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NATIONAL ASSEMBLY OF BHUTAN
ECONOMIC & FINANCE COMMITTEE



REPORT ON THE IMPLEMENTATION OF THE ECONOMIC STIMULUS PROGRAM (ESP)

**Prepared by the Economic and Finance Committee (EFC)
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Implementation Status Report of Economic Stimulus Program

1. Background

The Economic Stimulus Program (ESP) was launched by the Royal Government of Bhutan on May 19, 2024, as an urgent response to the severe economic disruptions caused by the COVID-19 pandemic. With a total funding envelope of Nu. 15 billion, the ESP aimed to revive the economy through a mix of concessional loans, business reinvigoration support, and targeted agency-led initiatives. For concessional loan Nu. 3.3 billion, and for business reinvigoration fund Nu. 2 billion is allocated; and the remaining Nu 9.7 billion is allocated under relevant government agencies for implementation of specific initiatives that has potentials for economic revival.

The overarching objectives of the ESP included enhancing domestic productivity, generating employment, improving export competitiveness, and building long-term economic resilience. The program was strategically aligned with the 13th Five-Year Plan (FYP) and expected to function both as a short-term recovery measure and a medium-term economic revitalization mechanism.

The services for concessional loans, business reinvigoration funds are catered by PFIs under the guidance of RMA and the government; and specific targeted initiatives are mostly implemented by Ministry of Agriculture and Livestock (MoAL) and Ministry of Industry Commerce and Employment (MOICE). The overall implementation is broadly guided by the Steering committee Chaired by the Minister of Finance.

2. Implementation status

To get the implementation updates right from the field, the member from the Economic & Finance Committee made a field visit to 20 Dzongkhags and met with relevant stake holders including the PFIs. The issues on the ground were gathered and deliberated with stakeholders, and further synthesized to develop the concrete observations. Following field visits, the data and observations gathered were further validated and eventually conducted public hearings on 16th May, 2025 to make progress and issues of ESP transparent and to enable formulation of effective measures to address the challenges.

On the concessional loan, as of 3rd May, 2025; Nu. 1661.26 million is approved but only Nu. 745.95 million is disbursed which translates to 22.6 percent of the total allotted fund. As for Reinvigoration Fund (RGF) Nu. 667.32 million is approved from the total allocated amount of Nu. 2000 million (Table 1.). The progress is not substantive if we calibrate against the implementation period of two years.

Table 1. Implementation status of concessional loan

Thematic Area	Allocation (Nu. Million)	Loan demand (Nu. Million)	Approved	Disbursed
Concessional Loans	3300	11507	1661.26	745.95
RGF	2000		667.32	

Source: ESP steering committee's progress update (as of 3rd May, 2025)

Similarly, the utilization of funds by agencies for implementation of specific initiatives for revival of the economy is not up to the expected level, utilizing only Nu.1107.55 from the total allocation of Nu. 9700 million; which estimates to 11.4 percent of the total allocated fund as given in Table 2.

Table 2.Implementation status of agency-based initiatives

Thematic Areas	Total Allocation (Nu. Million)	Endorsed amount (Nu. Million)	Utilization (Nu. Million)
Cottage and Small Industries Development	100	21.97	21.97
Startup/ Incubation Center	600	67.50	6.06
Creative Industry	530	381.50	31.67
Tourism Development	1,000	68.92	0.15
Agriculture and Livestock Development	1500	1014.35	31.67
De-suung Skilling Programme	2000	1000	1000
Youth Employment, Education	770	207.50	11.94
Education Loan ¹	600	00	00
Home Ownership Support ²	1500	00	00
One Gewog one product	1000	3.00	3.00
ESP secretariat	100	8.00	1.09
Total	9700	2772.74	1107.55

Source: ESP steering committee's progress update (as of 28th February, 2025)

3. Observations:

The deliberation with stakeholders, gathering of performance updates and field visits led us to the following insights and observations:

3.1. High demand for Concessional Credit

Despite strong demand for concessional credit, particularly to support recovery efforts in the aftermath of the COVID-19 pandemic, actual disbursement remains significantly low. The total demand for the loan was Nu. 11507 million; of which only Nu. 1,661.3 million approved for disbursement. Against the approved amount, only Nu. 745.95 million, estimated to 6.48 percent of the total demand, is dispersed. These figures highlight serious inefficiencies in fund utilization and raise concerns regarding bottlenecks in the disbursement process, which undermine the effectiveness of the Economic Stimulus Plan in achieving its intended goal.

