



NFIC NATIONAL FINANCIAL
INCLUSION COLLABORATION
*In-pursuit of an Inclusive, Innovative and Resilient
Economic Development through Collaborative
Engagements*

Half yearly Newsletter
Third Edition August 2020
Financial Inclusion Secretariat
(FIS), Governor's Office, RMA

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e-FinLit

Towards A Financially Mindful Society



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If our financial institutions are able to extend unstinted support to young entrepreneurs and farmers, and help in creating numerous opportunities for them, we will derive countless benefits.

- His Majesty the King in His Royal Address during the 109th National Day, 2009



Sustainable and Responsible Finance

The life and times of such a thing as ‘economy,’ is for the most part, something stylized and choreographed, to dance to the beat of its chosen drummer, one that is expected to steadily steer the pulse of a nation, keeping it steady. Every smart systems have smart backup plans built into it, fail-safe and contingency measures that would save the day, or at least salvage enough that things don’t have to start from scratch. And yet, every once in a while on that long stretch of the life and times, it is cautiously anticipated that something might go wrong.

Often we reflect upon a point where the best laid plans (of mice and men) go awry. The unannounced entry of an equal-opportunity impactor like the COVID 19 crisis happened to be that anticipated point. The global pandemic on a rampage plows on, like a war without a head. It assertively compels global nations to halt, modify or adjust business-as-usual workings to submissively dance to its whimsically rising and falling tune – amazingly connected and efficiently networked global economic systems, seemingly rigged to fall prey to such a debacle. Who knew inter-connectivity would seem to be such a bad thing.

Now that Bhutan is sufficiently knitted into the global economy, it reaps the rewards when goings are good. It also suffers the backlash when things hit a rough patch and spill-over effects aren’t the most positive. The COVID times is demonstrating that rough patch – as it is, on a global scale, so it is at a national level—none is completely spared, all are affected—that, seems to be the unwritten law.

For Bhutan, the workings of hydropower plants and the agriculture export sector are disrupted. The tourism industry is the hardest hit with complete restriction of tourists in play since March after an American tourist was detected as the nation’s patient zero. With chief sectors being shaken up, it affects the nation’s economic growth. This as per the World Bank estimates: Bhutan’s real GDP growth rate will drop to 2.2–2.9 percent, down from its pre-crisis estimate of 6.5 percent.



The Druk Gyalpo’s Relief Kidu is in place to ease the financial stress on citizens. Waiving interests on loans for citizens has been a graciously received reprieve for the people; put into action across the board as part of His Majesty’s Kidu. A high-level task force is in action to focus on infection control, the economy, and security. The Royal Monetary Authority (RMA) announced a series of measures to help businesses and citizens, including by providing working capital and issuing microloans for agriculture.

Financial Inclusion, Financial Literacy, Sustainable and Responsible Finance are all headers where far-sighted plans and policies have been crafted and continuously translated to actions. As painful as the global pandemic is to experience, for nation and people, still it is proving to be a sign post, or a series of sign posts—teaching what we have been doing right, and where we need to do better.

Sonam Pelbar,
Editor

Sustainable and Responsible Finance

The sense in sustainability and responsibility

In the wake of COVID 19 rendering economies vulnerable and placing people in unstable financial situations (especially those sections that already remained vulnerable pre-COVID times), financial inclusion makes for easier tracking of the economic and financial impact. Same can also be done by financial inclusion to gauge and mitigate impact of policies therein. Most economic transactions and especially those operated in the SMEs, such as cash deposits or withdrawals, wage payments, card transactions, and loan applications/approvals—are recorded with banks. That way, banking data constitutes detailed source of real-time, high-frequency information on businesses' economic activities during the crisis. The greater the financial inclusion in a country, the more useful banking data is to track the impact of COVID-19. Somewhere in this there is a light shining, and the spotlight of lesson, is certainly on sustainable and responsible finance.

What is Sustainable Finance?

Sustainable finance refers to any form of financial service integrating environmental, social and governance (ESG) criteria into the business or investment decisions for the lasting benefit of both clients and society at large.

A sustainable financial centre is a financial marketplace that, as a whole, contributes to sustainable development and value creation in economic, environmental and social terms. In other words, one that ensures and improves economic efficiency, prosperity, and economic competitiveness both today and in the long-term, while contributing to protecting and restoring ecological systems, and enhancing cultural diversity and social well-being.

Activities that fall under the heading of sustainable finance, to name just a few, include sustainable funds, green bonds, impact investing, microfinance, active ownership, credits for sustainable projects and development of the whole financial system in a more sustainable way. Terminology used in sustainable finance can be confusing as there are few standard definitions, and different countries and organisations use the same terms to mean different things.

sustainablefinance.ch



What is Responsible Finance?

Responsible finance (RF) is simply offering financial services in an accountable, transparent and ethical manner. By definition, responsible finance must focus on **financial service providers**, (their practices, what they do or do not do) **and on clients**, (mainly aimed at improving their capacities to access and use high quality financial services).

Responsible Finance Forum refers to RF as “coordinated public and private sector interventions that encourage and assist financial service providers and their clients in improving their understanding and approaches, practices, and behaviours that can eventually contribute to creating more transparent, inclusive, and equitable financial markets”. RF involves and applies to not just financial service providers, but also to investors, lenders and funders – not only of microfinance, but the financial sector as a whole.

There are a number of reasons for the emergence of the importance of RF

- The race for growth and profits resulted in high growth rates and less focus on customer service and product innovation;
- Allegations against microfinance institutions (MFIs) of profiteering at the cost of clients;
- Client protection issues (especially multiple lending leading to over-indebtedness and coercive collection practices) leading to repayment issues;
- Focus on a rapid rollout and a mono-product culture (excessive focus on only credit led to inadequate efforts to address the diverse needs of the clients, which are again linked to client protection).

microfinancegateway.org



A financially inclusive approach

Financial inclusion has been acknowledged as an important national tool to ensure access to affordable and most appropriate formal financial services to all citizens. This is consistent with His Majesty’s aspirations. As per the National Financial Inclusion Strategy (NFIS) 2018–2023, financial inclusion in Bhutan is defined as: “The provision of appropriate financial products and services at an affordable cost by formal financial service providers that meet the needs of the unserved and underserved segments of Bhutan’s population.”

