



# Annual Report 2018

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**Department of Cottage & Small Industry  
Ministry of Economic Affairs  
Royal Government of Bhutan**

## Contents

1. Introduction.....	
1.1 Background.....	
1.2 Vision.....	
1.3 Governing initiatives.....	
2. Cottage and Small Industry (CSI) Development Policy 2012.....	
3. An overview of the Cottage and Small Industry (CSIs).....	
4. Enhancement of human capital and develop culture of entrepreneurship.....	
4.1 Skilled development trainings.....	
4.2 Decentralized Hands on Program Exhibition .....	
4.3 Business Advocacy Workshop .....	
5. Major schemes.....	
5.1 Bhutan Enterprise Award .....	
5.2 Rural Industries Development Scheme.....	
6. Infrastructure Support to Startups.....	
6.1 Startup centre.....	
6.2 Service centre, Changzamtog.....	
6.3 Mini Industrial Estate.....	
7. Access to finance.....	
8. Marketing Support to CSIs.....	
8.1 Annual CSI Fair.....	
8.2 SAARC Trade fair and SAARC Investment forum.....	
8.3 Handicraft Trade Fair.....	
8.4 International Marathon Fair.....	
8.5 Innovative Craft Fair.....	
8.6 International SME Convention.....	
8.7 National Trademark Award.....	
9. Other Business Development Services.....	
10. Contact Address.....	

## 1. Introduction

The Department of Cottage and Small Industry (DCSI) under the Ministry of Economic Affairs (MoEA) is pleased to share report of the past year's performance in this Annual Report 2018. We encourage all our valuable stakeholders to take a moment to read our annual report, sharing information about the important work that we do to develop the cottage and small Industry (CSIs) in the country, which is designated as one of the five economic jewels.

### 1.1 Background

The DCSI was established under the MoEA in July 2010. It existed as Micro, Small and Medium Enterprise Division under the Department of Industry. It was upgraded to a Department to provide the spur needed for CSI sector growth as CSIs consist more than 90% of the total industries in the country.

### 1.2 Vision

Its vision is guided by the philosophy of Gross National Happiness, to become a premier agency promoting growth of a vibrant and sustainable cottage and small industries contributing to the overall socio-economic development of the country. It is mandated to create an enabling environment to facilitate and support sustainable growth and development of CSIs in the country for equitable income distribution, employment generation and balanced regional development.

### 1.3 Governing initiatives

The Department to stimulate entrepreneurship and encourage more startups, including emphasis on potential new areas of growth has developed and is implementing the following:

- Guideline for Operation and Management of the Business Incubation Centre 2018
- Guideline for Rural Industries Development Scheme 2018
- Cottage and Small Industries Fair Guideline 2018
- Procedures for State Reserved Forest Land lease for CSIs

## 2. Cottage and Small Industry Development Policy 2012

The essential undertaking of developing the CSIs in the country is guided by the following six strategies outlined in the CSMI policy 2012 which is consistent with the challenges facing the country as well as international good practice:

- Strengthen the policy environment and institutional framework
- Strengthen the legislative framework and enterprise environment
- Facilitate access to finance and incentives
- Enhance competitiveness and innovation
- Improve market access
- Enhance employment and develop a culture of entrepreneurship

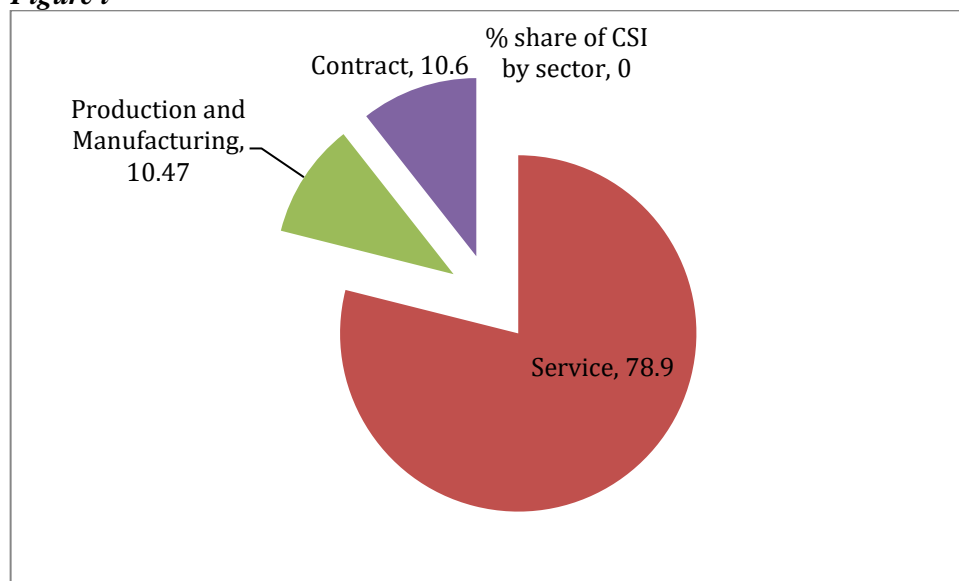
### 3. An overview of the Cottage and Small Industry