3.2. Underutilization and misalignment of funds.

The ESP is a special fund to be used for special programs to revive the economy. Its use must be fast tracked with a focused approach. As of date, fund utilization is far below par; besides, ESP fund is used to augment the shortage of budget for regular 13th FYP activities and for long-term investment on education and housing loans. If the trend continues with the same pace and approach, there is a high risk of failing to attain the goal of economic revival within the given timeline.

3.3. Exclusion of support for proven cash crops, farmer groups and cooperatives

Despite their potential for export and significance to rural incomes, proven cash crops like potatoes, ginger, cardamom, apples, and oranges are not generally covered by the concessional loan program. Where support is rendered, it is sporadic. The youth groups, women-led enterprises,

¹ The program is not yet implemented

² The program is not yet implemented

and farmer cooperatives, likewise are also still not eligible under the scheme. This lack of support hinders the program's potential to nurture and revive the economy.

3.4. Exclusion of financial support for trading and hospitality Sectors

Despite tourism being among the hardest-hit sectors during COVID-19, support for tourism has been limited to training and promotional activities, with no financial relief for tour operators and the hoteliers. Similarly, trading sectors are not covered under current eligibility, limiting the ESP's reach and impact.

3.5. Exclusion of support for entities with Non-Performing Loan (NPL)

Under the current framework, applicants with NPL and poor CIB records, and those under cooling periods are disqualified for obtaining the services. This contradicts the ESP's mandate of supporting distressed businesses, many of which are recovering from pandemic-induced defaults. According to the Royal Monetary Authority (RMA), as shown in table 3. (Annexure), NPL amount to Nu. 7.582 billion across 6,696 accounts. Charged-off loans stand at Nu. 13.477 billion (4,228 accounts), and loans under deferment amount to Nu. 29.62 billion (4,828 accounts) as of 30th April 2025. These figures highlight the need for a more flexible and rehabilitative approach to ensure the ESP reaches its intended beneficiaries.

3.6. Heavy risks of ESP Loans for PFIs

The entire risks of ESP loans are passed down to the Participating Financial Institutions (PFIs) but with relatively lesser return as compared to the normal loan portfolios. Therefore, PFIs are compelled to apply stringent criteria to avert the risks, consequently hindering the coverage of Economic Stimulus Program's loans to wider sections of the society.

3.7. Unfair System of support for concessional loan and agency initiatives

The support for concessional loan is catered at the subsidized interest of 4% under Window I with the redemption period extending from 2029 to 2034; Whereas, the initiatives for economic revival under ministries and agencies, are given as a grant without any plan to sustain the initiatives post project period. Hence, the benefits of the initiative may dissipate without any significant impact post implementation.

3.8. Lack of plan for Monitoring and Evaluation

The Monitoring and Evaluation (M&E) are crucial across all stages of implementation for the success of the program. Under the existing guideline, monitoring and evaluation is planned to be carried out by staff of PFI; but noting the inadequacy of staff even to carry out their regular functions, there is a risk of eventual failure of the program. The engagement of LG leaders and technical people especially at the planning, monitoring and evaluation stage are minimal under the current implementation arrangement.

3.9. Steady performance of the price guarantee scheme

Overall, the price guarantee scheme has aggregated 1004.62 MT of various crops: paddy, wheat, maize and quinoa and disbursed Nu. 45.7 million (Table 4). Similarly, 247 MT of livestock product was aggregated revealing the steady performance of the scheme. However, the scheme lacks plan to sustain the program after termination of ESP.

3.10. Short gestation period

There is no clear guideline on the appropriate gestation period before the commencement of Equated Monthly Instalments (EMI) for loans sanctioned under the ESP. Currently, banks begin collecting EMI as soon as the sanctioned amount is disbursed, with minimal consideration for the actual establishment and income generation of the project. For sectors like mushroom farming, shiitake mushroom farming, and poultry farming, banks start collecting EMI after 4–5 months, while for piggery farming, a 1-year gestation period is allotted. However, for many projects, even 4–5 months may be insufficient to establish the business and start generating returns, leading to undue financial pressure on borrowers.