His Majesty’s address to the country during the 109th National Day in 2016 articulated the potential of the financial sector to create opportunities and improve access to finance for youth and the rural populace. Various researches also back the finding that access to formal financial services can contribute immensely toward advancing inclusive economic growth.

Pre-, Post-, and Beyond-COVID: Financial Inclusion

Financial inclusion has been recognized as one of the mainstream focus for achieving Bhutan’s national goal

Mobile App.



of sustainable and inclusive socio-economic growth. Within the purview of inclusive finance, promoting and expanding access and usage of appropriate financial products and services marks the most prominent effort for impactful economic growth. Studies have shown that access to basic financial products and services, such as savings, payments, credit and investments, make a substantial positive difference in people’s lives. Financial inclusion, therefore certainly contributes to the potential of improving the financial well-being of the unserved and underserved segments of the population.

The RMA has long embarked to reinforce financial resilience, inclusiveness and sustainable economy as one of the most crucial strategic initiatives to drive financial sector transformation. The RMA’s Financial Inclusion Secretariat (FIS) set up since 2017, is a nod in the direction to drive financial inclusion initiatives and collaboration.

Oh but those hills and valleys – of the financial (inclusion) landscape

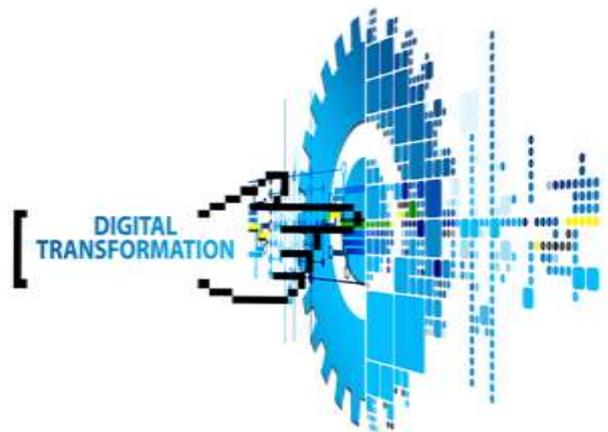
Barriers: to Equitable Financial Inclusion

Technological: The amount of time and work put in, the sophistication of environment and working tools used; none of these aspects of birthing a prototype are of consequence to the end users, if they are not user-friendly or if they don't possess a certain level of utility value.

It's the same for financial products. If the financial sectors do not align financial products and services with innovative digital age products, investments may be lost because they don't meet the demand of emerging tech-generating companies. Then again, lack of capability of the underserved particularly the rural and poor segment of the populace, to step up to the digital revolution plate will be a major barrier to financial access. If major portions in the population pie remains excluded from internet penetration, the digital divide will only widen. Services and products would then be profitable and benefit only those in the urban areas and isolated digital deserts in remote areas. This may also potentially escalate rural-urban migration.

Social and Psychological: Getting with the times is possibly nothing wrong to do. But if you're doing it with clientele in mind, roping in their affinity to the finished products is a must. With financial products, many factors warrant consideration: the need to ascertain whether people will use technology-based financial services; common barriers due to low or no general literacy to read and write; inability to understand long number strings for digital transactions, and language barrier. There's also the gender element to reckon. Women facing social barriers, also remain excluded from technology-led financial services. Also, concern arises regarding willingness, choice and capability to use fintech products. The complication arises with the poor and rural folks, who very likely face technology with uncertainty and prefer continuing with devices showing more human touch.

Regulatory: Absence of enabling regulations to promote digital revolution may hamper the growth of fintech and digital-led economy. Regulations must be in place to regulate the development of emerging threat and exploitative digital systems. Digital revolution could be amplified significantly if enabling regulatory environment, data privacy norms and consumer protection regulations are put in place or reinforced.



Financial inclusion makes for easier tracking of the economic and financial impact. Especially in these pandemic times, Greater the financial inclusion, the more useful banking data is to track the impact of COVID-19

Digitalization's 15 minutes & COVID's probable perennial presence

Cash economies are not receiving the most hospitable in treatments during these pandemic times. It's the truth the world over. And it has chiefly to do with the Novel Coronavirus and its proprietary mode of transmission. With the coronavirus spreading and cases increasing every other day, governments and businesses everywhere are struggling to stem the tide of COVID. One aspect of this has been that to limit cash exchanges, which the World Health Organization has warned could transmit the virus.

By proxy, electronic/mobile money is basking in its 15 minutes (of popularity). It has filled as an alternative to keep life in motion. A sticky point in observation though; what electronic/mobile money is doing, is just supplying an urgent service – something like a need of the hour thing. Truth is, it is no replacement for institutionalized and established structures, which the COVID 19 has put at a slight disadvantage – for now.

All this talk is of course, not to discount the sheer possibilities of digitalization by singling out and stringing one of its constituents out to dry. If anything, we are warming up to say, the world is now potentially more set than ever to move toward more digitalized financial systems. And aforementioned mobile money services would only come out new and improved; and stronger than before from this global pandemic experience.

Digitalizing efficiently, doing it empathically, enlighteningly

The elements of 'sustainable' and 'responsible' in finance is planned carefully into about-to-be implemented plans and policies. Measures are only about to be heightened in the digital world to absorb currently prevailing economic vibes.

The superhero who will save us, 'if' we keep pace with its super pace: Technology moves at an accelerated pace, and in the tech-world, new developments are witnessed just as fast. All that is well and good, if we're singling out, and speaking solely for technology. The point for consideration here is how these progressive tech-wonders can be used effectively aligned with policies and plans of policymakers.



World Economies are now more than ever set to move toward more digitalized financial systems. For Bhutan, this also promotes financial inclusion.

In the decades to come, unimaginable advances would be made in the tech world and commensurate efforts need to be in place as well in the decision-making and policy-making camps – to unlock the outburst of technological wonders, understand them sufficiently to efficiently and productively lay them out while implementing policies aiming to reach out to various unbanked sections.

