



National Entrepreneurship Strategy

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FOREWORD

In March 2010, the Ministry of Labour and Human Resources (MoLHR), Royal Government of Bhutan approached UNIDO to request technical assistance to formulate a national plan and strategy for entrepreneurship development, namely a National Entrepreneurship Strategy (NES). The development of a strategy focused on entrepreneurship was closely tied to the implementation of other policies related to employment, economic growth and human skills development. The main agencies responsible for human resource and employment issues include the Ministry of Education, the Ministry of Labour and Human Resources, Royal University of Bhutan and the Royal Civil Service Commission.

The National Entrepreneurship Strategy is based on outcome from following sources

1. Economic Development Policy, 2010
2. National Human Resource Development Policy, 2010
3. Cottage, Small & Industry Policy, 2012
4. National Employment Policy, 2013 and
5. Bhutan Education Blueprint, 2014-24

The Royal Government of Bhutan is currently taking steps towards a structural reform of the economy that has implications for almost all agencies in the country. This is articulated in the Economic Development Policy, 2010 and Human Resource Development Policy, 2010; and the Eleventh Five Year Plan published by the Gross National Happiness Commission covering the years 2013-2018, the second only plan released since the transition to democracy. The Government had launch a 'Education Blueprint' 2014-2024 with comprehensive information on education policies, implementation strategies, concerns, challenges and opportunities in the current education systems in Bhutan. These policies will enable Bhutan to create the conditions and enabling environment for sufficient jobs for the population and achieve economic self-reliance by 2020.

The Economic Development Policy recommends a review of the national regulatory framework to enable favourable conditions for business development, identification of economic opportunities, and sector reforms. In order to promote investments and encourage entrepreneurship, the policy includes provisions for fiscal incentives across all sectors. In line with these overall economic goals, the National HRD Policy envisages a paradigm shift in the overall educational and training system from providing low level knowledge and skills to providing medium and high-level knowledge and skills with

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demand orientation.

Currently the employment related issues are being addressed through various development programs implemented by the Ministry of Labour and Human Resources. Under the 11th Five Year plan, MoLHR will mainly focus on private sector development as it is considered the impetus for growth. However, there are important cross-cutting themes across various Departments. Under the 11th Five Year Plan (2013-2018), MoLHR has drafted a work plan to achieve the following objectives:

- Train 600 unemployed youth every year in Basic Entrepreneurship Course (BEC), Comprehensive Entrepreneurship and Advance Entrepreneurship Course
- Reduce youth unemployment from current level to less than 2.5%
- Development of Techno-incubation program
- Integration of Entrepreneurship Course in all Technical Training Institutes (TTI) and Zorig Chusum
- Emphasis on Private Sector Development
- National Appreciation Award system instituted

In order to achieve these goals, policy makers, industry and professionals alike must embrace the concept of entrepreneurship and its pivotal role in job creation and private sector development. The need to determine the scope and extent of a national entrepreneurship program, and to identify a systematic and formalized approach to entrepreneurship training at very different levels, is urgent.

A particular significance of the 11th Five Year Plan is that it serves as a vital platform for achieving three key related national milestones by the year 2020, which are the objectives articulated in “Bhutan 2020: A Vision for Peace, Prosperity, and Happiness”, the objectives of self-reliance and full employment of the EDP 2010 and graduating from the list of Least Developed Countries (LDCs). The theme of the Five Year Plan is: “Self-reliance and Inclusive Green socio-Economic Development’.

It is noted that in the context of Bhutan, it is essential to consider the role of employment and entrepreneurship development within the framework of Gross National Happiness (GNH), which provides an overarching structure for the country. GNH is the overriding philosophy of socio-economic development, social welfare and governance in Bhutan and one of the four pillars of the GNH framework is ‘Enhancing sustainable and equitable socio-economic development’.

2 INTRODUCTION

2.1 Why a National Entrepreneurship Strategy for Bhutan

Until 1974 when the initiation of tourism, albeit on a limited scale was introduced, Bhutan has been historically isolated. Given its landlocked geography bordering China and India and rugged landscape, this has posed a further challenge in terms of integration with the global economy. The Bhutanese economy is based on agriculture for domestic markets, tourism and the production of hydroelectricity, and has a gross national income of \$5.4 billion in 2013 or a gross domestic product of US\$1.7 billion (2013). According to the GDP indicator, which is GDP per capita \$2440.41, Bhutan is classified as a lower middle income country. In the more remote rural areas of the country, the situation is even more challenging – rural poverty levels are in excess of 30 per cent and the quality and accessibility of education are among the lowest in the world.

