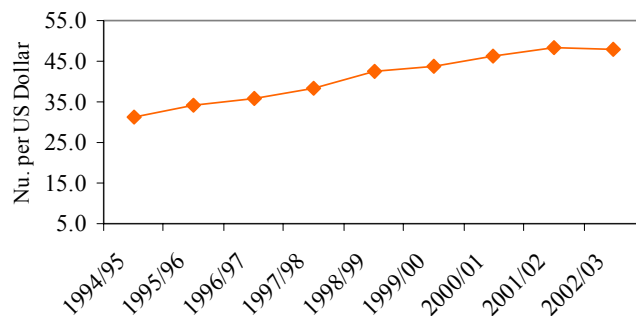
In fact, the BTN has been gradually appreciating against the US dollar ever since May 2002, where it reached an

all time low rate of Nu.49 per US dollar. The appreciation has continued over the course of 2002/2003. From a monthly average of Nu.48.76 per US dollar at the start of the review year, the BTN averaged Nu.46.72 per US dollar at the end, an appreciation of 4.4 percent.

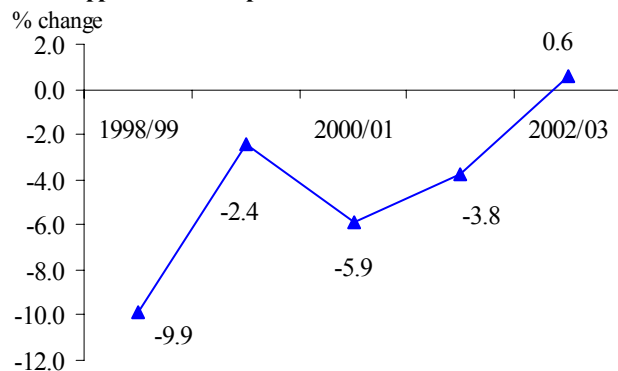
Between June 2002 and June 2003, the exchange rate vis-à-vis the US dollar appreciated by 4.8 percent.

In terms of fiscal year averages, the BTN has been depreciating at an average rate of 6 percent per year over the past seven years (1995/1996 - 2001/2002). However, there was an alteration to that trend in the fiscal year under review with an appreciation of 0.6 percent. As against the fiscal year average of Nu.48.21 per US dollar in 2001/2002, the BTN averaged Nu.47.93 in 2002/2003.

**Graph 3.14**  
**Exchange Rate (BTN/US Dollar)**  
**(Fiscal Year Average)**



**Graph 3.15**  
**Appreciation/Depreciation of BTN vis-à-vis USD**



Among other major currencies, the Japanese Yen appreciated by 4.5 percent against the US dollar between June 2002 and June 2003, in contrast to the 1.2 percent depreciation in the previous corresponding period.

The Euro continued to appreciate against the US dollar, by 22.1 percent between June 2002 and June 2003, from 11.9 percent over the previous corresponding period.

## 4. GOVERNMENT FINANCE

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The Royal Government continued to prioritize the social sector in its budget allocation for the financial year 2002/2003. Despite shortfalls in external assistance, the revised budget estimate for 2002/2003 increased marginally, by about 0.2 percent over the approved budget to Nu.11,201.9 million. Domestic revenue exceeded current expenditure by Nu.254.4 million.

During the February 2003 Round Table Meeting in Geneva, Bhutan's development partners reaffirmed their commitment and support for Ninth Plan activities. And with the 81<sup>st</sup> session of the National Assembly, significant restructuring within the Royal Government led to the bifurcation of two existing ministries into the Ministries of Health, Education, Information and Communications, and Works and Human Settlements, and the creation of the Ministry of Labor and Human Resources.

### **Box 4.1**

#### **Focus of the Financial Year 2002/2003 Budget**

##### **Social Sector**

- Fostering peoples' well-being and initiative towards human resource development through investment in health and education.
- Expanding telecommunication facilities - new initiatives such as telemedicine are being experimented to enhance the outreach of medical expertise to remote areas.

##### **Communications**

- Emphasis on expanding rural access and improving the existing road networks to facilitate private sector development.
- Construction of farm and feeder roads to benefit rural people directly.
- Expansion of telecommunication networks through introduction of mobile phone technology.

##### **Human Settlements**

- Continued emphasis on developing dzongkhag towns all over the country.
- Financing high priority investments such as the provision of basic infrastructure including road access, electricity, telecommunications, water supply and sanitation facilities and other public amenities.
- Ensuring proper development of urban centers with adequate infrastructure and social facilities.

##### **Energy**

- Works on 40 MW lower-stage Basochu hydropower project.
- Consistent efforts on rural electrification in out-stretched areas.
- Establishing an integrated national power transmission grid by linking Basochu with Kurichhu power supply.

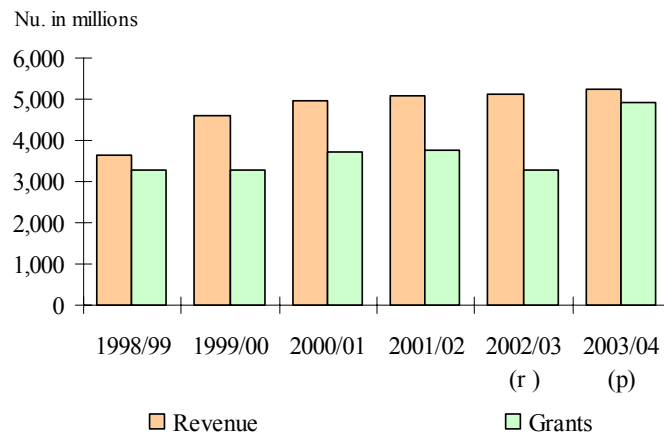
##### **Agriculture**

- Emphasis on improving agricultural productivity by providing training in farm technology, business skills and other technical supports.
- Development of rural infrastructure to improve access to market.

#### 4.1. Revenue and Grants

Total resources including revenue and grants decreased by 4.6 percent to Nu.8,417.7 million during 2002/2003. Of total resources, government revenue receipts accumulated to Nu.5,118.2 million, representing a marginal increase of 0.8 percent over the last year. Tax revenue of Nu.2,761 million, improved by 3.2 percent over 2001/2002, and constituted 53.9 percent of total domestic revenue. Tax revenues were mostly generated through enterprise profit taxes and taxes on goods and services.

Graph 4.1: Composition of Total Resources



Of total tax revenue, taxes on income and profit alone accounted for 53.5 percent, followed by taxes on domestic goods with 40.8 percent. Revenue from corporate income tax amounted to Nu.922.5 million, of which the Chukha Hydropower Corporation continued to be the highest contributor (Nu.592.9 million), followed by the Penden Cement Authority Limited (Nu.80.9 million). Direct business income tax from tour operators, contractors and other businesses totaled Nu.350.2 million. During the year, personal income tax (PIT) contributions added up to Nu.100 million, a significant increase of 230 percent over 2001/2002 when the total collection receipts amounted to Nu.30 million. A decline in future PIT collections is however anticipated, following discussions during the 81<sup>st</sup> session of the National Assembly to reduce the PIT ceiling from 25 percent to 15 percent. The Assembly also offered three additional proposals:

- 1) Enhance the basic tax exemption level from Nu.1,00,000 to Nu.2,00,000.
- 2) Defer tax on cash crops.
- 3) Raise the Nu.50,000 ceiling for exemption on education.

An ad hoc committee of the assembly is to work out a new progressive slab for PIT with a 15 percent ceiling to be submitted in the next Assembly session.

Apart from tax revenue, non-tax revenue, consisting mainly of surplus transfers from public enterprises, decreased by 1.6 percent to Nu.2,339 million as at the end of June 2003.

#### Foreign Grants

Foreign grants, which finance a major portion of developmental expenses, decreased from Nu.3,748.5 million in 2001/2002 to Nu.3,299.7 million in the review year, recording a negative growth of about 12 percent. While grants from the Government of India (GoI) were significantly lower than projected (down by about 44 percent from the previous year), grants from other sources increased by 53.5 percent. Under

the revised budget, the Royal Government received Nu.1,431.8 million from the GoI - Nu.800 as program grant and the remaining Nu.631.8 million as project grant - much lower than projected. As a consequence, the resource gap widened substantially, from Nu.500 million to Nu.1,655.6 million in the 2002/2003 revised budget.

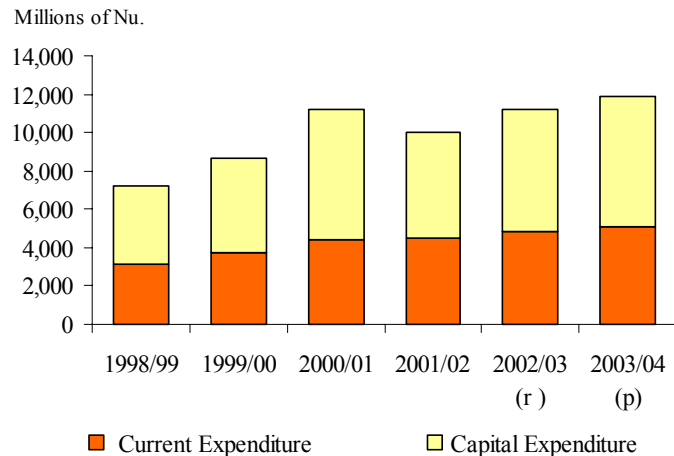
## 4.2. Expenditure

The increase in total expenditure by 11.4 percent to Nu.11,201.9 million was mostly attributed to higher current expenditure and net lending. Current expenditure during 2002/2003 grew by 8.9 percent from 2001/2002, representing 43.4 percent of total expenditure and 18.2 percent of projected GDP.

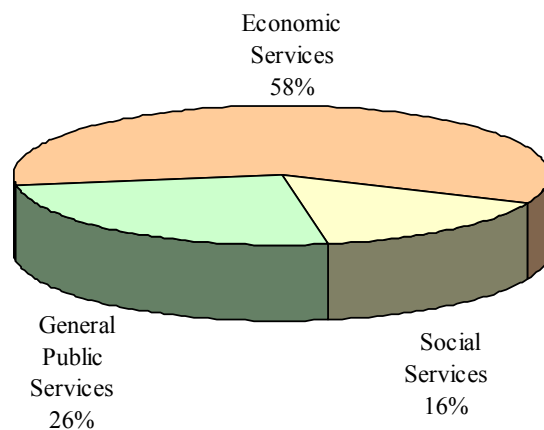
The largest share of current expenditure was incurred on providing social services (Nu.2,498 million), followed by general public services and economic services at Nu.1,505 million and Nu.860 million, respectively. In the social sector, education had the highest share of expenditure at Nu.1,829 million, followed by the health sector at Nu.647 million. The shares of social services and economic and general public services in total current expenditure were estimated at 51.4 percent and 48.6 percent respectively. Under economic services, current expenditure on power was the biggest at Nu.1,087 million, followed by the road sector at Nu.967 million, and urban development and housing at Nu.530 million.

Capital expenditure, comprising 56.6 percent of total expenditure, increased during the year by 13.5 percent to Nu.6,338.1 million. The increase was mainly on account of higher net lending during the year. Since a sizable portion of capital expenditure is backed by foreign grants, the decrease in grants from India during 2002/2003 resulted in lower capital investment. Capital expenditure is estimated at about 23.7 percent of projected GDP. Expenditure on economic services had the largest share of capital expenditure, amounting to Nu.3,539 million, and increased by about 22 percent from 2001/2002.

Graph 4.2: Composition of Total Expenditure



Graph 4.3: Functional Classification of Capital Expenditure



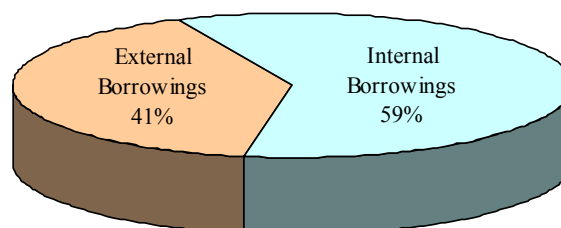
**Table 4.1: Functional Classification of Expenditure**

Year	Millions of Ngultrum					
	Capital			Current		
	General Public Services	Economic Services	Social Services	General Public Services	Economic Services	Social Services
1997/98	467	1107	386	1156	733	737
1998/99	798	2707	601	1423	852	904
1999/00	792	3004	846	1589	882	1232
2000/01	1072	4376	833	2036	1001	1398
2001/02	1371	2901	1475	1936	1098	1631
2002/03 (r)	1540	3539	945	1505	860	2498
2003/04 (p)	1265	3648	1364	2296	842	1860

### 4.3. Financing of the Deficit

The Royal Government's expenditure policy, coupled with the fall in total revenue, resulted in a substantial increase in the overall fiscal deficit, by 127.2 percent to Nu.2,784 million. The fiscal deficit as a percentage of GDP is 10.4 percent, while total expenditure and total resources as a percentage of GDP are 41.8 and 31.4 percents, respectively.

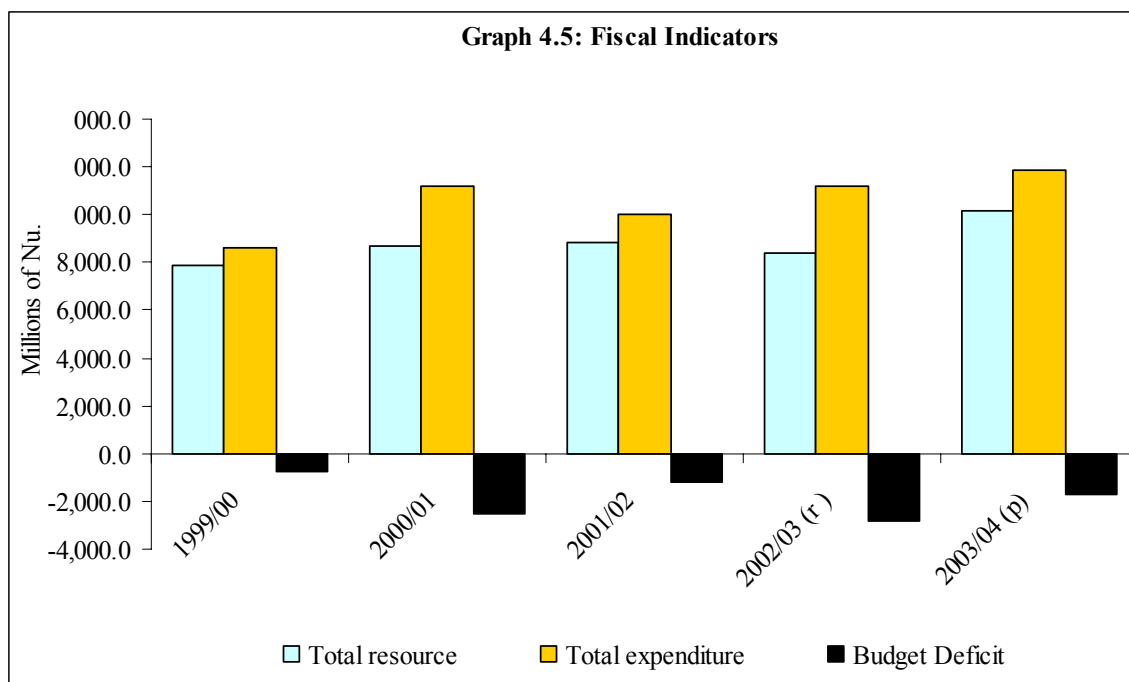
**Graph 4.4: Deficit Financing for the Revised Budget 2002/2003**



Of the total deficit, 40.5 percent (Nu.1,128.3 million) was met through external borrowings from international development partners, and the remaining resource gap of Nu.1,655.6 million had to be financed from domestic borrowings (ways and means advances from the commercial banks and through issuance of government bonds). The ways and means position as of December 2002 stood at Nu.603.8 million. At the end of the third quarter of 2003, it had escalated to Nu.861.5 million. It is further expected that the purchase of Druk Air Corporation's two new Airbus aircrafts in 2004 will place additional strain on the internal resource gap.

In September 2002, the RGoB re-issued bonds of Nu.500 million to finance projects undertaken by the Royal Government (at 7 percent coupon rate) and was further renewed during the year 2003 at the same coupon rate to existing bondholders.





#### Box 4.2

#### Overview of the Financial Year 2003-2004 Budget

Keeping in tune to the country's developmental policies and plans, the financial year 2003/2004 budget accords high priority on improving living standards of the Bhutanese people. During the review year, major investments will be made to address the concerns of the majority of the people living in rural areas. The RGoB has focused mainly on poverty reduction by investing in the social sector and in infrastructure development. Concerted efforts will also be made to pursue integrated rural development through enhanced rural access, expansion of rural electrification and establishment of rural telecommunication infrastructure, etc., in order to bring about sustainable, balanced and equitable development.

The total outlay of the financial year 2003/2004 has been projected at Nu.11,537.7 million. This outlay exceeds the revised budget for the past year by about 3 percent or Nu.335.8 million. Capital and current expenditures are expected to increase by around 4 percent and 3 percent, respectively from the past year.

On the resource front, domestic revenues are projected to increase only by around 2 percent. Of the total domestic revenue, tax revenue covers around 64.2 percent and non-tax revenue the remaining 35.8 percent. This is mainly on account of the various incentives announced last year and the government's decision to not impose new taxes in this financial year. Domestic resources are projected to cover current expenditure fully, particularly since grant assistance from the GoI is expected to increase significantly in view of project readiness and possible finalization of the GoI's assistance package for Bhutan's 9<sup>th</sup> Plan. An overall resource gap of about 3 percent is projected. It is anticipated that given the high dependency on external assistance, any decline in aid would directly lead to an increase in budget deficit or to budget cuts.

(contd...)

(concl...)

One of the significant developments that had a major impact on national budget is the creation of three new ministries: Ministry of Labour and Human Resources, bifurcations of the Ministry of Health and Education and the Ministry of Communication. A budget of Nu.10.5 million has been set aside for these new ministries. The initiation of gewog based budgeting system provided the people's representatives a greater control over resources for management and the use of public funds.

Looking at the sectoral allocation for the period, the health and education sector continued to receive the largest share, at 24.8 percent in the total budget allocation, followed by roads sector, agriculture and general public services at 14.3 percent, 12.6 percent and 12.6 percent, respectively. The remaining 36.7 percent of the budget have been allocated to human settlement, energy, debt services and others.

### **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.70,000 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.31,522 million. The regional revenue collection from Thimphu, Phuentsholing, Samtse, Samdrup Jongkhar, and Gelephu, is projected at Nu.30,086.6 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.6,066 million.

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Of the total plan outlay of Nu.70,000 million, Nu.31,682 million are approximated for current expenditure, Nu.34,869 million for capital investment, and Nu.3,449 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 Works and Human Settlements and Ministry of Information and Communications are appropriated the highest budget of around 15 percent, followed by autonomous agencies with 14 percent, and the Ministries of Health and Education with an allocation of 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.3,000 million will be financed through domestic borrowings in the form of government bonds.

## 5. WORLD ECONOMY

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Economic activity in the second and third quarters of 2002 – except in Western Europe – proved stronger than expected. As a result, global GDP growth for the year is 3 percent, up from 2.4 percent in 2001. But since then, the pace of recovery has slowed, particularly in industrial countries, amid rising uncertainties in the run-up to war in Iraq and the continued adverse effects of the fallout from the bursting of the equity bubble.

In the first half of 2003 data initially remained weak, with industrial production and trade growth slowing markedly in the second quarter, reflecting continued geopolitical uncertainties, the continued after effects of the bursting of the equity price bubble, and – particularly in Asia – the impact of the Severe Acute Respiratory Syndrome (SARS). Most recently, however, there have been growing signs of a pickup in activity – including investment – particularly in the United States, Japan, and some emerging market countries, notably in Asia. With inflationary pressures subdued, macroeconomic policies have been eased across the globe. Interest rates have been reduced in Europe and the United States, as well as in a number of other industrial and emerging countries; and fiscal policy has been further relaxed in the United States and a number of Asian countries. Nevertheless, the degree of macroeconomic stimulus among the major industrial countries continues to vary widely, with significant stimulus in the pipeline in the United States and the United Kingdom and relatively little in the Euro Area and Japan.

Global GDP growth is expected at 3.2 percent in 2003, rising to 4.1 percent in 2004, underpinned by reduced geopolitical uncertainties, policy stimulus in the pipeline, a pickup in inventories, the projected decline in oil price, and a gradual reduction of the after effects of the bubble. Monetary policies are expected to remain accommodative, with a gradual withdrawal of stimulus likely to begin until 2004.

Among the industrialized countries, recovery will continue to be led by the United States where – despite a weak labor market and considerable excess capacity – current data have shown greatest signs of improvement, forward-looking indicators are strongest, and there is most stimulus in the pipeline. In the Euro Area, the forecast has once again been significantly reduced, reflecting continued disappointing private domestic demand and the appreciation of the Euro. In Japan, given the stronger-than-expected second quarter outturn, the stock market pick up, and heightened optimism about the US recovery, the forecast has been revised upward significantly for both 2003 and 2004. However, with the outlook still clouded by deflation and corporate and banking system weaknesses, the pace of recovery is still expected to remain moderate. For advanced economies, output is expected to increase 1.8 percent in 2003 and 2.9 percent in 2004, after 1.8 percent in 2002.

The outlook for emerging markets continues to be driven – to differing extents – by developments in industrial countries, external financing conditions, geopolitical factors, and county-specific development. For developing countries, GDP growth is expected to rise to 5 percent in 2003 and 5.6 percent in 2004, after 4.6 percent in

2002, while for countries in transition, GDP growth is expected to increase to 4.9 percent in 2003 and 4.7 percent in 2004, after 4.2 percent in 2002.

Inflationary pressures remain very low. In advanced countries, inflation is projected to be below 2 percent in 2003 for the second year in succession and to fall to 1.3 percent in 2004, the lowest level in 30 years; inflation in developing countries is expected to fall to 5 percent, also a historical low. Against this background, and given the weakness of the global recovery, the possibility of deflation has attracted increased attention. Recently, there has been overt deflation in only a few countries, most importantly Japan; however, inflation in a number of countries is projected at below 1 percent in 2004, uncomfortably close to zero. The risk of a global deflationary spiral appears remote, and inflationary expectations have recently edged up, reflecting increasing expectations of recovery and recent policy measures. However, in an environment of low inflation, the possibility of a temporary period of price declines in the event of adverse shock remains significant in a number of countries, most importantly Germany, adding to arguments for maintaining a relatively accommodative monetary stance.

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

Percentage change on the previous year

Indicator	Actual		Projections	
	2001	2002	2003	2004
<b>World Output</b>	<b>2.4</b>	<b>3.0</b>	<b>3.2</b>	<b>4.1</b>
Advanced economies	1.0	1.8	1.8	2.9
Developing economies	4.1	4.6	5.0	5.6
Countries in transition	5.1	4.2	4.9	4.7
<b>Consumer Prices</b>				
Advanced economies	2.2	1.5	1.8	1.3
Developing economies	5.8	5.3	5.9	4.9
Countries in transition	16.2	11.1	9.7	9.1

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**

Statistics / Indicators *)	1998/99	1999/00	2000/01	2001/02 (p)	2002/03 (p)
<b>I. Growth in Real GDP (at factor cost)</b>					
a) Bangladesh (1995/96 prices)	5.0	6.1	5.4	4.8	-
b) Bhutan (1980 prices) 1/	6.4	7.6	5.3	6.6	7.7
c) India (1993/94 prices)	6.5	6.1	4.4 (p)	5.6 (qe)	4.3 (re)
d) Maldives (1995 prices)	8.2	7.4	4.8	3.5	6.0
e) Nepal (1994/95 prices)	4.6	6.1	4.7	-0.5	-
f) Pakistan (1980/81 prices)	4.2	3.9	2.2	3.4	5.1
g) Sri Lanka (1996 prices)	4.7	4.3	6.0	-1.5	4.0
<b>II. Inflation :CPI Percent Change 2/</b>					
a) Bangladesh (1985/86=100)	7.8	2.3	1.7	3.0	5.9
b) Bhutan (1979=100)	9.2	3.6	3.6	2.7	1.8
c) India (1982=100)	8.9	4.8	2.5	5.2	4.1
d) Maldives (1995=100)	-1.4	3.0	-1.2	0.7	0.9
e) Nepal (1995/96=100)	11.4	3.4	2.4	2.9	-
f) Pakistan (1990/91=100)	3.7	5.1	2.5	4.4	1.9
g) Sri Lanka (1995-97=100) 3/	-	0.6	8.1	13.4	6.6
<b>III. Government Budget</b>					
<b>(% of GDP)</b>					
<b>Total Revenue and Grants</b>					
a) Bangladesh	10.6	10.5	10.6	11.5	-
b) Bhutan	43.0	42.4	41.0	36.9	30.6
c) India	8.6	9.4	9.2	8.8	9.6 (re)
d) Maldives	31.8	33.8	36.0	36.0	-
e) Nepal	11.5	12.2	13.1	12.9	-
f) Pakistan 4/	15.9	16.3	16.2	17.2	17.7
g) Sri Lanka	17.9	18.3	17.2	17	16.9
<b>Expenditure and Net Lending</b>					
a) Bangladesh	11.6	13.5	14.1	14.8	-
b) Bhutan	44.9	46.5	52.8	42.0	40.7
c) India	16.0	15.4	15.5	15.8	16.3 (re)
d) Maldives	33.8	38.1	40.8	40.3	-
e) Nepal	15.4	15.8	17.6	17.3	-
f) Pakistan	22.0	22.5	20.9	22.8	22.1
g) Sri Lanka	26.3	25.2	26.7	27.5	25.4
<b>Overall Budget Balance 5/</b>					
a) Bangladesh	-4.3	-5.1	-5.1	-4.7	-
b) Bhutan	-1.9	-4.1	-11.8	-5.1	-10.1
c) India	-6.5	-5.4	-5.6	-6.1	-5.9 (re)
d) Maldives	-2.0	-4.3	-4.9	-5.3	-
e) Nepal	-3.9	-3.5	-4.5	-4.3	-
f) Pakistan	-6.1	-6.6	-5.2	-5.2	-4.4
g) Sri Lanka	-9.2	-7.5	-9.9	-10.8	-8.9
<b>IV. Trade and Balance of Payments</b>					
<b>Exports Growth Rate f.o.b.</b>					
a) Bangladesh	3.5	7.9	12.6	-7.6	9.5
b) Bhutan	4.4	11.8	-7.5	8.2	8.2
c) India	-3.9	9.5	19.6	0.05	18
d) Maldives	-	-4.3	18.8	1.4	21.2
e) Nepal	-	27.3	-3.0	-20.0	-
f) Pakistan	-9.8	10.1	7.4	-0.7	22.2
g) Sri Lanka	3.4	-3.9	19.8	-12.8	-2.4
<b>Imports Growth Rate c.i.f.</b>					
a) Bangladesh	6.5	4.6	11.5	-8.5	13
b) Bhutan	32.3	16.8	12.8	-1.3	0.6
c) India	-7.1	16.5	7	-2.8	13.6
d) Maldives (f.o.b.)	-	13.6	-3.4	1.3	-0.5
e) Nepal	-	23.2	3.5	-15.6	-
f) Pakistan	-6.8	9.3	4.1	-3.6	17.8
g) Sri Lanka	0.4	1.5	22.4	-18.4	2.2

Statistics / Indicators *)	1998/99	1999/00	2000/01	2001/02 (p)	2002/03 (p)
<b>Trade Balance (US\$ million)</b>					
a) Bangladesh	-1934	-1865	-2011	-1768	-2207
b) Bhutan	-58	-71	-97	-83	-76
c) India	-13246	-17841	-14370	-12703	-12474
d) Maldives	-216	-262	-233	-236	-211
e) Nepal	-627	-742	-831	-742	-
f) Pakistan	-2085	-1412	-1269	-294	-536
g) Sri Lanka	-1092	-1369	-1798	-1157	-1406
<b>Current Account (percent of GDP)</b>					
a) Bangladesh	-1.0	-0.7	-2.2	0.6	0.4
b) Bhutan	6.1	6.9	-1.7	-1.2	10.7
c) India	-1.0	-1.1	-0.8	0.2	0.7
d) Maldives	-4.5	-14.6	-9.5	-10.8	-
e) Nepal	0.5	0.5	1.2	2.6	-
f) Pakistan	-3.8	-0.3	0.6	4.8	5.9
g) Sri Lanka	-1.4	-3.6	-6.4	-1.5	-1.6
<b>Capital Account (percent of GDP)</b>					
a) Bangladesh	-0.1	0.9	1.6	1.4	0.6
b) Bhutan	7.2	9.7	6.8	12.3	16.9
c) India	2.1	2.3	2.2	2.2	2.5
d) Maldives	11.2	8.6	4.2	5.6	-
e) Nepal	-	-	-	-	-
f) Pakistan	-4.7	-6.7	-1.1	-1.9	-0.2
g) Sri Lanka	2.6	2.8	2.5	3.5	2.9
<b>V. External Debt (end of period)</b>					
<b>Total External Debt (percent of GDP)</b>					
a) Bangladesh	33.6	33.5	34.6	35.2	-
b) Bhutan	42.8	40.9	51.9	58.8	70.6
c) India	23.6	22.1	22.4	21.0	20
d) Maldives	35.8	33.2	31.7	31.9	-
e) Nepal	53.7	51.8	49.9	52.9	-
f) Pakistan	54.9	53.5	60.2	55.3	48
g) Sri Lanka 6/	61.6	63.5	61.0	61.4	62.1
<b>Debt Service Ratio (percent of export of goods &amp; services)</b>					
a) Bangladesh	9.0	9.5	8.8	9.3	-
b) Bhutan	10.2	4.8	4.6	4.8	4.9
c) India	17.8	16.2	17.2	13.9	14.7
d) Maldives	3.5	3.9	4.2	4.3	-
e) Nepal	5.0	4.7	6.1	7.5	-
f) Pakistan	35.3	36.5	38.0	44.8	28.8
g) Sri Lanka	13.3	15.2	14.7	13.2	13.2
<b>VI. Exchange Rate Per US Dollar 7/</b>					
a) Bangladesh	48.1	50.3	53.9	57.4	57.9
b) Bhutan	42.6	43.6	46.4	48.2	47.9
c) India	42.6	43.6	46.4	48.2	47.9
d) Maldives	11.8	11.8	11.8	12.8	12.8
e) Nepal	67.9	68.9	73.6	76.5	78.0
f) Pakistan	46.0	51.6	58.2	61.6	58.6
g) Sri Lanka	67.8	73.0	83.6	93.1	96.7
<b>VII. Monetary Aggregates (end of period)</b>					
<b>Narrow Money (M1) Annual Growth</b>	<b>(percent)</b>				
a) Bangladesh	8.6	15.3	12.4	8.1	10.7
b) Bhutan	39.8	3.5	10.9	12.1	37.6
c) India	15.4	10.6	11.0	11.4	11.8
d) Maldives	15.8	14.5	11.1	-5.9	13.9
e) Nepal	13.1	19.4	15.7	9.3	-
f) Pakistan	33.9	14.9	3.0	15.2	26.2
g) Sri Lanka	12.1	12.8	9.1	3.2	14

Statistics / Indicators *)	1998/99	1999/00	2000/01	2001/02 (p)	2002/03 (p)
<b>Broad Money (M2) Annual Growth</b>	<b>(percent)</b>				
a) Bangladesh	12.8	18.6	16.6	13.1	15.6
b) Bhutan	31.4	16.1	-6.3	17.6	29.7
c) India 8/	19.4	14.6	16.8	14.1	13.2
d) Maldives	22.8	3.6	4.1	9.0	19.3
e) Nepal	20.8	21.8	15.2	4.4	-
f) Pakistan	6.2	9.4	9.0	15.4	18.0
g) Sri Lanka	13.2	13.4	12.9	13.6	13.4
<b>Reserve Money Annual Growth</b>	<b>(percent)</b>				
a) Bangladesh	8.3	15.7	10.9	24.3	3.3
b) Bhutan	25.8	21.1	-21.8	27.9	34.9
c) India	14.5	8.2	8.1	11.4	9.2
d) Maldives 9/	9.8	7.2	5.0	8.0	-
e) Nepal	13.5	16.8	15.7	11.9	-
f) Pakistan	7.7	25.1	7.1	9.6	14.5
g) Sri Lanka	10.9	8.2	4.7	7.0	12.3
<b>Income Velocity of Money (GDP/M2)</b>					
a) Bangladesh	-	3.17	2.91	2.75	-
b) Bhutan	2.19	2.08	2.25	2.16	1.92
c) India					
d) Maldives	2.15	2.25	2.16	2.10	-
e) Nepal	2.2	2.0	1.9	1.9	-
f) Pakistan	2.3	2.3	2.2	2.1	1.9
g) Sri Lanka	2.88	2.74	2.79	2.76	2.69
<b>Money Multiplier (M2/M0)</b>					
a) Bangladesh	4.28	4.38	4.61	4.19	4.69
b) Bhutan	1.65	1.80	2.00	1.84	1.77
c) India	3.8	4.0	4.3	4.4	4.7
d) Maldives	1.84	1.77	1.76	1.78	-
e) Nepal	2.9	3.1	3.0	2.8	-
f) Pakistan	3.22	2.81	2.86	3.01	3.11
g) Sri Lanka	4.07	4.26	4.60	4.88	4.92

(p) provisional (qe) quick estimates (re) revised estimates

\*) Data on Maldives and Sri Lanka are on a calendar year basis. For example, entry under 2002/03 is for CY 2002.