To grow your own wings, if you want to be saved: Those making policies, those making decisions also have to improve or upgrade their capabilities. Naturally, implemented policies that are a result of wholesome understanding, will trickle down as effective chain reactions. More innovations and technology is required in the policy sphere to address 'banking the unbanked.' On a global scale of things, predictions point to the 2 billion people who are unbanked in the current scenario. They will avail mobile money with full range of financial services from savings to credit to insurance products. Partnerships may likely thrive between the incumbent banks and fintech startups; and insurtech needs to reach out to reap continued success. On the social front, even healthtech and medtech may arise to meet the emerging markets. Harnessing data for the potential to improve lives could be further analyzed for better insights and takeaways.

Will everybody get to fly: All these predictions could be realistic/realized. But, will these innovations be equitable? Technology advancements provide opportunities in the economy to be more efficient in terms of speed and quality, however, the intention of financial inclusion shall always remain to protect the low income group, rural remote community and vulnerable segment of the society that does not have the equal capabilities to harness the prospects of digital age.



Dorji Dhradhul is the Director General of the Tourism Council of Bhutan (TCB). Prior to taking up as the TCB DG, he was the Gasa Dzongdag, a post he held from 2015 to 2019. He is also the founding Director of the Department of Agriculture Marketing & Cooperatives (DAMC) of the MoAF where he worked from Jan 2010 to December 2014.

Q. The tourism sector is the hardest hit, no need to hazard a guess there. But what is the level or scale at which the sector is hit since March (when the COVID 19 pandemic hit Bhutan)?

A. The COVID-19 pandemic has brought the tourism industry in the country to a complete halt with no tourist arrivals since 6th March 2020. As an industry dependent on inbound tourism with minimal or no domestic tourism, the tourism businesses and allied sectors are amongst the hardest hit by the pandemic. Tourism businesses such as the airlines, hotels, restaurants, tour companies, tour guides and other allied sectors have no business operations and most of the personnel employed are either laid-off or sent on unpaid leaves (some on paid leaves) since 7th March 2020.

While tourism touches almost everyone in the country in one way or other, it is estimated to engage about 50,000 persons directly. For the last five years on average, tourism has contributed about USD 80 million in foreign exchange earnings and an average of USD 220 m in total gross receipts from tourism.

This year with only a total tourist of about 25,000, a total of 5,758 were MDPH paying arrivals who have contributed USD 11.76million in foreign exchange and USD 2.98m in direct revenue contributions were earned. A total of about 2000 tourists have canceled their trips, resulting in a refund of about USD 4.6m.

Q. How is TCB preparing to address the impact of the current pandemic on the sector, or otherwise how is it laying the ground works to battle such unannounced and sudden adverse effects on the sector?

A. TCB has been working closely with all stakeholders, both private and public to work to assess and mitigate the impact on COVID-19 through the following interventions:

Stock taking and assessment of impacts of the pandemic on tourism in the country including the situation across the globe; Initiate and implement engagement program for tourism personals who have lost jobs because of the pandemic through various projects; Facilitate discussions and interventions in terms of support from the government in terms of fiscal and other benefits; Develop and implement an economic stimulus plan for the tourism industry to support the businesses; Work on various aspects of tourism recovery in terms of; A roadmap for tourism; A Tourism recovery/resumption plans; Mechanisms/interventions to maintain Bhutan's visibility as a tourism destination and also to work towards tourism post-COVID-19.

Q. Pre-COVID 19, Bhutan was basking in the spotlight of being awarded the slot of a Top Destination to Visit in 2020 by the Lonely Planet. Does that put a dent in the country's (grand) scheme of things? How has TCB been working/planning to sustain the advantage in light of disadvantages being presented by the global pandemic?

A. The pandemic has brought unprecedented economic and social impacts across the globe including Bhutan and it has given growth to new ways of thinking as we prepare for new world order. More importantly, the pandemic has given us the opportunity to re-think our ways of doing things. Increasingly, experts are pointing to a new world order/new normal with emphasis on sustainability.

The recognition Bhutan has received pre-COVID will only strengthen our brand in working towards tourism post-COVID-19. More importantly, Bhutan being a pioneer in sustainable tourism development guided by the tourism policy of High-value Low Volume (HVLV) will only enhance and help us to recover from this crisis, but also show the way to the world in how to better manage tourism sustainably.

As mentioned earlier, there are several interventions and plans that will be initiated to work towards tourism post-COVID-19 and we hope these will only strengthen our initiatives to promote HVLV tourism.

Q. Tourism is lauded, only a place behind the hydropower sector in contributing to the nation's GDP. Are we looking at a new reality post-COVID? How do you see the Tourism sector holding its place as a major economic player?

A. We will definitely be looking forward to a new world order post-COVID-19 and definitely so for tourism as well. Since the travel and tourism industry is about individuals and their behavior and preferences, we are hopeful of its resilience to overcome the current pandemic as it has done so in the past and we are hopeful it will only bring greater benefits for all albeit a supposedly new tourism world order. Interestingly, in Bhutan's case, the new world tourism model is the old tourism model of High-Value Low Volume.

Q. What's the outlook for tourism and hospitality moving forwards post COVID 19?

A. Like the rest of the world, tourism is the hardest hit in Bhutan. While we do hope for its quick restart and recovery, which would greatly depend on the solidarity of all the countries and citizens. We all need to learn, adapt, and practice new behaviors such as physical distancing, wearing masks, and regular hand washing as the new normal in the post-Corona virus world. Therefore, going forward, the world has to really come together as one close-knit family and do some things just as same without exception, otherwise, we can be under serious threat.

Coming to tourism, fortunately for Bhutan, the policy, practice, and approach might not see many changes; at the most, it would involve the reinforcement of what we have been doing for the last 50 years. I believe, Bhutan can offer our model as that new model for tourism the destinations are looking for in the wake of Coronavirus pandemic.