4. Committee's Recommendations:

4.1. Considering the gap of Nu. 8.2 billion between demand and current allocation of funds under concessional loan, and ineffective and underutilization of funds by agencies; it is strongly recommended to reallocate the fund to concessional loan. By reallocating the fund, efficiency of fund usage and the potential for economic revival with more beneficiaries could be significantly larger.

4.2. The goal of the ESP and actual delivery on the ground could not converge as envisaged. One of the primary objectives of ESP is to support distressed business, however, both the regulation and Royal Monetary Authority and Standard Operating Procedures (SOP) of Participating Financial Institutions (PFIs) did not favor entities with Non-Performing Loan (NPL) and poor Credit Information Bureau (CIB) records in gaining access to loans both under concessional scheme and Reinvigoration Fund (RGF). The business entities such as: traders, tour operators, hoteliers and manufacturing units are the ones that were highly impacted by COVID. To give a fair chance to distressed businesses recover, the committee recommends relaxing of NPL and CIB criteria and doing away with the cooling period to gain access to loans.

4.3. The competing demand of concessional and RGF loan, limited allocation of funds and vulnerability of PFIs to coercion; there are potential risks of misuse of funds. To mitigate the risks, timely monitoring and evaluation of programs by relevant agencies: PFIs, technical sectors and Royal Audit Authority is crucial. Therefore, to ensure effective use of funds for the intended purpose, periodic monitoring and auditing is recommended.

4.4. NPL is one of the critical factors that impedes access to loans. The NPL which stands at Nu. 7.58 billion, excluding charge off, is also a looming threat for the economy in near future. The deferment scheme pursued by RMA and the government appears helpful as a short-term relief measure, but in essence, it is just a postponement of looming risks which would eventually lead to irreparable economic consequences. Since the majority of NPL problems have emerged due to unforeseen calamities, it calls for the government's interventions with priority. The committee, therefore, strongly recommends the government to strategize sustainable measures in addressing NPL in collaboration with RMA and PFIs.

4.5. To address inefficiencies in fund utilization and to tackle delays in the disbursement process, the committee recommends harmonizing the regulations and SOPs of PFIs; and decentralizing slab-based approval and disbursement authorities with accountability to the branch managers. If at all decentralization of authorities cannot be implemented due to inherent risks, recruitment of additional staff to expedite the services could be explored.

4.6. Considering the steady performance and significant benefit in motivating farmers to enhance production, the committee recommend reallocating additional budget to expand the ESP Price Guarantee Scheme for crops and livestock and to develop long term strategies to sustain the program after the termination of economic stimulus program.

4.7. The committee proposes of providing a minimum gestation period of at least 6 months after the execution and establishment of the project before initiating EMI collection. For projects with longer gestation periods, such as piggery, the repayment should be aligned with the actual realization of income, allowing up to 1–2 years as needed. Additionally, if the current loan term is too short to accommodate an adequate grace period, the loan tenure should be adjusted to support the viability and success of the funded projects.

Annexure

Table 3. Summary of Loan Accounts by Status and Amount

Loan Status	Account Count	Amount (Nu. Billion)
Under Deferment	4,827	29.62
Non-Performing Loan	6,696	7.58
Charged-Off	4,228	13.48

Source: Royal Monetary Authority of Bhutan, as of 30th April 2025

Table 4. Update of crop buyback scheme

Crops	Targets (MT)	Achieved (MT)	Achievement (%)	Purchase (Nu. Million)	Households (Nos.)
Rice	700.00	420.97	60%	25.70	902
Maize	1,000.00	527.05	53%	15.81	724
Wheat	30.00	44.86	150%	3.59	152
Quinoa	5.00	11.74	233%	1.22	93
Total	1,735.00	1004.62	58%	46.32	1871

Source: Progress Report, FMCL.

Table 5. Update of livestock buyback scheme

Product	Aggregated (kg)	Produced (kg)	Total (kg)
Pork	53,472.30	32,491.25	85,963.55
Chicken	151,718.60	0.00	151,718.60
Trout	0.00	9,182.05	9,182.05

Source: Progress Report, BLDCL