1/ GDP data for Bhutan is on a calendar year basis. For example, entry under 2002/03 is for CY 2002.

2/ End of period; Point-to-point except for Nepal and Maldives which are annual averages.

3/ Sri Lanka CPI introduced in early 2001.

4/ Consolidated federal and provincial governments; excluding grants.

5/ Inclusive of grants for Bhutan, Maldives and Nepal.

6/ Including banking sector external liabilities.

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

8/ Data for 2002/2003 is adjusted for mergers.

9/ Excludes Maldives Monetary Authority Certificate of Deposits.

#### Sources:

Bangladesh : Annual Report 2001/2002, Bangladesh Bank

IMF Document: Staff Report for the 2003 Article IV Consultation

Bhutan : Royal Monetary Authority of Bhutan.

National Statistical Bureau

Department of Aid and Debt Management, Ministry of Finance

Department of Revenue and Customs

India : Annual Report 2002-03, Reserve Bank of India

Maldives : Annual Report 2001, Maldives Monetary Authority

Quarterly Economic Bulletin, March 2003, MMA

Nepal : Quarterly Economic Bulletin, mid July 2001

IMF Document : Nepal - Statistical Appendix (to Staff Report for the 2003 Article IV Consultation)

Pakistan : Annual Report 2002-2003, State Bank of Pakistan

Sri Lanka : Annual Report 2002, Central Bank of Sri Lanka



## 6. MANAGEMENT AND ADMINISTRATION

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Due to the availability of sufficient space in the new office building, the RMA has been in a position to recruit more officers and other staff, thereby further enhancing its capacity to carry out the important functions of a Central Bank. During the year the RMA recruited a total of 19 employees, while during the same period, 10 employees retired from service. The total staff strength of the RMA as at the end of June 2003 stood at 115 (of which 52 were female), including an Advisor from the Bundesbank and an Information Technology (IT) Consultant, the latter of which is a contract employee of the RMA.

During the year, the RMA also actively participated in major policy matters of the Royal Government, with the Managing Director representing the RMA in various international fora, including the Annual Meeting of the Asian Development Bank (ADB), Asian Clearing Union (ACU), and SAARCFINANCE, and IMF-World Bank Annual Meetings. Other RMA Officers have also attended various regional and international fora.

Human resource development has always been accorded high priority by the Management. Towards the objective of facilitating exposure and the development of professional skills, officers and staff of the Authority were trained both outside and within Bhutan, with a significant number of officers and staff participating in meetings, seminars, and workshops held abroad. During the current year, three officers were also enrolled under Masters' degree programs in Economics and related fields; staff at the RMA are encouraged to pursue higher education. Closer to home, the IT Division of the Authority conducted several in-house courses for IT users in networking, internet applications, and the application of software packages relating to office automation.

Another key development during 2002/2003 was the framing of the RMA IT Strategy to streamline its computer operations in line with vastly improved infrastructure available. The RMA is currently in the process of modernizing its IT systems.

One of the essential functions of the RMA is its responsibility to monitor and supervise the performance of financial institutions. In the course of the fiscal period, the Financial Institutions Supervision Division of the RMA conducted regular on-site and off-site examinations of all financial institutions. Findings from their on-site examinations were submitted to the Management and the Board of Directors of the respective financial institutions.

Furthermore, as has been the case in the past, the RMA continued to play a central role in coordinating the activities of various external agencies. During the year, the RMA was appointed as the facilitating agency for various Technical Assistance (TA) provided by the ADB for financial sector reform projects in Bhutan. The RMA successfully coordinated the ADB TA Project, "Strengthening the Capacity of the Royal Monetary Authority and Royal Securities Exchange of Bhutan," under which the ADB worked in close collaboration with the Bundesbank, the International Monetary Fund, and the RMA on the revision of the Royal Monetary Authority Act,

1982. It is expected that the revised RMA Act will be ready for submission to the National Assembly for approval by mid 2004. The TA also focused on establishing streamlined accounting standards and procedures for the Banking Division of the RMA, and emphasized the strengthening of the legal system with regard to the entire financial sector. In this connection, a Financial Services Act, which will form a legal umbrella framework for banks, non-banks, and insurance companies, was drafted.

Meanwhile, the German Bundesbank's TA Program to the RMA in General Central Banking continued this year and was strengthened with the provision of a Legal Expert from the Bundesbank in support of the review and revision of the RMA Act.

And on the currency front, new currency notes amounting to Nu.694.2 million were issued during 2002/2003, as compared to Nu.838.5 million in the previous year, whereas during the same period, soiled and/or mutilated notes amounting to Nu.77.7 million were destroyed.

Notwithstanding, the most important development in the structure of the RMA Management took place with effect from December 2003 with the appointment of a new Managing Director and reconstitution in its Board of Directors (*Please refer to pages 2-4*).

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

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The RMA's accounts for the year ended June 30, 2003, were audited by M/s. Gupta & Company, a chartered accountancy firm from Kolkata, appointed by the Royal Audit Authority. The Auditors' Report and the Financial Statements, consisting of the Statement of Condition and the Income and Expenditure Statement are appended (*Annexures IX and X*) in this issue of the Annual Report.

During the year, RMA's total assets increased by Nu.1.4 billion, or 14 percent from Nu.9.5 billion to Nu.10.9 billion during the year. This increase was mainly brought about by the growth in foreign assets that rose from Nu.8.9 billion to Nu.10.5 billion. As a consequence of the sale of 14,684.3 ounces of gold that had been held with HSBC Bank, Singapore, bullion holdings went down from Nu.254.8 million to Nu.42.6 million. However, this decrease was more than offset by the growth in foreign currency assets. In the absence of any advances to the domestic banks during the year, and also on account of the lower amount of interest accrued on foreign investments during the year, there was also a sharp decline in other assets.

In terms of liabilities, the year saw a significant appreciation of the domestic currency vis-à-vis the US Dollar. Consequently, there was a net reduction in the revaluation reserve by Nu.758 million, which in turn resulted in a decrease by the same amount in capital and reserves from Nu.2 billion to Nu.1.3 billion. Commercial banks' deposits with the RMA grew during the year from Nu.4.3 billion to Nu.6.2 billion, which can be attributed primarily to the revision of the cash reserve ratio from 10 percent to 20 percent.

Largely as a result of the general decline in world interest rates and, in particular, the United States, the RMA's net profit during 2002/2003 amounted to Nu.71.5 million as compared to Nu.162.9 million in the previous year. While total income fell from Nu.251.5 million in the previous year to Nu.209 million, expenditures increased from Nu.88.6 million to Nu.137.5 million. The main reason for the higher expenditure was because of the increase in the CRR and the enhancement in the rate of remuneration on the CRR from 2 percent to 3 percent. Additionally, an expenditure of Nu.11 million was incurred on the minting of Nu.1 and 25 Chetrum coins during the 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 2002 (%)
	1980	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002(e)	
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	9325.5	32.9
1.1 Agriculture proper	309.9	1526.6	1814.6	2043.2	2253.7	2506.4	2893.4	3175.1	3877.5	4213.5	4592.7	16.2
1.2 Livestock production	139.2	545.9	703.5	805.5	910.2	1237.5	1374.1	1486.9	1625.0	1770.3	1947.3	6.9
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	2785.4	9.8
2. Mining and quarrying	6.8	102.3	172.4	193.1	269.8	308.7	262.3	325.9	341.0	400.7	472.8	1.7
3. Manufacturing	35.8	752.3	875.2	1088.8	1444.3	1520.1	1621.8	1761.8	1719.3	1935.6	2225.9	7.9
4. Electricity	2.5	560.9	574.2	1058.7	1101.6	1729.5	1940.5	2317.9	2462.4	2600.5	2756.5	9.7
5. Construction	88.5	616.8	787.2	930.7	1040.0	1466.4	1687.0	2113.1	2738.8	3720.2	4836.3	17.1
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	1910.8	6.8
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	2463.1	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	1921.6	6.8
9. Community, social & personal services (Government administration and defense)	120.4	645.0	709.2	751.4	1013.7	1362.7	1436.9	1873.1	1968.3	2137.0	2393.4	8.5
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	-773.3	
Gross Domestic Product	1095.0	7007.5	8150.5	9610.6	11405.6	13995.6	16080.9	18540.5	21165.6	23933.0	27532.7	100.0

Source : National Statistical Bureau. 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 2001 to 2002 (%)
	1980	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002(e)	
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	1475.7	2.5
1.1 Agriculture proper	309.9	563.9	578.7	585.1	601.0	625.3	646.8	678.5	711.5	741.9	759.7	2.4
1.2 Livestock production	139.2	226.1	227.6	243.0	256.0	259.7	263.0	279.7	289.7	293.5	302.3	3.0
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	413.7	2.4
2. Mining and quarrying	6.8	26.2	32.7	34.8	46.2	43.7	50.8	56.2	47.9	57.2	63.3	10.7
3. Manufacturing	35.8	218.9	233.0	269.7	291.5	292.0	297.9	308.9	289.9	311.2	326.4	4.9
4. Electricity	2.5	232.0	258.8	325.0	342.6	353.6	367.2	400.6	397.8	446.9	501.4	12.2
5. Construction	88.5	178.0	221.5	243.0	243.1	266.5	322.3	393.2	448.6	527.2	613.6	16.4
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	265.0	4.5
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	468.1	11.8
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	497.4	8.5
9. Community, social & personal services (Government administration and defense)	120.4	266.5	293.0	330.2	334.5	360.5	362.9	409.9	430.7	458.4	485.4	5.9
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	-143.8	0.5
Gross Domestic Product	1095.0	2553.3	2716.1	2918.1	3069.9	3291.3	3503.3	3768.6	3966.5	4227.9	4552.7	7.7

Source : National Statistical Bureau. Figures of past years have been revised in 2001. 1) The average rate of growth of Gross Domestic Product from 1993 to 2002 is 6.4%.

**TABLE 3. SALES OF MAJOR INDUSTRIES**

Millions of Ngultrum

Industry	Period												
	2000	2001					2002					2003	
		I	II	III	IV	Total	I	II	III	IV	Total	I	II
(1) Army Welfare Project	255.0	80.6	60.9	62.6	79.7	283.8	71.0	58.9	52.7	72.3	255.0	58.9	33.1
Exports to India	55.7	21.9	14.2	17.8	20.1	74.0	20.6	20.2	11.6	14.0	66.3	12.0	5.8
Exports to Countries other than India	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales within Bhutan	199.3	58.8	46.7	44.8	59.5	209.8	50.4	38.7	41.1	58.4	188.6	46.9	27.4
(2) Bhutan Board Products Limited	228.6	67.7	85.7	64.4	76.3	294.1	101.3	86.1	101.4	-	288.8	-	288.8
Exports to India	213.9	60.4	70.1	60.2	65.0	255.8	-	80.3	-	-	80.3	-	-
Exports to Countries other than India	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales within Bhutan	14.7	7.4	15.5	4.1	11.3	38.3	-	5.8	-	-	5.8	-	-
(3) Bhutan Carbide & Chemicals Ltd.	474.6	168.6	172.9	163.7	170.7	675.9	155.4	186.4	185.6	180.2	707.5	165.5	176.4
Exports to India	448.0	166.0	142.0	46.6	154.8	509.4	155.4	186.4	185.6	177.4	704.7	163.8	169.8
Exports to Countries other than India	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales within Bhutan	26.6	2.6	30.9	117.2	15.8	166.4	-	-	-	2.8	2.8	1.8	6.6
(4) Bhutan Fruit Products Limited	108.8	29.1	26.5	29.9	26.1	111.6	42.7	36.6	21.0	33.6	133.9	-	-
Exports to India	89.2	24.5	19.3	21.6	21.6	87.0	37.4	28.6	13.6	28.4	107.9	-	-
Exports to Countries other than India	7.4	1.6	1.2	2.4	1.7	6.9	0.6	1.5	1.4	0.7	4.2	-	-
Sales within Bhutan	12.3	3.0	6.1	5.9	2.7	17.7	4.7	6.6	6.0	4.5	21.8	-	-
(5) Bhutan Polythene Company	21.8	8.8	7.6	10.6	19.9	46.9	8.7	15.2	11.2	11.6	46.7	6.4	15.9
Exports to India	8.6	2.3	0.3	4.7	4.3	11.5	3.8	4.3	1.1	2.3	11.5	3.5	2.7
Exports to Countries other than India(*)	-	-	-	-	-	-	-	-	-	9.3	-	-	-
Sales within Bhutan	13.2	6.5	7.3	5.9	15.6	35.3	4.9	10.9	10.0	-	25.9	2.9	13.2
(6) Penden Cement Authority Ltd.	696.7	231.2	207.4	146.4	178.9	763.9	187.0	222.7	164.6	240.0	814.3	246.8	236.0
Exports to India	236.0	103.7	66.5	64.0	82.2	316.5	60.3	67.7	52.1	78.0	258.1	68.8	76.3
Exports to Countries other than India	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales within Bhutan	460.7	127.5	140.8	82.4	96.7	447.4	126.7	155.0	112.5	162.0	556.1	178.0	159.7

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

Millions of Ngultrum

Industry														
	2000	2001					2002					2003		
		I	II	III	IV	Total	I	II	III	IV	Total	I	II	
(7) Bhutan Ferro Alloys Limited	428.4	120.1	155.9	142.8	160.3	579.0	163.1	158.7	161.8	159.6	643.2	167.1	337.6	
Exports to India	428.4	120.1	155.9	142.8	160.3	579.0	163.1	158.7	161.8	159.6	643.2	167.1	337.6	
Exports to Countries other than India	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sales within Bhutan	-	-	-	-	-	-	-	-	-	-	-	-	-	
(8) Bhutan Agro Industries Limited	19.7	3.7	10.2	5.4	8.6	27.9	5.2	10.8	6.3	5.2	27.7	4.5	7.8	
Exports to India	8.9	1.9	4.9	1.8	4.7	13.3	2.0	2.5	1.6	2.0	8.2	1.1	1.4	
Exports to Countries other than India	2.4	0.4	0.4	0.8	0.3	1.8	-	0.7	-	-	0.7	-	-	
Sales within Bhutan	8.4	1.5	5.0	2.7	3.6	12.7	3.2	7.7	4.7	3.2	18.8	3.5	6.4	
(9) Eastern Bhutan Coal Company	126.5	62.8	38.1	14.0	26.0	141.0	35.0	32.4	19.2	46.9	133.4	51.0	22.4	
Exports to India	10.5	-	2.9	5.3	-	8.3	-	-	9.9	12.2	22.1	7.8	2.0	
Exports to Countries other than India	47.2	28.2	9.3	6.1	6.9	50.5	10.0	10.0	2.0	7.6	29.7	8.8	0.1	
Sales within Bhutan	68.8	34.6	25.9	2.5	19.2	82.2	25.0	22.3	7.3	27.0	81.7	34.4	20.3	
(10) Druk Satair Corporation Limited	94.0	24.8	27.9	19.5	26.2	98.3	31.7	31.5	15.9	26.9	106.0	30.6	39.0	
Exports to India	79.7	17.1	18.6	17.1	21.8	74.6	22.9	25.4	12.2	23.5	83.9	24.1	31.0	
Exports to Countries other than India	7.3	1.9	4.8	0.7	1.5	8.9	1.3	0.4	0.2	0.2	2.1	-	1.5	
Sales within Bhutan	6.9	5.8	4.4	1.7	2.9	14.9	7.5	5.7	3.6	3.2	20.0	6.5	6.6	
<b>TOTAL</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>839.2</b>	<b>638.3</b>	<b>776.3</b>	<b>2944.4</b>	<b>730.8</b>	<b>868.1</b>	
Exports to India	1578.9	517.8	494.8	381.9	534.8	1929.4	465.5	574.0	449.4	497.4	1986.2	448.1	626.6	
Exports to Countries other than India	65.6	32.1	15.7	10.0	10.4	68.1	11.9	12.6	3.7	17.8	36.7	8.8	1.6	
Sales within Bhutan	801.9	247.7	282.6	267.2	227.4	1024.9	222.4	252.7	185.2	261.1	921.4	273.9	240.0	

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.



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

Millions of Ngultrum

Month	2000			2001			2002			2003		
	Total	Export	Internal Consumption	Total	Export	Internal Consumption	Total	Export	Internal Consumption	Total	Export	Internal Consumption
Jan	75.0	62.0	13.0	38.0	24.7	13.2	47.9	33.4	14.5	44.3	30.3	14.0
Feb	47.3	34.8	12.5	24.8	12.8	12.1	33.4	20.7	12.7	33.0	20.0	13.0
Mar	53.3	40.3	13.0	21.7	8.9	12.8	35.1	21.6	13.5	35.8	21.9	13.9
Apr	135.2	124.1	11.1	87.8	75.8	12.0	76.5	64.1	12.4	122.5	109.8	12.7
May	221.4	209.8	11.5	174.4	162.0	12.4	157.4	144.6	12.8	129.0	116.2	12.8
June	309.0	298.3	10.7	298.4	287.0	11.4	290.8	279.2	11.6	271.9	260.7	11.1
July	328.3	317.4	10.9	336.6	326.1	10.5	361.1	349.8	11.2			
Aug	354.9	351.2	3.7	336.8	326.9	9.8	341.5	329.9	11.6			
Sept	331.3	327.5	3.9	312.3	300.4	11.9	324.2	313.0	11.2			
Oct	265.6	261.0	4.6	304.1	291.6	12.5	269.6	257.5	12.1			
Nov	124.0	114.7	9.2	156.1	146.8	9.3	123.8	111.5	12.3			
Dec	62.1	48.3	13.8	84.2	71.9	12.3	71.2	57.8	13.4			
Total	2307.4	2189.6	117.8	2175.1	2034.9	140.2	2132.6	1983.1	149.5	636.4	558.9	77.5

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

**TABLE 5. BASOCHU AND KURICHHU POWER PROJECT OPERATIONS**

	Production (Millions of Units)		Domestic Sale (Millions of Nu.)		Export Sale (Millions of Nu.)	
	Basochu	Kurichhu	Basochu <sup>1</sup>	Kurichhu <sup>2</sup>	Basochu <sup>3</sup>	Kurichhu <sup>4</sup>
2002						
Jan-Jun	-	-	13.62	2.69	7.65	190.85
Jul-Dec	-	-	22.68	3.85	47.14	235.95
2003						
Jan	4.92	6.49	2.45	0.27	0.04	9.76
Feb	3.93	10.44	1.96	3.98	0.01	14.54
Mar	3.06	10.35	1.51	3.61	0.03	14.51
April	4.16	20.64	1.93	0.40	0.46	31.17
May	4.33	23.37	1.95	0.42	0.65	35.39
June	11.49	28.37	2.94	0.48	8.41	44.00
July	17.47	30.57	3.46	0.53	15.82	46.44
Aug	17.57	31.43	3.49	0.58	15.89	47.65
Sept	17.36	30.72	3.48	0.64	15.60	46.23
Oct	17.36	36.11	4.56	0.63	11.55	54.33
Nov	10.56	29.12	4.38	0.64	2.69	43.77

1) Domestic sale of power is set at Nu.0.50 per unit.

2) Domestic sale of power is set at Nu.0.30 per unit.

3) Basochu Project does not export power directly to India. It sells its surplus power to CHPC at Nu.1.5 per unit.

4) Kurichhu Project power export sale is set at Nu. 1.75 per unit.

Note: Upper Stage Basochu was commissioned from January 2002, while Kurichhu was commissioned from November 2001.

**TABLE 6. TOURIST ARRIVALS AND REVENUES (\*)**

Number of Tourists and Revenues in Millions of US Dollars

Period	1998		1999		2000		2001		2002		2003	
	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue
Jan	96	0.1	148	0.1	65	0.1	185	0.2	55	0.1	192	0.2
Feb	154	0.1	322	0.3	223	0.2	355	0.4	269	0.2	98	0.1
Mar	542	0.7	1145	1.4	1066	1.3	553	0.8	862	1.1	654	0.8
Apr	1167	1.5	604	0.8	995	1.4	1632	2.3	683	1.1	1219	1.7
May	267	0.3	395	0.4	415	0.6	276	0.4	296	0.4	397	0.5
June	97	0.1	108	0.1	187	0.2	146	0.1	79	0.1	178	0.2
July	152	0.2	132	0.1	162	0.2	129	0.1	114	0.1		
Aug	340	0.4	348	0.3	307	0.3	252	0.2	213	0.2		
Sept	1107	1.5	1069	1.4	683	1.0	868	1.5	760	1.2		
Oct	1329	1.9	1856	2.7	2247	3.7	1308	2.1	1474	2.4		
Nov	678	1.0	841	1.1	996	1.5	517	0.8	643	0.9		
Dec	274	0.3	190	0.1	213	0.2	172	0.2	151	0.1		
Total	6203	8.0	7158	8.9	7559	10.5	6393	9.2	5599	8.0	2738	3.5

Source : Department of Tourism. -(\*) Convertible currency paying tourists.

**TABLE 7. SUMMARY OF BUDGETARY OPERATIONS**

Millions of Ngultrum

Item	Period						
	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03(r)	2003/04(p)
Revenue	3,133.0	3,656.9	4,585.4	4,975.8	5,078.2	5,118.2	5,228.1
Tax	1,246.4	1,265.8	1,977.1	1,916.9	2,675.6	3,086.6	3,350.3
Non-tax	1,743.4	2,220.0	2,355.5	2,704.9	2,376.1	2,013.6	1,864.5
Others	143.2	171.1	252.8	354.0	26.5	18.0	13.3
Grants	1,816.3	3,262.6	3,274.1	3,711.0	3,748.5	3,299.7	4,973.6
From India	1,045.1	1,928.5	1,927.1	2,551.2	2,531.8	1,431.8	3,342.4
Others	771.2	1,334.1	1,347.1	1,159.8	1,216.7	1,867.9	1,631.2
Total Revenue and Grants	4,949.3	6,919.5	7,859.5	8,686.7	8,826.7	8,417.9	10,201.7
Expenditure (1)	4,806.0	7,224.4	8,624.1	11,177.6	10,052.1	11,201.9	11,537.7
Current	2,627.8	3,178.3	3,702.1	4,435.6	4,467.9	4,863.8	4,997.5
Capital (1)	2,178.2	4,046.1	4,921.9	6,742.0	5,584.2	6,338.1	6,540.2
Budget surplus or Deficit (-)	143.3	-304.9	-764.5	-2,490.9	-1,225.4	-2,784.0	-1,336.0
Financing Transactions (2)	-143.3	304.9	764.5	2,490.9	1,225.4	2,784.0	1,336.1
External borrowings (Net of Principal repayments)	336.3	553.6	606.6	1,056.7	1,396.7	1,128.3	952.9
Internal Resource gap (3)	-479.6	-248.7	158.0	1,434.2	500.0	1,655.6	383.2
Internal borrowings (Net of principal repayments)	-1.8	-	-	-	-	-	-
Cash and bank balances (4)	-477.8	-248.7	158.0	1,434.2	-671.3	-	-
Others	-	-	-	-	-	-	-

Source- Dept of National Budget and Accounts (Figures may not add due to rounding). (1) Includes lending to public and joint sector corporations, 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 a increase in Cash or Bank balance (4) Includes use + or repayment - of overdraft.  
Others: other receipts.

**TABLE 8. SUMMARY OF THE CONSUMER PRICE INDEX (\*)**

December 1979 = 100

Item	Weight in % (1)	Period												Average Growth Rate in %	
		1998		1999		2000		2001		2002		2003			
		June	December	June	December	June	December	June	December	June	December	June			
		Index													
Food	72.31	465.3	494.5	508.1	507.3	511.2	513.9	515.5	525.2	525.9	535.6	535.0			
Non-food	27.69	694.4	737.1	757.9	795.1	825.2	871.3	891.0	913.6	924.0	938.7	942.4			
Total	100.00	528.7	561.7	577.3	587.0	598.1	612.9	619.5	632.8	636.1	647.2	647.8			
		Percentage change on the previous year												June 80-03	December 79-02
Food	72.31	10.0	12.9	9.2	2.6	0.6	1.3	0.8	2.2	2.0	2.0	1.7	7.5	7.2	
Non-food	27.69	7.5	10.6	9.1	7.9	8.9	9.6	8.0	4.9	3.7	2.7	2.0	9.8	9.8	
Total	100.00	9.0	12.1	9.2	4.5	3.6	4.4	3.6	3.2	2.7	2.3	1.8	8.3	8.1	

Source : National Statistical Bureau. -(\*) Excluding rent. -(1) 1979 Expenditure Survey.

**TABLE 9. THIMPHU FOOD PRICE INDEX(\*)**

December 1979=100

Item	Period										
		2001				2002				2003	
	Weight in % (1)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Index										
Cereals and pulses	38.4	662.6	665.8	665.9	669.4	680.0	665.6	674.9	676.8	673.1	673.3
Vegetables and fruit	2.5	3,150.8	4,438.7	4,262.6	4,029.0	3,717.6	4,734.7	4,093.8	4,121.5	4,035.0	4,069.8
Other food	26.7	722.0	727.2	726.4	736.1	721.4	723.2	779.7	775.8	776.3	776.4
Total food	67.6	777.0	827.9	821.2	818.5	807.3	837.0	841.2	841.8	836.7	838.1
	Percentage change on the previous year										
Cereals and pulses	38.4	3.1	(0.3)	(1.3)	0.4	2.6	(0.0)	1.4	1.1	(1.0)	1.2
Vegetables and fruit	2.5	1.0	22.9	26.6	13.7	18.0	6.7	(4.0)	2.3	8.5	(14.0)
Other food	26.7	3.0	0.9	(1.8)	2.7	(0.1)	(0.6)	7.3	5.4	7.6	7.4
Total food	67.6	2.8	4.0	2.8	3.4	3.9	1.1	2.4	2.8	3.6	0.1

Source : National Statistical Bureau.-(\*) The quarterly index refers to the average prices during the quarter. -(1) 1979 Expenditure Survey.

**TABLE 10. INDIAN WHOLESALE PRICE INDEX OF ALL COMMODITIES**

1993-94 = 100

Period	Year										
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	Index										
January	98.7	100.0	116.2	122.0	128.3	134.8	140.9	145.9	158.6	161.0	167.8
February	99.2	100.0	116.9	122.2	128.8	134.2	141.4	146.4	158.6	160.8	169.4
March	99.3	100.0	116.9	122.2	128.8	134.4	141.7	149.5	159.1	161.9	171.6
April	100.0	107.5	119.3	123.7	130.9	136.9	142.4	151.7	159.9	162.3	173.1
May	100.0	108.3	120.2	124.5	130.8	138.2	142.8	151.8	160.3	162.8	173.4
June	100.0	110.0	120.7	125.1	131.4	139.8	143.3	152.7	160.8	164.7	173.6
July	100.0	111.1	121.8	127.0	131.6	140.9	143.7	153.1	161.2	165.6	
August	100.0	111.8	121.8	127.8	132.0	140.6	144.6	153.4	161.7	167.1	
September	100.0	111.9	121.9	128.1	132.9	140.8	145.3	154.7	161.7	167.4	
October	100.0	112.7	122.2	127.8	133.3	142.0	146.9	157.9	162.5	167.5	
November	100.0	113.2	122.5	128.0	133.1	142.6	147.0	158.2	162.3	167.8	
December	100.0	114.5	122.1	128.5	133.7	142.1	146.1	158.2	161.8	167.2	
	Percentage change on the previous year										
January	7.5	1.3	16.2	5.0	5.2	5.1	4.5	3.5	8.7	1.5	4.2
February	7.6	0.8	16.9	4.5	5.4	4.2	5.4	3.5	8.3	1.4	5.3
March	7.0	0.7	16.9	4.5	5.4	4.3	5.4	5.5	6.4	1.8	6.0
April	7.0	7.5	11.0	3.7	5.8	4.6	4.0	6.5	5.4	1.5	6.7
May	5.8	8.3	11.0	3.6	5.1	5.7	3.3	6.3	5.6	1.6	6.5
June	4.7	10.0	9.7	3.6	5.0	6.4	2.5	6.6	5.3	2.4	5.4
July	3.5	11.1	9.6	4.3	3.6	7.1	2.0	6.5	5.3	2.7	
August	2.6	11.8	8.9	4.9	3.3	6.5	2.8	6.1	5.4	3.3	
September	1.7	11.9	8.9	5.1	3.7	5.9	3.2	6.5	4.5	3.5	
October	0.9	12.7	8.4	4.6	4.3	6.5	3.5	7.5	2.9	3.1	
November	1.2	13.2	8.2	4.5	4.0	7.1	3.1	7.6	2.6	3.4	
December	1.4	14.5	6.6	5.2	4.0	6.3	2.8	8.3	2.3	3.3	

Source: Reserve Bank of India.