In spite of this scenario, Bhutan is the originator and primary proponent of the concept of Gross National Happiness (GNH) as a measure of social and human development, a response to the perceived limitations of the Gross National Product (GNP)-based measures, which focus on economic attributes and output. The Gross National Happiness Commission (GNHC) defines GNH as a “multi-dimensional development approach that seeks to achieve a harmonious balance between material well-being and the spiritual, emotional and cultural needs of our society.” It was founded on the belief that happiness can be achieved by balancing the needs of the body with those of the mind within a peaceful and secure environment, it requires that the purpose of development must be to create enabling conditions through public policy. The Gross National Happiness Commission is the Central Planning agency of the Government that identifies and recommends priorities, allocation of resources, setting of targets, and co-ordinates, monitors and evaluates policies and programs. The Commission is responsible for operationalizing GNH by mainstreaming its elements in the Government’s plan and programs. This is formalized in the publication of Five Year Plans by the Royal

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Government of Bhutan.

Creating the appropriate conditions for happiness of people is the mandate for the Government and its different Ministries and Agencies. Happiness is not possible if people are not gainfully employed and can provide suitable and sustainable livelihoods for themselves and their families. Hence, employment is conducive to happiness and prosperity of people. Achieving this mandate necessitates exploring all options of meaningful employment, including that of pursuing entrepreneurial avenues.

GNH encompasses four pillars:

1. Sustainable and equitable Socio-economic Development
2. Preservation and Promotion of Culture
3. Conservation of Environment
4. Good Governance

Within the economic dimension of GNH, the Royal Government of Bhutan views entrepreneurship as a significant vehicle for increase the well-being of the people. Interactions and feedback from various stakeholders in the development of the NES recognize entrepreneurship for its **positive impact on economic growth, job creation, regional development, efficient use of resources, and provision of new products and services**. Within MoLHR, various programs are already underway that seek to increase the quality and quantity of entrepreneurs within the country – such as Advance, Basic and Comprehensive training programs. These activities are specifically targeted to address the issue of youth unemployment and social disharmony that, if not addressed can potentially lead to unrest. The Royal Government of Bhutan supports many new training programs with the objective of developing entrepreneurial skills and knowledge among unemployed Bhutanese youth, in the expectation that these youth will then start new ventures to employ themselves and fellow Bhutanese citizens.

However, development of skills and knowledge alone are not likely to prove sufficient to address the social challenge and create a new class of entrepreneurs. Generally society in

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Bhutan, similar to many cultures in South and East Asia, has a distinct preference for a service job that provides economic security and some societal privileges. From an early age, society is exposed to this kind of pro-service culture. They grow up with a job oriented mindset and seldom think of entrepreneurship as a career – in many cases entrepreneurship is considered a last resort for those unable to obtain a job in government, corporate, CSO, international organizations and private sectors. The educational system also rarely exposes the students to entrepreneurship; and instead prepares them for a job – imparting skills and knowledge for jobs matched against economic and labour forecasts. Entrepreneurship course taken as last resort despite being second highest amongst the awareness of employment facilitation programmes of MoLHR (*source: Unemployed Youth Perception Survey 2014 Report*). Even if someone with a high entrepreneurial aptitude wants to set up a business, she/he is often discouraged by a host of adverse factors, some of which may include the following:

- lack of access to information on setting up and operating a business;
- sheer scale of administrative and procedural hurdles;
- limited access to capital and funds;
- Inability to scale up enterprises (growth oriented capital and resources);
- lack of adequate networks and supportive culture;
- lack of mentoring support and training;
- access to technology;
- social stigma of sin, fear and consequences of failure.

These considerations loom large and hinder the emergence of entrepreneurship. In light of these findings, MoLHR has decided to formulate a National Entrepreneurship Strategy (NES) with the overarching aim to augment the supply and quality of entrepreneurs and provide them with the tools to become successful. Addressing low entrepreneurship levels in the country should be approached through a more comprehensive approach that examines diverse factors and addresses areas of greatest need and makes appropriate recommendations.

The creation of a National Entrepreneurship Strategy and programs are essential component of the capacity building activities needed to strengthen the effectiveness of entrepreneurship development programs already being delivered at MoLHR. However, the NES will also seek to address issues such as cultural norms and societal attitudes which also greatly impact the decision among many youth to become an entrepreneur and take this career path.

2.2 Methodology

The methodology adopted in drafting the National Entrepreneurship Strategy has been based on a series of interviews, meetings, workshops and several in-country visits with those involved in entrepreneurship development in Bhutan from the period December 2011 – December 2014. Information was gathered from primarily entrepreneurs, as well as other consultations with other relevant stakeholders in the entrepreneurial ecosystem (such as educational institutions, relevant government ministries, incubation centres, the financial community, business chambers of commerce, business groups, CSO's, entrepreneurial associations, multilateral organizations, development agencies etc.) across the country.

The objective was to gather information from both primary and secondary sources on the nature of entrepreneurship in Bhutan, identify the various initiatives taking place within ministries to promote and inculcate the concept of entrepreneurship and obtain feedback on possible policy formulation.