With deepest gratitude to the visionary leadership of our selfless Kings, Bhutan's tourism policy of 'High Value, Low Value' has been in place since the 1970s – which is the same time when Bhutan opened up to foreign tourists. The tourism policy of High-Value Low Volume guided by our development philosophy of Gross National Happiness always avoided mass

tourism. As aptly put by His Majesty The King during one of the Royal Addresses in 2019.

“... when Bhutan opened to foreign tourists in the 1970s, our leadership resisted the temptations to harness the quick fortunes from mass tourism and instead was prescient to formulate a visionary policy of High Value – Low Volume tourism...”

Therefore, the policy of HVLV makes tourism beyond revenue and receipts. It basically aspires to give exclusive experience (high value) to tourists by managing the volume. Therefore, tourism is regulated, meaning at a certain fixed cost paid up-front, the tourists are assured a minimum of 3-star accommodation, meals and refreshments, full time licensed tour guide, chauffeur-driven SUV. The policy of HVLV is also about respecting the carrying capacity of our nature, socioeconomic...sustainability, which are emerging as big issues amid the coronavirus crisis.

Q. Every crisis creates opportunities. What are the opportunities that will arise from the current situation?

A. Up until now, Bhutan has mainly promoted itself as a destination with a unique culture and a pristine nature. While this still remains true today, Bhutan has even much more to offer. In the last decade, a worldwide growing trend of wellness/well-being travel could be seen. Especially in the wake of COVID-19, this travel trend will grow only more, as people worldwide will reflect on their lives, what truly matters to them, and most likely seek ways to improve their mental and physical well-being.

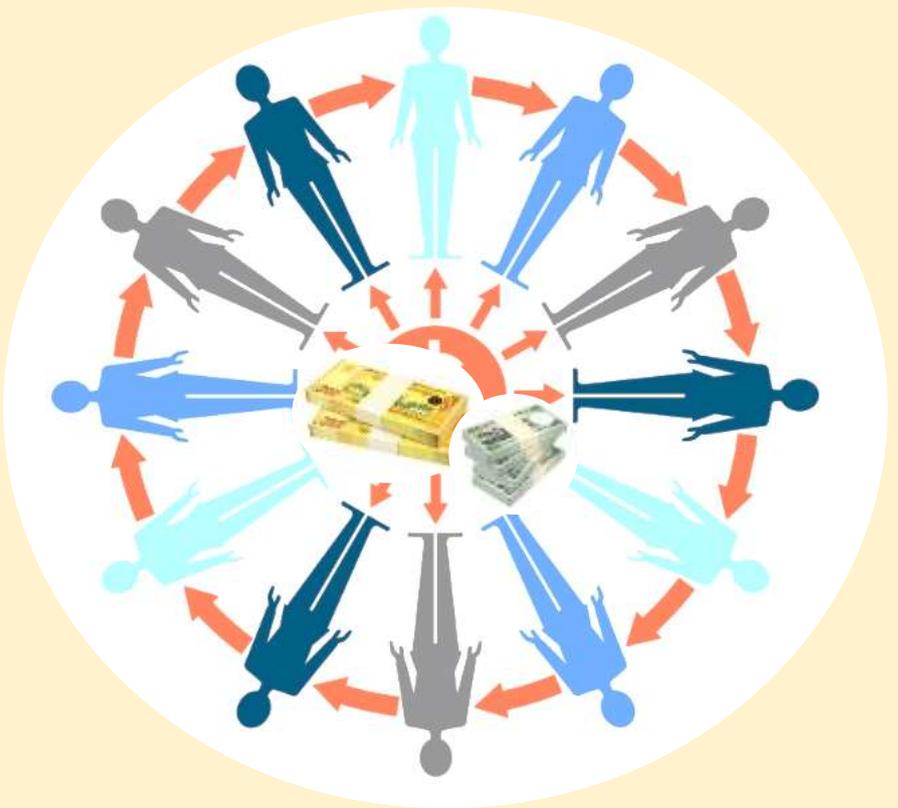
Bhutan, called 'Menjong – The Land of Medicinal Herbs' in its olden days, with its Gross National Happiness, its peaceful surroundings make a great destination for these travelers to reflect, relax, and reset. Bhutan's well-being offer is increasing yearly. From yoga and meditation to Buddhist philosophy teachings, from traditional medical treatments to other unique spa experiences, from retreats to pilgrimages. All to be experienced in a serene and spacious environment. And while it may feel contradictory, with the new practice of physical distancing allowing you to truly connect to yourself and your surroundings.

An Impact investing Bhutan

The COVID 19 pandemic is spreading, and seemingly headed to reach economic activities to near-standstill positions. Pre-COVID, Bhutan has been increasingly working to strategically move toward a market economy. Even as things stand, Bhutan is on fertile grounds to have a real shot in the growing Impact Investment market.

The Finer points

Globally, Cottage and Small Industries (CSIs) are becoming more and more the mainstream financing target. Bhutan is said to be favorably positioned to reap the benefits. To make things better, there is also a flagship program launched in its name, making it a focus of the current government. The Bhutan Economic Forum of Innovative Transformation (BEFIT 2019) was carried out with the theme 'catalyzing CSI to drive economic diversification.' The BEFIT is a national undertaking to put in place necessary reforms. Take for instance the need for enabling regulatory environment – it is most crucial to nurture drive, innovation, and technology; improve market access and enhance access to finance; all of which naturally spills over to promote entrepreneurial culture, which is just yet seeing its budding stage. That's one. And two, the philosophy of Gross National Happiness (GNH) is fully aligned with evolving investor and corporate mindset. And three, the country's population is heavily youth. The median age of Bhutanese is 27 and the demography is heavily tilted toward a generation of millennials who think businesses should go beyond profits to improve society. According to Credit Suisse's global next generation report, millennials perceive corporate purpose as to improve, educate, inform and promote wellbeing of society, generate jobs and protect the environment besides profit. This is a favorable point to drive CSI growth while solving problems related to environment, social and governance.