**TABLE 11. 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>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
Jul	11233.2	10980.1	767.8	10212.4	124.2	127.0	1.9	0.0
Aug	11448.4	11173.6	926.6	10247.0	146.2	127.0	1.7	0.0
Sep	10978.3	10641.3	107.0	10534.3	207.9	127.0	2.1	0.0
Oct	10994.4	10590.8	158.7	10432.1	273.9	127.0	2.7	0.0
Nov	11474.5	11149.6	569.5	10580.1	196.0	127.0	1.9	0.0
Dec	12321.9	11998.7	913.4	11085.3	194.3	127.0	1.9	0.0
<b>2003</b>								
Jan	12381.6	12113.4	945.1	11168.3	139.4	127.0	1.8	0.0
Feb	12148.8	12061.8	936.4	11125.4	85.4	0.0	1.6	0.0
Mar	12174.4	12081.3	946.1	11135.3	91.5	0.0	1.6	0.0
Apr	12894.5	12777.9	1640.8	11137.1	115.1	0.0	1.6	0.0
May	12825.6	12649.2	1156.1	11493.1	174.7	0.0	1.7	0.0
Jun	12527.3	12322.7	863.6	11459.1	147.5	56.0	1.1	0.0

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



**TABLE 11. 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>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
Jul	11233.1	6217.2	1583.6	0.0	0.0	0.0	170.3	925.0	253.3	3667.4
Aug	11448.4	6484.6	1538.4	0.0	0.0	0.0	161.7	925.0	216.5	3660.7
Sep	10978.3	6010.9	1546.2	0.0	0.0	0.0	163.3	925.0	223.3	3655.8
Oct	10994.4	6200.6	1585.7	0.0	0.0	0.0	140.8	760.0	261.9	3631.1
Nov	11474.5	6652.9	1570.7	0.0	0.0	0.0	139.9	760.0	283.5	3638.2
Dec	12321.9	6982.1	1652.1	0.0	0.0	0.0	141.3	1100.0	277.8	3820.7
<b>2003</b>										
Jan	12381.6	7177.2	1651.5	0.0	0.0	0.0	134.7	1100.0	280.3	3689.4
Feb	12148.8	7140.4	1750.2	0.0	0.0	0.0	130.3	1100.0	127.6	3650.5
Mar	12174.5	7398.5	1711.4	0.0	0.0	0.0	138.0	900.0	132.6	3605.4
Apr	12894.5	8618.3	1613.8	0.0	0.0	0.0	138.7	400.0	146.2	3591.4
May	12825.6	8030.8	1607.9	0.0	0.0	0.0	147.8	900.0	153.8	3593.2
Jun	12527.3	8123.0	1699.0	0.0	0.0	0.0	174.3	700.0	93.5	3436.6

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

**TABLE 12. 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
R107	29-Jul-02	92	665.0	665.0	4.5
R108	2-Sep-02	91	110.0	110.0	4.5
R109	19-Sep-02	91	150.0	150.0	4.0
R110	29-Oct-02	91	500.0	500.0	4.0
R111	2-Dec-02	91	300.0	300.0	4.0
R112	19-Dec-02	91	450.0	300.0	4.0
R113	27-Jan-03	91	500.0	500.0	4.0
R114	5-Mar-03	91	400.0	200.0	4.0
R115	20-Mar-03	91	400.0	200.0	4.0
R116	30-Apr-03	91	600.0	300.0	4.0
R117	28-May-03	91	275.0	200.0	3.5
R118	25-Jun-03	91	400.0	200.0	3.5

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

TABLE 13. 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>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
Jul	9560.8	4729.3	2958.8	1960.6	998.2	374.3	272.1	95.8	1130.5
Aug	9917.2	4909.5	3013.6	2021.3	992.3	467.8	272.3	113.4	1140.6
Sep	9149.3	4172.8	2961.6	1948.4	1013.2	425.2	277.7	112.7	1199.2
Oct	9657.8	4374.9	3105.5	2206.1	899.4	567.5	361.0	102.7	1146.2
Nov	9301.9	4611.4	2618.7	1740.4	878.3	425.7	271.9	109.2	1265.0
Dec	11300.5	4555.6	4189.8	3002.6	1187.2	853.8	252.0	110.2	1339.2
<b>2003</b>									
Jan	10785.2	4553.1	3478.8	2321.1	1157.7	991.0	252.1	100.4	1409.9
Feb	10504.7	4554.8	3003.9	1852.6	1151.3	1167.6	252.2	101.6	1424.6
Mar	11037.2	4604.8	3210.4	1958.9	1251.5	1415.6	252.2	112.3	1442.0
Apr	12394.7	5641.1	3928.1	1848.0	2080.1	1021.5	252.1	106.3	1445.6
May	12444.8	5570.9	3710.6	1795.1	1915.5	1314.6	252.1	106.9	1489.7
Jun	12313.7	5253.6	3612.9	1755.8	1857.1	1538.0	257.2	119.7	1532.2

**TABLE 13. 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				
<b>1992</b>	2238.9	495.9	691.1	55.0	357.2	357.2	0.0	200.3	0.0	533.9	-94.4
<b>1993</b>	2726.4	487.1	1054.9	65.2	567.8	567.8	0.0	311.3	0.0	329.6	-89.5
<b>1994</b>	2984.1	696.5	1266.8	84.2	0.0	0.0	0.0	139.5	0.0	323.6	473.4
<b>1995</b>	3921.7	889.9	1822.1	104.3	0.0	0.0	0.0	344.0	0.0	371.0	390.4
<b>1996</b>	4962.5	1651.6	1370.5	95.0	0.0	0.0	0.0	458.8	0.0	371.1	1015.5
<b>1997</b>	5743.1	1329.8	2787.1	96.4	0.0	0.0	0.0	183.6	0.0	399.3	946.8
<b>1998</b>	6613.3	1638.3	2842.8	183.2	0.0	0.0	0.0	257.3	0.0	410.7	1281.1
<b>1999</b>	6909.0	2151.4	2860.9	356.1	0.0	0.0	0.0	630.3	0.0	451.3	459.0
<b>2000</b>	7813.5	1998.1	3744.7	158.7	0.0	0.0	0.0	330.1	0.0	513.8	1068.0
<b>2001</b>											
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
<b>2002</b>											
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
Jul	9560.8	3895.0	3115.4	400.1	931.0	931.0	0.0	611.1	0.0	694.8	-86.4
Aug	9917.2	2958.1	2948.1	313.3	1757.1	1757.1	0.0	595.2	0.0	689.0	656.4
Sep	9149.3	2853.9	3082.1	225.8	1198.4	1198.4	0.0	539.5	0.0	695.6	554.0
Oct	9657.8	3680.1	3191.1	180.6	385.9	385.9	0.0	956.8	0.0	724.3	539.0
Nov	9301.9	6978.5	3223.5	221.2	0.0	0.0	0.0	849.2	0.0	749.0	-2719.4
Dec	11300.5	4672.4	3203.2	441.9	0.0	0.0	0.0	775.5	0.0	865.8	1341.8
<b>2003</b>											
Jan	10785.2	4119.1	3023.7	431.5	0.0	0.0	0.0	845.9	0.0	779.5	1585.5
Feb	10504.7	3507.6	3106.7	410.2	324.1	324.1	0.0	759.8	0.0	784.1	1612.3
Mar	11037.2	3446.6	3116.5	602.5	1014.6	1014.6	0.0	422.7	0.0	804.4	1629.9
Apr	12394.7	3868.6	3273.7	1315.1	380.3	380.3	0.0	653.0	0.0	803.7	2100.2
May	12444.8	4156.6	3530.3	1181.1	1408.6	1408.6	0.0	1029.6	0.0	812.6	326.0
Jun	12498.3	3863.6	3536.1	1159.0	184.6	184.6	0.0	869.9	0.0	853.9	2031.2

(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.

\* Rupee liability includes the rupee liability of BOB and is imputed from Jan 2001 onwards.

**TABLE 14. 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>	3705.3	535.5	2221.0	1552.9	668.1	0.0	0.0	5.0	943.8
<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
Jul	4211.9	786.4	1809.3	936.9	872.3	120.0	0.0	7.4	1488.9
Aug	4186.7	852.1	1699.0	792.4	906.7	120.0	0.0	7.4	1508.3
Sep	4407.0	863.7	1865.8	923.5	942.3	120.0	0.0	7.4	1550.2
Oct	4662.4	968.4	1970.5	1144.3	826.3	120.0	0.0	7.6	1595.9
Nov	4697.9	1260.1	1685.7	991.1	694.6	120.0	0.0	7.6	1624.5
Dec	4854.7	1917.8	1115.2	651.0	464.3	120.0	0.0	7.6	1694.1
<b>2003</b>									
Jan	4876.2	1840.1	1174.2	681.6	492.5	120.0	0.0	7.6	1734.3
Feb	4984.2	1814.4	1265.1	688.9	576.3	120.0	0.0	7.6	1777.1
Mar	5135.1	1823.4	1367.4	738.1	629.2	120.0	0.0	7.6	1816.7
Apr	5073.4	1642.6	1441.2	739.8	701.4	120.0	0.0	7.6	1862.0
May	5359.4	1641.2	1598.0	704.5	893.4	120.0	0.0	7.6	1992.7
Jun	5310.4	1603.6	1572.3	732.2	840.1	120.0	0.0	7.6	2007.0

**TABLE 14. 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>	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
Jul	4211.9	704.4	2394.7	30.6	0.0	0.0	0.0	566.7	0.0	336.9	178.6
Aug	4186.7	631.5	2468.0	28.2	0.0	0.0	0.0	588.7	0.0	335.9	134.4
Sep	4407.0	767.4	2495.1	29.2	0.0	0.0	0.0	681.9	0.0	332.4	101.1
Oct	4662.4	781.9	2595.7	42.3	0.0	0.0	0.0	705.4	0.0	333.4	203.8
Nov	4697.9	610.3	2838.3	62.0	0.0	0.0	0.0	724.8	0.0	344.1	118.4
Dec	4854.7	650.4	3057.6	29.6	0.0	0.0	0.0	640.0	0.0	328.5	148.6
<b>2003</b>											
Jan	4876.2	671.8	3116.5	58.1	0.0	0.0	0.0	660.7	0.0	330.6	38.4
Feb	4984.2	711.5	3043.8	68.4	0.0	0.0	0.0	723.3	0.0	332.0	105.4
Mar	5135.1	751.4	3026.3	48.5	0.0	0.0	0.0	1048.7	0.0	335.7	-75.5
Apr	5073.4	712.6	2923.1	57.0	0.0	0.0	0.0	1190.3	0.0	340.3	-149.9
May	5359.4	1342.3	2584.5	46.9	0.0	0.0	0.0	871.1	0.0	347.9	166.7
Jun	5310.4	1231.1	2734.7	31.5	0.0	0.0	0.0	779.7	0.0	346.5	186.9

(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 15. DEPOSIT MONEY BANKS - 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>	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>	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
Jul	13772.7	5515.7	4768.1	2897.6	1870.5	494.3	272.1	103.1	2619.3
Aug	14103.9	5761.6	4712.7	2813.7	1899.0	587.8	272.3	120.7	2648.9
Sep	13556.3	5036.5	4827.4	2872.0	1955.5	545.2	277.7	120.0	2749.4
Oct	14320.2	5343.3	5076.1	3350.3	1725.7	687.5	361.0	110.3	2742.1
Nov	13999.8	5871.5	4304.4	2731.5	1572.9	545.7	271.9	116.8	2889.5
Dec	16155.2	6473.4	5305.0	3653.6	1651.4	973.8	252.0	117.8	3033.3
<b>2003</b>									
Jan	15661.3	6393.1	4652.9	3002.7	1650.2	1111.0	252.1	108.0	3144.2
Feb	15488.9	6369.1	4269.0	2541.5	1727.5	1287.6	252.2	109.2	3201.8
Mar	16172.2	6428.2	4577.8	2697.0	1880.7	1535.6	252.2	119.9	3258.7
Apr	17468.1	7283.7	5369.3	2587.8	2781.5	1141.5	252.1	113.9	3307.6
May	17804.1	7212.0	5308.6	2499.7	2808.9	1434.6	252.1	114.5	3482.4
Jun	17624.1	6857.2	5185.2	2488.0	2697.3	1658.0	257.2	127.2	3539.2

\*)Bank of Bhutan and Bhutan National Bank.

**TABLE 15. 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>	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
Jul	13772.7	4599.4	5510.0	430.7	931.0	931.0	0.0	1177.8	0.0	1031.7	92.1
Aug	14103.9	3589.6	5416.1	341.5	1757.1	1757.1	0.0	1183.9	0.0	1024.9	790.8
Sep	13556.3	3621.3	5577.2	255.0	1198.4	1198.4	0.0	1221.4	0.0	1028.0	655.1
Oct	14320.2	4462.0	5786.8	222.9	385.9	385.9	0.0	1662.2	0.0	1057.8	742.7
Nov	13999.8	7588.7	6061.8	283.2	0.0	0.0	0.0	1574.0	0.0	1093.2	-2601.0
Dec	16155.2	5322.8	6260.8	471.5	0.0	0.0	0.0	1415.4	0.0	1194.3	1490.4
<b>2003</b>											
Jan	15661.3	4790.9	6140.2	489.6	0.0	0.0	0.0	1506.6	0.0	1110.1	1623.9
Feb	15488.9	4219.1	6150.5	478.5	324.1	324.1	0.0	1483.0	0.0	1116.0	1717.7
Mar	16172.2	4198.0	6142.8	651.0	1014.6	1014.6	0.0	1471.4	0.0	1140.1	1554.3
Apr	17468.1	4581.2	6196.8	1372.0	380.3	380.3	0.0	1843.3	0.0	1144.0	1950.4
May	17804.1	5498.9	6114.7	1228.0	1408.6	1408.6	0.0	1900.7	0.0	1160.5	492.7
Jun	17808.8	5094.7	6270.8	1190.5	184.6	184.6	0.0	1649.6	0.0	1200.4	2218.1

(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 16. 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
<b>1992</b>	3031.5	1882.5	-313.0	2195.5	1149.0	-46.9	770.1	0.0	425.8	0.0
<b>1993</b>	3839.2	2811.2	-379.2	3190.4	1028.0	-256.4	795.6	0.0	488.8	0.0
<b>1994</b>	4369.8	3194.9	-507.3	3702.2	1174.9	-164.7	560.8	238.9	485.0	55.0
<b>1995</b>	5397.8	4428.5	-98.0	4526.6	969.2	-321.1	534.6	229.2	521.5	5.0
<b>1996</b>	7129.4	6580.1	1101.9	5478.2	549.3	-692.5	484.7	187.7	564.4	5.0
<b>1997</b>	9286.6	7341.8	1006.8	6335.0	1944.8	14.7	449.1	223.8	1252.3	5.0
<b>1998</b>	11250.9	10840.4	2540.3	8300.1	410.5	-1479.4	411.4	174.0	1301.4	3.0
<b>1999</b>	12665.8	12895.6	3306.9	9588.8	-229.9	-2097.7	372.1	140.2	1352.5	3.0
<b>2000</b>	15661.0	15073.7	3711.2	11362.5	587.3	-1499.4	332.6	126.7	1624.3	3.0
<b>2001</b>										
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
<b>2002</b>										
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
Jul	17087.0	14817.2	2734.3	12082.9	2269.7	-726.7	272.1	103.1	2617.5	3.7
Aug	16541.9	14129.1	1983.1	12146.0	2412.8	-630.8	272.3	120.7	2646.8	3.7
Sep	16707.1	14270.4	1780.6	12489.8	2436.7	-712.5	277.7	120.0	2747.7	3.7
Oct	17508.5	15281.0	3123.2	12157.8	2227.5	-988.5	361.0	110.3	2741.0	3.7
Nov	17692.9	15454.0	3301.0	12153.0	2239.0	-1041.2	271.9	116.8	2887.7	3.7
Dec	20252.7	17303.7	4567.0	12736.7	2949.0	-455.9	252.0	117.8	3031.5	3.7
<b>2003</b>										
Jan	19869.0	16766.3	3947.8	12818.5	3102.7	-403.3	252.1	108.0	3142.2	3.7
Feb	19245.8	16006.7	3153.8	12853.0	3239.0	-325.7	252.2	109.2	3199.6	3.7
Mar	19203.0	15644.5	2628.5	13016.0	3558.6	-73.8	252.2	119.9	3256.6	3.7
Apr	20601.6	17766.8	3848.2	13918.6	2834.8	-840.4	252.1	113.9	3305.4	3.7
May	19785.9	16549.2	2247.2	14302.0	3236.7	-614.0	252.1	114.5	3480.3	3.7
Jun	21323.0	17508.0	3351.6	14156.3	3815.0	-109.8	257.2	127.2	3536.6	3.7

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

**TABLE 16. 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		
<b>1992</b>	3031.5	1586.9	840.9	345.0	495.9	0.0	746.1	0.0	1444.6
<b>1993</b>	3839.3	1953.3	833.1	346.0	487.1	0.0	1120.2	0.0	1886.0
<b>1994</b>	4369.7	2395.0	1044.0	347.5	696.5	0.0	1351.0	600.0	1374.7
<b>1995</b>	5397.8	3257.8	1331.5	432.4	889.9	9.1	1926.4	550.0	1589.9
<b>1996</b>	7129.5	3563.8	2098.3	422.5	1651.6	24.2	1465.5	1000.0	2565.7
<b>1997</b>	9286.6	5652.2	2196.5	720.9	1447.2	28.4	3455.7	10.6	3623.8
<b>1998</b>	11250.9	6578.3	2792.0	768.8	1860.4	162.8	3786.3	134.1	4538.5
<b>1999</b>	12665.8	8643.4	3902.7	969.2	2754.9	178.6	4740.7	26.2	3996.2
<b>2000</b>	15661.0	10035.4	4039.0	1269.6	2669.5	100.0	5996.3	115.3	5510.4
<b>2001</b>									
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
<b>2002</b>									
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
Jul	17087.0	12228.2	6287.5	1583.6	4599.4	104.5	5940.7	10.6	4848.1
Aug	16541.9	11002.9	5245.3	1538.4	3589.6	117.3	5757.6	10.6	5528.3
Sep	16707.1	11095.4	5263.2	1546.2	3621.3	95.7	5832.2	10.4	5601.3
Oct	17508.5	12140.6	6131.0	1585.7	4462.0	83.3	6009.7	7.8	5360.1
Nov	17692.9	15618.7	9273.7	1570.7	7588.7	114.3	6345.0	7.8	2066.4
Dec	20252.8	13875.7	7143.4	1648.3	5322.8	172.3	6732.3	11.1	6366.0
<b>2003</b>									
Jan	19869.0	13307.9	6678.2	1651.5	4790.9	235.7	6629.7	11.1	6550.0
Feb	19245.8	12714.3	6085.3	1750.2	4219.1	116.1	6629.0	11.1	6520.3
Mar	19203.0	12851.1	6057.3	1711.4	4198.0	148.0	6793.8	9.1	6342.8
Apr	20601.6	13874.7	6305.8	1613.8	4581.2	110.8	7568.9	-243.4	6970.3
May	19785.9	14586.9	7244.2	1607.9	5498.9	137.4	7342.7	8.9	5190.1
Jun	21323.0	14370.0	6908.7	1699.0	5094.7	115.0	7461.3	6.6	6946.4

TABLE 17. 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					
<b>1992</b>	675.3	0.6	0.0	0.0	0.0	20.1	498.6	115.5	0.0	40.5
<b>1993</b>	791.3	18.2	0.0	0.0	0.0	21.7	614.5	94.6	0.0	42.3
<b>1994</b>	868.1	9.6	0.4	0.0	0.4	22.4	667.1	150.3	18.3	0.0
<b>1995</b>	1012.2	24.5	0.6	0.0	0.6	41.5	670.4	262.0	13.1	0.0
<b>1996</b>	1169.3	61.7	1.4	0.0	1.4	41.5	728.4	321.8	14.3	0.0
<b>1997</b>	1426.9	20.0	0.6	0.0	0.6	30.1	720.7	655.5	0.0	0.0
<b>1998</b>	1701.0	167.9	2.1	0.0	2.1	14.9	680.6	835.5	0.0	0.0
<b>1999</b>	2022.8	84.9	55.8	53.1	2.7	41.2	669.9	1171.0	0.0	0.0
<b>2000</b>	956.9	45.5	52.1	51.0	1.1	17.3	842.1	0.0	0.0	0.0
<b>2001</b>										
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
<b>2002</b>										
Jan	1105.2	31.6	53.1	50.0	3.1	17.3	988.2	15.0	0.0	0.0
Feb	1115.9	16.3	53.1	50.0	3.1	17.3	1014.2	15.0	0.0	0.0
Mar	1127.6	22.7	53.1	50.0	3.1	17.3	1034.5	0.0	0.0	0.0
Apr	1143.0	17.5	53.1	50.0	3.1	17.3	1055.1	0.0	0.0	0.0
May	1153.1	8.8	53.1	50.0	3.1	17.3	1073.9	0.0	0.0	0.0
June	1187.7	39.3	55.7	50.0	5.7	17.3	1075.4	0.0	0.0	0.0
July	1200.8	39.2	55.7	50.0	5.7	17.3	1088.6	0.0	0.0	0.0
Aug	1195.8	25.6	55.7	50.0	5.7	17.3	1097.3	0.0	0.0	0.0
Sep	1199.9	14.1	55.7	50.0	5.7	17.3	1112.9	0.0	0.0	0.0
Oct	1235.2	37.9	55.7	50.0	5.7	17.3	1124.4	0.0	0.0	0.0
Nov	1249.8	33.5	55.7	50.0	5.7	17.3	1143.3	0.0	0.0	0.0
Dec	1259.1	44.2	8.7	2.7	6.0	18.2	1138.0	50.0	0.0	0.0
<b>2003</b>										
Jan	1272.9	44.4	8.5	2.7	5.8	18.2	1151.7	50.0	0.0	0.0
Feb	1296.1	54.0	8.5	2.7	5.8	18.2	1165.4	50.0	0.0	0.0
Mar	1285.1	77.5	8.5	2.7	5.8	18.2	1180.8	0.0	0.0	0.0
Apr	1301.3	68.1	8.5	2.7	5.8	18.2	1181.4	25.0	0.0	0.0
May	1322.0	57.9	9.9	0.0	9.9	18.2	1181.0	55.0	0.0	0.0
Jun	1358.5	92.1	8.8	0.0	8.8	18.2	1184.4	55.0	0.0	0.0

**TABLE 17. 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 Ac- counts	Other Items (Net)
<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
Jul	1200.8	0.0	44.5	180.1	151.8	675.0	0.0	205.4	-55.9
Aug	1195.8	0.0	45.1	0.0	151.5	675.0	0.0	212.7	111.5
Sep	1199.9	0.0	45.5	0.0	151.4	675.0	0.0	191.6	136.4
Oct	1235.2	0.0	45.5	0.0	151.3	685.0	0.0	197.7	155.8
Nov	1249.8	0.0	45.7	0.0	151.2	685.0	0.0	214.3	153.6
Dec	1259.1	0.0	55.8	47.8	168.0	673.6	0.0	193.6	120.3
<b>2003</b>									
Jan	1272.9	0.0	57.9	51.8	168.0	673.6	0.0	204.5	117.1
Feb	1296.1	0.0	58.2	52.9	168.0	673.6	0.0	218.2	125.3
Mar	1285.1	0.0	58.3	54.6	168.0	673.6	0.0	247.4	83.3
Apr	1301.3	0.0	57.7	55.2	168.0	673.6	0.0	253.1	93.7
May	1322.0	0.0	58.1	0.0	168.0	673.6	0.0	266.5	155.8
Jun	1358.5	0.0	56.9	56.0	185.6	673.6	0.0	247.3	139.1

TABLE 18. 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
Jul	865.0	16.3	0.0	0.0	0.0	0.0	0.9	0.0	842.8	5.0	0.0
Aug	889.3	20.5	0.0	0.0	0.0	0.0	0.9	0.0	862.9	5.0	0.0
Sep	912.3	21.8	0.0	0.0	0.0	0.0	0.9	0.0	884.6	5.0	0.0
Oct	918.4	13.5	0.0	0.0	0.0	0.0	0.9	0.0	896.0	8.0	0.0
Nov	943.5	17.0	0.0	0.0	0.0	0.0	0.9	0.0	917.6	8.0	0.0
Dec	959.9	47.0	0.0	0.0	0.0	0.0	0.9	0.0	909.0	3.0	0.0
<b>2003</b>											
Jan	1,066.5	131.8	0.0	0.0	0.0	0.0	0.9	0.0	933.8	0.0	0.0
Feb	1,043.5	53.8	0.0	0.0	0.0	0.0	0.9	0.0	968.8	20.0	0.0
Mar	1,050.7	48.9	0.0	0.0	0.0	0.0	0.9	0.0	1,001.0	0.0	0.0
Apr	1,072.3	23.6	0.0	0.0	0.0	0.0	0.9	0.0	1,047.9	0.0	0.0
May	1,173.6	96.3	0.0	0.0	0.0	0.0	0.9	0.0	1,076.5	0.0	0.0
Jun	1,181.7	89.0	0.0	0.0	0.0	0.0	0.9	0.0	1,091.9	0.0	0.0

**TABLE 18. 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
Jul	865.0	303.1	0.0	0.0	0.0	50.0	358.9	153.0
Aug	889.2	319.6	0.0	0.0	0.0	50.0	359.9	159.8
Sep	912.3	335.8	0.0	0.0	0.0	50.0	362.9	163.5
Oct	918.4	335.8	0.0	0.0	0.0	50.0	366.3	166.2
Nov	943.5	335.8	0.0	0.0	0.0	50.0	390.1	167.6
Dec	959.9	349.2	0.0	0.0	0.0	50.0	395.8	164.8
<b>2003</b>								
Jan	1,066.5	344.5	0.0	0.0	100.0	50.0	399.4	172.5
Feb	1,043.5	335.0	0.0	0.0	100.0	50.0	403.3	155.2
Mar	1,050.7	335.0	0.0	0.0	100.0	50.0	400.5	165.2
Apr	1,072.3	349.1	0.0	100.0	0.0	50.0	405.1	168.1
May	1,173.6	342.6	0.0	200.0	0.0	50.0	404.0	177.0
Jun	1,181.7	342.6	0.0	200.0	0.0	50.0	393.0	196.1

Money and Banking Statistics revised from 30 June 1994.

**TABLE 19. FINANCIAL SECTOR INVESTMENT BY ECONOMIC ACTIVITY**

Economic Sector/Source	<i>Millions of Nu.</i>										<i>End of June</i>
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
<b>Agriculture</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>	<b>247.3</b>	
Bank of Bhutan	4.9	4.5	8.2	6.5	4.6	3.7	3.1	3.2	6.2	6.3	
Royal Insurance Corporation of Bhutan	0.0	0.0	0.0	0.0	0.6	0.6	0.7	0.6	0.3	0.2	
Bhutan Development Finance Corporation	5.2	108.3	108.9	141.6	152.5	178.1	164.5	198.0	223.1	240.8	
Bhutan National Bank	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Manufacturing</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>974.2</b>	<b>1,290.0</b>	
Bank of Bhutan	264.5	382.4	334.6	331.4	291.3	257.0	240.3	222.4	253.8	350.1	
Royal Insurance Corporation of Bhutan	240.5	163.3	317.0	392.4	237.6	182.1	111.3	202.7	256.9	280.5	
Bhutan Development Finance Corporation	97.5	116.9	167.0	145.1	141.4	100.8	71.2	138.3	180.7	210.5	
Bhutan National Bank	191.2	195.0	210.4	227.3	228.1	175.2	165.3	221.8	282.7	448.9	
<b>Building &amp; Constructor</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>	<b>1,641.3</b>	
Bank of Bhutan	91.6	86.0	83.0	84.1	86.5	91.5	99.1	142.0	233.2	341.5	
Royal Insurance Corporation of Bhutan	290.7	280.2	274.8	262.0	268.1	269.6	279.7	273.9	331.5	394.2	
Bhutan Development Finance Corporation	7.8	0.0	54.3	84.4	5.8	23.1	28.4	41.3	140.8	296.3	
Bhutan National Bank	160.2	160.6	143.8	152.6	249.7	180.9	213.1	261.6	408.0	609.3	
<b>Trade &amp; Commerce</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>512.3</b>	<b>719.3</b>	<b>960.0</b>	
Bank of Bhutan	196.3	198.8	184.7	268.5	223.9	234.5	259.1	249.9	296.9	338.0	
Royal Insurance Corporation of Bhutan	119.3	134.3	90.1	70.2	62.5	105.3	62.8	118.0	152.0	317.8	
Bhutan Development Finance Corporation	5.1	39.2	0.0	0.0	75.1	113.3	89.2	3.7	58.2	81.5	
Bhutan National Bank	44.3	42.9	39.4	44.6	9.1	14.6	15.9	140.7	212.3	222.6	
<b>Transport</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>729.2</b>	<b>795.7</b>	
Bank of Bhutan	587.7	552.9	521.4	515.5	519.4	465.5	405.5	404.2	411.4	462.8	
Royal Insurance Corporation of Bhutan	47.2	45.4	46.5	63.2	51.3	69.4	68.1	160.9	151.2	120.2	
Bhutan Development Finance Corporation	0.7	0.9	0.0	0.0	0.0	46.0	36.9	24.0	12.5	11.2	
Bhutan National Bank	28.0	18.5	13.7	18.9	39.8	87.1	87.8	122.9	154.2	201.5	
<b>Personal &amp; Other Loans</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>1,628.1</b>	<b>1,141.0</b>	<b>2,507.1</b>	
Bank of Bhutan	102.7	120.2	113.8	105.9	54.8	101.7	138.8	1,002.8	372.7	1,683.9	
Royal Insurance Corporation of Bhutan	47.2	25.5	63.1	57.2	70.0	52.1	154.1	124.1	156.1	46.0	
Bhutan Development Finance Corporation	34.8	11.6	0.0	0.0	47.6	23.6	26.5	181.3	202.8	250.3	
Bhutan National Bank	85.0	76.6	70.0	91.1	155.7	301.9	371.6	319.8	409.3	526.9	
<b>Total</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>4,906.7</b>	<b>7,441.4</b>	

**TABLE 20. GROSS INTERNATIONAL RESERVES (\*)**

Item	Year								
	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	End of Period								
	<b>Millions of Indian Rupees</b>								
<b>1. Rupee reserves</b>	71.0	150.5	958.6	1517.8	2542.3	3165.0	3617.3	3730.6	3351.6
Royal Monetary Authority of Bhutar	33.4	34.0	39.2	41.4	95.3	102.0	89.4	635.7	863.6
Bank of Bhutan	37.6	116.6	913.8	1404.4	1863.7	1819.5	2149.7	1980.9	1755.8
Bhutan National Bank	-	-	5.7	72.0	583.3	1191.9	1328.3	1064.1	732.2
Royal Insurance Corporation of Bhutan	-	-	-	-	-	51.5	50.0	50.0	0.0
	<b>Millions of US Dollars</b>								
<b>2. Convertible currency reserves</b>	118.7	140.8	149.3	180.7	200.1	221.8	217.2	240.7	302.3
Royal Monetary Authority of Bhutan	114.4	135.5	141.5	174.6	193.5	197.7	186.1	202.6	244.4
Royal Government	-	-	-	-	-	-	-	-	-
Bank of Bhutan	4.3	5.3	6.9	4.0	3.0	11.4	16.3	18.5	39.8
Bhutan National Bank	-	-	0.9	2.2	3.6	12.6	14.8	19.5	18.0
Royal Insurance Corporation of Bhutan	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.2
<b>3. Total reserves (1+2)</b>	120.9	145.1	176.1	216.7	259.0	292.6	294.2	316.9	374.0
	<b>Months of Imports</b>								
<b>4. Total reserves</b>	14.9	16.0	16.1	21.0	19.4	19.4	18.2	20.7	23.2
Rupee reserves	0.4	0.6	3.7	4.9	6.2	6.3	5.8	6.4	4.9
Convertible currency reserves	54.2	58.4	39.4	59.5	51.9	59.2	74.6	70.7	202.1

(\*) Includes reserve tranche position in the Fund.

Note: Months of imports are calculated using gross international reserves figures.



**TABLE 21. OVERALL BALANCE OF PAYMENTS ESTIMATES**

Millions of Ngultrum

Item	Period								
	1993/94	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 (p)
<b>A. Current Account</b>	<b>-1253.6</b>	<b>1556.3</b>	<b>653.5</b>	<b>1487.6</b>	<b>984.6</b>	<b>1283.6</b>	<b>-370.1</b>	<b>-297.0</b>	<b>2937.1</b>
Exports, f.o.b.	1990.3	3349.1	3553.8	4274.2	4460.0	4987.9	4615.8	4994.8	5405.9
Imports, c.i.f.	-2914.2	-3802.3	-4697.2	-5226.1	-6913.7	-8075.2	-9106.3	-8990.2	-9042.1
Trade Balance	-923.9	-453.2	-1143.4	-951.9	-2453.7	-3087.3	-4490.4	-3995.5	-3636.2
Services <sup>1</sup>	-329.7	51.4	157.4	-334.0	-12.8	-516.2	-113.4	-115.1	-780.5
Credit	847.4	442.4	575.9	568.2	758.1	828.0	1570.3	1530.3	1272.0
Debit	-1177.1	-391.0	-418.5	-902.3	-770.9	-1344.3	-1683.7	-1645.4	-2052.5
Income	-	-13.7	-7.2	395.5	408.9	-223.9	34.1	-226.5	-646.6
Credit	-	219.5	193.2	526.0	511.1	550.4	718.5	436.3	513.6
Debit	-	-233.2	-200.3	-130.5	-102.2	-774.3	-684.4	-662.9	-1160.3
Current Transfers	-	1971.8	1646.7	2378.1	3042.1	5111.1	4199.7	4040.0	8000.5
Credit	-	3168.7	2887.9	3913.9	5768.0	6996.0	6083.6	6222.0	10180.7
<i>Of Which Grants</i>	-	2836.0	2662.5	3280.4	5146.2	6215.3	5277.9	5366.1	9132.9
Debit	-	-1196.9	-1241.2	-1535.8	-2725.9	-1884.9	-1883.9	-2181.9	-2180.3
<b>B. Capital and Financial Account</b>	<b>1939.3</b>	<b>-415.7</b>	<b>194.1</b>	<b>167.3</b>	<b>1151.7</b>	<b>1793.6</b>	<b>1428.6</b>	<b>2933.0</b>	<b>4645.5</b>
Foreign Direct Investment	-	-	-	-	45.2	-	-	86.8	117.9
Portfolio Investment	-	-	-	-	-	-	-881.4	-	0.0
Foreign Aid (Loans net) <sup>2</sup>	1780.6	-338.2	204.8	257.8	1404.6	1793.6	2310.0	2846.2	4527.5
Other Loans	158.8	-77.5	-10.8	-90.6	-298.2	0.0	0.0	0.0	0.0
<b>C. Net Errors and Omissions</b>	<b>-293.0</b>	<b>321.2</b>	<b>905.3</b>	<b>1546.8</b>	<b>1385.1</b>	<b>-1507.4</b>	<b>-815.7</b>	<b>-1391.9</b>	<b>-5009.4</b>
<b>D. Overall Balance<sup>3</sup></b>	<b>392.7</b>	<b>838.2</b>	<b>1111.7</b>	<b>1766.5</b>	<b>1847.4</b>	<b>1569.8</b>	<b>242.8</b>	<b>1244.0</b>	<b>2573.1</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 Service Transfer Payments. This format has now been altered to match IMF BOP Standards. Therefore, from 1995/1996, Invisibles are thereafter classified under Net Services, Income and Current 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 1995/1996 onwards, as per IMF Standards, Grants are treated as a Current Transfer receipt.

