



Guidelines for Industrial Development Grant Scheme

Department of Industry
Ministry of Industry, Commerce and Employment
Royal Government of Bhutan
August 2025

1. Background

The Industrial Development Grant Scheme (IDGS) was initially started as a Rural Enterprise Grant Scheme (REGS) in 2005 by the Department of Industry (DoI) to support cottage and small industries (CSIs) in adopting modern production machinery/equipment on cost sharing basis. However, with the establishment of the Department of Cottage and Small Industry (DCSI) in 2010, the mandate to administer the REGS was handed over to the DCSI, as CSIs fell under its purview. In 2022, with the merging of DCSI and DoI, the grant scheme was again implemented by the DoI.

Cottage and small industries account for more than 95% of the total number of industries in the country playing a vital role in the industrialization and diversification of the economy which would ultimately contribute towards economic self-reliance, employment creation, revenue generation, poverty reduction and curbing of rural-urban migration.

Despite its huge potential, CSIs are constrained by challenges such as limited access to finance due to lack of equity and collateral, low level of innovation and technology adoption, shortage of business infrastructure. Therefore, considering the critical role of the CSIs in the economy and given its current challenges, the Royal Government has adopted various support measures to boost the development and promotion of CSIs in the country. The IDGS is one of the support measures that the Government initiated to address the financial challenges being faced by the CSIs.

2. Definition

The Industrial Development Grant Scheme (IDGS) is a grant provided for procurement of equipment or machinery to CSIs on a cost sharing basis to the eligible CSIs as defined in clause 4 of this Guideline.

3. Objectives of the Grant

The Guideline is being adopted by the Government with the following objectives:

- i) To support adoption of modern efficient technology through provision of machinery and equipment.
- (ii) To enhance efficiency and competitiveness through economy of scale; and
- iii) To improve the quality of products.



4. Sectors Eligible for Grant

- i) Cottage and small scale industries engaged in production and manufacturing activities.
- ii) Preference shall be given to women, youth and Persons With Disabilities.
- iii) Applicants will not be eligible for more than one time grant support.

5. Grant Amount

The Grant shall be provided on a cost sharing basis for the procurement of equipment & machinery. The maximum ceiling of the Grant amount shall not exceed Nu. 500,000 (Five hundred thousand) only. The Grant shall cover 70% of the total cost, up to a maximum of Nu. 500,000.

6. Application Procedure

The following procedures shall be followed while applying for the IDGS:

- i) DoI shall call an application from Dzongkhags/Regional Office of Industry, Commerce & Employment (ROICE) or announce it through media and its website.
- ii) Interested CSIs shall submit the application form provided in *Annexure I*.
- iii) If applications are received by Dzongkhags/ROICE, they must be forwarded to the Department within the specified deadline.
- iv) The Departmental Evaluation Committee (DEC) shall evaluate the applications based on the criteria mentioned in section 7 of this Guideline. The DEC may conduct field assessment, wherever necessary.
- v) The DEC shall present the evaluation result to the IDGS Committee. The IDGS Committee shall decide and approve the successful applicants.
- vi) The decision of the IDGS Committee shall be communicated to the applicants within five working days from the date of the Committee meeting.

7. Application Evaluation Criteria

The DEC shall appraise and evaluate the applications based on, but not limited to the following criteria:



- i) Sustainability of the business.
- ii) Value addition to local resources/raw materials.
- ii) Current production capacity and potential for employment generation and upscaling.
- iii) Community engagement
- iv) Capacity of the proponent to operate the grant-supported equipment/machinery and bear the minimum 30% cost sharing component.

8. Modality for release of the Grant

- i) The beneficiary shall sign an agreement with the Department upon approval of the grant, as per the format in *Annexure II*.
- ii) The beneficiary shall initiate procurement of the equipment/machinery. In the event the manufacturer/supplier demands advance payment, he/she shall pay his/her part of the contribution.
- iii) The Department may issue an undertaking letter to the manufacturer/supplier, assuring payment of the remaining amount (the grant component) upon delivery of the equipment/machine, in case the manufacturer/ supplier demands full payment in advance.
- iv) The grant amount shall be released directly to the manufacturer/supplier upon receipt and verification of the Proforma invoice or commercial invoice, after delivery of the equipment/machinery.
- v) In the event the manufacturer/supplier fails to supply or the applicant decides not to procure the equipment/machinery, the grant shall be cancelled.
- vi) The Department shall revoke the grant in case the applicant substantially changes the scope of the proposal from the one initially approved.
- vii) The Department may facilitate the procurement of equipment/machinery on behalf of those beneficiaries who lack technical knowledge of the required equipment/machinery.