These include the following parties:

- Bhutan National Bank
- Bhutan Development Bank
- Druk Holding and Investments
- The Loden Foundation
- Bhutan Association of Women Entrepreneurs
- Thimphu TechPark
- Royal University of Bhutan
- United Nations Development Program (UNDP)

- Tourism Council of Bhutan
- Bhutan Chamber of Commerce and Industries
- SVN – Netherlands
- Royal Education Council
- Royal Institute of Management
- Gross National Happiness Commission
- Department of Research and Curriculum Development
- Department of Agriculture and Marketing Cooperatives
- Department of Cottages and Small Industries
- Business Opportunity and Information Centre (BOIC)
- Ministry of Finance
- Ministry of Economic Affairs
- Ministry of Labour and Human Resources
- Ministry of Education

3 2.3 Bhutan: Situational Analysis

3.1.1 Macroeconomic

Bhutan's economy remained largely unscathed by the global economic downturn in 2009, primarily due to its limited integration with the global economy. The real GDP grew at 8 percent per annum over the last five years, unemployment rate was reduced from 4.2 percent in 2008 to 2.1 percent in 2012 and poverty was reduced from 23 percent in 2007 to 12 percent in 2012. Although Bhutan has been commended for its remarkable gains in reducing extreme poverty, many sections of its population remain vulnerable to falling back into poverty. As noted by the World Bank in the report *'The Bhutan Poverty Assessment Report 2014'*, Bhutan's poverty reduction record is unique in the South Asia region going by the internally comparable US\$1.25 purchasing power parity rate per capita per person. Despite having started in 1990 at almost the same level with other countries in the region, with more than half of its population in poverty, Bhutan has managed to reduce the percentage of poor to 4 percent in 2010 while the whole of South Asia's poverty level had fallen to 30 percent. However, the World Bank report does highlight that ***'Bhutanese youth are at a comparative disadvantage in the job market due to lack of adequate skills'***.

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Although Bhutan weathered the global economic crisis, since 2011 the economy has been experiencing unprecedented macroeconomic policy challenges arising from a combination of related factors that include a surge in capital inflows for hydropower development, rapid credit expansion, successive build-up of current account deficits with India and consequently an acute and persistent shortfall in Rupee reserves that has yet to be effectively addressed (Source: 11th Five Year Plan, GNHC, Royal Government of Bhutan).

The economy rendered a strong performance with real growth rate averaging 8 percent per annum over the five years of the Tenth Plan, which was fueled primarily by huge Government investments, particularly in the hydropower sector. However, this has resulted in a lack of economic diversification and as a result the main employment options continue to be the agriculture sector – those not willing to work in agriculture remain unemployed which poses significant macroeconomic challenges. This has prompted the Royal Government of Bhutan to initiate efforts towards economic diversification and private sector development that will be intensified during the Plan period.

Table 1: Tenth Plan Economic Targets and Outcomes

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<i>Real Sector</i>	<i>10FYP Target</i>	<i>10FYP Outcome</i>
GDP Growth	9%	8.0%
Agriculture	4%	1.5%
Industry	9.8%	7.0%
<i>Electricity</i>	<i>7.4%</i>	<i>1.9%</i>
<i>Construction</i>	<i>15.2%</i>	<i>13.1%</i>
Service	7.2%	10.9%
Investment (% of GDP)		53.6%
Consumption (% of GDP)		65.8%
Per capita GDP (USD)		2,590 (2011)
Overall Inflation		7.7%
Unemployment Rate	2.5%	2.1%

Source: MTFE (July 2013)

Robust growth performance of the economy, increase in disposable incomes, and the rapid expansion of credit have contributed to a surge in imports and successive current account deficits. Given limited domestic capacity, there are concerns that the Bhutanese economy is overheating, putting upward pressures on prices, wages and the real exchange rate. Inflation measured by CPI averaged about 7.7 percent per annum during the Tenth Plan. The annual inflation rate from August 2013 to August 2014 stands at 8.71 percent, which is an increase from the 8.08 percent in the previous period (July 2013-July 2014)

The Bhutanese economy is predominantly driven by the hydropower sector, is highly aid dependent and heavily reliant on imports for both consumption and capital goods needs. The government continues to play the role of “provider” rather than “enabler” due to a small and underdeveloped private sector despite government efforts to focus on private sector development. Therefore, the emphasis of the governments’ focus will be economic diversification with a focus on development of non-hydropower sectors and fostering the growth of a dynamic private sector that emphasizes a transition to a sustainable economy. Key attributes of a green sustainable economy include low carbon emissions, efficient and sustainable resource use, and socially inclusive economic growth and

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investments, which are closely aligned with the NES development planning framework.

Bhutan's economy remains dominated by state owned enterprises (SOEs), with private sector contributing just 8 percent of total national revenue. Advantages include a stable and low-corruption environment, reasonably good human development, pervasive use of English language, low costs and reliable electricity. However, the absence of scale economies, unequal access to finance, mismatched skills of the labour force (vis-à-vis market requirements) and the lack of adequate infrastructure also limits growth of the private sector.