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

**TABLE 22. BALANCE OF PAYMENTS ESTIMATES WITH INDIA**

Millions of Ngultrum

Item	Period								
	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 (p)
<b>A. Current Account</b>	<b>-450.0</b>	<b>336.4</b>	<b>273.3</b>	<b>42.4</b>	<b>-921.4</b>	<b>1584.7</b>	<b>-709.6</b>	<b>-90.6</b>	<b>2522.7</b>
Exports, f.o.b.	2059.8	3079.0	3227.0	4041.9	4181.0	4711.2	4377.0	4700.5	5095.3
Imports, c.i.f.	-2228.1	-2790.5	-3068.2	-3684.7	-4919.3	-6065.7	-7462.6	-6988.8	-8203.5
Tala	-	-	-	-28.3	-1114.4	-1479.1	-1363.7	-568.1	-1786.6
Other	-2228.1	-2790.5	-3068.2	-3656.5	-3804.9	-4586.7	-6098.9	-6420.7	-6416.9
Trade Balance	-168.3	288.4	158.8	357.2	-738.3	-1354.5	-3085.6	-2288.3	-3108.2
Services <sup>1</sup>	-281.7	48.0	114.5	-314.8	-183.1	-620.5	-163.4	-199.6	-340.8
Credit	215.9	164.6	236.1	218.8	251.3	281.8	817.9	822.8	729.5
Debit	-497.7	-116.6	-121.6	-533.7	-434.4	-902.3	-981.3	-1022.4	-1070.3
Income	-	-171.5	-85.8	34.6	106.5	-576.7	-401.2	-435.7	-781.9
Credit	-	0.0	53.7	99.8	166.1	143.4	227.3	153.6	293.7
Debit	-	-171.5	-139.5	-65.3	-59.6	-720.1	-628.5	-589.3	-1075.6
Current Transfers	-	795.1	727.0	1400.7	1567.5	4136.4	2940.6	2833.0	6753.6
Credit	-	1285.5	1378.0	2621.6	3893.0	5488.0	4118.2	3940.5	7655.1
Of which Grants	-	1168.9	1378.0	2460.4	3812.1	5129.3	4118.1	3614.4	7283.0
Of Which Budgetary Grants	-	1168.9	947.6	1045.1	1928.5	2188.0	2551.2	1565.3	1431.8
Debit	-	-490.4	-651.0	-1220.9	-2325.5	-1351.6	-1177.6	-1107.5	-901.5
<b>B. Capital and Financial Account</b>	<b>805.7</b>	<b>-385.5</b>	<b>58.0</b>	<b>-94.3</b>	<b>968.5</b>	<b>1572.5</b>	<b>1707.9</b>	<b>1863.2</b>	<b>3116.0</b>
Foreign Aid (Loans net) <sup>2</sup>	805.7	-385.5	-13.9	-94.3	1218.5	1572.5	1707.9	1863.2	3116.0
Other Loans	0.0	0.0	71.8	0.0	-250.0	0.0	0.0	0.0	0.0
<b>C. Net Errors and Omissions</b>	<b>-409.9</b>	<b>128.7</b>	<b>476.9</b>	<b>611.0</b>	<b>977.5</b>	<b>-2534.4</b>	<b>-546.0</b>	<b>-1659.3</b>	<b>-6017.8</b>
<b>D. Overall Balance<sup>3</sup></b>	<b>-54.3</b>	<b>79.6</b>	<b>808.1</b>	<b>559.1</b>	<b>1024.5</b>	<b>622.7</b>	<b>452.3</b>	<b>113.3</b>	<b>-379.0</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 23. BALANCE OF PAYMENTS ESTIMATES WITH COUNTRIES OTHER THAN INDIA**

Millions of Ngultrum

Item	Period								
	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 (p)
<b>A. Current Account</b>	<b>-621.5</b>	<b>596.2</b>	<b>-261.0</b>	<b>10.0</b>	<b>232.0</b>	<b>-301.1</b>	<b>339.4</b>	<b>-206.5</b>	<b>414.4</b>
Exports, f.o.b.	136.9	270.2	326.8	232.2	279.0	276.6	238.9	294.3	310.6
Imports, c.i.f.	-825.1	-1011.8	-1629.0	-1541.4	-1994.4	-2009.5	-1643.7	-2001.4	-838.5
Trade Balance	-688.2	-741.6	-1302.3	-1309.1	-1715.4	-1732.8	-1404.8	-1707.1	-528.0
Services <sup>1</sup>	66.7	3.4	42.9	-19.2	170.4	104.2	49.9	84.5	-439.7
Credit	670.5	277.8	339.8	349.4	506.8	546.2	752.3	707.5	542.4
Debit	-603.8	-274.4	-296.9	-368.6	-336.5	-442.0	-702.4	-623.0	-982.1
Income	-	157.8	78.7	360.9	302.4	352.8	435.2	209.2	135.2
Credit	-	219.5	139.5	426.2	345.0	407.0	491.2	282.7	219.9
Debit	-	-61.7	-60.8	-65.3	-42.6	-54.2	-56.0	-73.5	-84.7
Current Transfers	-	1176.7	919.7	977.4	1474.6	974.7	1259.1	1207.0	1246.8
Credit	-	1883.2	1509.8	1292.3	1875.0	1508.0	1965.4	2281.5	2525.7
Of Which Grants	-	1667.1	1284.5	820.0	1334.1	1086.0	1159.8	1751.6	1849.9
Debit	-	-706.5	-590.2	-314.8	-400.4	-533.3	-706.3	-1074.5	-1278.8
<b>B. Capital and Financial Account</b>	<b>816.1</b>	<b>-30.2</b>	<b>136.1</b>	<b>261.6</b>	<b>183.3</b>	<b>221.1</b>	<b>-279.3</b>	<b>1069.8</b>	<b>1529.4</b>
Foreign Direct Investment	-	-	-	-	45.2	-	-	86.8	117.9
Portfolio Investment	-	-	-	-	-	-	-881.4	-	0.0
Foreign Aid (Loans net) <sup>2</sup>	887.1	47.3	218.7	352.1	186.2	221.1	602.1	983.0	1411.5
Other Loans	-71.0	-77.5	-82.6	-90.6	-48.2	0.0	0.0	0.0	0.0
<b>C. Net Errors and Omissions</b>	<b>300.5</b>	<b>192.5</b>	<b>428.4</b>	<b>935.8</b>	<b>407.7</b>	<b>1027.0</b>	<b>-269.7</b>	<b>267.4</b>	<b>1008.4</b>
<b>D. Overall Balance<sup>3</sup></b>	<b>495.0</b>	<b>758.6</b>	<b>303.6</b>	<b>1207.4</b>	<b>822.9</b>	<b>947.1</b>	<b>-209.6</b>	<b>1130.7</b>	<b>2952.1</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 24A. COMPOSITION OF TRADE WITH INDIA (IMPORTS)**

Millions of Ngultrum

Item	1998	1999	2000	2001	2002	Share of Imports in 2002 in %
Animal Products	119.1	171.9	209.9	270.6	255.1	4.2
Cereals, Vegetables, Fruits, Nuts, Coffee, Tea & Spices	458.1	697.4	502.4	555.6	491.1	8.1
Vegetables Fats and Oil	151.1	161.6	168.6	201.0	180.8	3.0
Prepared foodstuffs	306.6	388.6	422.2	503.8	445.9	7.4
Mineral Products	612.8	840.5	1,227.8	1,512.7	1,224.4	20.2
Products of Chemical Industries	224.4	318.3	1,659.3	514.8	355.0	5.9
Plastics and Rubber Products	113.0	177.6	150.3	157.7	143.6	2.4
Raw Hides and Skins	2.4	4.3	3.5	5.2	4.9	0.1
Wood and Wood Products	108.5	110.6	238.8	148.5	82.5	1.4
Woodpulp Products	72.9	117.6	148.2	151.4	111.4	1.8
Textiles	146.6	157.1	155.3	168.7	145.9	2.4
Footwear, Headgear and Clothing Accessories	16.4	44.6	70.6	49.7	52.8	0.9
Stone, Plaster, Cement and Asbestos Products	111.3	86.7	80.5	145.4	107.3	1.8
Precious or Semi-precious Metal Products	0.2	0.2	0.3	0.1	0.3	0.0
Base Metals and Base Metal Products	256.1	767.5	791.7	969.2	879.9	14.5
Machinery and Mechanical Appliances	520.8	1,094.4	966.9	1,014.0	1,021.4	16.9
Transport Equipment	295.7	579.1	503.9	454.9	417.6	6.9
Optical, Photographic and Measuring Equipmer	59.5	63.8	76.7	87.9	66.9	1.1
Miscellaneous Manufactured Articles	45.6	63.7	85.6	77.5	64.0	1.1
Works of Art, Antiques and Special Transactions	0.0	0.0	0.1	0.1	0.4	0.0
<b>TOTAL</b>	<b>3,620.9</b>	<b>5,845.3</b>	<b>7,462.6</b>	<b>6,988.8</b>	<b>6,051.1</b>	<b>100.0</b>

**TABLE 24B. COMPOSITION OF TRADE WITH INDIA (EXPORTS)**

Millions of Ngultrum

Item	1998	1999	2000	2001	2002	Share of Exports in 2002 in %
Animal Products	0.1	0.7	0.3	0.0	0.4	0.0
Vegetables, Fruits, Nuts, Coffee, Tea & Spices	271.8	261.8	197.7	279.9	369.2	7.5
Vegetables Fats & Oil	0.2		0.0	0.0	0.0	0.0
Prepared Foodstuffs	214.5	222.1	194.4	218.5	171.3	3.5
Mineral Products	700.6	695.4	527.4	609.5	379.3	7.7
Electricity*	1,338.7	2,018.4	2,189.6	2,072.9	2,344.2	47.7
Plastic and Rubber Products	16.6	12.7	10.8	55.5	80.1	1.6
Raw Hides & Skins	2.0	2.3	2.8	2.5	3.5	0.1
Wood and Wood Products	440.5	297.5	250.6	241.4	171.5	3.5
Woodpulp Products	0.1	0.1	0.2	1.0	0.3	0.0
Textiles	0.7	1.4	1.8	1.0	13.7	0.3
Footwear, Headgear and Clothing Accessories	0.0	-	0.2	0.0	0.0	0.0
Stone, Plaster, Cement and Asbestos Products	6.5	6.3	12.5	14.2	22.0	0.4
Base Metals and Base Metal Products	474.4	533.2	450.0	595.1	629.9	12.8
Machinery and Mechanical Appliances	11.5	6.5	6.4	0.1	39.3	0.8
Transport Equipment	0.2	0.8	1.1	0.4	2.9	0.1
Optical, Photographic and Measuring Equipment**	0.2	-	-		4.4	0.1
Miscellaneous Manufactured Articles	82.4	66.2	45.6	19.4	12.6	0.3
Products of Chemical Industries	614.6	565.8	485.5	589.0	674.5	13.7
Works of Art, Antiques, and Special Transactions	0.0		0.0	0.1	0.0	0.0
<b>TOTAL</b>	<b>4,175.6</b>	<b>4,691.2</b>	<b>4,377.0</b>	<b>4,700.5</b>	<b>4,919.1</b>	<b>100.0</b>

Source: Department of Revenue & Customs.

\* Electricity exports for 2002 is taken from Chukha and Kurichhu Sales for that year.

\*\* This category has been eliminated by DRC for 2000.

**TABLE 25A. COMPOSITION OF TRADE WITH COUNTRIES OTHER THAN INDIA (IMPORTS)**

Millions of Ngultrum

Item	1998	1999	2000	2001	2002	Share of Imports in 2002 in %
Animal Products	2.1	1.0	2.3	7.0	9.4	0.5
Vegetables,Fruits,Nuts,Coffee,Cereals,Seeds	0.5	12.2	3.1	3.4	18.8	1.0
Vegetable Fats and Oil	20.6	13.2	6.0	10.3	19.5	1.0
Whiskies and Processed Food	43.8	34.4	46.1	77.1	60.8	3.1
Mineral Oil and Fuel	40.1	56.9	66.9	1.4	0.0	0.0
Products of Chemical Industries	62.8	7.5	9.1	19.1	58.4	3.0
Medicines and Pharmaceuticals	79.0	19.6	20.6	24.0	11.1	0.6
Photographic Film and Materials	33.7	0.1	0.4	2.1	1.8	0.1
Plastic and Rubber Products	118.8	70.3	84.6	131.9	105.9	5.4
Wood Products	17.3	7.0	12.5	21.7	9.3	0.5
Woodpulp Products	115.6	26.3	38.1	21.3	10.5	0.5
Textiles	51.5	35.9	43.9	60.2	80.6	4.1
Machinery,Mechanical Appliances, Base Metals and Electronic Items	1,157.1	1,667.9	1,268.1	1539.3	1510.5	76.6
Ceramic and Melamine Products	35.4	3.1	0.8	13.3	10.8	0.5
Trekking Equipment, Footwear, Carpets	33.3	7.6	5.7	13.0	11.5	0.6
Miscellaneous Manufactured Articles	23.8	9.1	28.1	30.8	37.7	1.9
Precious and Semi-precious Metals	3.3	7.8	0.5	1.1	0.3	0.0
Tobacco and Cigarettes	5.4	6.4	5.0	3.3	0.0	0.0
Personal Effects	51.3	3.3	1.8	21.1	15.6	0.8
<b>TOTAL</b>	<b>1,895.4</b>	<b>1,989.6</b>	<b>1,643.7</b>	<b>2001.4</b>	<b>1972.6</b>	<b>100.0</b>

**TABLE 25B. COMPOSITION OF TRADE WITH COUNTRIES OTHER THAN INDIA (EXPORTS)**

Millions of Ngultrum

Item	1998	1999	2000	2001	2002	Share of Exports in 2002 in %
Vegetables & Fruits	186.4	176.7	117.9	163.9	115.2	33.6
Processed Food	5.7	8.1	14.3	14.3	6.5	1.9
Mineral Products	63.7	60.7	74.7	92.0	139.2	40.6
Plastic Products	0.8	0.7	0.0	0.0	0.0	0.0
Photographic Film & Photographic Materials	0.0	0.0	0.0	0.0	0.0	0.0
Wood Products	4.0	6.6	0.1	1.1	7.2	2.1
Woodpulp Products	2.9	0.3	3.2	7.8	1.5	0.4
Textiles	1.2	16.2	14.0	5.0	10.9	3.2
Coins	0.0	0.0	0.0	0.0	0.0	0.0
Base Metals & Base Metal Products	1.9	0.0	0.0	0.0	2.6	0.8
Machinery	9.6	6.6	4.2	0.0	56.7	16.5
Philatelic Products	0.0	0.0	0.3	0.0	0.0	0.0
Handicrafts Products	3.8	0.2	0.5	2.3	0.4	0.1
Household items & Personal effects	0.0	0.8	9.8	7.8	2.5	0.7
<b>TOTAL</b>	<b>280.0</b>	<b>276.8</b>	<b>238.9</b>	<b>294.3</b>	<b>342.7</b>	<b>100.0</b>

Source: Department of Revenue &amp; Customs.

**TABLE 26. DIRECTION OF TRADE**

*Millions of Ngultrum*

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Exports</b>											
India	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	4,700.5	4,919.1
Bangladesh	241.0	192.2	127.6	201.1	261.7	179.4	194.7	209.5	164.8	222.4	222.7
Others	54.4	12.2	9.2	70.0	65.1	52.9	85.3	67.3	74.1	71.9	120.0
<b>Total</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>4,994.7</b>	<b>5,261.8</b>
<b>Imports</b>											
India	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	6,988.8	6,051.1
Japan	544.1	360.5	396.9	412.0	602.1	841.6	410.2	260.4	305.2	622.2	326.9
Germany	25.9	43.3	61.3	70.8	67.1	45.4	72.0	0.0	28.3	66.0	97.8
United States	25.9	10.4	36.8	12.7	23.6	30.2	42.7	22.4	34.3	49.0	60.3
United Kingdom	601.1	72.6	77.6	57.5	40.6	19.5	33.2	31.3	205.4	163.4	282.3
Singapore	0.0	35.1	38.8	194.0	344.1	140.0	398.3	997.9	251.4	214.6	245.3
Thailand*									105.8	290.0	242.2
China*									71.8	15.8	74.1
Bangladesh*									49.3	64.7	72.8
Nepal*									24.7	15.0	21.4
Others	95.9	293.7	213.6	264.7	551.5	447.6	939.9	677.6	567.6	500.7	549.4
<b>Total</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>8,990.2</b>	<b>8,023.7</b>
<b>Share in percent</b>											
<b>Exports</b>											
India	82.8	89.7	93.4	91.9	90.8	94.6	93.7	94.5	94.8	94.1	93.5
Bangladesh	14.0	9.6	6.1	6.0	7.4	4.2	4.4	4.2	3.6	4.5	4.2
Others	3.2	0.6	0.4	2.1	1.8	1.2	1.9	1.3	1.6	1.4	2.3
<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	60.1	70.3	71.3	72.2	64.0	69.4	65.6	74.6	81.9	77.7	75.4
Japan	16.8	13.1	13.8	11.3	13.3	16.9	7.4	3.3	3.4	6.9	4.1
Germany	0.8	1.6	2.1	1.9	1.5	0.9	1.3	0.0	0.3	0.7	1.2
United States	0.8	0.4	1.3	0.3	0.5	0.6	0.8	0.3	0.4	0.5	0.8
United Kingdom	18.6	2.6	2.7	1.6	0.9	0.4	0.6	0.4	2.3	1.8	3.5
Singapore	0.0	1.3	1.3	5.3	7.6	2.8	7.2	12.7	2.8	2.4	3.1
Thailand*									1.2	3.2	3.0
China*									0.8	0.2	0.9
Bangladesh*									0.5	0.7	0.9
Nepal*									0.3	0.2	0.3
Others	3.0	10.7	7.4	7.3	12.2	9.0	17.0	8.6	6.2	5.6	6.8
<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, they were grouped as Others.

TABLE 27. CONVERTIBLE CURRENCY AND RUPEE LOAN DISBURSEMENTS (\*)

	Sector	Creditors	1998/1999		1999/2000		2000/2001		2001/2002		2002/2003		Total <sup>1</sup>	
			USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee
	<b>Concessional Loans</b>													
	<b>Agriculture</b>		<b>0.2</b>		<b>0.9</b>			<b>1.2</b>		<b>2.5</b>		<b>5.5</b>		<b>37.5</b>
1	Small Farm Dev. Project	IFAD									0.0		4.2	
2	T/gang Mongar Dev. Project	IFAD									0.0		3.4	
3	Punakha Wangdi Valley Dev. Proj.	IFAD									0.0		2.6	
4	1st Eastern Zone Agricultural Proj.	IFAD			0.2						0.0		3.5	
5	2nd Eastern Zone Agricultural Proj.	IFAD					0.6		1.4		4.6		6.6	
6	Forestry I	World Bank									0.0		5.3	
7	Forestry II	World Bank									0.0		0.8	
8	Forestry III	World Bank	0.2		0.7		0.5		1.1		0.9		5.2	
9	Chirang Hill Irrigation Project	ADB									0.0		1.1	
10	Highland Lifestock Dev. Proj.	ADB									0.0		4.8	
	<b>Communications</b>		<b>0.0</b>		<b>0.2</b>		<b>2.4</b>		<b>3.7</b>		<b>5.7</b>		<b>24.7</b>	
11	Earth Satellite Station	Mitsui and Co. Ltd.									0.0		1.7	
12	Air Navigation Project (Paro)	EFIC (Australia)									0.0		0.8	
13	Rural Access Project	World Bank					1.0		1.0		1.8		3.8	
14	Urban Development Project	World Bank					0.6		0.8		1.5		2.9	
15	Road Works Mechanization Proj.	ADB									0.0		5.0	
16	East West Highway Maintenance	ADB									0.0		5.2	
17	Urban Infrastructures Improv. Proj.	ADB			0.2		0.6		1.3		0.7		2.9	
18	Road Improvement Project	ADB					0.1		0.6		1.7		2.4	
	<b>Education</b>		<b>1.5</b>		<b>1.6</b>		<b>3.6</b>		<b>2.9</b>		<b>2.3</b>		<b>28.9</b>	
19	Primary Education Project	World Bank									0.0		4.4	
20	Second Education Project	World Bank	0.7		1.3		2.8		2.7		1.5		8.9	
21	Technical and Voc. Edn. Train. Proj.	ADB	0.9		0.3		0.8				0.0		4.5	
22	Basic Skills Dev. Proj.	ADB							0.2		0.8		1.0	
23	Multi Project II	ADB									0.0		10.1	
	<b>Health</b>						<b>4.7</b>				<b>5.3</b>		<b>10.1</b>	
24	Health Care Reform Program	ADB					4.7				5.3		10.1	
	<b>Financial Sector</b>		<b>2.8</b>		<b>1.8</b>		<b>0.4</b>		<b>0.7</b>		<b>3.5</b>		<b>22.8</b>	
25	Technical Assistance	World Bank									0.0		3.3	
26	Multi Project I	ADB									0.0		4.3	
27	Bhutan Dev. Finance Corporation	ADB									0.0		2.4	
28	Financial Sector Dev. Program	ADB	2.6								1.5		4.1	
29	Dev. Finance Loan Project	ADB			0.9		0.3		0.7		2.0		3.9	
30	Bhutan Dev. Finance Corporation	KFAED	0.2		0.8		0.1				0.0		4.7	

**TABLE 27. CONVERTIBLE CURRENCY AND RUPEE LOAN DISBURSEMENTS (\*) CONTINUED**

	Sector	Creditors	1998/1999		1999/2000		2000/2001		2001/2002		2002/2003		Total <sup>1</sup>	
			USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee
	<b>Industry</b>												<b>36.0</b>	
31	Bhutan Calcium Carbide Ltd.	World Bank									0.0		7.2	
32	Industrial Estates Dev. Project	ADB									0.0		0.8	
33	Gedu Wood Mgf. Corporation	KFAED									0.0		5.9	
34	Tala Particle Board Factory Proj.	KFAED									0.0		10.4	
35	Bhutan Calcium Carbide Ltd.	KFAED									0.0		6.7	
36	Dungsam Cement Plant	Govt. of India									0.0		5.0	
	<b>Power</b>		<b>2.4</b>	<b>1326.1</b>	<b>3.2</b>	<b>1660.0</b>	<b>3.3</b>	<b>1795.4</b>	<b>13.4</b>	<b>1950.8</b>	<b>10.1</b>	<b>3203.6</b>	<b>42.6</b>	<b>11509.5</b>
37	Rural Electrification Project	ADB	0.6		0.2						0.0		6.6	
38	Sustainable Rural Elect. Proj.	ADB					0.1		5.3		2.3		7.7	
39	Basochhu Hydropower Project	Govt. of Austria	1.9		3.1		3.2		0.4		0.0		12.8	
40	Bashochhu Hydro. Lower Stage	Govt. of Austria							7.7		7.9		15.5	
41	Chukha Hydropower Proj.	Govt. of India									0.0		983.6	
42	Kurichhu Hydropower Proj.	Govt. of India		316.0		440.0		768.0		204.0		162.0	2240.0	
43	Tala Hydropower Proj.	Govt. of India		1010.1		1220.0		1027.4		1746.8		3041.6	8285.9	
	<b>Other</b>													
44	Miscellaneous													
	<b>TOTAL (Concessional)</b>		<b>6.9</b>	<b>1326.1</b>	<b>7.7</b>	<b>1660.0</b>	<b>15.6</b>	<b>1795.4</b>	<b>23.1</b>	<b>1950.8</b>	<b>32.6</b>	<b>3203.6</b>	<b>202.5</b>	<b>11509.5</b>
	<b>Commercial Loans</b>													<b>22.6</b>
	<b>Communications</b>													<b>22.6</b>
45	Loan for purchase of DAC Plane	West LB Ltd.											22.6	
	<b>TOTAL (Concessional + Comm)</b>		<b>6.9</b>	<b>1326.1</b>	<b>7.7</b>	<b>1660.0</b>	<b>15.6</b>	<b>1795.4</b>	<b>23.1</b>	<b>1950.8</b>	<b>32.6</b>	<b>3203.6</b>	<b>220.1</b>	<b>12378.0</b>

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

(1): Total Disbursements are cumulative from 1981/82 - June 2003.



**TABLE 28. DEBT SERVICING - YEAR-WISE EXPENDITURE ON EXTERNAL DEBT, CONVERTIBLE CURRENCY AND RUPEE**

In millions of USD and Rupees		1999/2000		2000/2001		2001/2002		2002/2003	
		USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee
		Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest
Sector		Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
<b>Concessional Loans</b>									
<b>Agriculture</b>		<b>0.25</b>		<b>0.24</b>		<b>0.24</b>		<b>0.28</b>	
		<b>0.45</b>		<b>0.43</b>		<b>0.43</b>		<b>0.58</b>	
1	Small Farm Dev. Project	0.04		0.04		0.03		0.04	
		0.12		0.12		0.12		0.13	
2	T/gang Mongar Dev. Project	0.03		0.03		0.03		0.03	
		0.08		0.08		0.08		0.09	
3	Punakha Wangdi Valley Dev. Proj.	0.03		0.02		0.02		0.02	
		0.06		0.06		0.06		0.07	
4	1st Eastern Zone Agricultural Proj.	0.04		0.04		0.04		0.04	
						0.00		0.10	
5	2nd Eastern Zone Agricultural Proj.			0.00		0.01		0.03	
						0.00		0.00	
6	Forestry I	0.04		0.04		0.04		0.04	
		0.05		0.05		0.05		0.06	
7	Forestry II	0.01		0.01		0.01		0.01	
		0.02		0.01		0.02		0.02	
8	Forestry III	0.01		0.02		0.02		0.03	
						0.00		0.00	
9	Chirang Hill Irrigation Project	0.01		0.01		0.01		0.01	
		0.02		0.02		0.02		0.02	
10	Highland Lifestock Dev. Proj.	0.05		0.04		0.04		0.04	
		0.09		0.09		0.09		0.10	
<b>Communications</b>		<b>0.10</b>		<b>0.11</b>		<b>0.13</b>		<b>0.17</b>	
		<b>0.19</b>		<b>0.19</b>		<b>0.19</b>		<b>0.20</b>	
11	Earth Satellite Station					0.00		0.00	
						0.00		0.00	
12	Air Navigation Project (Paro)					0.00		0.00	
		0.09		0.09		0.09		0.09	
13	Rural Access Project			0.00		0.01		0.02	
						0.00		0.00	
14	Urban Development Project			0.00		0.01		0.02	
						0.00		0.00	
15	Road Works Mechanization Proj.	0.05		0.05		0.04		0.04	
		0.10		0.09		0.09		0.10	
16	East West Highway Maintenance	0.05		0.05		0.05		0.05	
						0.00		0.00	
17	Urban Infrastructures Improv. Proj.	0.00		0.00		0.01		0.02	
						0.00		0.00	
18	Road Improvement Project					0.00		0.01	
						0.00		0.00	
<b>Education</b>		<b>0.17</b>		<b>0.18</b>		<b>0.19</b>		<b>0.22</b>	
		<b>0.27</b>		<b>0.30</b>		<b>0.35</b>		<b>0.39</b>	
19	Primary Education Project	0.03		0.03		0.03		0.03	
		0.08		0.08		0.08		0.09	
20	Second Education Project	0.01		0.02		0.03		0.06	
						0.00		0.00	
21	Technical and Voc. Edn. Train. Proj.	0.03		0.04		0.04		0.04	
				0.04		0.08		0.09	
22	Basic Skills Dev. Proj.					0.00		0.00	
						0.00		0.00	
23	Multi Project II	0.10		0.09		0.09		0.09	
		0.19		0.18		0.19		0.21	
<b>Health</b>				<b>0.01</b>		<b>0.05</b>		<b>0.07</b>	
				<b>0.00</b>		<b>0.00</b>		<b>0.00</b>	
24	Health Care Reform Program			0.01		0.05		0.07	
						0.00		0.00	
<b>Financial Sector</b>		<b>0.20</b>		<b>0.21</b>		<b>0.21</b>		<b>0.21</b>	
		<b>0.57</b>		<b>0.57</b>		<b>0.58</b>		<b>0.60</b>	
25	Technical Assistance	0.02		0.02		0.03		0.02	
		0.03		0.03		0.03		0.04	
26	Multi Project I	0.04		0.04		0.03		0.04	
		0.10		0.09		0.09		0.10	

**TABLE 28. DEBT SERVICING - YEAR-WISE EXPENDITURE ON EXTERNAL DEBT, CONVERTIBLE CURRENCY AND RUPEE, CONTINUED**

In millions of USD and Rupees	Sector	1999/2000		2000/2001		2001/2002		2002/2003	
		USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee
		Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest
		Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
27	Bhutan Dev. Finance Corporation	0.02		0.02		0.02		0.02	
		0.04		0.04		0.04		0.05	
28	Financial Sector Dev. Program	0.02		0.02		0.02		0.02	
						0.00		0.00	
29	Dev. Finance Loan Project	0.00		0.01		0.02		0.03	
						0.00		0.00	
30	Bhutan Dev. Finance Corporation	0.09		0.10		0.09		0.08	
		0.40		0.40		0.41		0.42	
	<b>Industry</b>	<b>0.17</b>		<b>0.14</b>		<b>0.39</b>		<b>0.10</b>	
		<b>1.14</b>		<b>1.14</b>		<b>1.16</b>		<b>1.18</b>	
31	Bhutan Calcium Carbide Ltd.	0.06		0.05		0.05		0.05	
		0.07		0.07		0.07		0.08	
32	Industrial Estates Dev. Project	0.01		0.01		0.01		0.01	
		0.01		0.01		0.01		0.02	
33	Gedu Wood Mfg. Corporation					0.00		0.00	
						0.00		0.00	
34	Tala Particle Board Factory Proj.	0.06		0.04		0.30		0.02	
		0.66		0.66		0.67		0.68	
35	Bhutan Calcium Carbide Ltd.	0.05		0.04		0.03		0.02	
		0.40		0.40		0.40		0.41	
	<b>Power</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>0.52</b>	<b>25.16</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	0.07		0.06		0.07		0.06	
						0.00		0.00	
37	Sustainable Rural Elect. Proj.					0.01		0.06	
								0.00	
38	Basochhu Hydropower Project					0.03		0.40	
						0.00		0.00	
39	Chukha Hydropower Proj.		38.30		33.69		29.60		25.16
			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
41	Tala Hydropower Proj.		0.00		0.00		0.00		0.00
			0.00		0.00		0.00		0.00
	Total ( for Concessional Loans)	<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>1.58</b>	<b>25.16</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>2.95</b>	<b>87.55</b>
	<b>Commercial Loans</b>								
	<b>Communications</b>	<b>0.00</b>		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>	
		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>	
42	Loan for purchase of DAC Plane					0.00		0.00	
						0.00		0.00	
	<b>Total (Con. + Soft Comm.)</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>1.58</b>	<b>25.16</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>2.95</b>	<b>87.55</b>
	<b>GRAND TOTAL (I+P)</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>	<b>4.53</b>	<b>112.71</b>

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

**TABLE 29. FOREIGN DEBT INDICATORS FOR CONVERTIBLE CURRENCY LOANS**

Millions of US Dollars

Items	Period									
	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 (p)
<b>Debt Outstanding</b>	80.3	80.7	80.2	84.0	90.4	98.7	98.7	106.9	129.9	176.8
<b>Debt Service Payments</b>	6.5	6.3	8.9	6.1	5.8	4.8	3.6	3.6	4.0	4.5
Principal	4.7	4.7	7.1	4.4	4.7	3.8	2.6	2.6	2.7	2.9
Interest	1.8	1.6	1.8	1.6	1.1	1.0	0.9	1.0	1.3	1.6
<b>Debt Service Ratio (%)</b>	33.3	35.6	55.6	32.7	38.4	26.1	19.0	16.7	19.4	25.4
Interest Payments/Convertible Currency Exports of Goods and Services.	9.1	9.2	11.1	8.8	7.3	5.4	5.0	4.5	6.4	8.9
Principal Repayments/ Convertible Currency Exports of Goods and Services.	24.2	26.3	44.6	23.8	31.1	20.8	14.0	12.3	13.0	16.6
<b>Debt Outstanding/GDP (%)</b>	35.9	31.1	28.6	26.3	24.8	26.2	23.2	23.4	26.2	30.8

Source: Department of Aid and Debt Management.