Impact investing: The term Impact Investing defines a commitment to measure social and environmental performance, with the same objective that financial performances have. It is said to be a subset of sustainable investing. Sustainable investing is an investment strategy which seeks to consider both financial return and social/environmental good to bring about positive social change. It is called by various names such as socially responsible investing (SRI), social investment, sustainable socially conscious, green or ethical investing.

Impact investments provide capital to address social or environmental issues. The investments made into companies, organizations are done so with the aim to generate beneficial social or environmental impact alongside a financial return. Impact investing is different from crowd-funding because impact investments are typically debt or equity investments with longer-than-traditional venture capital payment times—and an "exit strategy" (traditionally an initial public offering (IPO) or buyout in the for-profit startup sector) may be non-existent. Although some social enterprises are non-profits, impact investing typically involves for-profit, social- or environmental-mission-driven businesses.

The Impact Investment industry: The Global Impact Investing Network (GIIN) in a 2019 Report estimates the worth of the global impact investing market at \$502 Billion. Such capital may be deployed using a range of investment instruments, including equity, debt, real assets, loan guarantees, and others. India is emerging as a major geography for impact investors according to consulting firm, McKinsey, with over \$1.1 billion already invested as of 2016.

An observed plus

The highs and lows of the small and medium enterprises (SMEs) sector is symptomatic of economic health. Being an area that employs a big chunk of the population, the progress of this sector surely reflects on overall progress of the nation's economy. Prolonged downturns in the SMEs is a major threat to economic recovery, specifically at the current juncture. With the current global pandemic in sight, the profits made and losses incurred by the SMEs sector signals the available opportunities or threats thereof for economic recovery.

Favorable Accessories

The National Financial Inclusion Strategy (NFIS) has provisions primarily aimed to encourage the development and use of financing instruments that would support economic growth related to CSI financing (both agricultural and non-agricultural CSIs). The workings to ensure effectiveness of CSI financing to boost economic activities and employment, will involve appropriate products and an enabling regulatory environment as pre-requisites. A review will be necessary to explore public support programs, such as credit guarantee schemes. Also important, is to provide technical support to improve the scope of a bankable project. With diverse innovative project portfolios in Bhutan's rapidly emerging market, enhancing enabling regulations to meet the factoring gap and establishing dynamic financial infrastructure to support venture capital and other sources of financing are also to be considered.

At the ground but of a golden opportunity

Bhutan has the opportunity to start at the ground floor of a golden opportunity in the impact investment industry. The impact investment is a half-a-trillion dollar-worth financial market, and the sustainable investment avenues hail a 30 trillion dollar-worth. Highly lucrative bars to meet.

In the world of impact investing, investors and the corporate world as well, have been making a dramatic shift in their mission to 'sustainably' solve global challenges. Between the more than 2,000 signatories to UN principles of responsible investment, the avenue is amounting to about \$85 trillion. Clearly, Sustainable Development Goals or SDG has become the language of the world. The 17 SDGs, have identified the biggest problems of the world, and for the public and private sectors, investors and entrepreneurs; these goals are a must-use to attract investments.

Bhutan has some favorable factors operating to its advantage in its home-grown development philosophies, policies and projections. They are rolling out as follows: Bhutan is easily and effectively identified as an environmental champion and its enduring drive toward sustainable development works in its favor.



With some favorable drivers in its economy, Bhutan is strategically positioned at the ground floor of a golden opportunity



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Social Entrepreneurship and Impact

Investment in Bhutan

In traditional economic theory, society is divided into three sectors – the public sector, which delivers services to the benefit of society; the private sector, individuals or groups owning the factors of production in pursuit of profit maximization; and the non-profit sector, private engagement to improve social or environmental conditions.

The last two decades have seen the rise of a “fourth sector” in many countries around the world - the social enterprise sector. Social enterprises take inspiration from the private sector, by developing market driven innovation and by focusing on management efficiency and financial independence. But social enterprises also take inspiration from the public sector. They are founded to achieve social and environmental goals and strive for transparency, accountability and effectiveness in the delivery of measurable impact.

What are social enterprises?

There is no single globally excepted definition of social enterprise. Neo-liberalists would say that any business is a social business, as long as it acts within the laws and creates decent paying jobs. The famous economist Milton Friedman has taken this view to the top in a famous 1970's New York Times Article: “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.” This theory is called “Shareholder Primacy” and has become the core responsibility of Managers in most countries around the world ever since. The problem with this view is that it ignores the challenge of negative externalities, created by purely market driven economies. Social externalities

such as worker poverty or exploitation of farmers and marginalized communities and environmental externalities such as the destruction of our natural environment and the extinction of entire species. This problem aggravates in times where multinational companies push their production to places, where they are least restrained by protective legislation.

On the other side of the spectrum is the definition of the Nobel Peace Prize Winner Professor Muhammad Yunus. According to his interpretation, a business is only a social enterprise, if it reinvests 100% of its profits in pursuit of the company's social mission. While providing a very strong and distinctive definition, the challenge with this approach is that there is very limited funding available for this type of social enterprises.

Another definition is aiming for the middle path. According to this definition, a social enterprise is: pursuing a clear social or environmental mission set out in its governing documents; an independent business earning more than half of its income through trading; is controlled or owned in the interests of the social mission; reinvests or gives away at least half its profits or surpluses towards the social purpose; is transparent about the way it operates and the impact it has.

Manifesting definitions of social enterprise is very important to prevent dilution and misuse of this concept. In the end, every country has to find its own approach towards social enterprise. For example, in Bhutan, more than 50 % of the population are small holding farmers and the 12 % of Bhutanese living below the National Poverty Line are predominantly subsistence farmers. Keeping these underlying conditions in mind as well as the unique philosophy of Gross National Happiness, will be crucial in the context of Bhutan.