The relation between the growth of a dynamic sector and continued modernization has resulted in many governments advocating the promotion and adoption of an entrepreneurial strategy. Bhutan launched its first IT Park in 2012 as a public private partnership with the support of the World Bank to spur private sector development. In 2013, Business Opportunity and Information Centre (BOiC) was established as a time bound autonomous agency for implementation of the Revolving Fund created as part of the Economic Stimulus Program financed by Government of India in order to foster growth of cottage and small manufacturing industries through entrepreneurship that contribute to employment creation, export enhancement/import substitution, use of locally available raw material resources and innovative business ideas. This initiative has received Nu. 5 billion worth of funding, of which Nu. 1.9 billion earmarked for these under Revolving Fund I.

As highlighted, much is being done to create better conditions for entrepreneurs, however one of the major barriers to fostering entrepreneurial economy in Bhutan is the lack of an entrepreneurial culture or mindset, which is at the core of entrepreneurship. This will be explored further in the document.

According to the Cottage, Small and Medium Industry (CSMI) Policy 2012 issued by the Ministry of Economic Affairs, this sector comprises an overwhelming majority (approximately 98%) of all industries in the country. They are drivers of competitiveness

and innovation in many economic sectors and impact directly on employment, equitable opportunities for income and wealth generation, balanced regional development and poverty reduction. The CSMI covers non-farm economic activities mainly manufacturing, mining, construction and services. There is no universally accepted definition of CSMI. Different countries use various measures of size, depending on their level of development. Industry-used metrics are total number of employees and total investment as given in Table 2.

Table 2: Industry Classifications (Employment, Investment)

Scale of industry	Employment Size	Investment (million Nu.)
Cottage	1 to 4	< 1
Small	5 to 19	1 – 10
Medium	20 to 99	10 - 100
Large	100 +	> 100

Source: Ministry of Finance

The Royal Government of Bhutan accords high priority to the development of CSMI as they play a crucial role in employment creation, income generation and in bringing about regional balanced development. They are more easily established since their requirements in terms of capital, technology, management and even utilities are not as demanding as it is the case for large industries. Initiatives ranging from entrepreneurship development programme and special loan schemes to cottage and small industry productive activities have been implemented in the past.

3.1.2 Employment and Population

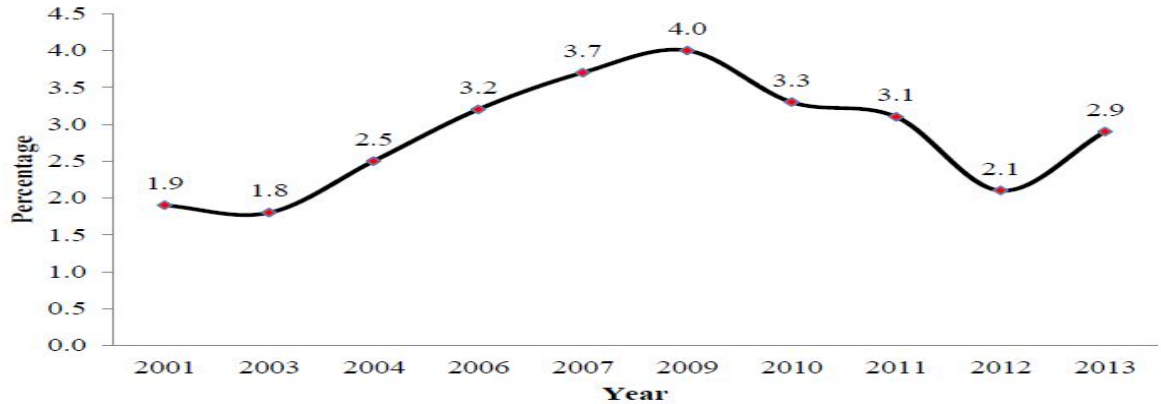
The Labour and Employment Act 2007 governs the employment and working conditions in Bhutan. One of the objectives of the Economic Development Policy 2010 is to achieve full employment by 2020. Full employment is defined as employment of 97.5 percent or an unemployment rate of 2.5 percent.

According to GNHC 11th Five Year plan, employment is defined as “if a person has performed some paid work in cash or in kind, during the reference period for at least one

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hour or the person has a job or business formally attached but temporarily absent from the work and going to resume the work”. “Reference period refers to the week preceding the date of the survey interview”. Labour Force Surveys are conducted by the Ministry of Labour and Human Resources on an annual basis to gather the overall unemployment rates.

Chart 1: Overall Unemployment Rates 2001 – 2013



Source: Ministry of Labour and Human Resources

The overall unemployment rates increased from 2.5 percent in 2004 to 4.0 percent in 2009 and since then declined to 2.1 percent in 2012. Similarly at disaggregated levels, unemployment has decreased by area of residence (rural/ urban), by gender and by youth in 2012.