**TABLE 30. RUPEE DEBT INDICATORS**

Millions of Indian Rupees

Items	Period									
	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03(p)
<b>Debt Outstanding</b>	1,841.6	1,734.8	1,256.7	1,243.8	1,715.5	2,197.9	3,276.9	6,024.4	7,803.6	10,963.7
Chukha Hydel Project	1,263.7	1,171.1	1,078.6	993.8	875.5	788.0	700.4	612.9	525.3	437.8
Dungsam Cement Project	0.5	0.0								
Amex Bank										
Citibank										
GOI Credit Line	250.0	250.0	178.2	250.0	250.0					
SBI Overdraft	327.5	313.7								
Tala Hydropower Project					240.0	877.7	1,470.5	3,537.6	5,284.3	8,285.9
Kurichhu Hydropower Project					350.0	532.2	1,106.0	1,874.0	1,994.0	2,240.0
<b>Debt Service Payments</b>	329.5	203.5	556.4	151.4	159.1	394.8	125.8	121.2	117.1	112.7
Principal	95.7	14.3	385.5	13.9	94.3	337.6	87.6	87.6	87.6	87.6
Interest	233.8	189.3	170.9	137.5	64.9	57.3	38.3	33.7	29.6	25.2
<b>Debt Service Ratio (%)</b>	16.4	8.9	17.2	4.4	3.7	8.9	2.5	2.3	2.1	1.9
Interest Payments/Export of Goods & Services	11.6	8.3	5.3	4.0	1.5	1.3	0.8	0.6	0.5	0.4
Principal Repayments/Exports of Goods & Services	4.8	0.6	11.9	0.4	2.2	7.6	1.8	1.7	1.6	1.5
<b>Debt Outstanding/GDP (%)</b>	26.3	21.3	13.1	10.9	12.3	13.7	17.7	28.5	32.6	39.8

Source: Department of Aid and Debt Management.

**TABLE 31. 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</b>	1998	100.0	267	3,750	3,100	375.0	126.2	204.4	3,403.7	1,262.2	3.0	150.0	4.4	0.4
	<b>1993</b>	100.0	267	3,750	3,750	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	4,001	400.1	43.4	283.7	3,836.5	433.6	9.2	-	-	0.1
	2001	100.0	266	5,000	4,000	500.0	101.5	284.4	3,844.0	1,015.3	4.9	100.0	2.6	0.3
	2002	100.0	267	5,000	4,000	500.0	72.1	325.5	4,254.3	720.8	6.9	30.0	0.7	0.2
<b>RICB</b>	1998	24.0	200	3,700	2,800	88.8	22.9	133.0	6,540.0	955.4	3.9	40.0	0.6	0.2
	<b>1993</b>	24.0	260	3,700	3,700	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	2,350	196.8	21.9	69.6	2,449.0	455.2	9.0	15.0	0.6	0.2
	2001	48.0	2056	4,100	4,099	196.8	34.8	103.9	3,165.0	724.1	5.7	20.0	0.6	0.2
	2002	48.0	1871	4,205	4,100	201.8	41.7	145.6	4,033.5	868.5	4.8	-	-	0.2
<b>PCAL</b>	1998	226.7	835	3,000	2,500	680.0	89.1	185.0	1,816.4	393.0	7.6	30.0	1.7	0.2
	<b>1993</b>	226.7	1,630	3,000	1,725	680.0	166.0	260.4	2,148.9	732.5	4.1	40.0	1.9	0.3
	2000	226.7	1,630	4,500	3,000	906.7	170.5	317.6	2,400.9	752.1	6.0	50.0	2.1	0.3
	2001	226.7	1,616	4,500	4,000	906.7	183.8	388.0	2,711.6	810.7	4.9	50.0	1.8	0.3
	2002	226.7	1,620	4,600	4,000	1,042.7	200.4	418.4	2,845.7	884.1	5.2	75.0	1.6	0.3
<b>BFAL</b>	1998	150.0	48	120	100	180.0	(14.1)	273.8	282.5	(9.4)	(12.8)	-	-	(0.0)
	<b>1995</b>	150.0	44	130	120	195.0	50.3	323.1	315.4	33.6	3.9	20.0	6.3	0.1
	2000	150.0	42	135	135	202.5	0.7	293.8	295.8	0.4	306.8	-	-	-
	2001	150.0	37	140	140	210.0	46.8	110.4	173.6	31.2	4.8	10.0	5.8	0.8
	2002	150.0	37	140	140	210.0	90.7	195.0	230.0	60.0	2.3	-	-	0.3
<b>BBPL</b>	1998	101.4	475	106	100	107.5	14.7	48.9	148.2	14.5	7.3	10.0	6.7	0.1
	<b>1993</b>	101.4	489	106	100	106.5	(36.7)	12.0	111.9	(36.2)	(2.9)	-	-	(0.3)
	2000	140.0	489	103	103	144.2	(9.4)	2.7	101.9	(6.7)	(15.4)	-	-	(0.1)
	2001	140.0	489	103	103	144.2	4.6	7.3	105.2	3.3	31.0	-	-	0.03
	2002	140.0	489	89	89	124.6	4.0	11.3	108.1	2.8	31.6	-	-	0.02
<b>BTCL</b>	1998	20.9	87	1,000	1,000	20.9	3.6	9.2	1,437.9	171.4	5.8	15.0	1.0	0.1
	<b>1994</b>	20.9	89	1,050	1,050	22.0	4.0	12.8	1,609.5	192.9	5.4	-	-	0.1
	2000	20.9	89	1,050	1,050	22.0	4.9	16.9	1,806.1	233.0	4.6	-	-	0.1
	2001	20.9	89	1,050	1,050	22.0	2.8	15.5	1,740.4	132.5	7.9	-	-	0.1
	2002	20.9	83	2,000	1,500	31.4	4.7	18.6	1,886.1	224.0	6.7	20.0	1.1	0.1

**TABLE 31. 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 1994</b>	1998	2.5	96	100	100	2.5	-	-	-	-	-	-	-	-
	1999	2.5	96	100	100	2.5	(1.9)	-	100.0	(76.6)	(1.3)	-	-	(0.8)
	2000	5.0	96	100	100	5.0	(0.2)	-	100.0	(4.4)	(22.8)	-	-	(0.0)
	2001	2.5	96	100	100	2.5	0.8	-	100.0	33.2	3.0	-	-	0.3
	2002	2.5	96	100	100	2.5	-	-	-	-	-	-	-	-
<b>DPCL 1995</b>	1998	4.3	80	100	100	3.8	(1.3)	-	100.0	(29.4)	(3.4)	-	-	(0.3)
	1999	4.3	80	100	100	3.8	(1.5)	-	100.0	(35.6)	(2.8)	-	-	(0.4)
	2000	6.2	80	100	100	3.8	(0.3)	-	100.0	(5.5)	(18.3)	-	-	0.1
	2001	6.2	80	100	100	4.3	(0.1)	-	100.0	(2.1)	(47.2)	-	-	(0.0)
	2002	6.2	80	100	100	6.2	-	-	-	-	-	-	-	-
<b>DSML 1995</b>	1998	3.8	59	100	100	3.8	(1.0)	-	100.0	(25.7)	(3.9)	-	-	(0.3)
	1999	3.8	64	100	100	3.8	(0.6)	-	100.0	(16.9)	(6.0)	-	-	(0.2)
	2000	3.8	64	100	100	3.8	(0.7)	-	100.0	(19.7)	(5.1)	-	-	(0.2)
	2001	3.8	64	100	100	3.8	(0.5)	-	100.0	(13.6)	(7.3)	-	-	(0.1)
	2002	3.8	64	100	100	3.8	-	-	-	-	-	-	-	-
<b>BNB 1996</b>	1998	59.5	406	240	220	142.8	47.8	98.2	265.1	80.3	3.0	50.0	18.9	0.3
	1999	59.5	407	250	190	148.8	47.9	122.3	305.5	80.4	3.1	40.0	13.1	0.8
	2000	59.5	407	700	450	416.5	102.9	195.4	428.5	173.0	4.1	50.0	11.7	0.4
	2001	59.5	405	1,500	439	862.8	78.1	243.8	509.7	131.3	11.1	50.0	9.8	0.3
	2002	59.5	409	2,000	1,100	1,190.0	40.1	269.0	552.1	67.4	29.7	25.0	4.5	0.1
<b>BPCL 1997</b>	1998	10.8	54	100	100	10.8	2.6	0.2	101.9	24.4	4.1	15.0	14.7	0.2
	1999	12.5	78	100	100	12.5	9.9	5.1	140.7	79.0	1.3	40.0	28.4	0.6
	2000	24.9	78	100	100	24.9	8.1	8.8	135.4	32.6	0.6	35.0	25.9	0.3
	2001	24.9	78	100	100	24.9	6.6	10.4	141.8	26.4	3.8	20.0	14.1	0.2
	2002	24.9	95	300	205	62.3	9.6	12.5	150.2	38.4	6.5	30.0	20.0	0.3
<b>STCB 1997</b>	1998	20.0	132	100	100	20.0	14.3	9.4	147.1	71.3	1.4	25.0	17.0	0.5
	1999	20.0	133	100	100	20.0	11.8	15.2	176.2	59.1	0.6	30.0	17.0	0.3
	2000	20.0	133	130	130	26.0	29.8	37.0	284.9	148.8	0.9	40.0	14.0	0.5
	2001	20.0	133	130	130	26.0	8.6	40.5	302.7	42.7	3.0	25.0	8.3	0.1
	2002	20.0	127	130	130	26.0	4.4	41.0	304.8	22.2	5.9	20.0	6.6	0.1
<b>DSCL 1998</b>	1999	10.1	1201	100	100	10.1	13.4	14.6	244.1	132.0	0.8	50.0	20.5	0.5
	2000	10.1	1201	100	100	10.1	17.4	25.2	265.8	171.8	0.6	50.0	18.8	0.5
	2001	30.4	1201	100	100	30.4	17.0	11.5	136.2	56.0	1.8	15.0	11.0	0.4
	2002	30.4	1200	100	100	30.4	21.2	32.7	207.6	69.7	1.4	-	-	0.3

Source: Royal Securities Exchange of Bhutan

**Total Market Capitalization :**

**3,431.76**

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 32. EXCHANGE RATE, NGULTRUM/US DOLLAR**

Period Average

Period	Year						
	1997	1998	1999	2000	2001	2002	2003
Jan	35.87	39.36	42.51	43.55	46.54	48.34	47.93
Feb	35.89	38.91	42.46	43.61	46.52	48.69	47.74
Mar	35.87	39.50	42.44	43.59	46.62	48.74	47.65
Apr	35.82	39.65	42.73	43.64	46.79	48.92	47.38
May	35.81	40.37	42.77	43.97	46.92	49.00	47.08
June	35.81	42.25	43.14	44.69	47.01	48.96	46.72
July	35.74	42.51	43.29	44.78	47.14	48.76	
Aug	35.93	42.76	43.46	45.69	47.13	48.59	
Sept	36.42	42.52	43.54	45.89	47.65	48.44	
Oct	36.23	42.35	43.45	46.35	48.02	48.37	
Nov	37.15	42.38	43.40	46.78	48.00	48.38	
Dec	39.22	42.55	43.49	46.75	47.92	48.14	
Calendar year average	36.31	41.26	43.06	44.94	47.19	48.61	
Fiscal year average (+)	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	35.77	38.39	42.59	43.64	46.39	48.21	47.93

Source : International Financial Statistics, IMF.

**TABLE 33. EXCHANGE RATE, JAPANESE YEN / US Dollar**

Period Average

Period							
	1997	1998	1999	2000	2001	2002	2003
Jan	118.02	129.45	113.18	105.16	117.10	132.66	118.65
Feb	123.01	126.00	116.66	109.31	116.04	133.52	119.27
Mar	122.64	128.69	119.78	106.71	121.12	131.20	118.54
Apr	125.51	131.67	119.81	105.48	123.83	131.07	119.79
May	118.99	135.00	122.11	108.11	121.93	126.48	117.26
June	114.20	140.57	120.90	106.23	122.15	123.60	118.26
July	115.16	140.73	119.86	107.90	124.65	118.07	
Aug	117.90	144.65	113.40	108.07	121.61	119.01	
Sept	120.75	134.59	107.57	106.75	118.98	120.37	
Oct	121.06	121.30	105.97	108.36	121.28	123.86	
Nov	125.27	120.58	104.60	108.89	122.31	122.55	
Dec	129.38	117.62	102.68	112.21	127.36	122.27	
Calendar year average	120.99	130.90	113.88	107.77	121.53	125.39	
Fiscal year average (+)	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	115.63	126.74	124.33	107.92	114.53	126.23	119.83

Source : International Financial Statistics, IMF.

Additional Source: Bank of Japan Website.



**TABLE 34. EXCHANGE RATE, EURO/US Dollar**

Period Average

Period	Year				
	1999	2000	2001	2002	2003
January	0.8615	0.9867	1.0659	1.1324	0.9417
February	0.8924	1.0170	1.0851	1.1494	0.9283
March	0.9189	1.0370	1.0999	1.1419	0.9256
April	0.9343	1.0654	1.1214	1.1290	0.9220
May	0.9410	1.1040	1.1442	1.0906	0.8645
June	0.9636	1.0537	1.1722	1.0470	0.8575
July	0.9663	1.0644	1.1622	1.0080	
August	0.9432	1.1062	1.1108	1.0227	
September	0.9524	1.1469	1.0978	1.0196	
October	0.9340	1.1698	1.1041	1.0196	
November	0.9668	1.1678	1.1259	1.0082	
December	0.9891	1.1149	1.1207	0.9823	
Calendar year average	0.9386	1.0862	1.1175	1.0626	
Fiscal year average (+)		1999/00	2000/01	2001/02	2002/03
		1.0013	1.1216	1.1176	0.9583

Source : IFS, IMF.

Additional Source: European Central Bank Website.

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### **III. ANNEXURES**

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**THE ROYAL MONETARY AUTHORITY OF BHUTAN:****Functions, Organization Structure, and Future Plans****Functions**

In accordance with the RMA Act, 1982, the RMA's Core Functions, i.e., the Central Function and the Subsidiary Functions, can be summarized as follows:

(a) Achievement and Maintenance of Price Stability in the Longer Term is the Central Function

In view of the close economic and financial ties between Bhutan and India, an *Exchange Rate Target* was chosen, i.e., the one-to one Peg between the BTN and the INR. Monetary Policy, which is aimed at achieving Price Stability, is confined to the support of the Peg, which involves making available sufficient INR on demand, the provision of at least 100% Reserve backing for all BTN issued, the avoidance of large discrepancies in the growth of Bhutanese M2 and Indian Money, and confidence-building measures for the BTN, implying, for example, credible RMA policies. All the other Subsidiary Functions, which are also very important, and which complement the Central Function, are outlined below [b) through h)].

b) The Bank of Issue

The RMA has the sole right to issue notes and coins for the purpose of directly influencing the amount of currency in circulation outside banks, thereby providing the economy with sufficient, but if possible, non-inflationary liquidity.

c) The Bankers' Bank

This function includes the acceptance of deposits as prudential reserves for banks (e.g., Minimum Reserves), the willingness to discount commercial and Government paper, and the commitment to act as "lender of last resort" to banks in the case of short-term liquidity shortages. It also involves the provision of central clearance facilities for interbank transactions.

d) The Government's Bank

The RMA is the banker and the fiscal agent for the Government, and may be the depository of the Government. The Central Bank may make temporary advances to the Government.

e) The Advisor to the Government

The RMA may advise the Government on any matter relating to its functions, powers, and duties. The RMA may also be requested to advise the Government on any matter related to its functions, powers, and duties, the credit conditions in the country, or any proposal, measures, and transactions relating thereto.

f) The Guardian of the Country's External Reserves

The RMA is the depository of the official external assets of the country, including gold and foreign currency reserves. Guarding international reserves usually implies also the responsibility for the Exchange Rate Policy (in Bhutan the external value of the BTN is declared by the Government on recommendation of the RMA's Board, while the RMA has to implement and support it), Reserve Management (with a view to the prudential management of the funds, with due regard to safety, liquidity, and profitability, in that order), and External Debt Management on behalf of the Ministry of Finance.

g) Supervision of Banks and Other Financial Institutions

In general, this activity, which in quite a few countries is carried out by a separate institution, involves insuring that deposit money banks and other financial institutions conduct their business on a sound prudential basis and according to the various laws and regulations in force. It also includes the licensing of financial institutions.

In the "Small Economy Case" and/or countries at a relatively early stage of economic and institutional development, (e.g., in Bhutan and on the Maldives) there is a very good case for making the Central Bank also responsible for Financial Institutions' Supervision (including all Financial Institutions) on account of economies of scale and the Central Bank's Financial Sector expertise. In larger developing countries, one might think at a later stage of development of creating a separate institution for Financial Institutions' Supervision, or even several separate institutions.

h) Promotion of Financial Sector Development

This refers to the establishment of an effective financial system, with the aid of which financial transactions necessary for the smooth functioning of the economy can be carried out with a minimum amount of cost and time involved. In this connection, the RMA has to be a facilitator of advanced clearing and transfer systems. It also implies that the necessary banking services, as, for example, deposit facilities and loan facilities, are made available. Of importance is also the establishment of a deposit insurance system and the availability of certain specialised institutions, which could be represented, for example, by an industrial development bank, an agricultural development bank, and micro-finance institutions, and the facilitation of a money market, primary and secondary markets for securities, a foreign

exchange market, and a capital market. In other words, the RMA should be heavily involved in Financial Sector Development, which already is the case.

### **Organization Structure**

While all the major central banking and administrative decisions are taken by the Board of Directors (*please see page 2 for its composition*), the day-to-day management of the RMA is the responsibility of its Managing Director (MD), with constant support by the Deputy Managing Director (DMD), who officiates in the absence of the MD. According to the Act, the Board should meet “not less frequently than once every two months”.

The basic responsibilities of the organization units shown in the Organization Chart (*please see page 5*), apart from those of the Board of Directors, the Managing Director, and the Deputy Managing Director, can be summarized as follows:

- a) The Internal Audit Division, 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.
- b) The Reserve Management Division, which reports directly 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. The division also provides information on exchange rates.
- c) The Administration and Personnel Division is generally responsible for administrative matters and human resources development.
- d) 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.
- e) 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.
- f) The Foreign Exchange Division drafts, implements, monitors, and enforces the foreign exchange regulations, authorizes and processes foreign exchange releases, and issues directives and instructions.
- g) The Information Technology (IT) Division is involved in all aspects of developing and maintaining the RMA’s IT system, e.g., IT planning and monitoring, hardware management and support, and applications systems and database development, management, and support.

- h) 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.
- i) The Research and Statistics Division is responsible for Research and Statistics, advice to Management and Government, the provision of statistical and economic information to the Government and the General Public, and library services.

### **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 about 20 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 substantially 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, but 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, within the framework of “International Best Practices”: increased RMA independence (e.g., in Financial Institutions’ Supervision), better timing and increased frequency of Board Meetings, streamlining of Top Management procedures, enhancement of the status of the RMA, clear specification of the Primary Objective, and clear outline of the General Monetary Policy Framework. For revising the RMA Act, Technical Assistance has already been received from the Bundesbank, the Asian Development Bank, and the International Monetary Fund. In connection with the revision of the RMA Act, there also will be a need to introduce modern Financial Sector Legislation in a co-ordinated manner.
- b) Further Development of the RMA’s Monetary Policy Framework and the strengthening of the Monetary Policy Tools (at present basically applicable to the support of the one-to-one Peg between the BTN and the INR).
- c) Enhancement of the Organisation Structure and Management Procedures, e.g., creation of a General Administration Division, a Human Resources Division, a Legal Division, and a Secretariat in support of Top Management and the Board, and creating the positions of the Deputy Managing Director I (who would be responsible for Financial Institutions’ Supervision and Operations) and Deputy Managing Director II (who would be responsible for Central Bank Policy, Research, and Statistics), while introducing promotion by merit, functional job descriptions for all organisation units, and clear lines of responsibility.

- d) Further Strengthening of the RMA's Management and Staff Capability through training and recruitment, e.g., provision of training for Management and further development of the capability for the Financial Institutions' Supervision Division to supervise all of Bhutan's Financial Institutions.
- e) Further Improvement of the Computer System. Acquisition of more computers, provision of more computer training, and streamlining of the Local Area Network (LAN) and the Web-site. Development of an overall Information Technology Plan, together with a Data-flow System. Establishment of a computerised Time Series Database for economic time series.
- f) 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.
- g) Enhanced Accountability. The RMA should explain to the General Public and the Government what it is doing and why, by all means of communications.
- h) Improvement of the RMA's Corporate Image. The proper formulation and implementation of Central Bank Policies will only be possible if the RMA is able to project a strong Corporate Identity to the General Public. This can be achieved through superior professional expertise, the regular provision of a wide range of up-to-date economic statistics, coupled with excellent economic analysis, and skilful public relations (marketing), using all communication channels available.

**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 introduced 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 licenses for financial institutions and to regulate, supervise, and inspect their operations.
- ❖ The RMA organized 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 further improving the RMA's liquidity management, the RMA introduced the reserve repurchase in September 1996 as its second debt instrument. The repurchase was rolled over until January 2002, when it was discontinued.
- ❖ 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 liberalized interest rates with effect from April 1997, allowing each institution to determine the rates on the basis of the prevailing market conditions.



- ❖ In line with the Government's programme of liberalizing 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.
- ❖ 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.
- ❖ During the first half of 2003 an ADB project was initiated, which was designed to help strengthen the capacity of the Royal Monetary Authority and the Royal Securities Exchange of Bhutan. The project is to be concluded in October 2003.
- ❖ Work on the revision of the RMA Act of 1982 is in progress. So far, drafting has been done by the Bundesbank, the Asian Development Bank, and the International Monetary Fund. It is expected that the Revised RMA Act will be ready for submission to the National Assembly for approval by mid 2004.

## 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 SBI, 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, the 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 July 1, 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.

During the year 2002, its total assets/liabilities increased by 24.7 percent to Nu.11,935 million from Nu.9,574.5 million in 2001. Despite problems of excess liquidity, and with the prudential management of funds, there was a marginal improvement in in-country investment policies, and expenditure control recorded a net profit of Nu.136.1 million. Profits were down from 2001 of Nu.170.8 million, mainly due to the

downward revision of interest rates on advances several times during the year. Meanwhile, BOB's total deposits increased from Nu.6,979.7 million in 2001 to Nu.9,093 million as at the end of 2002, an increase by 30.3 percent. In an effort to check the rise in cost of funds through a balanced deposit mix, the cost of funds stood at Nu.312.2 million as against Nu.302 million in 2001. In order to align the deposits rates with the prevailing market rates, the bank has scaled down its fresh term deposits rates effective from January 1, 2003. During the year, the bank sanctioned loans totaling Nu.1,315.6 million. Excluding the bills discounted and purchased, the majority of these loans went to service and tourism (46.5 percent), followed by trade and commerce (14.3 percent), manufacturing and industry (13.3 percent), and transport (10.5 percent).

By the end of 2002, BOB's staff totaled 489, comprising of 114 Officers, 227 clerks, and 148 subordinates. During the year, in a move to improve general customer services and to automate the operational functions of branch offices, the BOB has computerized its 4<sup>th</sup> branch in Thimphu and the collaboration agreement between the RGOB and SBI has once again been renewed for another five years.

### **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 RIB. 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.

By the end of 2002, BNB earned a profit after tax of Nu.40 million that was lower by about Nu.38 million in comparison to the previous year. The main reason for the fall

in profits was on account of a drop in interest rates on overseas deposits, as well as changes in RMA guidelines. After the United States September 11<sup>th</sup> terrorist attacks in 2001, US Dollar interest rates plummeted from 7 percent to about 1.5 percent in foreign banks such as American Express Bank and Citibank. Similarly, Indian interest on deposits decreased from 10 percent to 6.8 percent. Due to these changes, interest earnings on deposits outside the country dropped to Nu.87.2 million in 2002 from Nu.146.87 million in 2001. Though there has been a fall in the profit in comparison to the previous years, there has been general improvement in terms of growth in the assets, deposits and lending. The total assets/liabilities increased by 23 percent to Nu.5,062 million in 2002 from Nu.4,124.2 million in 2001.

The bank's credit portfolio grew to Nu.1,688.4 million in 2002 from Nu.1,208.3 million in 2001, an increase of 40 percent. On the deposit side, its efficient customer service backed by competitive deposit rates, helped expand the bank's total deposits from Nu.3,610 million to Nu.4,720 million in 2002. On November 22, 2002, the Board approved a reduction in the fixed deposit rates by 1-2 percent for individual with effect from January 1, 2002 to maintain the existing interest spread.

By the end of the year, BNB's total staff strength stood at 182, an increase of 12 percent, while twenty-six employees have been sent for specialized banking courses to various Asian cities during the year.

### **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 2002 by earning a high profit (before tax). The consolidated profit grew by Nu.6.9 million to Nu.31.3 million from Nu.24.4 million in the previous

year. The Industrial Lending Department contributed Nu.18.1 million and the Agricultural Lending Department (ALD) Nu.13.1 million to the overall profit of the corporation. Responsible for the increase in profit was the increase in outreach and loan disbursements, as well as an improvement in loan recovery, especially in the ALD. Total profit from the ALD has substantially increased to Nu.13.1 million in 2002 from Nu.6 million in the year before that. Total assets for BDFC grew by 24.2 percent to Nu.1,005 million in 2002 from Nu.809.3 million in 2001.

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 2002, BDFC's total staff stood at 133 - 30 in the Industrial Lending Department and 103 in the Agricultural Lending Department -, as compared to 125 staff in 2001. The year 2002 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.30,000 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 2002 reveals a growth in profits and total assets. Profit for the year amounted to Nu.59.6 million as against Nu.49.7 million in 2001, an increase by Nu.19.9 million. The total assets/liabilities increased by 15.6 percent to Nu. 1,334 million from Nu. 1,154.4 million in 2001.

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 157 at the close of 2002. The corporation is presently in the process of developing client server base technology under an oracle platform that is expected to be fully operational within 2004. The corporation has not declared any dividend for the year 2002 in order to build its reserves and expand its capital funds.

### **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>.

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 2002, the second year of its operation, NPPF's total assets increased from Nu.2.4 billion to Nu.2.7 billion, as compared to 2001. The growth in total assets can be attributed to positive contributions to the pay-out ratio, thereby meaning that there was a considerable increase in new GEPF members to the number of retirees during the year. NPPF earned gross revenue of Nu.128.3 million (Nu.132.9 million in the previous year), of which 84 percent came from interest on investments, 7.4 percent from rent, 8.5 percent from dividends and 0.04 percent from other revenue. Rental income rose due to upward revisions of rent with effect from January 1, 2002, but the income from interest on investments had fallen owing to a reduction in the interest rate by the Banks during the year.

On the investment front, the fund has confronted many challenges. The overall return on account of the investment during the year was only 3 percent, which is about a 0.3 percentage point over the inflation rate of 2.7 percent as on June 2002. The decline can be attributed to the following major developments both within the country and international scenario:

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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.



- The fund had to adjust Nu.41.9 million on account of declining asset values in its international investment.
- Most of its funds are kept with commercial banks at low returns and the banks have reduced the deposits rates from 5.5 percent to 4.5 percent during the year.
- Unlike in its first operation, the fund no longer enjoys the subsidy of Nu.54.3 million from the Government; instead the Government has directed the fund to pay actual returns to the members.
- In order to protect the value of its real estate assets, major maintenance works amounting to Nu.2.7 million were carried out during the year.

But the overall investment portfolio has increased from Nu.2.3 billion to Nu.2.6 billion, a growth of 14.3 percent, mainly on account of the following factors:

- With the purchase of the BNB equity shares (59,207) from the Citi Bank at the negotiated price of Nu.439.1 per share and with the BNB share trading at Nu.1,390 per share as of June 30, 2002, this represents a price appreciation of approximately 217 percent.
- During the fiscal year 2001/2002, the fund also took the opportunity to invest in the RGOB treasury bills (worth Nu.180 million) on October 4, 2001 at a coupon rate of 7 percent per annum.
- The loan to RICB has been increased from Nu.350 million to Nu.500 million.
- The fund also participated in the consortium loan amounting to Nu.40.5 million to M/s. Bhutan Beverage Company Limited.

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 (IA) as its investment manager, and the First Union National Bank as custodial bank (operations commenced from January 15, 2001). 1838 IA continues to manage the fund's investment on the basis of a globally balanced portfolio. As of June 30, 2002, the fund's overall investment market value declined by 8.2 percent, and in spite of the short-term volatility of the market, 1838 IA is confident that the objective to achieve a total return of 5 percent above the US CPI over an Investment period of 5 years is realizable on the basis that, historically, stocks have performed well over 10 percent per annum under a long-term investment horizon.

Two significant events dominated the operation of the NPPF during 2002; the RGOB on April 8, 2002 endorsed the national pension and provident fund plan and the armed forces pension and provident fund scheme for implementation on July 1, 2002. The RGOB also approved the investment mandate of the fund permitting it to invest in limited financing activities such as loans to RGOB and public limited companies, as well as housing loans to the members. It has also completed the development of

integrated software on March 30, 2002 to handle its complex pension and provident fund operations including the pension delivery system.

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 authorized 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. The turnover of the securities at the end of December 2002 at the depository was Nu.2,096.8 million up from Nu.1,101.9 million in the previous year. It held about 52.1 percent of the total outstanding shares in its custody during the year.

There are approximately 11,461 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 capitalization of Nu.393 million, and, since then, investment in securities has increased dramatically. As at end of December 2002 it has been revealed that the BNB Securities Ltd. has executed the maximum number of trading at the RSEB, with traded value of Nu.575.5 million (47.6 percent), followed by RICB Securities Ltd with a traded value of Nu.365.6 million (30.2 percent).

## Bank of Bhutan - Selected Financial Indicators, 1997 - 2002

Particulars	End of December					
	1997	1998	1999	2000	2001	2002
	(Millions of Ngultrum)					
Total Assets/Liabilities	6260.8	6999.1	7417.7	8743.4	9574.5	11935.0
Share Capital	50.0	50.0	100.0	100.0	100.0	100.0
Reserves	311.7	360.7	351.3	407.4	538.6	645.3
Deposits	4397.0	4921.5	5998.7	6274.6	6979.7	9093.0
Balances with RMA	1573.9	1539.2	2173.3	2677.2	2877.0	1791.7
Balances with other Banks	1433.2	2713.2	2387.2	2657.6	3013.4	4171.7
Loans and Advances	1566.8	1230.7	1126.4	1186.6	1531.4	2310.3
Interest Income	220.2	297.4	362.2	378.1	563.1	516.4
Interest Expenses	205.9	273.4	292.9	338.0	379.4	381.8
Net Interest Income	14.3	24.0	69.3	40.1	183.7	134.6
Profit before Tax	55.8	98.2	100.1	122.7	243.8	193.9
	(Percentage Change)					
Total Assets/Liabilities	-	11.8	6.0	17.9	9.5	24.7
Deposits	-	11.9	21.9	4.6	11.2	30.3
Loans and Advances	-	-21.5	-8.5	5.3	29.1	50.9
Interest Income	-	35.1	21.8	4.4	48.9	-8.3
Interest Expenses	-	32.8	7.1	15.4	12.2	0.6
Profit before Tax	-	76.0	1.9	22.6	98.7	-20.5
<b>Memorandum Items</b>						
No. of branches	25	25	25	25	26	26
No. of employees	411	412	426	438	452	489
No. of shareholders	2	2	2	2	2	2
Shareholding pattern in Percent:						
RGOB	80	80	80	80	80	80
SBI	20	20	20	20	20	20

Source: Financial Statement of BOB, 2002.

## Bhutan National Bank - Selected Financial Indicators, 1997 - 2002

Particulars	End of December					
	1997	1998	1999	2000	2001	2002
	(Millions of Ngultrum)					
Total Assets/Liabilities	1033.3	1402.8	2816.1	3831.5	4124.2	5062.7
Share Capital	59.5	59.5	59.5	59.5	59.5	59.5
Reserves	80.2	98.2	122.3	195.4	243.8	269.0
Deposits	767.4	1110.9	2489.9	3376.1	3610.2	4522.2
Balances with RMA	79.9	135.4	228.2	534.2	464.2	1716.0
Rupee Investments in India	79.4	210.4	1131.0	1534.1	1047.6	604.1
Loans and Advances	687.0	732.1	819.6	948.8	1208.3	1688.4
Interest Income	103.8	121.0	170.7	275.1	310.5	306.9
of which interest from Rupee deposits	3.8	10.7	54.6	144.0	146.9	87.2
Interest Expenses	56.8	61.0	88.9	155.8	196.4	200.2
Net Interest Income	47.0	60.0	81.8	119.3	114.1	106.7
Gross Operating Income	59.7	81.6	110.3	189.6	170.4	143.6
Operating Expenses	28.9	30.2	30.0	49.8	50.2	60.1
Net Operating Income	30.8	51.4	80.3	139.8	120.2	83.5
Profit before Tax	21.0	68.3	68.4	150.1	111.6	57.3
	(Percentage Change)					
Total Assets/Liabilities	-	35.8	100.7	36.1	7.6	22.8
Deposits	-	44.8	124.1	35.6	6.9	25.3
Loans and Advances	-	6.6	12.0	15.8	27.4	39.7
Interest Income	-	16.6	41.1	61.2	12.9	-1.2
Operating Expenses	-	4.5	-0.7	66.0	0.8	19.8
Profit before Tax	-	225.2	0.1	119.4	-25.6	-48.7
Market Highlights:						
No. of Share holders	411	406	407	407	405.5	409
Year-end closing price per share (Face value of Nu.100)	225	240	250	700	1450	2000
Dividend (%)	20	50	40	50	50	25
Earning per Share	35.2	80.3	80.4	173.0	131.3	67.4
PE Ratio	6.4	3.0	3.1	4.1	11.1	29.7
Divident Yield	8.5	18.9	13.1	11.7	9.8	4.5
Return on Capital	0.2	0.3	0.8	1.7	0.2	0.1
<b>Memorandum Items</b>						
No. of branches	1	1	1	1	1	1
No. of employees	113	125	135	144	165	NA
Shareholding pattern in Percent:						
ADB	0.0	0.0	20.1	20.1	20.1	20.1
Citibank	0.0	0.0	19.9	19.9	0.0	0.0
RGOB	67.2	67.2	27.2	27.2	27.2	27.2
RICB/PF	4.2	4.2	4.2	4.2	2.1	2.1
Public	28.6	28.6	28.6	28.6	28.6	28.6
BTF	0.0	0.0	0.0	0.0	10.0	10.0
NPPFB	0.0	0.0	0.0	0.0	12.1	12.1

Source: Financial Statement of BNB, 2002.

