

**Embassy of India
Thimphu**

GOI's ASSISTANCE TO RGoB (EXCLUDING HEPs)

Bhutan started implementing planned development since the early 1960s. The First Five Year Plan (FYP) of Bhutan was launched in 1961. Since then, India has been extending financial assistance to Bhutan's FYPs. So far, ten Five Year Plans of Bhutan have been completed, two of which were totally financed by India (1st & 2nd). Plan-wise allocations made by the Royal Government of Bhutan (RGoB), showing India's contribution therein, are as follows: -

Year	Total Allocations	India's Contribution*	% of India's Contribution
1961 – 66 [1st Plan]	10.72	10.72	100%
1966 – 71 [2nd Plan]	20.22	20.22	100%
1971 – 76 [3rd Plan]	47.52	42.66	90%
1976 – 81 [4th Plan]	110.62	85.30	77%
1981 – 87 [5th Plan]	444.05	134.00	30.2%
1987 – 92 [6th Plan]	950.00	400.00	42.1%
1992 – 97 [7th Plan]	2350.00	750.00	31.9%
1997 – 2002 [8th Plan]	4000.00	1050.00	26%
2002-2008 [9th Plan]	8900.00	2610.14	29.33%
2008-2013 [10th Plan]	14900.00	3400.00	23%
2013-2018 [11th Plan]	21300.00	5000.00	23%

[in Rs. crores]

**(Excludes our assistance towards HEPs)*

Eleventh Five -Year Plan (2013-2018) of RGoB:

2. For the 11th Five Year Plan of Bhutan, India's contribution of Rs. 4500 crore represents 68% of the total external assistance received by Bhutan. Additionally, GOI agreed to provide Rs. 500 Crore as Economic Stimulus Package, to boost the Bhutanese economy and help RGoB overcome the problems arising out of the acute INR shortage. Till date, Rs. 440 crore, out of this Rs. 500 crore, has been released.

3. Of the committed assistance of Rs.4,500 crores, Rs.2,800 crores will be given for implementation of Project-Tied Assistance (PTA) projects, Rs.850

crores will be for implementation of Small Development Projects (SDPs) and Rs.850 crores will be given as Programme Grant.

4. There are various institutionalized mechanisms to decide on the projects, and monitor their implementation and progress. The Annual Plan Talks or India-Bhutan Development Cooperation Talks is the main forum for discussing India's bilateral assistance to RGoB, including PTA, Programme Grant, Small Development Projects, Excise Duty Refund, Economic Stimulus Plan etc. Separately, to monitor implementation and fast track progress of PTA projects, there is a Project Monitoring Committee (PMC). The 2nd PMC of the 11th Five Year Plan period was held on 26 April 2017. Similarly, for deciding the Small Development Projects, which are undertaken in batches, there is a Small Development Project Committee (SDPC). The 6th SDPC of the 11th Five Year Plan period was held on 29 November 2016. The 5th Plan talks of the 11th Five Year Plan period was held on 8 December 2016 in Thimphu. The next Annual Plan Talks is tentatively scheduled for November 2017 in New Delhi.

Project Tied Assistance (PTA):

5. Out of the Rs. 4500 crore, Rs. 2800 crore is earmarked for Project Tied Assistance (PTA) for funding 83 mutually agreed projects covering major priority sectors of socio-economic development like roads and bridges; education (schools); education (tertiary); health and construction of regional hospitals; engineering services; industries; energy; security; agriculture; livestock; judiciary; civil aviation; roads and urban transport; sports; culture; ICT & e-governance; scholarships and trainings, HRD etc. As on date, GOI has released Rs.1790.6 crore for PTA, which is 64 % of the total commitment for PTA.

Small Development Projects (SDPs):

6. Rs. 850 crore was allocated for funding Small Development Projects (SDP), of which Rs. 715.2 crore has been released so far, which is 84 % of the total commitment for SDP. There are in total 594 projects taken up under SDP in 6 different batches. These projects are short gestation and community-oriented, focusing mainly on drinking water schemes, schools in rural areas, irrigation canals, farm roads, gewog (block) connectivity roads, basic health units and staff quarters, market sheds, community meeting halls and other basic infrastructure in rural areas. Such projects are becoming increasingly popular with village communities.

Programme Grant:

7. Rs. 850 crore is provided as Programme Grant (Development Subsidy) to the RGOB. As on date, GOI has released Rs 722.5 crore (85%). The grant is in the form of budgetary support released in quarterly installments of Rs.42.5 crores.

Non-Plan Assistance (excluding Hydel and Security Assistance)

Subsidies (Chukka, Standard Kerosene Oil (SKO)/LPG):

8. GOI has sanctioned a quota of 700 MT of LPG at subsidized rates to Bhutan. Bhutan is free to buy further quantities of LPG/SKO above this quota at market rates. In 2017(Jan-June 2017), a subsidy of Rs. 11.76 Crore was given to IOCL in respect of subsidy towards purchase of SKO/LPG. For the quantity of power purchased from Chukka HEP, a subsidy @ Rs. 0.50/unit has been given to Power Trading Corporation of India (PTC). A subsidy of Rs. 4.15 crore was released by GOI to PTC for the period (*December 2016 – March 2017*).

Excise Duty Refund:

9. As per the provisions of the Bilateral Trade and Transit agreement, GOI provides excise duty refund to Bhutan for the a) imports directly made from factories in India b) imports from open markets in India c) additional Excise Duty and Special Excise Duty on petroleum products and d) Education cess and Secondary & Higher Education cess. In June 2016, Rs. 194 crore was released by GOI to RGoB towards Excise Duty refund of the year 2014. In July 2016, GOI agreed to release Rs. 291.6crore as the Excise duty refund for the year 2015.This amount was released in June 2017. An EDR claim of Rs.410.14 crore for the year 2016 was submitted by RGoB and a CBEC delegation is expected to visit Bhutan to verify the claims. The increase in EDR reflects increase in Bhutanese imports from India, notably vehicles. However, with the implementation of GST in July 2017, the exports from India to Bhutan are now zero rated and there will be no Excise Duty Refund to RGoB.

Standby credit facility (SCF)

10. GOI had released Rs 300 crore as Standby Credit Facility to Bhutan in June 2012 which is to be repaid within a five year period ending on June 2017.In April 2017, Finance Minister of Bhutan, Lyonpo Namgay Dorji during his meeting with our Finance Minister requested GOI to extend the deadline for settlement of SCF Rs. 300 Crore received in June 2012 by a period of one year. Mission recommended this proposal. In June 2017, GOI has approved

this request for extension of deadline. In total, so far RGOB has received Rs. 1000 Crore as SCF (*Rs. 300 crore in March, 2009; Rs. 300 Crore in June 2012; 400 Crore in March 2013*) and they have repaid Rs. 300 Crore taken in 2009.