Table 3: Key Employment Indicators

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Indicators	2009	2010	2011	2012	2013
Population	679,700	696,500	713,200	734,850	745,939
Labour Force	325,700	331,900	334,200	336,391	345,786
Persons Employed	312,800	320,900	323,700	329,487	335,870
Unemployment Rate (%)	4.0	3.3	3.1	2.1	2.9
Population distribution by age structure (%)					
≤15	31.2	30.5	30.3	28.9	29.1
15-64	62.6	64.0	64.1	65.3	65.5
65+	6.3	5.5	5.4	5.8	5.5
Rural-Urban Proportion (%)					
Rural	75.5	69.2	68.5	69.5	69.1
Urban	24.5	30.8	31.5	30.5	30.9
Male-Female Proportion (%)					
Male	49.5	48.6	48.8	48.9	49.6
Female	50.5	51.4	51.2	51.1	50.4
Labour Force Participation Rate (%)	68.5	68.6	67.4	64.4	65.3
By Area					
Rural	71.9	69.3	70.1	66.6	67.9
Urban	63.2	67.0	61.2	59.2	59.5
By Gender					
Male	72.8	73.6	72.3	65.7	72.1
Female	64.6	63.9	67.4	63.2	58.9
Unemployment by area of residence (in numbers)					
Rural	7,500	6,100	5,100	3,663	3,828
Urban	5,400	4,900	5,400	3,241	6,088
Unemployment by area of residence (in %)					
Rural	3.0	2.6	2.1	1.5	1.5
Urban	7.5	5.1	5.9	3.5	6.3
Unemployment by sex (in numbers)					
Male	4,400	4,600	3,200	3,123	4,015
Female	8,500	6,400	7,300	3,782	5,901
Unemployment by sex (in %)					
Male	2.6	2.7	1.8	1.9	2.2
Female	5.3	4	4.5	2.2	3.7
Youth Unemployment Rate (%)	12.9	9.2	9.2	7.3	9.6
Youth Unemployment by area of residence (in numbers)					
Rural	5,400	2,000	2,200	1,743	1,272
Urban	3,600	3,100	2,600	1,732	3,010
Youth Unemployment by area of residence (in %)					
Rural	9.8	4.9	5.7	5	4.0
Urban	25.2	21.4	18.7	13.5	22.8
Youth Unemployment by sex (in numbers)					
Male	3,200	1,800	1,500	1,392	1,887
Female	5,800	3,300	3,300	2,083	2,395
Youth Unemployment by sex (in %)					
Male	10.7	7.1	6.8	7.3	9.2
Female	14.7	11	10.9	7.2	9.9

Source: Labour Force Survey 2013

Agriculture sector continues to be the largest employer accounting for 62 percent of total employment, followed by public administration at 8 percent, manufacturing at 5 percent and others contributing less than 5 percent. In terms of gender, the percentage of females employed are higher in agriculture, wholesale and retail trade, and hotels and restaurants sectors.

Table 4: Employed Persons by Activity and Sex

Percentage distribution of employed persons by economic activity and sex

Major Economic Activity	2009			2010			2011			2012		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Agriculture & forestry	59.11	72.12	65.37	54	65.3	59.4	53.32	67.69	60.15	23.9	38.4	62.2
Mining & Quarrying	0.12	0.2	0.16	0.4	0.2	0.3	0.47	0.26	0.37	0.1	0	0.2
Manufacturing	1.29	8.38	4.7	2.8	5.1	3.9	3.76	6.84	5.22	2	3	5
Electricity, gas & water supply	1.79	0.4	1.12	2.3	1	1.6	3.41	0.91	2.22	1.5	0.4	2
Construction	0.8	0.07	0.45	1.3	0.5	0.8	2.18	0.52	1.39	1.3	0.2	1.5
Wholesale & retail trade	0.12	0	0.06	8.9	10.5	9.6	6.35	11.07	8.59	1.7	2.1	3.8
Hotels & restaurants	0.92	0.86	0.9	1	1.5	1.2	1.7	2.08	1.88	0.8	1.1	1.8
Transport, storage & communications	0.31	0.27	0.29	4.6	1.2	3	4.64	0.65	2.75	2.2	0.3	2.6
Financial intermediation	0.43	0.2	0.32	0.9	0.6	0.7	0.82	0.59	0.71	0.5	0.3	0.7
Real estate, renting & business activities	0.37	0.13	0.26	5.4	2.9	4.1	3.82	1.24	2.59	0.4	0.2	0.6
Public Administration & defence	14.66	2.86	8.99	11	4.7	8	12.52	3.78	8.4	6.9	1.4	8.3
Education	3.33	2.59	2.97	3.2	2.9	3	3.7	2.21	3	2.1	1.3	3.5
Health & social work	1.05	0.6	0.83	1.6	1.7	1.7	1.06	0.72	0.86	0.9	0.5	1.4
Other community, social & personal service activities	9.73	7.32	8.57	2.7	1.9	2.3	1.7	0.59	1.2	3.3	1.3	4.6
Private households with employed persons	5.97	3.99	5.02	0.1	0.1	0	0.53	0.72	0.65	1.2	0.6	1.8
Extra-territorial organizations & bodies	0	0	0	0	0	0	0	0	0	0.1	0	0.1

Source: LFS.