**Bhutan Development Finance Corporation - Selected Financial Indicators, 1997 - 2002**

	End of December					
<b>Particulars</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
	<b>(Millions of Ngultrum)</b>					
Total Assets/Liabilities	488.0	557.3	614.7	718.6	809.7	1005.0
Share Capital	100.0	100.0	100.0	100.0	100.0	100.0
Reserves	81.1	91.2	107.1	123.6	141.0	159.9
Balances with BOB and BNB/ Current a/cs	24.7	24.6	26.4	43.4	31.3	25.9
Loans Receivables	406.1	422.1	450.4	500.1	642.5	908.1
Interest on Loans	46.9	50.2	54.1	66.3	69.5	97.7
Operating Expenses	21.9	21.8	27.7	25.6	25.9	31.8
Profit for the Year	0.8	6.3	8.8	12.9	24.4	31.3
	<b>(Percentage Change)</b>					
Total Assets/Liabilities	-	14.2	10.3	16.9	12.7	24.1
Loans Receivables	-	3.9	6.7	11.0	28.5	41.3
Interest on Loans	-	7.0	7.8	22.6	4.8	40.6
Operating Expenses	-	-0.5	27.1	-7.6	1.2	22.7
Profit before Tax	-	687.5	39.7	46.6	89.1	28.1
<b>Memorandum Items</b>						
No. of branches	20	20	20	20	21	22
No. of employees	117	114	128	131	125	133
Shareholding pattern in Percent:						
RGOB	87	87	87	87	82	82
Financial Institutions	13	13	13	13	18	18

Source: Financial Statement of BDFC, 2002.

## Royal Insurance Corporation of Bhutan - Selected Financial Indicators, 1997 - 2002

Particulars	End of December					
	1997	1998	1999	2000	2001	2002
	(Millions of Ngultrum)					
Total Assets/Liabilities	1500.6	2077.9	2452.6	1336.9	1154.4	1334.0
Share Capital	24.0	24.0	24.0	48.0	48.0	48.0
Reserves	55.9	133.0	143.1	69.6	103.9	145.6
Call Deposits with RMA	0.2	0.2	0.0	0.0	0.0	0.0
Foreign Currency Deposits	0.6	2.1	2.7	1.1	5.4	6.0
Loans and Advances	697.9	954.6	666.9	815.4	947.3	1112.8
Interest Income	175.1	169.4	160.4	139.9	126.3	145.2
Interest Expenses	8.1	9.1	10.3	11.7	79.7	89.0
Gross Operating Income	116.4	43.2	40.7	47.5	79.5	71.1
Operating Expenses	34.8	10.4	6.1	13.0	29.8	11.5
Profit before Tax	31.0	32.8	34.6	34.6	49.7	59.6
	(Percentage Change)					
Total Assets/Liabilities	-	38.5	18.0	-45.5	-13.7	15.6
Call Deposits with RMA	-	0.0	-100.0	0.0	0.0	0.0
Loans and Advances	-	36.8	-30.1	22.3	16.2	17.5
Interest Income	-	-3.3	-5.3	-12.8	-9.7	15.0
Operating Expenses	-	-70.1	-41.3	113.1	129.2	-61.4
Profit before Tax	-	5.8	5.5	0.0	43.6	19.9
Market Highlights:						
No. of Share holders	205	200	260	2550	2155	1796
Year-end closing price per share (Face value of Nu.100)	0	0	3700	4100	4100	4205
Dividend (%)	25	40	30	15	20	-
Earning per Share	905.0	955.4	1009.6	455.2	724.1	868.5
PE Ratio	2.8	3.9	3.7	9	5.7	4.8
Divident Yield	0.8	6.1	0.4	3.7	4.9	-
Return on Capital	0.3	0.2	0.1	0.2	0.2	0.21
<b>Memorandum Items</b>						
No. of branches	2	2	2	2	9	9
No. of employees	185	195	203	172	153	157
Shareholding pattern in Percent:						
RGOB	61.0	61.0	61.0	39.3	39.3	39.3
Public	14.7	14.7	16.2	37.2	37.2	37.2
Private	24.3	24.3	23.5	23.5	23.5	23.5

Source: Financial Statement of RICB, 2002.

## 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 negative impact." (*Bhutan National Eco-Tourism Strategy, Department of Tourism, September 2001*) The Bhutan National Eco-Tourism 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.

In a span of 28 years, tourist arrivals have risen from 287 in 1979 to 5599 in 2002. 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 2002/2003, Government receipts from tourism accounted for 2.8 percent of total national revenue, recording a substantial decrease from 2000/2001 by 31.7 percent. 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 2002 the top 6 tour agencies accounted for 52.3 percent of all tourists who visited Bhutan. As of October 2002, there were a total of 131 registered tour operators.

Meanwhile in 1996, there were a total of 32 hotels, lodges, and guesthouses to accommodate visiting travellers. By 2002, those figures grew to 70 approved establishments, with a total of 1,239 rooms in major towns across the country.

Selected Tourism Indicators 1998-2002					
Item	1998	1999	2000	2001	2002
Tourist Arrivals	6023	7158	7559	6393	5599
Of which: Cultural	4860	6328	6633	5925	5242
Trekking	1343	830	926	468	357
% Change in arrivals	12.3	18.8	5.6	-15.4	-12.4
Gross Receipts <sup>1</sup>	8.0	8.9	10.5	9.2	8.0
% Change in receipts	21.2	11.3	18.0	-12.4	-13.0
Government Revenue	3.0	3.5	4.1	3.3	2.8
% Change in revenue	20.0	14.3	17.1	-19.5	-15.2

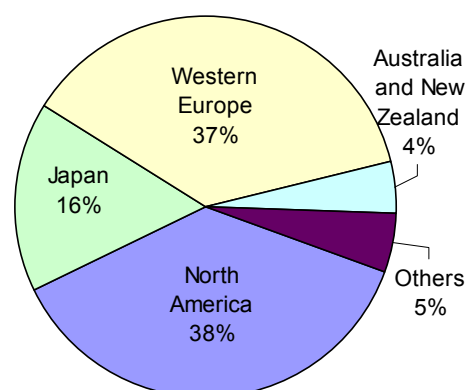
Source: Department of Tourism. -1) Millions of USD.

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 2002. The Japanese came in third with a share of 16 percent last year.

### Fiscal Year 2002/2003

In the wake of events such as the infamous September 11 terrorist attacks in US, conflicts in Nepal, and the Bali blasts in 2001, the performance of Bhutan's tourism industry experienced major blows in 2001/2002 with sharp drops in arrivals and revenue by 29.2 percent and 27.2 percent, respectively. However, as stated by the Secretary-General of the World Tourism Organization, Mr. Francesco Frangialli, "As an industry which ensures stability and promotes recovery, tourism has never suffered a deep and lasting recession. Tourism has always bounced back and has always done so quickly." Despite additional global events of the war in Iraq and SARS outbreak, the industry in Bhutan nonetheless fared better during the review year over the previous fiscal year, registering a positive growth in tourist numbers by 11 percent (to 6093) during 2002/2003, as well as an increase in foreign exchange earnings by 5.2 percent (to USD 8.4 million).

Source of Total Arrivals for 2002



In February 2003, Bhutan made the decision to join the World Tourism Organization (WTO) and was formally accepted as a member at the WTO's General Assembly held in Beijing, China, in October of the same year. The World Tourism Organization is the leading international organization in the field of tourism and travel with 143 member nations and with its headquarters in Madrid. By becoming a member, Bhutan aims to develop its vast potential, and strengthen its ability to withstand external shocks.

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

Period	2001				2002				2003			
	Absolute		% Change		Absolute		% Change		Absolute		% Change	
	No.	Rev.	No.	Rev.	No.	Rev.	No.	Rev.	No.	Rev.	No.	Rev.
Jan	185	0.2	184.6	219.9	55	0.1	-70.3	-66.7	192	0.2	249.1	233.9
Feb	355	0.4	59.2	68.4	269	0.2	-24.2	-34.9	98	0.1	-63.6	-62.5
Mar	553	0.8	-48.1	-35.6	862	1.1	55.9	33.3	654	0.8	-24.1	-29.7
Apr	1632	2.3	64.0	70.2	683	1.1	-58.1	-50.9	1219	1.7	78.5	52.3
May	276	0.4	-33.5	-32.6	296	0.4	7.2	-3.8	397	0.5	34.1	34.3
June	146	0.1	-21.9	-25.5	79	0.1	-45.9	-7.7	178	0.2	125.3	79.5
July	129	0.1	-20.4	-23.5	114	0.1	-11.6	9.1				
Aug	252	0.2	-17.9	-10.9	213	0.2	-15.5	-19.6				
Sept	868	1.5	27.1	50.8	760	1.2	-12.4	-18.5				
Oct	1308	2.1	-41.8	-41.3	1474	2.4	12.7	11.6				
Nov	517	0.8	-48.1	-47.1	643	0.9	24.4	10.9				
Dec	172	0.2	-19.2	-9.5	151	0.1	-12.2	-28.4				
Total	6393	9.2	-15.4	-12.4	5599	8.0	-12.4	-13.6	-	-	-	-

1) USD million.

Though there is currently no system to measure the inflow of tourists from neighbouring countries such as Bangladesh, India, and the Maldives, there are an estimated 11,000 Indian tourists who visit Bhutan annually, a majority of which are from West Bengal. These tourists make their way to Bhutan usually in the winter that coincides with their puja holidays, the snowfall, and Druk Air discounted airfares. Though Bhutanese tour operators offer tour packages to attract Indian tourists during winter, an otherwise low season, most Indian tourists prefer to travel to Bhutan by road, on their own. Tour agencies admit however, that this is a huge market that has further potential for future utilization. It could also help in reducing seasonalities faced.

Till date there has been considerable foreign direct investment in the country aimed towards developments in the tourism sector. One of these first, the Aman-Bhutan project, is a joint venture between Bhutan Tourism Corporation Ltd. (BTCL) and Maha/Aman Resorts, Singapore that was registered as Bhutan Resorts Corporation Ltd. (BRCL), in August 2001. Aman Resorts 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.

In Bhutan, BRCL will be establishing small luxury resorts in Paro, Thimphu, Punakha, Gangtey Gumpa, Trongsa, and Bumthang with a total of 72 rooms.

Construction work on Phase I of the project covering Paro, Thimphu, and Punakha was expected to be completed and operational by April 2003, while Phase II including Gangtey Gomba, Trongsa and Bumthang was due to be completed by September 2003. As at the end of the fiscal year 2002/2003, updates confirm the following progress on the resorts: Paro site: 60 percent completed, Thimphu site: 40 percent completed, Punakha site: 15 percent completed, and Bumthang site: 25 percent completed. Meanwhile, construction on the Gangtey Gomba site has only just commenced, whereas work on the Trongsa site is yet to begin.

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. Aman Resorts 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.

Soon after the establishment of the Bhutan Resorts Corporation Ltd, another FDI venture in tourism was forged between Bhutan International Company and M/s. HPL Properties (West Asia) Pte. Limited Singapore. Bhutan Eco Ventures Limited (BEVL) was incorporated on November 6, 2001, with the main objective of setting up exotic resort hotels initially in Paro, and subsequently in Bumthang and Wangduephodrang.

Out of the total project expenditure of USD 4 million, USD 3 million will be met in proportion to the respective holdings of BEVL's shareholders (M/s. HPL Properties Pte Limited – 60 percent, Bhutan International Company – 30 percent, and 10 percent floated to the public), while the balance of USD 1 million will be raised through loans. According to BEVL, as at the end of June 2003, progress on the Paro resort hotel is on schedule and is due for completion by March 2004.

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 including retreat meditation, river rafting, mountain biking, rock climbing, and skiing. The Himalayan Adventures tour agency was the first to offer motor-biking adventure tour packages in September 2003.

The Royal Government of Bhutan took a major step towards the liberalization and integration of the Bhutanese economy with the rest of the world on December 3, 2002, by approving the FDI Policy. Joint venture projects such as BRCL and BEVL are 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.

**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 1996-2002								
Country of Origin	1996	1997	1998	1999	2000	2001	2002	Change over 2001 (%)
USA	963	910	1471	2122	2754	2149	1923	-10.5
Japan	1211	1173	1032	1102	875	1038	891	-14.2
Germany	722	533	520	574	662	414	357	-13.8
United Kingdom	358	642	686	646	595	681	518	-23.9
France	331	229	366	236	399	287	194	-32.4
Netherlands	131	234	370	362	359	180	197	9.4
Canada	57	89	82	149	194	197	166	-15.7
Australia	71	121	64	131	179	138	214	55.1
Taiwan	32	83	135	179	175	44	40	-9.1
Italy	242	186	218	276	156	192	177	-7.8
Spain	49	33	109	118	141	73	68	-6.8
Switzerland	161	186	170	296	137	170	164	-3.5
Austria	156	156	270	197	131	128	92	-28.1
Belgium	77	75	95	107	95	76	75	-1.3
Thailand	181	140	19	71	92	36	46	27.8
Israel			81	80	68	78	5	-93.6
Finland	15	21		5	60	17	14	-17.6
Nepal	15	32	23	23	50	14	15	7.1
Sweden	7	18	58	37	48	28	41	46.4
Mexico				49	37	7	38	442.9
Turkey				49	34	30	61	103.3
Singapore	45	78	77	26	31	15	8	-46.7
New Zealand			28	22	31	25	32	28.0
Others	314	424	329	301	256	376	1154	206.9
<b>TOTAL ARRIVALS</b>	<b>5138</b>	<b>5363</b>	<b>6203</b>	<b>7158</b>	<b>7559</b>	<b>6393</b>	<b>5599</b>	<b>-12.4</b>
Trekking	1851	746	1343	830	926	468	357	-23.7
Cultural	3287	4617	4860	6328	6633	5925	5242	-11.5

Source of Total Arrivals (%)								
Sector	1996	1997	1998	1999	2000	2001	2002	
North America <sup>1</sup>	19.9	18.6	25.0	31.7	39.0	36.7	37.3	
Japan	23.6	21.9	16.6	15.4	11.6	16.2	16.0	
Western Europe	45.6	44.8	50.3	43.9	40.1	39.6	37.2	
Australia and New Zealand	1.4	2.3	1.5	2.1	2.8	2.6	4.4	
Others	9.6	12.4	6.5	6.9	6.6	4.9	5.1	
<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 start of the 9<sup>th</sup> five-year plan, only about 1.4 percent of that potential has been harnessed. 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 44 percent of total national revenue<sup>1</sup> while accounting for about 10 percent of GDP in 2002.

As per DRC estimates, the Chukha hydropower project alone contributed Nu.1840.8 million to national revenue (36.1 percent) in the fiscal year 2001/02. At the end of 2002/2003, the project earned the country Nu.1621.3 million, registering a fall of about 12 percent over the previous year. 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. The Chukha power plant supplies power to seven western and south western dzongkhags with 75 percent of its domestic consumption being in Chukha dzongkhag alone.

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. The energy sector will also contribute about 60 percent of total annual revenue generation for the country. 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.31,522 million.

In the continuous effort to tap Bhutan's vast hydropower potential, the Royal Government 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 Punatangchhu project USD 813 million. In addition, four feasible micro-hydel sites have also been identified at Sengor, Sakten, Tang, and Gasa.

- ❖ 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), the 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

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<sup>1</sup> Department of Revenue and Customs (DRC) figures for 2001/02

is to provide reliable and affordable electricity for all Bhutanese by the year 2020.

With the BPC commencing operations on commercial grounds, power tariffs were revised with effect from January 1, 2003, in an effort to meet operational costs. The revision replaces the previous flat rate system with a progressive charge and has different rates for domestic use, small-scale industries, and large-scale industries. According to the BPC, the previous tariff was heavily subsidized by the government, but BPC as a corporation could not continue with the subsidy, since it would not be able to meet its operating and maintenance costs.

- ❖ 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.
- ❖ On September 15, 2003, the Royal Government and the Government of India signed a memorandum of understanding (MOU) for the preparation of a detailed project report on the Punatsangchu hydroelectric project. The MOU was signed by the two Foreign Ministers, Lyonpo Khandu Wangchuk and Mr. Yashwant Sinha, in New Delhi, in the presence of His Majesty the King, President APJ Abdul Kalam, President AB Vajpayee, and other dignitaries from the two countries.

The Punatsangchu project is a run-of-the-river scheme along the course of the Punatsangchu river, downstream from Wangduephodrang. It will have an installed capacity of 870MW and an annual average generation of 4330 GWh.

According to existing feasibility studies, a 141-metre high diversion dam will be located 10 kilometres downstream from the Punatsangchu bridge and an underground powerhouse, operating under a head of 310 metres, will be located 18 kilometres downstream from the bridge. The project will also have twin 7 kilometre-long headrace tunnels (conveying a total maximum discharge of 248 cumecs) and 250 metre-long twin tailrace tunnels. Feasibility investigations of the Punatsangchu project were taken up between 1998 and 2001 by the electric power development company ltd (EDPC) of Japan through JICA. The project site was identified by NORCONSULT-AS, a Norwegian consultancy firm between 1990 and 1992. NORCONSULT-AS also carried out the pre-feasibility study in 1992-1993 under the UNDP-NORAD project. According to the ministry of trade and industry, about USD 1 million had been spent for various studies conducted on the Punatsangchu project.

## 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 1997. It was approved at the estimated cost of Rs./Nu.14,080 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.35,800 million and the expected date of completion is September 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 meters 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 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.

### Calendar of Events

- ❖ 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.10,500 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.1,070 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. Heavy rains and landslides in 2000 had caused massive damages to the project and had brought all activities for 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.
- ❖ January 2003 - The Tala hydroelectric project authority meeting held in New Delhi on January 16 stressed the need to monitor the project vigorously to ensure its completion on schedule by September 2005. The authority approved the



contract for the electro-mechanical works at Malbasey substation, which will interconnect the Tala and Chukha systems, and the use of optical fibre ground wire for data transmission, coordination and protection control. The works will be implemented by the Power Transmission Grid Corporation of India Ltd.

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

The Kurichhu project was 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 with commercial operations commencing in November 2001 and the second phase (1 unit of 15 MW) was completed in May 2002. The Kurichhu project was formally inaugurated on June 10, 2003 and forms the supply for the eastern transmission grid network, which provides power to eight dzongkhags in eastern and central Bhutan. The project will light up an estimated 8,371 rural households in the ninth plan period.

The grid network comprises 304 kilometers of 132kV line and seven substations: starting from Gyelposhing where the project is based, the 132kV line connects substations in Tangmachu (Lhuentse), Kilikhar (Mongar), Kanglung (Trashigang), Nangkhor (Pema Gatsel), Deothang (Samdrupjongkhar), Tingtibi (Zhemgang) and a feeder bay extension in Gelephu. The network was built with a Nu.1,837.2 million grant from the Government of India.

Since the project was commissioned, Kurichhu has added 365.4 million units to the total production of electricity till date (i.e. end-June 2003). A bulk of the production is exported to India at Nu.1.75 per unit, while the tariff for domestic sales is set at Nu.0.3 per unit. From total revenue of Nu.591.89 million earned till date, exports accounted for 97 percent, with the remaining 3 percent earned domestically. The Kurichhu project, generating 60MW of power, drives the economy of eastern and parts of central Bhutan.

Financial assistance from the Government of India was provided in the form of 60 percent grant and 40 percent loan. The initial estimated cost of the project was Rs./Nu.2,560 million. However, in June 2002, the Kurichhu project authority (KPA) conveyed India's approval of the completion cost of Nu.5,600 million, out of which Nu.5,263 million was to be awarded to the main contractor, national hydro power corporation (NHPC) of India as final settlement. The balance Nu.327 million was spent on infrastructure building, consultancy charges and establishment of the project management.

#### THE BASOCHU HYDROPOWER PROJECT (64 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 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 (24 MW)

The upper stage of the Basochu Project was commissioned in October 2001 at a cost of Nu.1,600 million, of which Nu.1,200 million were contributed by the Government of Austria in the form of a grant and an interest-free loan.

Since its commissioning, the Basochu project has generated 162.84 million units of electricity till date (end-June 2003) earning a revenue of Nu.113.42 million. The tariff for the domestic sale of electricity is set at Nu.0.5 per unit. The project does not export power to India but instead sells its surplus to the CHPC at Nu.1.5 per unit. Of the total revenue earned till date, domestic sales accounted for 43 percent, while the remaining 57 percent was generated from surplus sales to the CHPC.

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

The lower stage will not only utilize water released by the upper stage, but will also have an additional 20 percent flow tapped from the nearby Rurichhu. An 820-meter long tunnel being constructed in front of the upper stage powerhouse will convey water from Rurichhu to a reservoir, from where it will be taken to the powerhouse downstream through a 2.53 km penstock pipe. The lower stage powerhouse, currently under construction, is located 18 kilometers from Wangduephodrang.

Upon completion, which is expected by June 2004 (eight months before time) at an estimated cost of Nu.1421.8 million, the lower stage will have an installed capacity of 40 MW (2 units of 20 MW).

The two stages will together have a total installed capacity of 64 MW, which will be extended to Tsirang, Dagana, and Sarpang in addition to being used to meet electricity requirements of the five western dzongkhags. Once the final stage is commissioned, the eventual goal during the ninth plan besides connecting to the Simtokha sub-station will be to form an integrated national power transmission grid by linking with the Kurichhu supply in Gelephu.

### **Ninth Plan Projections**

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 of 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.

#### **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 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 during the Ninth Plan.

(contd...)

(concl...)

**Construction of Transmission Grid**

The construction of extensive inter-connected transmission grids are planned 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 such as Gasa, Bhangtar in Samdrup Jongkhar and Lhamoizingkha in Sarpang.

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<sup>i</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**

ITEM	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 1, 1997	March 20, 2002
Expected date of completion	September 30, 2005	First Phase (3 units of 45 MW): September 26, 2001 Second Phase (1 unit 15 MW): May 31, 2002	December 31, 2001	March 2005
Energy capacity upon completion	1020 MW	60 MW	24 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.35,800 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.13,796.52 million	Rs./Nu. 3,360 million	ATS 180 million	Nu.26.6 million
Loan amount disbursed till date	Rs./Nu.9,143.75 million	Rs./Nu. 2,240 million	ATS 236 million ATS 66 million (RGoB)	Nu.774 million Nu.19.4 million
Total funds utilised till date	Rs./Nu.21,231.55 million	Rs./Nu. 5,513.4 million - GOI Rs./Nu. 31.96 million - RGOB Total - Rs./Nu. 5,545.36 million	ATS 482 million (Nu.1,446 million)	Nu.820.1 million

\*Position as of December 2003.

\*\* Position as of September 2003.

Source: Tala Hydroelectric Project Authority, Kurichhu Hydropower Corporation, 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 by 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 III*.

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 a 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 BOB 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. The term deposits rates were reduced by 1.5 percent across the board from January 2003 by the BOB, bringing the range to 5.5–8.5 percent. The BNB also brought down its deposits rates, to the 5.5–7.0 percent range from the 7-10 percent range. More recently, the BNB reduced the lending rate to 12 percent for light, non-commercial transport (reduction of 1 percent) and for equity finance (reduction of 2 percent) with effect from July 2003.

Thereafter, the NPPF launched a housing loan scheme to its members at an interest rate of 10 percent with effect from July 2003, subject to a maximum of Nu.3 million. Earlier this year, following the introduction of the housing loan scheme of the NPPF at 10 percent to its members, the BNB has now decided to reduce its interest rate for housing loans from 13 percent to 10 percent interest. This new rate will take effect from October 1, 2003, and will be applied to a ceiling of Nu.2 million, beyond which the interest will remain at 13 percent. Similarly, the BOB and RICB have also announced the reduction of their housing loan interest from 13 percent to 10 percent, beginning January 2004 without any ceiling, and the loan will be made available for all their clients.

**Table I. Current Selected Interest Rates in Bhutan**

<b>Deposit Rates (a)</b>	<b>BOB</b>	<b>BNB</b>
Savings Deposits	5.0	5.0
Term Deposits (General)		
3 months to less than 1 year	5.5	5.5
1 year to less than 2 years	-	6.0
2 years to less than 3 years	7.5	6.5
More than 3 years	8.5	7.0
Corporate Deposits		
46 days to less than 3 months	4.5	3.5

<b>Lending Rates</b>	<b>BOB</b>	<b>BNB</b>
Loans by purpose:		
General Trade	15	15
Export Finance	13-15	-
Manufacturing Industry	12-13	13
Service Industries	13	12
Transport (heavy)	13-15	13
Transport (light-commercial)	12-15	16
Transport (light-non commercial) (b)		12
Agriculture & Livestock	13	
Housing	13	13
Equity Finance (c)	13	12
Personal Loan	15	15
Small Loan to Government Employee	12	16

(a) Deposit rates revised w.e.f. July 2003 for BNB and reduced by 1.5 % across the board from January 2003 for BOB. (b) Revised from 13 % w.e.f. July 2003 for BNB. (c) Revised from 14 % w.e.f. July 2003 for BNB.

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. Amidst excess supply conditions in the financial markets, a decisive easing of monetary policy was signaled through cuts in the repo rate, in the bank rate and in the CRR. The use of CRR remains an important instrument for modulating liquidity conditions. The medium-term objective was to reduce the CRR to the statutory minimum level of 3 percent but reviewing the developments in the international and domestic financial markets, a 75 basis points reduction during June to November 2002 was followed by a further 25 basis points cut from June 14, 2003 taking the level of the CRR down to 4.5 percent. The minimum daily maintenance of CRR was raised to 80 percent of the average daily requirements with effect from November 16 2002. This was subsequently lowered to 70 percent with effect from December 28, 2002.

Since 1997, the bank rate has been reactivated as the principal signaling device of the monetary policy stance across the interest rate structure in consonance with inflationary expectations and the liquidity situation. It was reduced in stages to 6.25 per cent in October 2002, the lowest rate since May 1973, and by a further 25 basis points in April 2003; it has been reduced by 500 basis points in the last five years. The banks have the freedom to fix interest rates on term deposits, with flexibility in offering interest rates as approved by their Boards. Interest rates on saving accounts continue to be regulated, and following the Union Budget announcement regarding the reduction of the administered interest rates and coupled with moderate inflation, the saving deposits rate reduced by 50 basis point to 3.5 percent per annum from March 1, 2003. Between March 2000 and March 2003, the deposit rates for over three years maturity fell by as much as 425 basis points, short-term deposit rates up to 90 days declined by 50 to 100 basis points.

On the lending side, the downward rigidity in the lending rates is reflected in spreads over the prime lending rates. In the interest of customer protection and also to infuse healthy competition among banks under condition of full information/transparency, the Reserve Bank has institutionalized a system of collecting actual lending rates from scheduled commercial banks (excluding regional rural banks) under a special quarterly return since June 2002.



**Table II. Movements in Indian Deposit and Lending Interest Rates**

Item	March '02	March '03	September '03
<b><u>I. Domestic Deposit Rates</u></b>			
<b>Public Sector Banks</b>			
a) Up to 1 year	4.25 – 7.50	4.00 – 6.00	3.75 – 5.50
b) 1-3 years	7.25 – 8.50	5.25 – 6.75	4.75 – 6.00
c) Over 3 years	8.00 – 8.75	5.50 – 7.00	5.25 – 6.25
<b>Private Sector Banks</b>			
a) Up to 1 year	5.00 – 9.00	3.50 – 7.50	3.00 – 7.00
b) 1-3 years	8.00 – 9.50	6.00 – 8.00	5.50 – 7.50
c) Over 3 years	8.25 – 10.00	6.00 – 8.00	5.75 – 8.00
<b>Foreign banks</b>			
a) Up to 1 year	4.25 – 9.75	3.00 – 7.75	3.00 – 7.75
b) 1-3 years	6.25 – 10.00	4.15 – 8.00	3.50 – 8.00
c) Over 3 years	6.25 – 10.00	5.00 – 9.00	3.75 – 8.00
<b><u>II. Prime Lending Rates</u></b>			
Public Sector Banks	10.00 – 12.50	9.00 – 12.25	9.00 – 12.25
Private Sector Banks	10.00 – 15.50	7.00 – 15.50	8.00 – 15.50
Foreign Banks	9.00 – 17.50	6.75 – 17.50	5.05 – 17.50

*Source: RBI Annual Report 2002-2003, and Report on Trend and Progress of Banking in India 2002-2003.*

**Table III. Structure of Interest and Lending Rates in Bhutan (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 – 24 months			10
d) 24 – 36 months			11
e) More than 36 months			13
<b>Lending Rates</b>			
Sector	Term Loan (% p.a.)	Working Capital	Repayment Period (years)
1. Trade			
1 a) General trade	17	17	3
b) Export trade (3 <sup>rd</sup> Country)	13	13	1
2. Transport			
a) Trucks, buses & lorries	15	15	5
b) Light vehicles (two wheelers)	17		5
3. Agriculture & Animal Husbandry	14	14	10
4. Manufacturing			
a) Up to Nu.5 million	13	15	10
b) Above Nu.5 million – Nu.20 million	14	15	10
c) Above Nu.20 million	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.

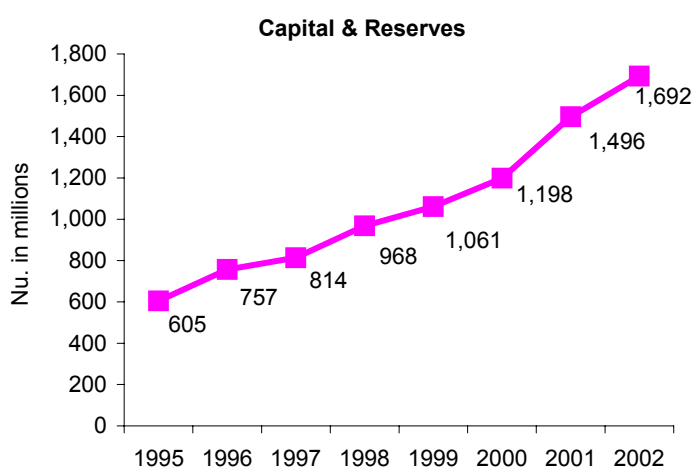
## **OVERVIEW OF DEVELOPMENTS IN THE FINANCIAL SECTOR (2002)**

### **Introduction**

Prepared by the Financial Institutions Supervision Division of the RMA, this report includes a brief presentation on the overall recent financial sector developments within the country, which will provide a sense of direction and performance of the sector. The country's economy has achieved a real GDP growth of about 7.5 percent during the year 2002 as compared to 6.5 percent in 2001. The share of financial sector contribution to the country's GDP has been 6.8 percent during the period. Keeping in tune with the above recent economic growth, total financial sector assets have also achieved a marked increase of Nu.3.2 billion (20.2 percent growth), from Nu.15.9 billion to Nu.19.2 billion in 2002. The other important indicator of growth in economic activity is the credit portfolio, which has observed a dramatic increase of Nu.1.7 billion to Nu.6 billion in 2002. The total loan portfolio of the financial sector has seen a growth rate of 39 percent in the year 2002, and this is a great achievement in terms of domestic investments, especially, when the global investment scenario has dampened and returns on investments plummeted after the September 11 incidence. Growth in domestic credit has been mainly fueled by economic activities involving large hydropower projects like Tala, Kurichhu, and Basochu projects. For a small economy of our size, large projects like these bring about a huge impact on the overall GDP growth of the country.

The following are some of the key financial indicators, which will provide the highlights of the financial sector performance and its development over the last few years.