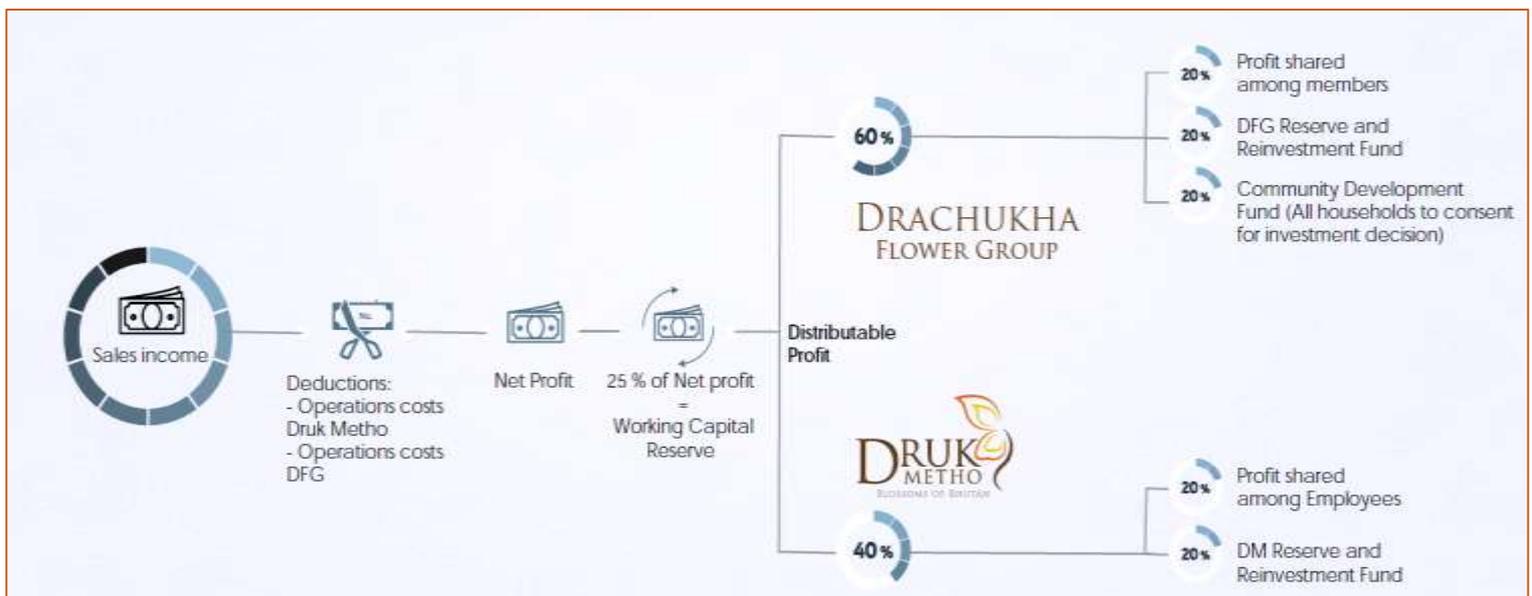
Social enterprises in Bhutan

One example of social entrepreneurship in Bhutan is the mineral water enterprise “Gasa Soechu”. In this model, Gasa Dzongkhag has made an investment in a processing facility and encouraged local entrepreneurs to co-invest. 70 % of the shares in the business were divided among all 596 households of Gasa Dzongkhag to reflect the investment of the Dzongkhag. The other 30% investment and ownership in the company is resting with a local business family that is managing the enterprise. The ambition is that many additional businesses such as television broadcasting for Gasa will be operated through the model of Gasa Soechu, a model of “Community Owned Enterprise”. Success and growth of the business will result in shared prosperity for the entire community. This is a very interesting model for businesses which are capitalizing on community resources such as water or minerals from mining activities.

Another example is Druk Metho, a food production and manufacturing business. Druk Metho builds on a

partnership between the Druk Metho business entity and the wholly separate Drachukha Flower Group, a registered farmers group in the Punakha Valley. The development partner Swiss Alpine Herbs offers a guaranteed market for organic edible flowers and pro-bono support in all areas of food processing and farming. Business and farmers group were established without debt financing and without private investment. Sources of funding were grant support, prepayments on raw materials, crowdfunding and support from a local travel agency.

Druk Metho could attract all of these funds and support channels because of its transparent social enterprise model. In this model, the farmers group is fully empowered to take charge of the agricultural system and the community relations, while the business is empowered to flexibly manage the logistics, product development and marketing. As per overarching agreement between the parties, all profits of the business are shared as per an agreed distribution key:



Another example for social enterprises in Bhutan is the Nazhoen Pelri Eco-Friendly Initiative in Bjemina, operated under the Civil Society Organization (CSO) Bhutan Youth Development Fund, YDF. Around 20,000 egg trays per week are produced from waste materials, promoting better waste management, reintegrating recovering drug addicts and reducing imports of goods that can be produced in Bhutan. Income from the unit supports and sustains the Drug Education and Rehabilitation Services program of the YDF. As a matter of law, businesses operated under the umbrella of CSOs such as Nazhoen Pelri and also for example different activities under the Samdrup Jongkhar Initiative, are not allowed to distribute income or profit to its members and reinvest their profits in pursuit of the social mission.

Impact investment & social investment

If Social Enterprise is on one side of the coin, Impact Investment is on the other. It is the type of investment

that is financing social enterprises. Impact Investors seek not only to make a reasonable return on their

investment, they also want to see a positive and tangible social and environmental impact of their investment. Again, Impact Investors have very different approaches and expectations. On the range of the “Continuum of Capital”, a limited number of investors are only focused on impact without the expectation to ever recoup their

investment. On the other side of the spectrum, a much greater range of investors is looking for socially responsible investment, which does not actively contribute to harm being done to the environment or society.



Source: Asian Venture Philanthropy Network

Potential for Bhutan

Bhutan has been struggling to unite the objectives of economic growth with His Majesty The Great Fourth’s far-sighted vision of Gross National Happiness. As it stands, Bhutan is facing the same challenges as many other countries – the externalities of economic development are increasingly jeopardizing the other pillars of GNH. Focused efforts to develop a contextualized definition of social entrepreneurship in Bhutan and the active creation of a conducive ecosystem can help to resolve these conflict lines. Strong social and environmental business values can help to strengthen “Brand Bhutan”, thus allowing entrepreneurs to tap into high-end markets in many countries around the world. The more focus an investor has on impact, the more patient he will be with the return of his investment.