Source: Ministry of Labour and Human Resources

Some of the key challenges identified in the current employment situation in Bhutan are the following:

Quality of employment – While the Royal Government of Bhutan has been successful in reducing unemployment rates, an internal review indicates that the quality of employment could be improved.

- The agriculture and forestry sector continue to be the largest employer while contributing least to GDP growth rate. The impressive economic growth achieved by the secondary and tertiary sectors has not translated into jobs, thereby indicating some levels of inequity in economic growth.
- Even among the employed many are still vulnerable and lack income and social security as 40 percent of those employed are agriculture family workers. Women are particularly vulnerable, as they comprise 27.6 percent in this category.

Creation of new jobs in the productive sector: During the next five years,

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approximately 120,000 jobs seekers will be entering the labour market, which cannot be fully absorbed within the traditional sector. Out of this, 60 percent will be those with education qualifications of Class X and higher. While this presents an opportunity of a large number of educated job seekers, creating jobs that meets the aspirations of these qualified youth will be a major challenge. The Labour Force Survey 2013 estimates that the unemployment rate among the middle secondary education group was the highest at 18.05 percent. This was followed by the higher secondary education group at 22.45 percent and Bachelor Degree group at 30.26 percent. *On the basis of these findings indicating high levels of unemployment among the youth and the urgency to find job opportunities for this demographic over the next 5 years, it was determined that the primary focus of the NES in terms of target market should be the youth.*

Table 5: Job Seekers 2013 – 2018

Level of Education	2,013	2,014	2,015	2,016	2,017	Total
Cl x studying	14,899	15,386	15,537	16,865	16,392	79,079
Cl xii studying	7,163	8,070	8,939	9,232	9,322	42,726
Cl x job seekers	5,380	5,960	6,154	6,215	6,746	30,455
Cl xii job seekers	4,992	5,014	5,649	6,258	6,462	28,375
Degree job seekers	2,189	2,409	2,629	2,849	3,069	13,145
Job seekers (60%)	12,561	13,383	14,432	15,321	16,277	71,975
Other Job seekers (40%)	8,374	8,922	9,622	10,214	10,851	47,983
Total Job Seekers	20,935	22,305	24,054	25,535	27,128	119,958

Source: MoLHR

Source: Ministry of Labour and Human Resources

Projections based on sectoral growth reveal the potential for creating 120,000 jobs for corresponding number of job seekers in the Eleventh Plan. The services sector presents the highest potential for absorbing job seekers followed by industries, including the Creative Industries (CI) sector, and agriculture.

The jobs in service sector - hotels and restaurant; transport, storage and communications; wholesale and retail; real estate, renting and business activities - are expected to grow as a result of doubling of tourist arrivals from 100,000 to 200,000 and the initiation of seven new mega hydropower projects during the Eleventh Plan. The jobs

in the industrial sector are also expected to grow with the commissioning of three new hydropower projects, establishment of power intensive industries and construction activities related to mega hydropower projects. The share of the agriculture sector for new employment is expected to be very low, in absence of any other policy intervention.

Hence, jobs in the formal sector will be available but the greater challenge would be to match supply of jobs with the right skills in the labour market.

Table 6: Employment Projections based on Employment Elasticity of Sectoral Growth

Year	New Employment share of each sector			New Jobs that can be created in each sector			
	Share of Agriculture	share of Industry	Share of Services	Agriculture	Industry	Services	Total
2013-14	3.43%	10.97%	85.61%	717	2,296	17,922	20,935
2014-15	3.58%	11.20%	85.23%	798	2,497	19,010	22,305
2015-16	3.59%	10.43%	85.97%	864	2,510	20,680	24,054
2016-17	2.47%	38.12%	59.41%	630	9,735	15,170	25,535
2017-18	2.15%	45.84%	52.01%	583	12,431	14,106	27,121
Total				3,592	29,469	86,888	119,950

Source: GNHC calculations (2013)

Source: Gross National Happiness Commission

In summary although the unemployment rate has declined from 4.2 percent in 2008 to 2.9 percent in 2013, major challenges with regard to the quality of employment remain. There is also a lack of synergy between the education system and labour force requirements. Specifically human resources needs given the shortage of skilled across sectors, and a mismatch of employee aspirations and jobs available given significant import of labour, particularly in the construction sector.

In the Eleventh Plan, 82,000 new jobs need to be created for approximately 120,000 job seekers, to achieve the target of full employment – defined as employment level of 97.5 percent. The tentative sector-wise new jobs required to be created is presented below. The projections are based on past trends and new potential such as construction of seven new mega hydropower projects and doubling of tourist arrivals in the Eleventh Plan.