9. Departmental Evaluation Committee

The Departmental Evaluation Committee (DEC) shall appraise and evaluate the application based on the criteria as defined in section 7 of this Guideline. The Committee shall comprise of the following officials:



- i) Focal officer from Cottage and Small Industry Promotion Division
- ii) One officer from Invest Bhutan Division
- iii) One officer from Industry Sustenance Division
- iv) One officer from Industrial Park Management Division
- v) One officer from Large Industry Promotion Division

10. IDGS Committee

The Departmental IDGS Committee shall be the final authority to review and approve the grant application. It shall comprise of the following members:

- i) Director General, DOI - Chairperson
- ii) Chief Finance Officer, Secretariat, MoICE - Member
- iii) Chief Industries Officer, LIPD - Member
- iv) Chief Industries Officer, ISSD - Member
- v) Chief Industries Officer, IPMD - Member
- vi) Chief Industries Officer, IBD - Member
- vii) Chief Industries Officer, CSIPD - Member
- viii) Procurement Officer, Secretariat, MoICE - Member
- ix) Focal Officer, CSIPD - Member Secretary

2/3 of the Committee members including the Chairperson shall constitute a quorum.

11. Monitoring and Reporting

11.1 The DoI shall monitor the beneficiaries on the utilization of the equipment/machines in collaboration with respective dzongkhag/ROICE.

11.2 The Department shall take back the equipment/machinery, in case the beneficiary is not able to use it within six months after the delivery. No refund of the cost shall be made to the beneficiary.

12. Provision of the Guidelines

The Department may review and amend the provisions of this Guideline to suit the changing needs of time and circumstances.



Agreement for Industrial Development Grant Scheme (IDGS)

This Agreement, made on day ofyear.....
between

The Department of Industry, Ministry of Industry, Commerce and Employment (hereinafter referred to as "DOI"), as administrator and implementing agency for the Industrial Development Grant Scheme (hereinafter referred to as "Grant") of the first part

And

Mr/Ms..... bearing CID.:and holding a Business License No.:
..... located atunderGewog in.....Dzongkhag
(hereinafter referred to as "Applicant") of the second part.

Whereas the DOI and Applicant enters into the agreement governing the terms and conditions of this Grant. The DOI agrees to provide a sum of Nu.....only for the procurement of the
.....for expansion of his/her business,
..... for the production of

Now it is hereby agreed by and between the parties as to follow the following terms and conditions:

Terms and conditions:

- a) The Grant shall be used only for the purchase of the above mentioned equipment/machines.
- b) The Applicant shall submit an authentic/submit authentic Pro-forma invoice to DOI who will then verify the authenticity of the manufacturer/supplier prior to placing the order.
- c) If for any reason, the Applicant is unable to proceed with the procurement on the account of substantial changes in the specifications of the machines/equipment, he/she shall submit a request in writing with valid justifications to the DOI.
- d) The Applicant shall operate the grant-supported equipment/machine within the 6 months from the date of receiving them.
- e) The Applicant shall not lease or allow operation of the equipment/machinery by the third party.
- f) The Applicant shall not be allowed to shift the location of business without prior approval of the DOI
- g) In the event, if Applicant fails to meet his/her obligations under this agreement, the DOI shall have the right to take over the machinery/equipment without the obligation to refund the Applicant's contribution,; or shall recover the Grant Amount from the Applicant.
- h) The Applicant shall not sell or dispose off the machinery/equipment to another party without the prior approval of DOI.



i) In the event, the Applicant decides to sell his/her business along with the equipment/machinery bought under this Grant to the third party (Bhutanese), the Applicant shall pass on the Grant benefits to the buyer.

j) The Applicant shall allow the DOI or its authorized officials to carry out the monitoring and inspection of machinery/equipment.

In Witness whereof the parties here to have caused this agreement to be executed with the DOI

Singed on behalf of DOI
(Legal Stamp)

Signed on behalf of the Applicant
(Legal Stamp)

Name:
CID:
Designation:.....
Address.....

Name:
CID:
Designation:.....
Address.....

Witness
(Legal Stamp)

Witness
(Legal Stamp)

Name:
CID:
Designation:.....
Address.....

Name:
CID:
Designation:.....
Address.....



Application form for Industrial Development Grant Scheme, Bhutan

Applicant Information

1. Name:
2. CID:
3. Age/Gender:
4. Educational Qualification (if applicable):
5. Valid Mobile No.:

Business Information

1. Business Name:.....
2. Business activity:
3. Business License Number :.....
4. List of products:
5. Location: Village: Gewog: Dzongkhag:
6. Number of years in this business?years
7. Who operates the business? (a) Self (b) Group members (c) Hired employees
8. Number of people employed in your business:.....
9. Raw material source: a) Locally sourced b) Imports from outside
10. On an average, how many products do you produce in a day
11. On an average, how many products do you sell in a day?
12. Do you think there is more demand for your products?
13. Who are your customers?

Details of Machinery/Equipment

Sl #	Name of machine	Functions of the machine	Qty.	Estimated Price (in Nu.) including transportation and delivery	Specification of Machine	Where is this machine available? (City/Country)
1						

[Signature]

2						
3						

- a) This is a cost-sharing government support program. The government will cover 70% of the total cost, up to a maximum of Nu. 500,000. Will you be able to bear the remaining cost? Yes No
- b) Will you/employee know how to install and operate the above mentioned equipment/machinery? Yes No
- c) Do you have the space and amenities like power (like 3 phase), etc. ready to install and operate these additional equipment/machines? Yes No

Declaration

I hereby declare that the information provided above is true to the best of my knowledge. I understand that my application may be rejected if any of the information provided is found to be invalid.

Name and signature of Applicant:

Date:

 10