Having enough time to set up is important for any social enterprise, but even more in Bhutan, where good things tend to take time. Based on a distinctive approach to social enterprise, Bhutan can not only attract impact investment, but also tap into networks of experts with knowledge about markets, business practice, technology and value addition to support this agenda in a targeted way. Another great potential lies in



partnerships with established companies in relevant fields, an increasing number of which are striving for environmentally sound value-chains with strong social ethics. Such companies have great interest in supporting a social enterprise agenda in Bhutan.

The ecosystem for social enterprises can be enhanced through targeted private and public interventions such as access to funding, capacity building, tax relief and public procurement.



Green for now, and green for always – COVID or no COVID

It's like the world didn't have the climate change show on, that the COVID 19 pandemic is inconveniently rising to the occasion. But COVID or no COVID, the world must churn and the good fight must be fought to keep the world churning. The growth of Green Finance is certain to continue; since climate change hasn't taken a day off. The worldwide focus on how to cut pollution and greenhouse gases will still require companies to disclose climate-related risks—leading to more data showing which companies are most exposed. This will lead to better insight about how to make money while saving the planet.

When it comes to all things green, and things that ring conservation, Bhutan has always had the concept and the motive pegged down solid. Let's give it the tag of bragging rights since this was all very much before 'Green Finance' popped up as a catchy investment avenue phrase. Here's an insight into the how: Environmental clearance is one of the chief criteria all individuals must meet to avail loan from financial institutions. This ensures the nation's strong conservation policies are flowing through the veins of all activities/business being operated by each and every citizen. This way, the nation as a whole is able to stay dedicated within the consciousness of the GNH-driven environmental pillar following strong principles of environmental protection. Green finance refers to the provision of financial services for climate action and

related projects. It's an avenue through which investment avenues are opened up to finance sustainable development that protects/conserves environment, and address climate change.

Green finance in the country

The RMA is charting a developmental roadmap on green financing. This is happening by creating tools and criteria; identifying key stakeholders and establishing monitoring, supervision and assessment structures for the country's financial sector. The roadmap will have strong Inclusive Green Finance (IGF) elements wherein RMA will provide all necessary resources to develop it within the year. IGF is how financial regulations can enable financial inclusion that builds resistance and mitigates climate change. The forthcoming roadmap looks to be conceived for easy understanding to reach out to the widest of audience across all levels—from governors to financiers and even borrowers—emphasizing that banks can contribute significantly to green initiatives. When such a plan comes together, it means that everyone gets to play their part in ensuring environmental protection and sustainability.

All valid points, but let's talk funds

Many climate change and environmental preservation initiatives are in action at the national level. Still, conservation doesn't come free; it involves expenditure.

Having a strong green finance component will further power the country’s conservation drive. In this IGF should contribute to make the various operations more efficient. And after all, people shall be better-protected in the end from the effects of climate change.

Benefit – Be the friend of a friend

Foreseeable interventions by concerned authorities in introduction of new financial products are very likely to lean toward being developed to cater to green finance companies, fintech startups, guarantee schemes, finance for alternate collateral security services, smart cards etc. In this, it is noteworthy that even though the ‘green’ aspect should be removed from the equation focus still remains on reshaping quality and affordability.–That being or being in the midst of becoming a tech-driven society, the current financial products and services need to be reshaped to meet the needs of the clients while ensuring quality, affordability and security.

It so happens, that the RMA is coming up with a framework to engage banks toward lending to environment-friendly projects. It will take the lead with AFI’s endeavor to develop a common framework which can be followed by all member countries. According to RMA, Bhutan is way ahead of other countries in terms of pursuing inclusiveness as well as green financing.

Green Financing: Green financing is to increase level of financial flows (from banking, micro-credit, insurance and investment) from the public, private and not-for-profit sectors to sustainable development priorities. A key part of this is to better manage environmental and social risks, take up opportunities that bring both a decent rate of return and environmental benefit and deliver greater accountability.

Sustainable Development Goals (SDGs) and Green Financing: UN Environment has been working with countries, financial regulators and finance sectors to align financial systems to the 2030 sustainable development agenda – to direct financial flows to support the delivery of the Sustainable Development Goals. At the core of today’s globalized economy are financial markets through which banks and investors allocate capital to different sectors. The capital allocated today will shape ecosystems and the production and consumption patterns of tomorrow.

Some of the main areas for green financing are: Supporting public sector on creating enabling environment; Promoting public-private partnerships on financing mechanisms such as green bonds

Capacity building of community enterprises on micro-credit
Courtesy: unenvironment.org (UNEP)

Environmental clearance is one of the chief criteria all individuals must meet to avail loan from financial institutions.



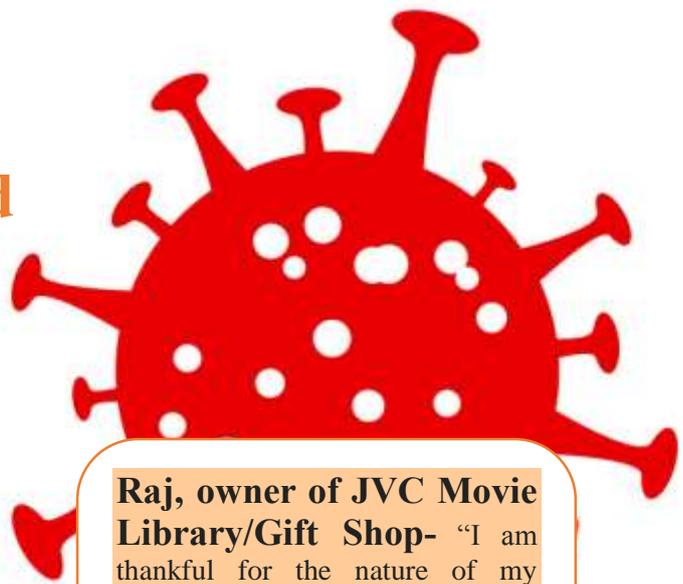
The infected, the affected

COVID-19 has been the uninvited guest that not only barged in with every sick intentions but has also decided to inconveniently and infectiously overstay. The global pandemic is the thorn in every global economy's side affecting livelihoods, disrupting daily life and overall just drumming a morbid sense of mortality into every one, every day of its pandemic existence.