### **Capital and Reserves**



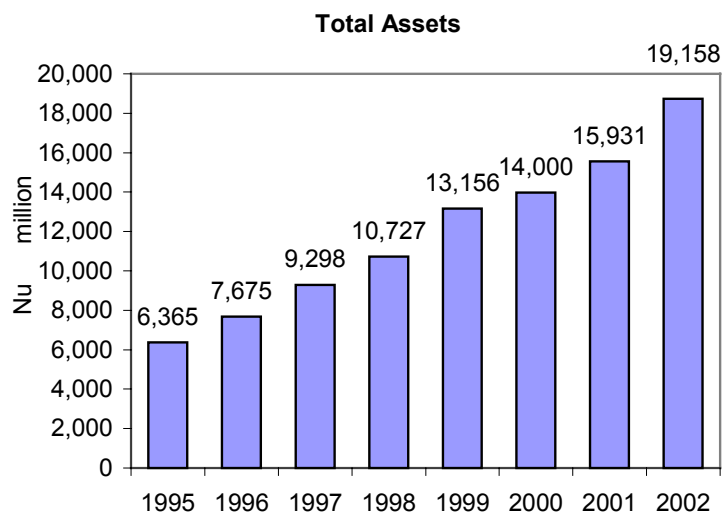
The capitalization of the financial institutions continued to improve as the total capital base of the institutions achieved an average growth rate of around 16 percent during the period 1995 – 2002, while growth in 2002 was 13 percent. The financial sector capital base increased from Nu.1.5 billion in 2001 to Nu.1.7 billion as on December 2002. The overall financial sector capital to assets ratio was 8.8 percent during the end of the period.

## Total Assets

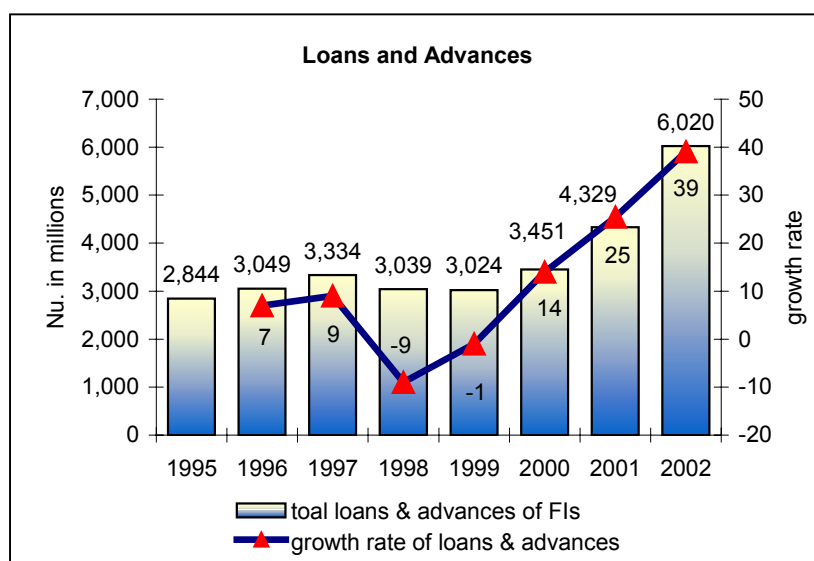
During the period 2001 - 2002, total assets of the financial sector increased by 20.2 percent, i.e., from Nu.15.9 billion to Nu.19.2 billion. Of the total assets of Nu.19.2 billion, Nu.16.8 billion represented more than 86 percent of the combined total assets pertaining to the two commercial banks.

As of the reporting period, liquid assets (consisting of cash, balances with RMA, bank balances, both domestic and abroad) accounted for Nu.11 billion, constituting 57.2 percent of the total financial sector asset composition. Loans and advances amounting to Nu.6 billion made up another 31.4 percent of total assets.

Investments in equities totaling Nu.0.1 billion were a minimal proportion of less than 1 percent of total assets. The two banks' placements in the Royal Government of Bhutan (RGOB)/RMA securities, amounted to Nu.1.5 billion, accounting for 7.6 percent of total assets. And during the period 1995 – 2002, the total assets of the financial sector increased three-fold, indicating an average growth of 17 percent per year.



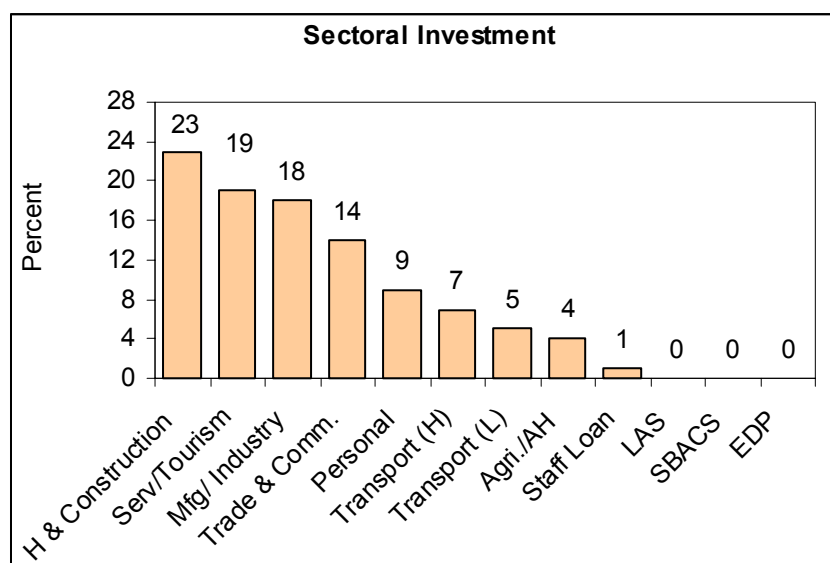
## Loans and Advances



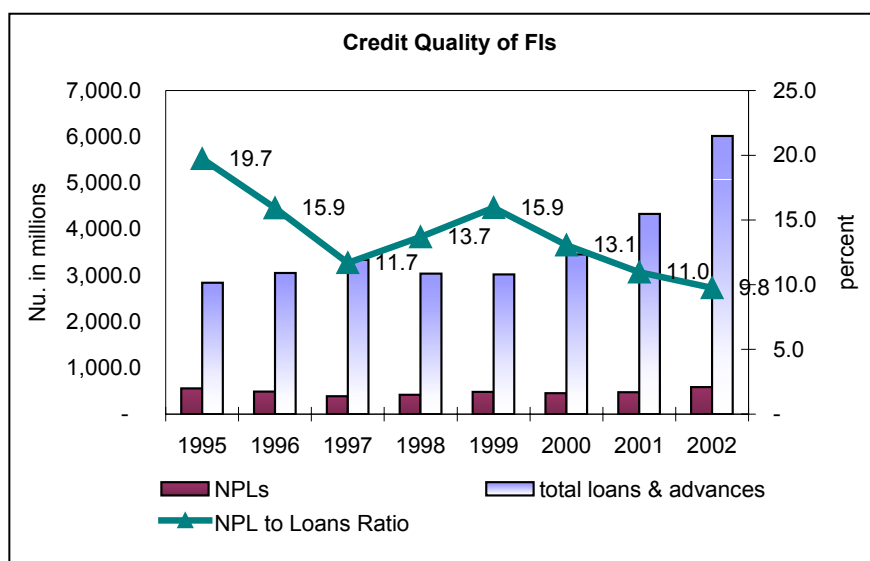
In terms of loans and advances, the financial sector experienced a growth of 39 percent in the total loan portfolio from Nu.4.3 billion in 2001 to Nu.6 billion, December-end 2002. The upward trends in the level of total loans outstanding from

Nu.3.5 billion in 2000 to Nu.4.3 billion in 2001 and to the present position, has been very positive and encouraging, especially in relation to the domestic investment scenario.

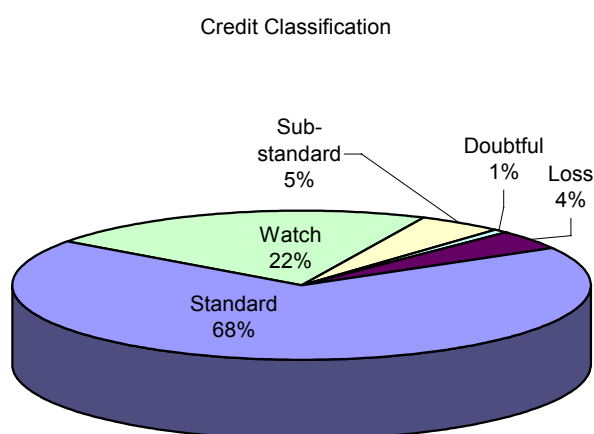
Total loans and advances from the financial sector can also be classified into different investment categories by economic activities. At the end of the present reporting period, total loans released towards the construction/housing sector amounted to Nu.1.4 billion, the largest sectoral portfolio investment representing 23 percent. The market shares of other major sectoral investments are for the service/tourism sector with 19 percent, manufacturing /industry with 18 percent, trade and commerce with 14 percent, and the transport sector with 12 percent.



When reviewing the quality of the entire loan portfolio, non-performing loans (NPL) increased from Nu.474.3 million in the last period to Nu.587 million in December 2002, thereby reflecting a growth of 23.8 percent.

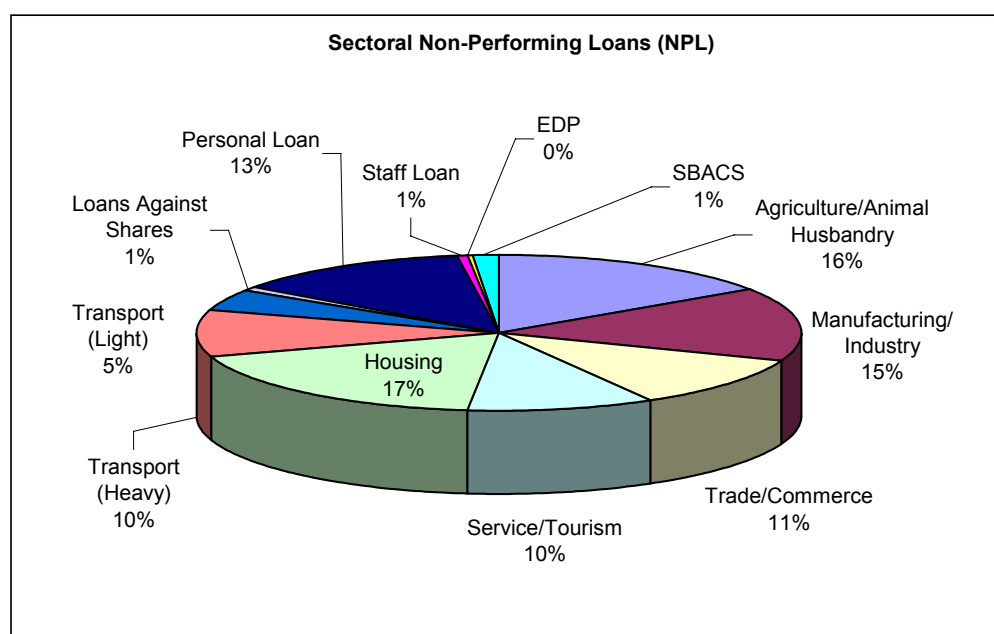


However, the NPL to total loans portfolio ratio improved to 9.8 percent, as compared to 11 percent in December 2001. Analysis of loan repayments confirms that 68 percent of the total loans outstanding are classified as *'standard'* (regular with no default), 22 percent are classified under the *'watch'* category (with 1-3 months defaults), 5 percent as *'sub-standard'* (with 4-12 months defaults), 1 percent *'doubtful'* (with 13-24 months defaults), and 4 percent fall under the *'loss'* category (more than 24 months defaults or term-expired loan accounts).



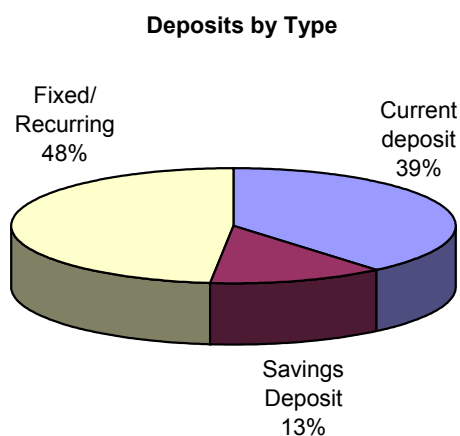
Bad debt provisions increased from Nu.261.1 million to Nu.307.9 million during the period January to December 2002, which was an increase of 17.9 percent. When compared to NPL, bad debt provisions could cover as much as 52 percent of the loans that had more than 90 days of default.

The analysis of non-performing loans by sector, confirms that housing/construction loans represent 17 percent of total NPL. The agricultural sector has the second highest NPL, accounting for 16 percent of the total. Meanwhile, the manufacturing sector follows with 15 percent, transport sector with 15 percent, personal loans with 13 percent, trade and commerce with 11 percent, and service and tourism with 10 percent. The rest of the sectors constitute a very insignificant amount.

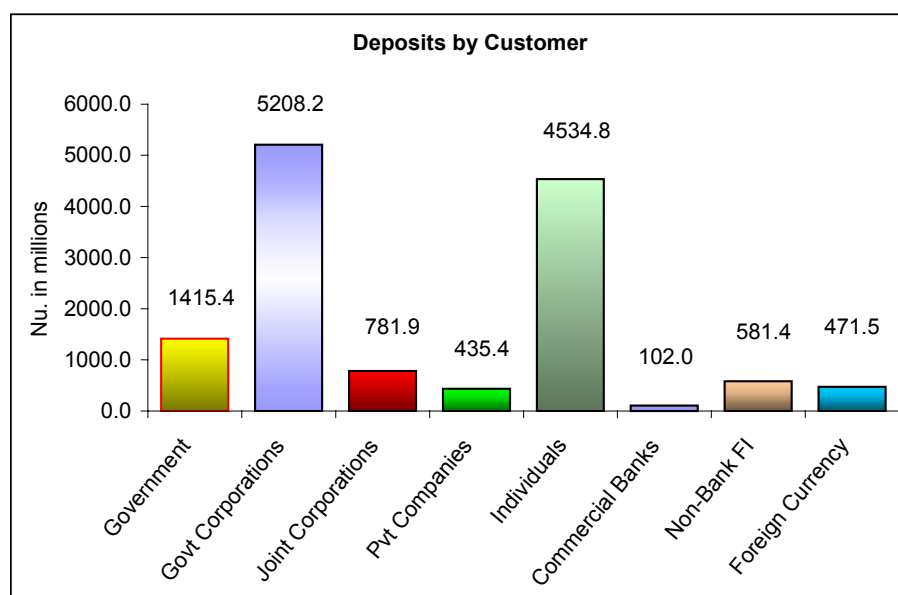


## Deposit Liabilities

The collective deposits of the two banks revealed an increasing trend during 2002 by 28.6 percent from Nu.10.5 billion to Nu.13.5 billion. Deposit liabilities constitute 70.4 percent of the total liabilities in the financial sector. The breakdown of the composition of banking sector deposits is as follows: a) time deposits of Nu.6.5 billion, (b) current deposit of Nu.5.2 billion, and (c) savings deposits of Nu.1.7 billion.



If we analyze deposits by customers, government corporations hold the biggest deposits amounting to Nu.5.2 billion, followed by individuals' deposits of Nu.4.5 billion, representing 33 percent of the total deposits as of 2002. During the close of the year, the balance sheets of the two non-bank financial institutions also reflected liabilities of Nu.1.1 billion as borrowed funds against their total liabilities of Nu.2.6 billion. The total assets of the two non-bank institutions constituted 13.4 percent of the total financial sector assets.

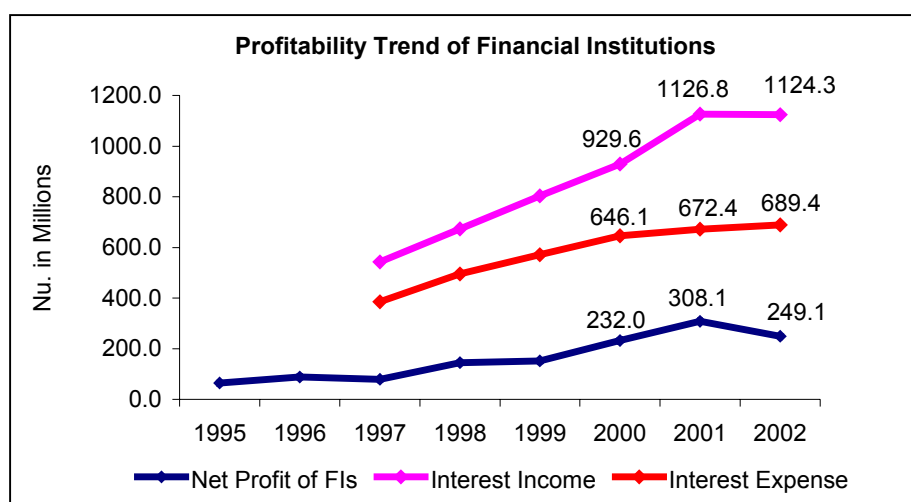


## Profitability

Profits after tax of the financial sector dropped from Nu.308.1 million to Nu.249.1 million towards the year ended 2002. The main factor contributing to the fall in profit was the decline in interest income from deposits in India and abroad, which decreased from Nu.529 million in 2001 to Nu.403 million in 2002. The other factor, which

negatively affected the profitability of the banks, was the appreciation of the Ngultrum against the US Dollar, thereby reducing gains from foreign exchange holdings. It could also be concluded that the reasons for lower profitability of the two banks are a consequence of the bleak global investments scenario, which has translated into the cutting of interest rates and fall in stock prices. Nonetheless, Bhutanese financial institutions' interest incomes from domestic lending actually achieved a moderate growth of 19 percent, increasing from Nu.518 million to Nu.616 million in 2002.

The profitability of the financial institutions was also affected by the change in RMA Prudential Regulations and its provisioning norms. For the year 2002, the institutions maintained additional provisions against bad loans to the tune of Nu.59.2 million, of which Nu.23 million were towards general provisions and Nu.36 million towards specific provisions. Therefore, the negative impact on the profitability of the FIs has been fully offset by the new provisioning requirement for the last financial year 2002.



This paper would like to highlight that, while the global investment environment has fallen short of the expectations for a quick recovery, investments within the country improved encouragingly. This fact was reflected by a rise in the total loan portfolio of Nu.4.3 billion to Nu.6 billion at the end of 2002. The overall loans to assets ratio of the financial sector also showed an improvement from 27.2 percent in 2001 to 31.5 percent in 2002, while NPL to loans ratio improved to 9.8 percent from 11 percent. Regarding the excess liquidity over-hang, as of date, there is currently only one financial institution that maintains un-remunerated excess reserves with the RMA. In contrast, some of the financial institutions have been facing liquidity crunches, and therefore, have resorted to domestic borrowings from other institutions. This scenario signals a positive trend in the optimal utilization of available resources within the domestic financial system.



## BHUTAN'S EXTERNAL DEBT<sup>1</sup>: A STATUS REPORT

### 1. EXTERNAL DEBT STOCK

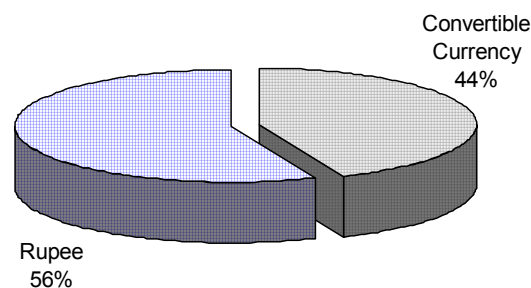
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#### Total External Debt<sup>2</sup>

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 405.5 million at the end of June 2003. 44 percent of outstanding debt were convertible currency loans and the remaining 56 percent Rupee loans. These were all concessional debt, since the only commercial loan was taken in 1988/1989, to purchase the Druk-Air plane, which was repaid in 1998/1999. However with Druk Air Corporation's recent decision to finance the purchase one of two new Airbus aircraft through external borrowing, there will be an additional commercial debt to be acquired in 2004. Furthermore, with Bhutan's membership to the International Finance Corporation (IFC) in December 2003, Bhutan's private sector will have greater access to large international financing.

The present stock of external debt consists of convertible currency debt of USD 176.8 million and Rupee debt of Rs.10,963.7 million. The increase in debt stock can mostly be attributed to a substantial increase in disbursements from the ADB of USD 5.3 million in the health sector, as compared to no disbursements during 2001/2002, in addition to USD 3.5 million towards financial sector development. Compared to the previous year, there were less convertible currency disbursements in the power sector from the ADB towards rural electrification, and the Austrian Government, due to the completion of Upper Stage Basochu. However, there was a greater mobilization of funds for the communications and agricultural sector,

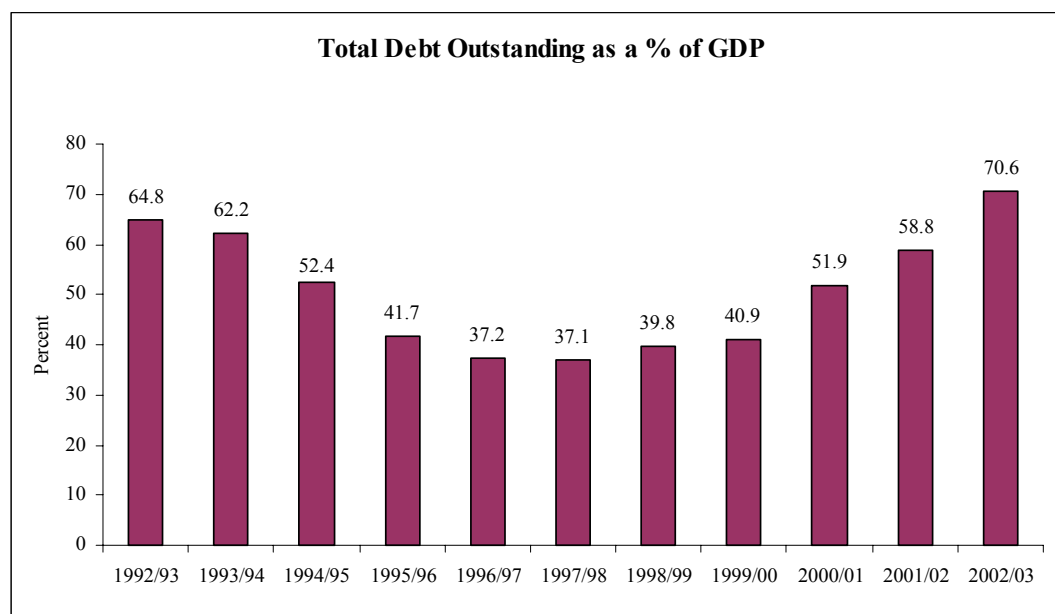
Composition of External Debt (End June 2003)  
(Concessional Debt)



<sup>1</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. Updates, whenever available, are also featured in the RMA Monthly Bulletin. The Department of Aid and Debt Management (DADM) in the Ministry of Finance is the RMA's primary source for such statistics.

<sup>2</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 the 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.

with disbursements of USD 5.7 million and USD 5.5 million, respectively. In the Rupee account, with Kurichhu completed, 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.3,041.6 million, which is a 74.1 percent increase over 2001/2002.



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 4.3 percent of current receipts<sup>3</sup> in 2002/2003, recording no change from 2001/2002. 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 marginally worsened to 4.9 percent in 2002/2003. 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 to reach it highest in 2002/2003 at 70.6 percent.

<sup>3</sup> Current receipts include receipts from the export of goods and services, income and current transfers, excluding official and private transfers.

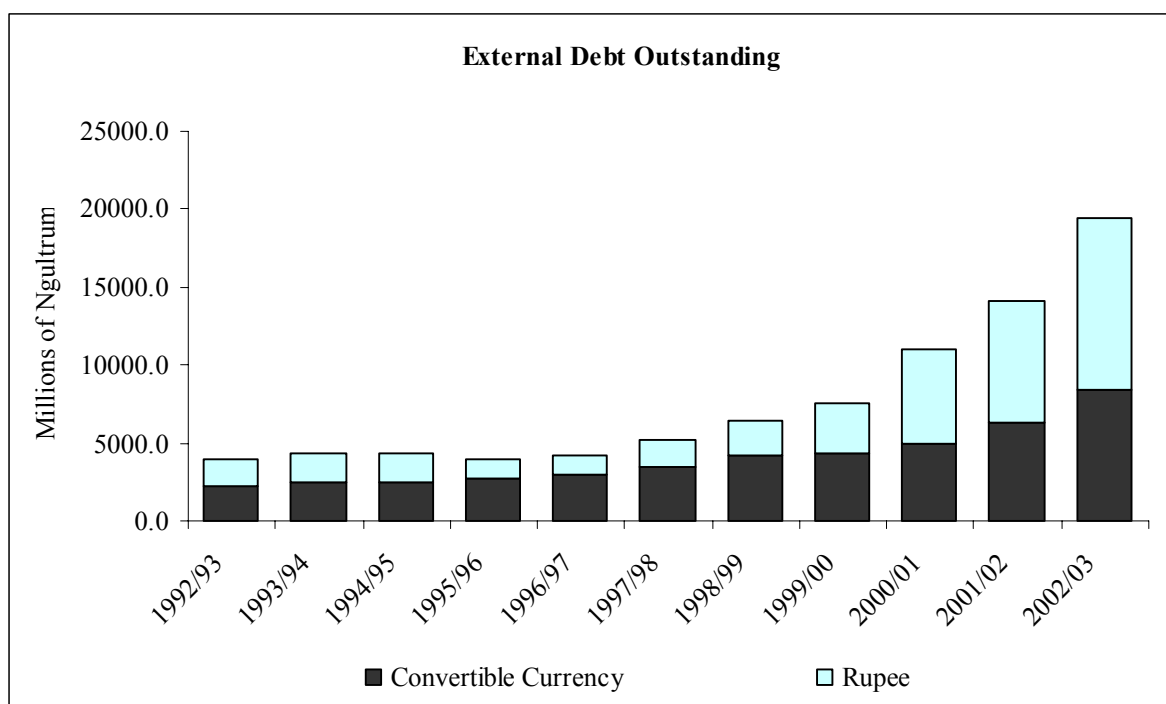
## Bhutan - Key External Debt Indicators

(In Percent)

Year	Debt Service/ Current Receipts	Interest Pay./ Current Receipts	Debt/ Current Receipts	Debt/ GDP	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	150.7	52.4	59.4	40.6	14.2
1995-96	20.8	5.6	96.7	41.7	68.6	31.4	22.7
1996-97	8.5	4.5	97.9	37.2	70.7	29.3	8.9
1997-98	6.8	1.9	92.7	37.1	66.9	33.1	8.0
1998-99	10.2	1.7	108.4	39.8	65.7	34.3	12.1
1999-00	4.2	1.2	112.8	40.9	56.8	43.2	4.8
2000-01	4.2	1.3	159.1	51.9	45.2	54.8	4.6
2001-02	4.3	1.3	193.0	58.8	44.5	55.5	4.8
2002-03 (p)	4.3	1.3	256.0	70.6	43.6	56.4	4.9

## 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.



## Bhutan's External Debt - Fiscal Year Position

Item	Rupee/Ngultrum million					US \$ million				
	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003
<b>1. Government Borrowing</b>										
<b>Concessional</b>	4204.9	4308.3	4960.2	6264.1	8471.9	<b>98.7</b>	<b>98.7</b>	<b>106.9</b>	<b>129.9</b>	<b>176.8</b>
a. World Bank	1023.6	1048.8	1282.6	1599.9	2054.6	24.0	24.0	27.6	33.2	42.9
b. IFAD	541.8	555.1	579.5	660.0	939.0	12.7	12.7	12.5	13.7	19.6
c. ADB	1841.3	1886.6	2197.2	2671.3	3630.7	43.2	43.2	47.4	55.4	75.8
d. KFAED	335.0	343.2	300.5	246.6	174.6	7.9	7.9	6.5	5.1	3.6
e. EFIC Australia	20.2	20.7	17.6	13.7	9.1	0.5	0.5	0.4	0.3	0.2
f. Govt. of Austria	443.1	454.0	582.9	1072.6	1663.8	10.4	10.4	12.6	22.2	34.7
<b>2. Commercial Borrowing</b>						<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
a. Druk-Air Corporation						0.0	0.0	0.0	0.0	0.0
<b>3. Rupee Debt</b>	<b>2197.9</b>	<b>3276.9</b>	<b>6024.4</b>	<b>7803.6</b>	<b>10963.7</b>	51.6	75.1	129.9	161.9	228.7
a. Chukha Hydropower Project	788.0	700.4	612.9	525.3	437.8	18.5	16.0	13.2	10.9	9.1
b. Kurichhu Hydropower Project	532.2	1106.0	1874.0	1994.0	2240.0	12.5	25.3	40.4	41.4	46.7
c. Tala Hydropower Project	877.7	1470.5	3537.6	5284.3	8285.9	20.6	33.7	76.3	109.6	172.9
<b>4. Gross Total</b>	<b>6402.8</b>	<b>7585.2</b>	<b>10984.7</b>	<b>14067.7</b>	<b>19435.5</b>	<b>150.3</b>	<b>173.8</b>	<b>236.8</b>	<b>291.8</b>	<b>405.5</b>
Convertible Currency Debt						98.7	98.7	106.9	129.9	176.8
<b>As a % of Total Debt</b>						<b>65.7</b>	<b>56.8</b>	<b>45.2</b>	<b>44.5</b>	<b>43.6</b>
Rupee Debt	2197.9	3276.9	6024.4	7803.6	10963.7					
<b>As a % of Total Debt</b>	<b>34.3</b>	<b>43.2</b>	<b>54.8</b>	<b>55.5</b>	<b>56.4</b>					
<b>Exchange Rate</b>										
Ngultrum to 1 USD	42.6	43.6	46.4	48.2	47.9					

## Notes:

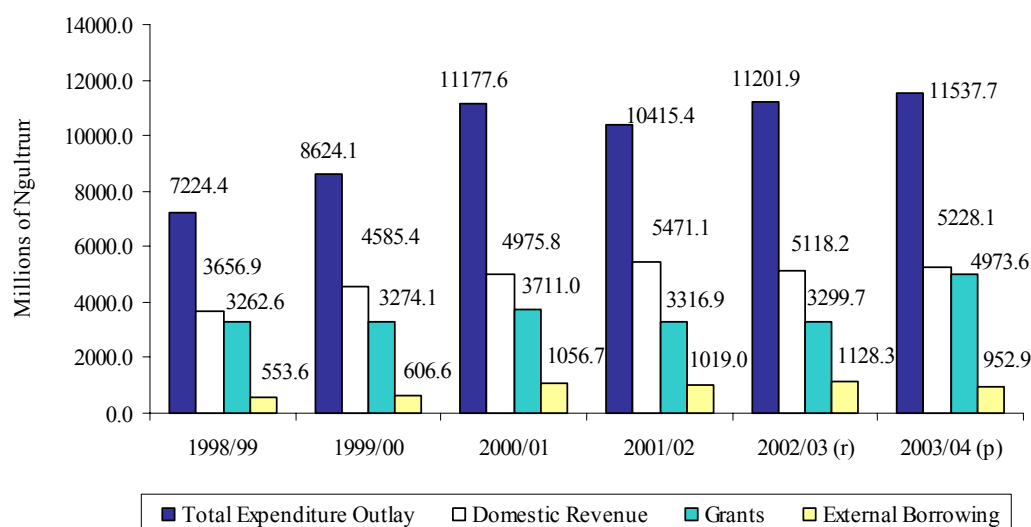
1. Based on the Fiscal Year period : July to June-end.
2. Outstanding Debt = (Total Disbursement - Principal Repayment).
3. Exchange rate used for conversion is based on the Fiscal Year Average.

## 2. EXTERNAL DEBT AND THE BUDGET

The Royal Government till date has followed a cautious fiscal approach to development, relying heavily on external assistance in the form of concessional aid and grants to finance development-related activities. In the 2002/2003 revised budget, total outlay was marked at Nu.11,201.9 million. Of this, current expenditure accounted for 43.4 percent, while capital expenditure filled the residual 56.6 percent of Nu.6,338.1 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 52.4 percent of capital expenditure. With a budget deficit of Nu.2,784 million, the Royal Government once again resorted to external borrowing from international aid agencies at concessional rates to meet 40.5 percent of the deficit (Nu.1,128.3 million), and used Nu.1,655.6 million (59.5 percent) to close the internal resource gap.

During the presentation of the National Budget at the 81<sup>st</sup> Session of the National Assembly, the budget outlay for the financial year 2002/2003 has been estimated at Nu.11,537.7 million, which is a 3 percent increase over the previous year's outlay. Total resources were approximated at Nu.10,201.7 million, of which domestic revenue will only meet 45.3 percent of total expenditure and grant aid will supplement it by meeting another 43.1 percent. Of the resulting deficit of Nu.1,336 million, 71.3 percent is expected to be covered through external project-tied loans, leaving Nu.383.2 million to be financed through domestic borrowing. Debt service payments during 2002/2003 are estimated at Nu.406.2 million, which is 3.5 percent of total expenditure and higher than that of the previous period. In 2001/2002, total debt service payments amounted to Nu.311.5 million (Nu.93.4 million in interest payments and Nu.218.1 million for principal repayment).