The CSIs<sup>1</sup> constitutes more than 90% of the total industry in Bhutan. As of June 15, 2018, there were 20,195 licensed and operational cottage and small industries in the country as compared to 16,887 as of June 30, 2017. A total of 3,308 licenses were issued in the 12-month period. Industry in Bhutan is categorized into three sectors, viz., Service, Production and Manufacturing (P&M) and Contract. Industry in Bhutan is dominated by the service sector, accounting more than 78.9% of the total cottage and small industries, while Production and Manufacturing (P&M) sector accounts for only 10.47%. Nonetheless, P&M sector recorded impressive growth of 27% in the 12-month period. The service sector also recorded growth of 19 % followed by the contract sector: 16 % (Table i).

*Table i: Actual number of CSI by Sector*

Sector	As of 30th June 2017	As of 15 June 2018	Number (difference)	Growth rate
Service	13,364	15,936	2,572	19 %
Production and Manufacturing	1,669	2,116	447	27 %
Contract	1,854	2,143	289	16 %
<b>Total</b>	<b>16,887</b>	<b>20,195</b>	<b>3,308</b>	<b>19.5</b>

*Figure i*



<sup>1</sup> The scale of industry is determined by the size of capital investment and the number of people it employs. (Cottage; investment of less than 1 million or employing 1-4. Small: investment from 1-10 million or employing 5-19). In case of conflict, Investment takes the precedence.

Table ii: Number of CSIs (sector wise) in Dzongkhags

Dzongkhag	Service	PAM	Contract
Bumthang	489	120	66
Chukha	1966	152	253
Dagana	322	41	62
Gasa	75	8	16
Haa	142	60	58
Lhuentse	163	31	46
Monggar	631	85	79
Paro	1079	263	128
Pemagatshel	461	63	73
Punakha	419	44	81
Samdrup Jongkhar	587	96	87
Samtse	771	106	97
Sarpang	959	138	116
Thimphu	5730	478	560
Trashigang	473	116	102
Trashiyangtse	180	125	77
Trongsa	330	30	59
Tsirang	246	45	33
Wangdue	622	60	102
Zhemgang	291	55	48
<b>Total</b>	<b>15,936</b>	<b>2,116</b>	<b>2,143</b>

### Total employment contribution by CSIs

Using the average employment figures per CSI and the actual number of operational CSI in the country, an average number is determined. As per the Employment Survey conducted by the Department in the year 2015 to determine the average number of people employed by the CSIs in the country; the average number of people employed by cottage industry and small industry is 3.6 and 5.45 per industry respectively. On the other hand, the average number of people employed by the contract industries is 4.7. The estimate total employment contributed by the CSI as of 15<sup>th</sup> June 2018 is 92,180.

## 4. Enhancement of human capital and develop culture of entrepreneurship

### 4.1 Skill development trainings

Promotion of business skills of the CSI entrepreneurs has been perceived as one of the very important tools to the people so as to uplift their livelihood and socio-economic development of the country. The Department provided essential skill development trainings to 211 entrepreneurs in the following field of skills up-gradation:



*Table iii: Soft skill development trainings*

Type of Trainings	Number of CSI Entrepreneurs trained	Month/Year	Male	Female	Venue
Basic Accounting, Bookkeeping, and Marketing Management	37	Dec 2017	24	13	Thimphu
	48	Feb 2018	25	23	Mongar



*Table iv: Hard skill development trainings*

Type of Trainings	Number of CSI Entrepreneurs trained	Month/Year	Male	Female	Venue
Baking	15	Jan 2018	4	11	Thimphu
Hairdressing	65	Jan 2018	49	16	Samdrup Jongkhar
Lacquering and Wood Turning	12	Oct 2017	6	6	Trashiyangtse
Natural Dye	30	Nov 2017	0	30	Paro





#### 4.2 Decentralized Hands on Program Exhibition

##### *Opening Ceremony at Punakha*



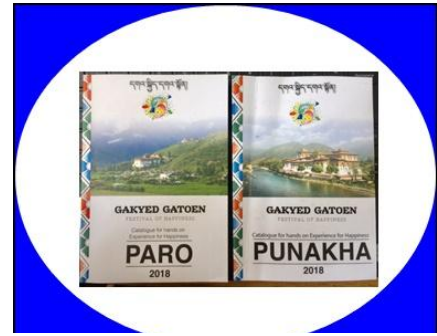
With support from Japan International Cooperation Agency, the Decentralized Hands on Program Exhibition (D-HOPE) has been initiated from the perspective of developing the local economic development through enhancing the self-confidence and increasing the incomes of the local communities. The Gakyed Gatoen – “*Festival of Happiness*” has been unanimously selected as the title for catalogue cover page by the Strategic Working Group Members during one of the stakeholder’s workshop.