There is no version of the global pandemic, kind on select humanity type, that way it is something of an equal opportunity infector... or impactor. Since that fateful day in March when the country marked its patient zero, things have been a slow burn that maliciously keeps threatening to explode to a full-scale attack. Thanks in large part to His Majesty's guided leadership and the efforts of all those involved, Bhutan is still coded in the Orange Zone. Meaning, we have COVID cases, but all of them were imported and no instances of community transmission has been recorded.

Life as we know it, however is not normal. They are calling it the new normal, but it only means that with sudden disruption introduced into daily routine, adjustments had to be made under compelling conditions, by one and all.

Taking a 'lesson-learnt' approach to the predicament currently in hand, the RMA e-FinLit collected thoughts from the men and women on the street, and those in their shops. Opinions vary from where some rebelliously vent "if you are meant to die, you die, if not Coronavirus is nothing to be frightened of," to those who magnanimously declare, "it's (Coronavirus) the great teacher, who should have come sooner," – a snarky dig on all habituated to excessiveness—in buying, in wasting, in not saving, in not planning ahead. Some have looked and re-looked into their way of doing things, discovering blessings in disguise, as well as pointers (lessons) on how not to cultivate vulnerabilities, be it while deciding the nature of business to pursue or how one should perhaps have a Plan B to "absorb the shock and prevent a heart attack," as flatly put by a middle-aged Corporate Legal Officer, also a Grocer, who also moonlights as a bar tender on weekends.



Raj, owner of JVC Movie Library/Gift Shop- "I am thankful for the nature of my business. Had I been running just the gift shop, livelihood will be badly affected. Because of my movie rental business, I'm spared the full blow of COVID-19"



Padam, Grocery Shop- "The importance of money management and the judicious use of resources is what I have learnt"



Banu, Pan Shop- "Generally, COVID-19 is teaching everyone the basics that elders have been chanting into children's ears, like hand hygiene, cleanliness, not wasting (money or food) etc. COVID-19 is showing proof of rewards and punishment if one follows the simple Dos and Don'ts. Personally, I feel it has sent the message of being 'mindful' in everything one does"

One world's COVID, another's opportunity

The COVID-19 pandemic, a river of misery flowing everywhere across the globe and throughout the country too. In so saying, the scene at home safely said is very much feeling the affection of the infection (!). Government machinery (of plans and policies) are affected; businesses are compelled to operate at half strength, and naturally, achieve/earn half or less of what used to be achieved/earned.

Then again, it's nice to know, the fabled 'silver lining (around every dark cloud)' does shine through from time to time in people's experiences of wading through depths of despair. Businesses operating with an 'online' or internet-assisted aspect have come to demonstrate an edge over all others that don't. And one might say, these businesses are not just 'surviving' the pandemic, they are prospering.

Preventive measures to fight the COVID pandemic's proprietary attributes include physical/social distancing; avoiding crowds and crowded places; having to constantly indulge hand hygiene. In light of having preventive measures put in place, and therein, people practicing them accordingly, things have added up to push consumer behavior favorably in the direction of businesses aligned synergically with said measures.

Bhutan Smart Shop – smart move!



The vegetable and fruit delivery enterprise based in Thimphu has seen a spike in the number of customers making online orders. This has been the case since March when the COVID pandemic hit Bhutan. Besides the business Bhutan Smart Shop (BSS) website where majority of the interactions happen, customers also continuously place their orders through text messages, phone calls and social media platforms.

Sangay Nedup, BSS - "Business is still running better than how things were in the pre-COVID days"

The BSS received more than 30 orders a day since government put COVID 19 measures into action. After relaxation of measures though, especially that of

extending business closing hours to 9 PM, there has been a slight decrease in orders. The BSS averaged about only four to five orders a day before the pandemic.

Happy Delivery Service – diversification is on the cards



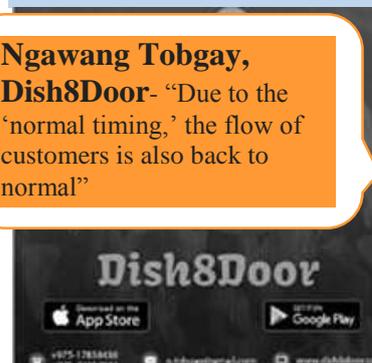
Jigme singye, HDS - "HDS is no longer confined to foods. We deliver whatever clients order"

The Happy Delivery Service (HDS) roped in quarantine centers in Thimphu and Paro toward the end of March this year. That's post-COVID 19 struck Bhutan. This added a drastic increase of ten times more the number of customers it used to receive in its pre-COVID 10 customer traffic.

The HDS which largely became known for LPG deliveries, branched out to delivering food while also providing all the services of a one-stop-shop that delivers whatever is ordered.

Dish8Door – moderate to extreme success

Ngawang Tobgay, Dish8Door - "Due to the 'normal timing,' the flow of customers is also back to normal"



With 38 restaurants listed with it, Dish8Door an app-based food delivery service enjoyed moderate success. After the COVID-19 global pandemic reached Bhutan and government's preventive measures were enforced, Dish8Door was overwhelmed by orders on a daily basis. So much so that, the business had to hire additional staff, bring in friends and families to add more hands. Let's call that 'extreme' success. With the recent extension of business timing to 9 PM from the earlier imposed 7 PM, the flow of orders have also come down.



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Financial Inclusion Secretariat (FIS) was set up on 1st January, 2017 under the Royal Monetary Authority (RMA) to spearhead the national financial inclusion policies and strategies. FIS aims to incorporate various financial literacy programs and activities.

FIS aspires in achieving the vision of ‘Improving the financial wellbeing of the Bhutanese by advancing their financial literacy capabilities: Improve on citizen’s knowledge, skills, attitudes and behavior in making an informed financial decision.’

Visit <http://www.rmafил.bt/>

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