**Composition of National Budget Financing**



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 a long maturity and low interest rates), the Royal Government has not been pressured by high debt servicing.

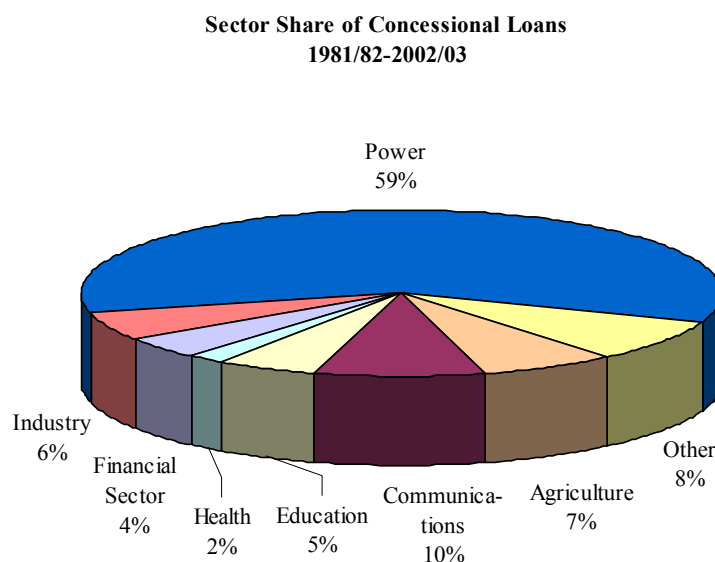
Sector	Millions of Nu.	
	Amount	Percent of Total
Health and Education	2856.4	24.8
Agriculture	1450.1	12.6
Human Settlements	810.7	7.0
Communications	235.6	2.0
Roads	1650.3	14.3
Energy (excluding mega projects)	836.6	7.3
General Public Services	2428.8	21.1
<b>National Debt Service</b>	<b>406.2</b>	<b>3.5</b>
Others	863.1	7.5
<b>TOTAL</b>	<b>11537.7</b>	<b>100.0</b>

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, there will be a substantial commercial loan availed by the Druk Air in 2004 for the purchase of a new aeroplane, adding it to the first commercial loan also by Druk-Air in 1988/1989 (repaid in 1998/1999).

### 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 549.5 million in convertible currency and Rupee loans (commercial loans of USD 22.6 million) have been disbursed to Bhutan by various foreign governments, international multilateral, and bilateral agencies. Of total loans disbursed to individual sectors, 59 percent have been mobilized for the power sector, with the communications sector following in second at 10 percent, and agriculture 7 percent.



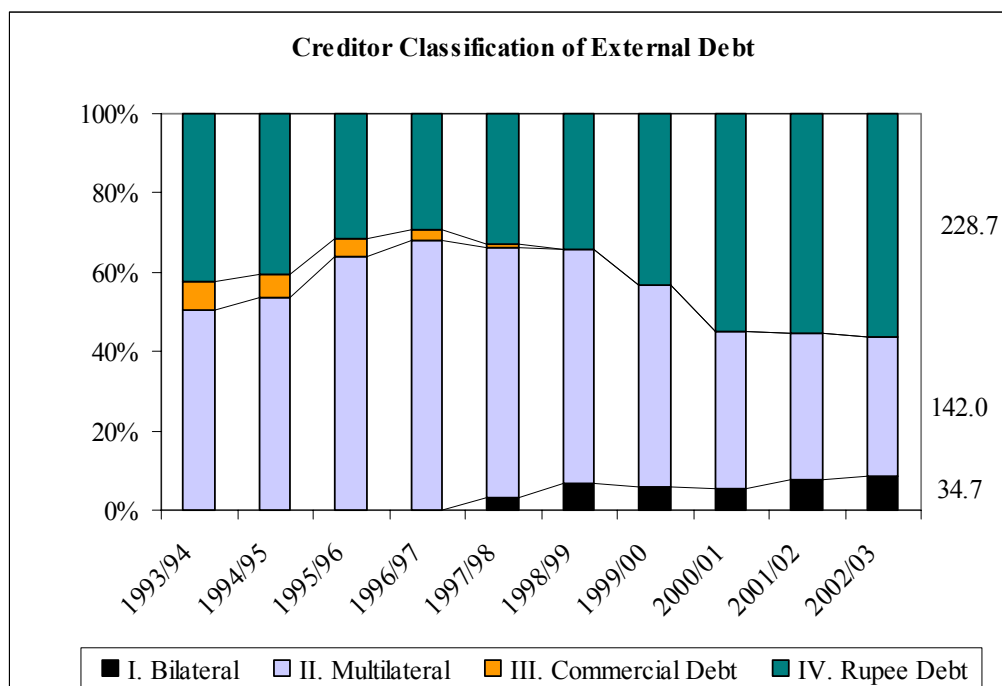
For fiscal year 2002/2003, the power sector was the highest recipient of loan funds of USD 10.1 million and Rs.3,203.6 million. It was followed by the communications sector with disbursements of USD 5.7 million, the agriculture sector with USD 5.5 million, USD 5.3 million for health, and USD 3.5 million towards the financial sector.

#### 3.2. Creditor Classification

A creditor-wise breakdown of Bhutan's external debt is provided in the tables on the following pages. At the end of June 2003, the total multilateral debt (ADB, EFIC, IFAD, KFAED, IDA) stood at USD 142 million and accounted for 35 percent of total external debt. Its share has been gradually declining since 1997/1998, with the bilateral loan for Basochu hydropower project and increasingly growing Rupee debt also associated with hydropower, particularly that of Tala. Correspondingly, bilateral debt (Government of Austria) and Rupee debt (Government of India) grew by 56 and 41.3 percent, respectively, for the fiscal year end 2002/2003. Commercial Debt remains nil as of 1998/1999.

The Government of India is Bhutan's largest creditor with over 56 percent of total debt outstanding. However, in terms of convertible currency debt, the ADB is the

largest creditor with 42.9 percent of total debt outstanding, followed by the World Bank at 24.3 percent, and the Government of Austria standing in third at 21.5 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.

No new loans have been allotted by the ADB for 2003. However, there were five technical assistance projects (TAs) granted during 2002 for the finance, industry and housing sectors. This includes the USD 700,000 grant for the Industrial Estate and Dry Port Development (project preparatory), USD 500,000 for Housing Sector Reform, and a USD 116,000 grant for Strengthening the Debt Management Capacity of the Department of Aid and Debt Management. The final 3 TAs are being funded from the Japan Special Fund (JSF).

In August 2003, the ADB in a Country Strategy and Program (CSP) Update that was endorsed, announced the plan to extend loans totaling USD 28.2 million to Bhutan over a period of three years (2004-2006). The planned lending program, averaging USD 9.4 million per year, will assist the Royal Government (RGOB) in addressing rural poverty by expanding market access and increasing the coverage of the road network, and developing urban housing for low and medium income groups.



Since lending began to Bhutan in 1983, the ADB has approved 18 loans totaling USD 101.8 million. Four public sector loans, with a net loan amount of USD 32.4 million, are ongoing.

According to the ADB, there are six loan projects in the pipeline during 2004-2006, four of which will directly target poverty reduction. Assistance will be provided:

- i. To expand market access of rural areas through a road network expansion project. The South Asia Sub-regional Economic Cooperation initiative will complement the project to promote cross-border trade.
- ii. To stimulate private sector investment and generate jobs through an industrial estate and dry port development project and a program for small and medium enterprises.
- iii. To help ease the country's housing shortage through an urban housing development project.
- iv. To open up additional rural areas, promote development of export-oriented micro-enterprises, and provide market access to farmers through an integrated rural development project.
- v. To deepen and consolidate financial sector reforms through a financial sector reform program.

To complement the lending program, 14 TA projects are planned over the three years, totaling USD 4.1 million. 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.

Furthermore, as per a recent news release in October 2003, the ADB has committed to assist the RGOB in improving rural access to electricity for 8,000 consumers through a USD 9.4 million loan and 2 TAs to the Bhutan Power Corporation (capacity-building) and towards the feasibility study of the formation of a Druk Hydropower Corporation. A third TA (financed by the Japan International Cooperation Agency) will help prepare a Rural Electrification Master Plan. About 80 percent of Bhutan's population is rural, with only 2 percent with access to electricity. The RGOB aims for universal electrification by 2020.

Breakdown of Cumulative ADB Lending to Bhutan as at the end of 2001			
Sector	Loans Awarded	(USD million)	
		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.

### 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 2002/2003). 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 34.1 and 0.05 percent at end-June 2003, 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	2002/03
SDR	55.3	53.2	46.0	37.0	35.1	34.1
US Dollar	1.3	0.3	0.3	0.2	0.1	0.0
Indian Rupees	33.1	34.3	43.2	54.8	55.5	56.4
Euro*	3.2	6.9	6.0	5.3	7.6	8.6
Kuwait Dinar	7.1	5.2	4.5	2.7	1.8	0.9
<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>

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

## Creditors Ranked by Cumulative Disbursement : 1981/82-2002/03

In millions of USD

Agency	Sector								Total
	Agriculture	Communications	Education	Health	Financial Sector	Industry	Power	Other	
Government of India*							283.2	13.4	296.6
Asian Development Bank	5.9	15.5	15.7	10.1	14.7	0.8	14.3		76.9
World Bank	11.3	6.7	13.2		3.3	7.2			41.7
KFAED					4.7	23.0			27.7
Government of Austria							28.3		28.3
IFAD	20.3								20.3
Mitsui & Co. (Japan)		1.7							1.7
EFIC Australia		0.8							0.8
West LB Ltd.		22.6							22.6
Others								32.8	32.8
<b>Total</b>	<b>37.5</b>	<b>47.3</b>	<b>28.9</b>	<b>10.1</b>	<b>22.8</b>	<b>31.0</b>	<b>325.8</b>	<b>46.2</b>	<b>549.5</b>

\* 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).

## External Debt Outstanding by Creditor Category

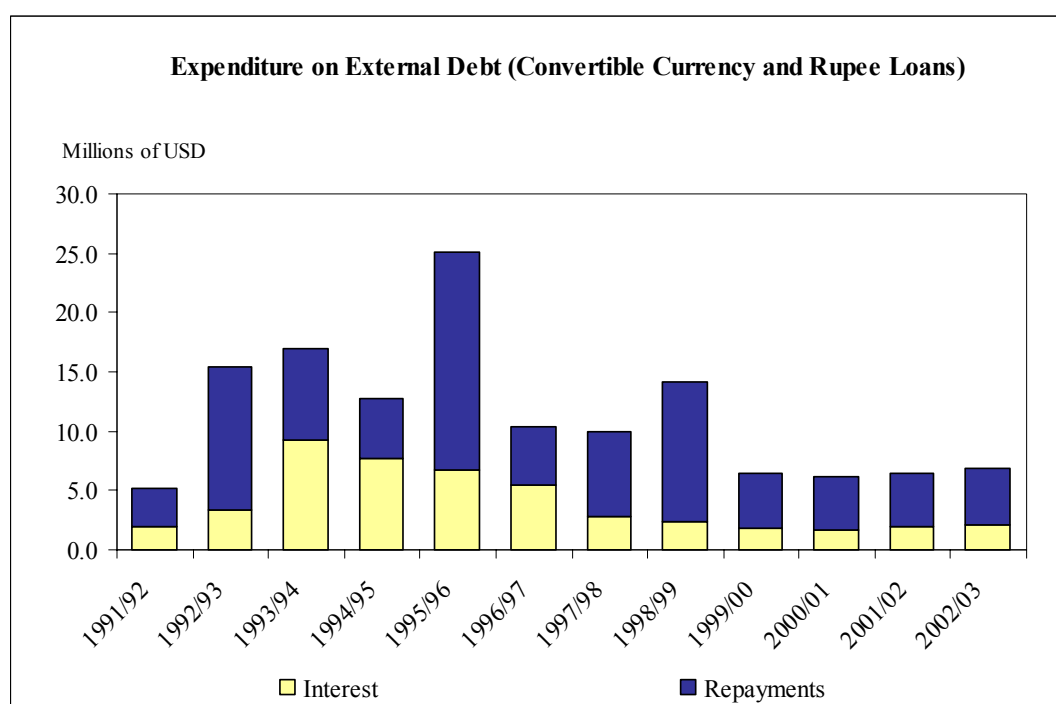
Creditor Category	<i>In millions USD</i>										
	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
I. Bilateral	0.0	0.0	0.0	0.0	0.0	4.3	10.4	10.4	12.6	22.2	34.7
II. Multilateral	67.5	70.1	72.8	74.5	80.6	85.0	88.3	88.3	94.4	107.7	142.0
III. Commercial Debt	12.4	10.2	7.9	5.7	3.4	1.1	0.0	0.0	0.0	0.0	0.0
IV. Rupee Debt	64.2	58.7	55.2	36.6	34.8	44.7	51.6	75.1	129.9	161.9	228.7
Total External Debt	144.2	139.0	136.0	116.8	118.7	135.1	150.3	173.8	236.8	291.8	405.5
	<i>Percentage Share of Total External Debt</i>										
I. Bilateral	0.0	0.0	0.0	0.0	0.0	3.2	6.9	6.0	5.3	7.6	8.6
II. Multilateral	46.8	50.4	53.6	63.8	67.9	62.9	58.8	50.8	39.8	36.9	35.0
III. Commercial Debt	8.6	7.3	5.8	4.8	2.9	0.8	0.0	0.0	0.0	0.0	0.0
IV. Rupee Debt	44.6	42.2	40.6	31.4	29.3	33.1	34.3	43.2	54.8	55.5	56.4



## 4. DEBT SERVICE<sup>4</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 2002/2003, debt service payments increased to USD 6.9 million, a 6.5 percent rise over the previous period. The graph below provides a year-wise breakdown of debt service payments since 1991/1992 for interest and principal repayments.



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 22.7 percent in 1995/1996 and a manageable 4.9 percent in 2002/2003. This is a slight increase over the last year's ratio of 4.8 percent. Similarly, debt service payments as a ratio of current receipts is another measure of debt service capacity. From 5.3 percent in 1990/1991, at the end of June 2003, this ratio stood at 4.3 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 I*). 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 1.8 percent respectively, at the end of the period under review.

<sup>4</sup> Debt service projections are not disclosed here due to unavailability of information.

#### **4.2. Debt Service by Creditor Category**

The table on the next page provides a breakdown of debt service payments by creditor category that corresponds to the creditor-wise debt outstanding provided in Section 3.2. The share of multilateral debt in total debt service was 61 percent for the year ending 2002/2003. Collectively, multilateral and bilateral debt payments accounted for 65.9 percent of total debt service in 2002/2003. Rupee debt payments constituted the remaining 34.1 percent of total debt service.

## 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	2002/03 (p)
	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest
	Principal	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	1.18
	2.82	2.47	2.41	4.86	2.18	2.45	2.70	2.63	2.63	2.71	2.95
II. Bilateral	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.40
	0.00	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	0.00
	2.26	2.26	2.26	2.26	2.26	2.26	1.13	0.00	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	0.52
	6.90	3.05	0.45	11.24	0.39	2.46	7.93	2.01	1.89	1.82	1.82
Total	3.42	9.23	7.66	6.75	5.49	2.80	2.34	1.82	1.68	1.94	2.10
	11.98	7.78	5.12	18.36	4.83	7.16	11.76	4.64	4.51	4.52	4.77
<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>	<b>6.87</b>
<i>(Ratios)</i>											
Debt Service Ratio*	18.1	20.3	14.2	22.7	8.9	8.0	12.1	4.8	4.6	4.8	4.9
Debt Service/Current Receipts**	18.1	20.3	14.2	20.8	8.5	6.8	10.2	4.2	4.2	4.3	4.3
Interest Payments/Current Receipts	4.0	11.0	8.5	5.6	4.5	1.9	1.7	1.2	1.3	4.3	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	1.8

\*: 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.

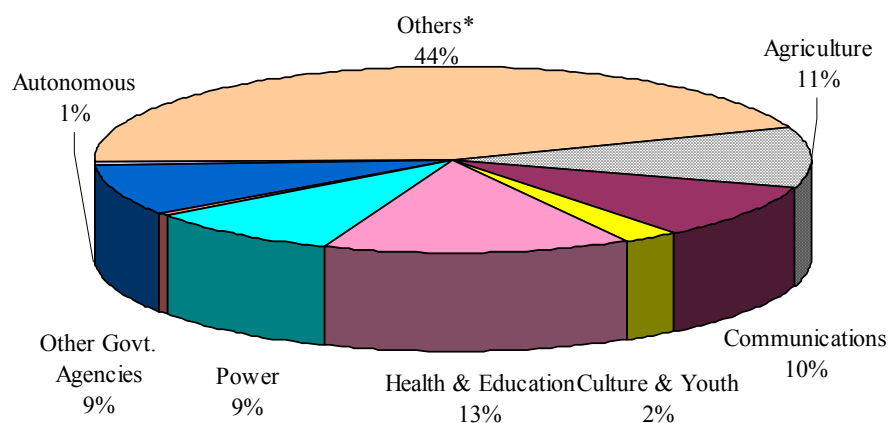


## 5. GRANT ASSISTANCE

Grant aid is anticipated to support 43.1 percent of budget expenditure in 2003/2004 (provisional). In the last fiscal year, grant aid supplemented domestic income to meet 29.5 percent of capital expenditure. Therefore, grants constitute an essential portion of total revenue for the government. Bhutan has received over Nu.29,000 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.4,481.7 million received in 2002/2003, 58.7 percent were contributed by the Government of India (up from 35 percent in 2001/2002), followed by DANIDA with Nu.525.8 million (11.7 percent), Nu.201 million from the Government of Netherlands (4.5 percent) and Nu.130.8 million from the EEC (3 percent of total grants). On the whole, there has been an average positive increase in grants over the years, with a 27 percent reduction recorded during 2001/2002. This turned around in 2002/2003, when grants increased by 66.2 percent from the previous fiscal year.

**Sector Share of Grants: 2002/2003**



Of all the individual sectors (excluding program grants from India), health and education has been the maximum recipient of grant aid since 1990/1991, with a share of 15.2 percent, or Nu.4,515 million. Next are the agriculture, power, and communications sectors with shares of 14.5, 11.9, and 11.4 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.

During fiscal year 2002/2003, the health and education sector received the highest grant amount of Nu.629.2 million, followed by agriculture (Nu.474.9 million), and Nu.426.8 million for the communications sector. This was a marked decrease across all major sectors from 2001/2002. However, there was a sharp growth in program grants from India that raised overall grant receipts. In the previous year, the power sector received the largest aid of Nu.656.6 million, followed by agriculture (Nu.475.1 million), and communications (Nu.379 million).

**Individual Grant Donors: 1993/1994 - 2002/2003**

In Millions of Ngultrum

Agency	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Govt. of India	607.5	721.4	1168.9	947.6	1045.1	1928.5	2187.9	2551.2	945.3	2631.8
DANIDA	141.3	173.0	155.3	218.2	135.6	385.2	318.7	394.8	534.8	525.8
JICA	225.8	313.4	0.0	475.0	0.0	0.0	7.1	0.0	4.2	0.0
Govt. of Netherlands	14.9	60.6	253.6	84.0	66.8	88.8	74.4	147.6	274.5	201.0
UNDP	47.2	18.5	21.9	44.5	100.3	122.1	140.8	51.4	132.7	85.6
Govt. of Austria	26.1	45.8	1.9	22.0	85.3	170.7	143.0	174.2	44.2	68.7
HELVETAS	80.9	26.1	106.0	18.1	15.0	147.2	75.8	94.3	0.0	0.0
Swiss Dev. Cooperation	27.7	42.0	29.9	62.2	49.5	200.6	106.2	66.8	62.6	103.5
EEC	45.0	60.4	107.8	33.5	57.1	35.1	29.9	18.0	112.5	130.8
UNCDF	30.7	85.0	43.9	118.2	88.4	37.4	10.6	27.2	26.9	26.6
Others	209.1	198.5	464.9	208.7	173.1	146.9	179.7	185.4	559.3	707.9
<b>Total</b>	<b>1456.2</b>	<b>1744.7</b>	<b>2354.0</b>	<b>2232.1</b>	<b>1816.3</b>	<b>3262.6</b>	<b>3274.1</b>	<b>3711.0</b>	<b>2696.9</b>	<b>4481.7</b>
Percentage Change on the Previous Year										
<b>Total</b>	<b>18.4</b>	<b>19.8</b>	<b>34.9</b>	<b>-5.2</b>	<b>-18.6</b>	<b>79.6</b>	<b>0.4</b>	<b>13.3</b>	<b>-27.3</b>	<b>66.2</b>

## Sector-Wise Classification of Grant Assistance: 1990/1991 - 2002/2003

In millions of Ngultrum

Period	Sector									Total
	Agriculture	Communications	Culture & Youth	Health & Education	Power	Trade & Industry	Other Govt. Agencies	Autonomous	Others*	
1990/1991	205.7	21.3	0.8	54.9	25.9	1.2	7.5	10.2	425.3	752.71
1991/1992	249.6	120.7	2.6	155.5	30.2	9.0	8.8	27.3	182.3	785.89
1992/1993	258.8	359.6	24.2	163.4	14.6	0.0	51.7	32.8	325.0	1230.11
1993/1994	427.9	108.9	28.6	187.8	130.8	0.6	271.7	0.0	300.0	1456.22
1994/1995	487.1	291.2	15.3	251.7	228.8	7.5	169.6	0.0	293.5	1744.72
1995/1996	543.9	194.4	33.6	305.7	675.8	4.2	296.6	0.0	300.0	2354.19
1996/1997	361.6	421.1	68.3	457.4	109.2	28.0	511.6	0.0	275.0	2232.13
1997/1998	80.4	229.3	23.3	267.3	85.3	7.6	323.2	0.0	800.0	1816.30
1998/1999	316.9	138.5	84.0	652.8	410.5	27.9	808.1	23.9	800.0	3262.58
1999/2000	238.5	357.2	57.6	367.4	458.0	28.0	951.8	15.6	800.0	3274.13
2000/2001	212.4	363.6	69.1	422.3	323.0	12.1	1486.2	21.3	800.0	3711.01
2001/2002	475.1	379.0	128.2	599.6	653.6	47.8	371.4	42.1	0.0	2696.90
2002/2003	474.9	426.8	105.5	629.2	395.2	24.7	398.7	26.7	2000.0	4481.73
<b>Sector Total</b>	<b>4332.9</b>	<b>3411.5</b>	<b>641.0</b>	<b>4515.0</b>	<b>3540.7</b>	<b>198.8</b>	<b>5656.9</b>	<b>199.8</b>	<b>7301.0</b>	<b>29798.6</b>
<i>Percentage Share of Total Grant Aid</i>										
Sector Total	14.5	11.4	2.2	15.2	11.9	0.7	19.0	0.7	24.5	100.0

(\*) : Others include program grants from the Government of India.

## ANNEX IX

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

( Amount in Nu. )

ASSETS	June 30, 2003 Nu	June 30, 2002 Nu
<b>1. Cash and Bank Balances</b>	<b>140,675,450.06</b>	<b>58,188,855.03</b>
Local Currency in Hand	43,196.00	3,072.00
Balances with Domestic Banks	140,632,254.06	58,185,783.03
<b>2. Foreign Assets</b>	<b>10,526,856,255.33</b>	<b>8,867,542,855.35</b>
Foreign Currencies in Hand	50,804,594.56	35,855,247.31
Bank Balances	322,782,109.47	1,262,741,222.98
Time Deposits	6,025,104,000.00	4,677,592,048.05
Short Term Deposits	2,394,946,743.59	1,079,302,251.15
Investment with Asset Managers	1,650,395,000.00	1,734,885,000.00
Reserve Tranche at IMF	66,832,234.64	63,340,743.65
SDR Holding at IMF	15,991,573.07	13,826,342.21
<b>3. Gold and Precious Metals</b>	<b>42,599,253.30</b>	<b>254,836,519.94</b>
Gold	42,360,572.10	254,597,425.24
Silver	238,681.20	239,094.70
<b>4. Advance to Government</b>	<b>56,000,000.00</b>	<b>127,000,000.00</b>
Advance against net operating surplus	56,000,000.00	127,000,000.00
<b>5. Staff Loans</b>	<b>1,116,066.97</b>	<b>1,398,006.23</b>
<b>6. Earmarked Assets Against Fund</b>	<b>7,148,758.82</b>	<b>9,593,735.72</b>
HQ Building Current a/c	217,158.78	3,366,030.32
Gratuity Deposit Accounts	6,613,419.74	5,836,339.00
Clearing Fund Assets	318,180.30	391,366.40
<b>7. Net Fixed Assets</b>	<b>86,542,587.80</b>	<b>86,097,982.62</b>
Gross Block	99,492,261.77	94,412,932.25
Accumulated Depreciation	12,949,673.97	8,314,949.63
<b>8. Commemorative Coins ( at cost )</b>	<b>23,456,749.41</b>	<b>23,793,492.87</b>
Gold	18,525,889.93	18,778,854.95
Silver	3,390,027.00	3,463,492.96
Others	1,540,832.48	1,551,144.96
<b>9. Other Assets</b>	<b>24,846,736.97</b>	<b>105,049,242.74</b>
Interest accrued on foreign investments	14,798,204.50	42,695,095.66
Sundry Assets	10,048,532.47	5,357,718.18
Temporary Advance to Bhutan National Bank	-	56,996,428.90
	<b>10,909,241,858.66</b>	<b>9,533,500,690.50</b>

## ANNEX IX

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

( Amount in Nu. )

LIABILITIES	June 30, 2003 Nu	June 30, 2002 Nu
<b>1. Capital &amp; Reserves</b>	<b>1,257,855,851.93</b>	<b>2,015,673,006.05</b>
<b>2. Fund Balances</b>	<b>83,075,210.17</b>	<b>82,379,146.53</b>
Building Fund	75,848,785.13	75,298,785.13
Clearing Fund	318,180.30	391,366.40
Gratuity Fund	6,908,244.74	6,688,995.00
<b>3. Income and Expenditure Statement (Surplus payable to Government )</b>	<b>71,468,261.36</b>	<b>161,215,821.45</b>
<b>4. Government Deposits</b>	<b>281,703,627.28</b>	<b>206,175,818.11</b>
MoF Refundable Deposits Account	107,423,688.52	51,096,188.30
Reserve Tranche at IMF	66,832,234.64	63,340,743.65
ADB Credit Line	-	24,579,504.58
Foreign Currency Accounts	107,447,704.12	67,159,381.58
<b>5. Commercial Banks Deposits</b>	<b>6,242,909,517.34</b>	<b>4,279,855,311.18</b>
Bank of Bhutan	5,081,667,871.00	3,865,779,311.18
Bhutan National Bank	1,161,241,646.34	414,076,000.00
<b>6. Deposits of other Financial Institutions</b>	<b>19,334,676.36</b>	<b>20,324,492.01</b>
Asian Reinsurance corporation	19,334,676.36	20,324,492.01
<b>7. International Institutions' Deposits</b>	<b>3,419,750.69</b>	<b>3,371,464.97</b>
IMF Account - 1	1,032,069.51	978,151.51
IMF Account - 2	25,752.60	24,407.21
IBRD Account "A"	1,829,714.22	1,829,714.22
IDA Account "A"	517,938.04	517,938.04
ADB Account A	14,276.32	21,253.99
<b>8. RMA Discount Bills</b>	<b>700,000,000.00</b>	<b>910,000,000.00</b>
<b>9. Other Liabilities</b>	<b>2,249,474,963.53</b>	<b>1,854,505,630.20</b>
Sundry Deposits	409,908.63	7,954,041.90
Others	2,249,065,054.90	1,846,551,588.30
	<b>10,909,241,858.66</b>	<b>9,533,500,690.50</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, 2003	June 30, 2002
1. Short term deposits held outside Bhutan in Foreign Currencies	1,667,019,656.00	1,601,427,656.00
2. Indian Rupees held in Bhutan	98,078,300.00	93,023,750.00
	<b>1,765,097,956.00</b>	<b>1,694,451,406.00</b>

( Amount in Nu. )

LIABILITIES	June 30, 2003	June 30, 2002
1. Notes in Circulation	1,765,054,760.00	1,694,448,334.00
2. Notes held in Banking Division	43,196.00	3,072.00
	<b>1,765,097,956.00</b>	<b>1,694,451,406.00</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.)

<b>Particulars</b>	<b>June 30, 2003</b>	<b>June 30,2002</b>
<b>INCOME</b>	<b>208,991,072.70</b>	<b>251,497,552.37</b>
Amount brought forward	-	-
Interest, Discount, Exchange, Commission etc.	<b>208,991,072.70</b>	251,497,552.37
<b>EXPENDITURE</b>	<b>137,522,811.34</b>	<b>88,631,759.11</b>
Interest	98,461,667.80	64,552,761.84
Security Printing and Minting Establishment	11,053,014.24	12,994,822.67
Remittance of Treasure	74,934.00	170,817.00
Agency & Contractual Services	1,259,400.00	1,130,610.00
Stationery & Supplies	870,903.17	655,223.32
Printing and Publications	164,625.00	139,357.60
Postage & Telecommunications	1,667,806.28	1,475,314.75
Rent, Taxes and Insurance	262,326.46	246,109.51
Power, Water etc.	267,887.36	95,418.00
Auditors' Fees & Expenses	199,388.00	178,353.15
Directors' Fees & Expenses	64,445.00	51,788.00
Depreciation and Repairs	5,109,225.38	4,089,693.46
Staff Superannuation Funds	1,093,459.00	1,479,163.00
Miscellaneous	1,121,210.26	1,372,326.81
<b>Available Balance</b>	<b>71,468,261.36</b>	<b>162,865,793.26</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>71,468,261.36</b>	<b>161,215,821.45</b>

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

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



## **ARTICLES PUBLISHED BY THE RMA**

This list is designed to inform readers about articles featured by the Royal Monetary Authority (RMA) in its various regular publications – the Annual Report under the Annexure Section, the quarterly Selected Economic Indicators under the Annexure Section, and the Monthly Bulletin under the Special Feature Section.

### **Annual Report**

1. “The Royal Monetary Authority of Bhutan: Functions, Organization Structure, and Future Plan” [2001/2002, 2002/2003]
2. “Chronology of Important Financial Sector Developments” [2001/2002, 2002/2003]
3. “Financial Institutions” [2001/2002, 2002/2003]
4. “Tourism” [2001/2002, 2002/2003]
5. “The Power Sector in Bhutan” [2001/2002, 2002/2003]
6. “Interest Rates” [2001/2002, 2002/2003]
7. “Bhutan’s External Debt: A Status Report” [2001/2002, 2002/2003]
8. “Overview of Developments in the Financial Sector, 2002” [2002/2003]

The above-mentioned features will be updated annually, with the latest updates featured in this edition of the RMA Annual Report 2002/2003.

### **Selected Economic Indicators**

Articles featured from December 2002 onwards.

1. “Bhutan Balance of Payments: Methodology, Compilation Practices, and Data Sources” [December 2002]
2. “Revision of the Consumer Price Index” [December 2002]
3. “Bhutan Beverages Company Limited (BBCL)” [December 2002]
4. “Development of Imports from Thailand” [March 2003]
5. “Summary of the National Budget 2002/2003” [June 2003]
6. “Druk Air Corporation Limited: An Overview” [September 2003]

### **Monthly Bulletin**

1. “Performance of Financial Institutions During 2001” [June 2002]
2. “Price Developments” [July 2002]
3. “Revised Estimates of Government Budget 2001/02” [August 2002]
4. “9<sup>th</sup> Five-Year Plan Outlay” [September 2002]
5. “External Debt” [October 2002]
6. “Revision of the Consumer Price Index” [November 2002]
7. “Bhutan Beverages Company Limited (BBCL)” [December 2002]
8. “A Leap Into Modernization – The FDI Policy” [January 2003]
9. “Tourism” [February 2003]

10. "Profile on Bhutan's Public Limited Companies" [March 2003]
11. "Real Effective Exchange Rate of the Ngultrum" [May 2003]
12. "Forestry and Logging in Bhutan" [June 2003]
13. "Druk Air Corporation Limited: An Overview" [July 2003]

## READERS' FEEDBACK ON THE ANNUAL REPORT

Dear Reader:

We would appreciate any and all comments, or suggestions, that you might have regarding the content and format of the Annual Report. Please feel free to contact us at the following address:

Chief  
Research and Statistics Division  
Royal Monetary Authority of Bhutan  
P.O. Box 154  
Thimphu  
Bhutan

You can also email us at: [rmarsd@rma.org.bt](mailto:rmarsd@rma.org.bt).

Please visit our website [www.rma.org.bt](http://www.rma.org.bt) for information on the RMA and our publications.

Thank you.