

The COVID-19 pandemic is a major human tragedy impacting the lives of the people across the world. Along with the growing spread of the virus and rising death tolls, the economic consequences of the pandemic have adversely affected the livelihood and well-being of the people due to decline in economic activities and loss of jobs. Bhutan is no exception to this global health crisis and economic downturn.

While we are fortunate that there has not been any local outbreak of COVID-19, the measures taken to prevent an outbreak in the country has not only imposed a heavy demand on the health-care system but also caused a major strain on the economy impacting every person in Bhutan. This could be the defining challenge of our times.

Leading the national efforts to confront this challenge, His Majesty the King has travelled extensively across the country to ensure the highest level of preparedness. Further, His Majesty commanded that utmost priority be given to prevent the loss of any life; provide good care for the patients and those quarantined in Bhutan including the Bhutanese living abroad; and maintain public confidence by alleviating the difficulties faced by our people and ensuring the uninterrupted supply of foods and essential commodities.

Upon the Royal Command, the government implemented numerous measures to strengthen the health care system by expanding public health education; implementing strict quarantine and surveillance; improving facilities for the care of patients; and expanding COVID-19 testing facilities amongst others. The government also acknowledges the critical role played by the frontline health personnel, armed forces and Desuups for providing exemplary service.

The challenges emanating from the present situation is bound to test the resolve of our people to withstand adversity with unity and solidarity. If the response of the Bhutanese people demonstrated thus far is any indication, we must all be very proud of the discipline, resilience and solidarity they have shown in the face of these difficulties.

### **MOVING FORWARD**

However, without a definite medical solution in sight yet, and the rapid spread of the virus around the world, there is a high level of uncertainty about the magnitude of its social and economic impact. Current global trends indicate that the situation may worsen over the next six months and Bhutan will not be an exception. Therefore, we cannot afford to be complacent.

As the introduction of timely preventive health measures in Bhutan has adversely affected businesses and livelihood of our people and caused economic difficulties, His Majesty The King has commanded that the State must provide whatever support it can to every affected citizen and community with speed, efficiency and impact.

## **THE NATIONAL RESILIENCE FUND**

Based on the Royal command, a team of specialists was constituted to work with and support the government to develop effective plans and strategies to address the immediate economic challenges facing the country in an effective and timely manner.

Considering the exceptional circumstances and the need for unconventional strategies to build economic resilience and boost growth, the National Resilience Fund has been approved and established. With a fund size amounting to about Nu. 30 billion, the resources will support the implementation of the following activities:

### **MAJOR INITIATIVES**

#### **1. DRUK GYALPO'S RELIEF KIDU**

In the current economic environment, many people have lost their incomes and other sources of livelihood, either partially or completely, due to business downsizing or closure. While people engaged in tourism and allied services have been hardest hit, people working in other sectors are also suffering because of the preventive measures taken by the government to avert the outbreak of the pandemic.

His Majesty the King has commanded the grant of the Druk Gyalpo's Relief Kidu to people who have been laid off or placed on reduced salaries to provide them immediate financial support. Besides defraying the living expenses and sustaining demand for goods and services, the Royal Kidu would also boost morale and provide assurance and hope despite the current hardships.

The government will announce the details of the Royal Kidu and ensure its effective implementation with the support from the team of specialists.

#### **2. INTEREST PAYMENT RELIEF**

Further, His Majesty the King commended the initiative of the Royal Monetary Authority and the Financial Institutions to provide significant relief to the borrowers facing difficulties in fulfilling their loan repayment obligations due to the current economic downturn.

The relief includes deferment of loan repayment by three months and waiver on interest payment for loans from April to June 2020. This will support indebted business and individuals throughout the country in these uncertain and difficult economic times.

The above shall be applicable to all loans that were not in the NPL list as of 29 February 2020. The eligibility criteria shall be notified by the RMA to the Financial Institutions.

The government will finance 50 percent of the total interest payment and the financial institutions offered to support the other 50 percent as a firm and substantial demonstration of their solidarity to the people and the nation in these testing times.