Table 7: Employment Projections based on Sectoral Growth

Sector	2013	2014	2015	2016	2017	Total
Agriculture	3,500	3,828	4,255	4,612	4,997	21,192
Hydro Construction	2,406	2,632	2,925	3,170	3,435	14,568
Construction (Non-hydro)/Manufacturing	1,356	1,483	1,649	1,787	1,936	8,211
Culture	919	1,005	1,117	1,211	1,312	5,564
ICT	1,094	1,196	1,330	1,441	1,562	6,623
Tourism	4,287	4,690	5,212	5,649	6,121	25,959
Total	13,562	14,834	16,488	17,870	19,363	82,117
<i>Source: MOLHR</i>						

Source: Gross National Happiness Commission

The National Entrepreneurship Strategy is a key input to creating the conditions for linkages between the education system and human resource needs of the country to address the matching of skills and aspirations to create sustainable self-employment options.

Although the overall official unemployment rate of 2.9 percent remains low by any standard, as highlighted earlier there are concerns relating to the situation of youth unemployment in the country. Currently the youth unemployment (age 15-24 years) is considerably higher than the national rate of unemployment. Among male youth, unemployment stands at 9.2 percent and among female youth at 9.9 percent. These rates are more pronounced among youth in urban areas compared to rural areas, rising sharply to 20.2 percent and 29.5 percent for male and female youth respectively.

Reducing youth unemployment with a focus on quality from its current level to 2.5 percent is one of the key areas of the 11th Five Year Plan. This represents an opportunity to take advantage of the demographic bonus by creating sufficient, adequately productive and remunerative employment opportunity for the labour force. Providing avenues for youth to create and nurture new ventures and explore entrepreneurship as a career path has taken on an added urgency among various

Ministries.

This youthful population provides a demographic bonus or dividend; however, it can also become a challenge. The biggest development challenge facing the Government is therefore, the overwhelming task of creating sufficient job opportunities and skilled human resources to meet the need over the coming ten years. The sharp increase in school enrolment and graduation, a pervasive lack of technical and professional skills, and the low level of an entrepreneurial culture are all factors in this challenge. If left unaddressed, there are potential implications for economic development, social and cultural integrity of the country.

3.2 Business Environment and Entrepreneurship

The ***Doing Business*** Report is a study carried out by the World Bank Group that measures the costs to firms of business regulations. In its most recent 2014 release, the report profiled over 189 countries. The study has become one of the flagship knowledge products of the World Bank Group in the field of private sector development, and is claimed to have motivated the design of several regulatory reforms in developing countries. The study presents every year a detailed analysis of costs, requirements and procedures a specific type of private firm is subject to in all countries, and then, creates rankings for every country. The study is also backed up by broad communication efforts, and by creating rankings, the study spotlights countries and leaders that are promoting reforms.

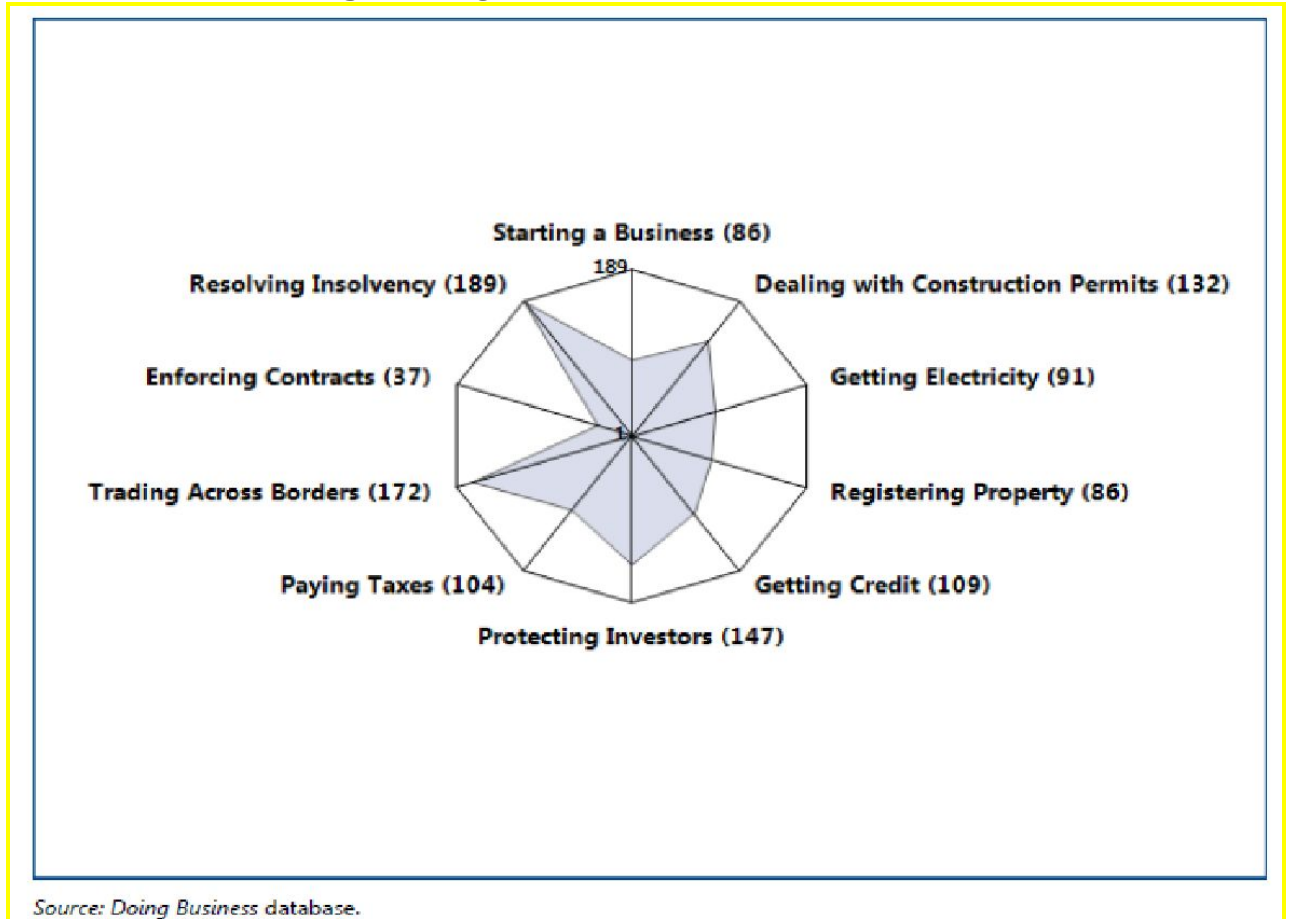
The Doing Business report has been widely known and used by academics, policy-makers, politicians, development experts, journalists and the business community to highlight red tape and promote reforms for small, medium enterprises (SME's). It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and employing workers.