The first phase of the project (2014-2017) covering Thimphu, Haa and Paro Dzongkhags were successfully completed with more than 180 entrepreneurs

The second phase of the project (2017-2019) kick started with festival opening in Paro and Punakha Dzongkhag during the month of February 2018 with around 80+ programs providers active participation from these two Dzongkhags.

The festival showcases for those enthusiastic customers, the real hands-on program experience of how and what actually it feels like manufacturing or producing certain kinds of goods and services at their own conveniences.

*D-HOPE Catalogue for Paro & Punakha*



The decentralized exhibition is efficient as it takes place at the program providers' place as part of their daily business affairs. It presents the opportunity for entrepreneurs to earn additional income and also help promote their products and services while customers can appreciate value and participate in the process of production.

**4.3 Business Advocacy Workshop (BAW)**

The main objective of the business advocacy workshop (BAW) is to promote business through the dissemination of various information related to starting and operating a business. The advocacy workshop includes information on rules and regulations and current policies of the government, impart basic knowledge about the various business opportunities that exist in their locality, provide basic skills, knowledge on how to go about starting a business and where they can access finance to start their business.



Information dissemination amongst the people has been perceived as one of the very important tools for promoting business ideas and informing about the business opportunities to the people.

This could be achieved through the provision of necessary support services. Amongst others, Business advocacy workshop is one of the tools for promoting such activities. Since the rural communities lack necessary ideas and resources to convert their good business ideas to a success, a program as such is geared towards bridging the gap.

The Department for the reporting year has conducted BAW to 648 participants involving Dzongkhag officials, Local Government Officials, Technical Training Institute graduates and entrepreneurs.





Table v: BAW

SI No	Location	Total
1	Gomtu, Samtse	34
2	Dorokha, Samtse	28
3	Technical Training Institute (TTI), Dekiling, Gelephu, Sarpang	112
4	Zhemgang	27
5	TTI, Khuruthang, Punakha	68
6	TTI, Samthang, Wangdue	47
7	Gasa	25
8	TTI, Chumey, Bumthang	157
9	TTI, Rangjung, Trashigang	109
10	Trashiyangtse	60

## 5. Major schemes

### 5.1 Bhutan Enterprise Award

The Department instituted the Bhutan Enterprise Awards (BEA) scheme in the year 2013. Till date, five consecutive annual BEAs were organized for the year 2013, 2014, 2015, 2016 and 2017. The main objectives of instituting the awards are:

- To reward and recognize the contribution of cottage and small industries to the socio-economic development of the nation.
- To create greater awareness and interest in self-employment over save employment.
- To recognize the role of entrepreneurship in the society.

DCSI in collaboration with Loden Foundation celebrated the Global Entrepreneurship Week from 13 - 19 November 2017. During the week, various activities related to entrepreneurship development were held in different location. One main event was the exhibition of CSI products at the Clock Tower, Thimphu during the week. To recognize and reward their contribution, the following entrepreneurs were presented with a Certificate of appreciation and cash prize

#### Award winner for Year 2017

***“Cottage Scale Entrepreneur of the year“***

Transcend Artisan  
Thimphu

***“ Rural Entrepreneur of the year “***

Gomphu Kora Water Plant  
Trashiyangtse

***“Small Scale Entrepreneur of the year”***

Green Road  
Thimphu

***“Woman Entrepreneur of the year”***

CDK  
Thimphu

The winners

*Transcend Artisan  
(Cottage-scale entrepreneur of the Year)*



*CDK  
(Woman Entrepreneur of the Year)*



*Green Road  
(Small-scale entrepreneur of the Year)*



*Gomphu Kora Water Plant  
(Rural Entrepreneur of the Year)*



## 5.2 Rural Industries Development Scheme (RIDS)

Rural CSIs were provided with grant worth of Nu. 2.745 million for purchase of machinery that is key to that manufacturing industry. The maximum limit of grant is Nu. 200,000/- per beneficiary. During the year 2017-2018, the Department has supported a total of 17 CSIs as follows:

*Table vi: RIDS detail*

Sl No	Activity	Grant Amount (Nu in millions)	Dzongkhag
1	Maize processing unit	0.111	Zhemgang
2	Mushroom Spawn production unit	0.149	Chukha
3	Socks production unit	0.200	Gelephu
4	Ice cream production unit	0.104	Samtse
5	Waste Management unit	0.200	Paro
6	Waste Management unit	0.200	Wangdue
7	Aromatic Herbs & Oil production unit	0.200	Paro
8	Noodle production unit	0.200	Wangdue
9	Dapa and Nga (Drum) production unit	0.123	Monggar
10	Candle production unit	0.191	Samtse
11	Apple Chips production unit	0.174	Chukha
12	Buckwheat Noodle production unit	0.177	Thimphu (incubatee)
13	Natural Dyeing processing unit	0.170	Punakha
14	Herbal Tea production unit	0.164	Thimphu
15	Yoghurt production unit	0.180	Punakha
16	Handmade paper production unit	0.165	Samtse
17	Handmade paper production unit	0.099	Haa
	<b>Total</b>	<b>2.745</b>	

## 6. Infrastructure Support to startups

### 6.1 Startup Centre

For the first time, a bespoke mixed-type incubator (for innovative production and manufacturing ideas) has been established in Bhutan. The Startup centre was consecrated in 25<sup>th</sup> June 2018. The centre will accommodate around 28 startups. The Centre will provide physical workspace with required amenities and various business development services to clients during the incubation period to equip them to run successful enterprises after completion.

## 6.2 Service centre, Changzamtog

In addition, the existing service centre at Changzamtog was converted into the startup centre to provide necessary business development services for the startups. The startups were supported with space to nurture their business ideas. They are expected to complete the incubation period in two years.

*Table vii*

SI No	Activity
1	Prototype Solar Water heating system
2	3 Dimensional works
3	Prototype sowing machine
4	Wooden educational toys
5	Buckwheat noodles
6	Water treatment
7	Natural soap and phenyl

## 6.3 Mini Industrial Estate

The Department identified four mini industrial sites in Dzongkhags of Pemagatshel, Gasa, Zhemgang and Tsirang, which are not being catered by the existing industrial estates. The establishment of the sites would encourage young entrepreneurs to start small ventures of their own and aims to provide job opportunity to technically skilled local people. This will also avoid haphazard mushrooming of the industries and will eventually lead to better-planned and more efficient industry establishment in the country. It would also curb inter-Dzongkhag migration of the youths and also to bring about cluster of CSIs utilizing common resources such as electricity, road and water etc.

Further with the implementation of the Priority Sector Lending (PSL) scheme, the demand for state reserve forestland (SRFL) would increase and with establishment of the mini –industrial estate, such issues would be addressed.

## 7. Access to finance

The Department has been proactively engaging in facilitating access to finance for CSIs such as Revolving funds of CSIFD of BDBL, REDCL, and the Priority Sector Lending scheme being initiated by Royal Monetary Authority.

With respect to the PSL, the list of priority CSIs for PSL was prepared by the Department and approved by the Ministry. For ease of doing business, the approved priority sectors were delegated for approval and licensing to the respective Regional Trade and Industry Offices (RTIOs). Further, in collaboration with G2C office, PSL application system was developed which will be mounted with G2B portal of Citizen Services.

*Table viii: Revolving funds (As of March 2018)*

SI No	Fund source	Projects approved	Amount disbursed (Nu. in millions)
1	Rural Enterprise Development Corporation Limited (REDCL)	3155	Nu.265 m
2	Cottage and Small Industry Funding Department (CSIFD)	356	Nu.546 m

Table ix: PSL applications by Dzongkhag (Jan – Mar 2018)

SI No	Dzongkhag	Received	Approved	Loan approved (Amount Nu in millions)
1	Chukha	5	5	4
2	Dagana	6	0	-
3	Gasa	3	3	1
4	Sarpang	4	2	1
5	Thimphu	48	43	20
6	Tsirang	25	13	0
7	Wangdue Phodrang	3	1	1
		<b>92</b>	<b>67</b>	<b>27</b>

Source: RMA, PSL Quarterly Report Q1-18

## 8. Marketing support to CSIs

### 8.1 First Annual CSI Fair

The Hon'ble Tengye Lyonpo graced the first “Cottage and Small Industries Fair” that was held from 23<sup>rd</sup> to 25<sup>th</sup> March 2018 at the Changlimithang parking ground, Thimphu.