### 3. **FAST TRACK THE IMPLEMENTATION OF THE 12TH FIVE YEAR PLAN**

In order to overcome the present economic disruptions and with a view to stabilize the economy and stimulate growth, the government will formulate plans to fast-track the implementation of 12th Five Year Plan activities and wherever possible frontload the investments. Particular emphasis will be placed on revitalizing the rural economy, creating employment opportunities amongst others. The focus sectors will include tourism, agriculture and infrastructure.

Recognizing the need to transcend the “business as usual” attitude and practices in these exigent circumstances, all efforts will be made to ensure maximum impact and minimize delays arising due to bureaucratic processes. The government will announce the details of the initiatives on this front as soon as possible.

### **OTHER FISCAL AND MONETARY INTERVENTIONS**

In addition to the aforesaid major announcements, the government has also held numerous consultations among the sectors and would like to announce some of the other fiscal and monetary policy interventions to support the economy.

#### Fiscal Measures

- Filing of CIT and BIT for income year 2019 has been deferred up to 30 June 2020, which will provide temporary cash flows for businesses to meet operational costs.
- Programs and activities of the 12th FYP have been reprioritized and a fiscal space of Nu 3.7 billion created to address immediate challenges.
- Budget has been released to the Food Corporation of Bhutan to stockpile essential items and the FCB has been granted a highly concessional 5% working capital.
- Budget has been provided for maintaining fuel reserves at full capacity. Additional fiscal measures are proposed as follows:
- Provide additional budget of Nu 2 billion to the Ministry of Health to meet all health-related spending (for immediate needs and worst-case scenario).
- Subsidise 50 percent of the interest waiver as stated above.
- Waiver of payment of monthly rent and other charges for 3 months (April-June 2020) by tourism related business entities leasing government property.
- Defer payment of sales tax and customs duty on essential items for March to June 2020, to facilitate import of essential items.

## **Monetary Measures**

While the tourism industry is the first and hardest hit by COVID-19, other sectors are also beginning to feel pressures that will only heighten if the pandemic continues over a protracted period of time. The measures, as listed below, are guided by His Majesty's wisdom to ensure that relief is adequate and inclusive.

- Availability and access to uninterrupted supply of essential commodities was viewed as an immediate challenge with the potential to cause wide-spread social and economic difficulties. As a result, working capital at 5 percent interest was provided to wholesalers and major retailers from 28 March 2020 to procure essential commodities and ensure uninterrupted supply to retailers all over the country. Wholesalers will not only import the essential commodities but also purchase locally manufactured products to encourage local production.
- Deferment of loans for 3 months (April-June 2020) for all borrowers who had maintained their loan accounts in good standing i.e. loans that were not NPL as of 29 February 2020.
- Extension of gestation period for projects under construction by 3 months (for hotels, housing, production and manufacturing).
- Working capital at 5% interest to finance operational costs, especially payrolls for a period of 3 months for the tourism sector to help businesses that are struggling to retain employees and support paid leave in the context of dwindling revenues.
- For CSI and agriculture through the National Cottage & Small Industries Development Bank:
- Microloans i.e. loans up to Nu. 500,000 at 2% concessional interest rate for activities in the rural and agricultural sector for a period of 3 months.
- Working capital at 4% concessional interest for 3 months to CSIs.

The government will continue to closely monitor the situation to ensure that additional support measures are provided in a timely and adequate manner in the coming months.

## **Conclusion**

The government would like to thank the special taskforce, constituted with the blessings of His Majesty The King, for all the support and hard work. We will continue to work closely to fulfill the visions of His Majesty.

With the protection of our guardian deities, blessings from the Kurims of the monastic community led by His Holiness the Je Khenpo, the strong foundations of governance laid by His Majesty the Fourth Druk Gyalpo, the collective merit of the Bhutanese people, the government is hopeful that Bhutan will be successful in containing the spread of the COVID-19 and overcoming the socio-economic challenges.