The objective of the fair was to build a platform to market authentic and unique local products of the entrepreneurs from all 20 Dzongkhags with no involvement of middlemen primarily to; encourage and inculcate the culture of entrepreneurship, encourage inter-business network, exchange business related information strengthen cooperation and strike common development activities for cottage and small Industries.

As an effort towards helping our Bhutanese entrepreneurs, stalls were provided for free.



## 8.2 SAARC Trade Fair and SAARC Investment Forum, Colombo, Sri Lanka

The SAARC Chamber of Commerce and Industry (SAARC CCI) in collaboration with Federation of Chamber of Commerce of Sri Lanka organized the SAARC Trade fair and Investment Forum 2017 in Colombo from 7<sup>th</sup> till 9<sup>th</sup> September, 2017. Considering the importance of the event to understand and explore market opportunities for potential CSIs export products, the Department supported the winner of the Cottage Scale Entrepreneur, year 2015 (Nado Poizokhang) and an active D-HOPE program provider (Karma Yangchen Textiles) to participate in the event.

## 8.3 15 Handicraft Trade Fair, Kathmandu, Nepal

The 15<sup>th</sup> Handicraft Trade Fair in Kathmandu, Nepal was organized by Federation of Handicraft Associations of Nepal and was held from 15<sup>th</sup> to 21<sup>st</sup> November 2017. The theme of the fair was “*Handicraft Prospect for Prosperity*” and four countries namely, Nepal, Bangladesh, Bhutan, and Pakistan participated in the fair.



The Department supported three entrepreneurs to participate in the fair. By such participation, it helped the participants to exhibit/sell their products, learn and interact with buyers and sellers and gain knowledge and experience from other participating countries.

## 8.4 5th Bhutan International Marathon fair



As an initiative to promote the locally produced products, the Department officials exhibited and sold the products of the entrepreneurs during the 5<sup>th</sup> Bhutan International Marathon. The participants were made aware on the programmes carried out by the Department to promote the CSIs.

### 8.5 Thailand Innovative Craft Fair

The event was organized by “The support Arts and Crafts International Centre of Thailand” for duration of 4 days from 29<sup>th</sup> March to 1<sup>st</sup> April 2018 at Bangkok International Trade and Exhibition Center, Bangna, Thailand.

During the fair, the officials exhibited wide range of indigenous Bhutanese arts and crafts products collected from CSIs like textile, paintings, wood carving, cane & bamboo, weavings, natural dyes, and other products like incense, noodles, soaps, honey, herbal tea, local red rice, etc.



The participation in the fair was an important part of promoting market access for our local products. The most useful part of the fair, besides sale, was obtaining feedback/ comment on the products from international perspective which had been passed on to entrepreneurs for their product improvement.

### 8.6 International SME convention, New Delhi, India

The International SME Convention 2018 was held in New Delhi, India from 22<sup>nd</sup> to 24<sup>th</sup> April 2018 organized by the Ministry of Micro, Small and Medium Enterprise, Government of India. The convention provided a platform for intensive business discussion, progressive interaction and networking association between progressive entrepreneurs from all over the world and offered a special focus on business and trading opportunities in India for international entrepreneurs.



For the convention, entrepreneurs from the India’s top 10,000 SMEs program of India SME Forum and around 600+ international entrepreneurs from more than 30 countries and officials engaged in promotion of the small scale industries attended. The convention provided a platform for business matching, networking and possible future collaborations. Focused talks by the successful entrepreneurs and investors on personal experiences, best practices for business and the small-scale business ecosystems from all over the world provided a meaningful insight on how to do business.



For the convention, the officials of the Department and entrepreneurs exhibited locally produced products and moderated the session on “International Best Practices on SME Development & Cooperation”.

### 8.7 National Trademark Award

To encourage CSIs to create and register their trademarks to enhance their competitiveness in the market, the Department of Intellectual Property under the Ministry held a National Trademark Award on 6<sup>th</sup> April 2018. Tshejor's Ayzey, Bhutan Alternatives, Thimphu and Crystal Moon Products, Gelephu won the first ever trademark awards. The Department of Cottage and Small Industry supported the prize money for the award.



### 9. Other Business Development Services

As a measure to improve the performance of the industries, the Department on a continuous basis provides wide arrays of business development services.

*Table x*

Support Services	Number of CSIs facilitated
Letter of Interest issued for leasing State Reserved Forest Land (SRFL)	53
Recommendation for Import of Plant and Machineries and Raw Materials	40
Recommendation for Business Guest Visa	20
Recommendation for Fiscal incentive (Sales Tax and Customs Duty exemptions)	39
One Stop Shop business information Services	71
<b>Total</b>	<b>223</b>

### 10. Contact Address

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