In the 2014 edition of *Doing Business* report overall Bhutan ranks 125 (141 in 2013) out

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of 189 economies – among South Asian counties, only Afghanistan is rated worse. Other neighboring countries include India (131st), Nepal (105th), Bangladesh (130th), and China (96th).

Chart 2: Bhutan ranking on *Doing Business*



Source: World Bank, *Doing Business Guide*

The measure of economic indicators around business regulations is strongly tied to the level of entrepreneurship and an innovative society. These indicators constitute a key action in providing information that can guide the formulation of the NES. Entrepreneurship promotion is a very new concept in Bhutan and has yet to be incorporated in a systematic way within institutional support mechanisms for private sector development. Some of the tables, chart and figure that will be relevant in the sections to follow include:

Table 8: Number of Newly Established Enterprises by Legal Status (Limited company, stock/publically traded company, private individual), 2010

	Ownership	Investment				
		Micro	Small	Medium	Large	
	Private					
	Government					
	Foreign					
	Ventures between Foreign & Bhutanese					
Total						

Source: Establishment Census Report, 2010

Table 9: Number of business supported by MoLHR

Sl.#	Name of the Financial Institutions	Total
1	Credit Guarantee Scheme	88
2	Income Generation Support Program	65
3	Self-finance	49
4	BOiC	5
	Grand Total	207

Table 10: Number of persons engaged in entrepreneurship in different size categories of companies

Sl.No.	Ownership	No. of persons engaged				Total
		Micro	Small	Medium	Large	
1	Privately	28454	1449	218	487	30613
2	Government	508	42	21	76	647
3	Foreign	34	0	0	4	38
4	JV between Foreign & Bhutanese	55	4	0	34	92

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TOTAL	29,05 1	14,99	239	601	31,390
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Source: Establishment Census Report, 2010

4 NATIONAL ENTREPRENEURSHIP STRATEGY

4.1 What is Entrepreneurship?

For the development of the NES, this document uses the following definition for entrepreneurship:

Entrepreneurial activity is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.

Therefore, *Entrepreneurship* is the phenomenon associated with entrepreneurial activity (Sources: UNIDO, Global Entrepreneurship Monitor, Kauffman Institute).

It should be noted that there are different types of entrepreneurs, including entrepreneurial business owners, intrapreneurs (those that behave like an entrepreneur within a large organization) and managerial business owners. One of the challenges of the NES is to find one general type of definition, which can be used to guide policy in this area. Nonetheless, most definitions of entrepreneur will take into account the individual aspect, the innovative aspect and the commercial orientation, or a combination of the three factors. In addition entrepreneurs are people, who are at different stages of life and at different stages of starting, managing and growing their own businesses, in other words, at different stages of the entrepreneurial journey.

It should also be highlighted that socio-religious context also plays a role in the pursuit of entrepreneurship: whether to start a business or which business opportunity to pursue? Entrepreneurs as ‘agents of change’ or ‘innovators’ do not occur in isolation, but rather within a particular social framework that comprises many dimensions of political, economic, and religious elements. Specifically the 11th Five Year Plan (FYP) refers to the

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fundamental goals and objectives of the country:

- 1) Ensure the peace and well-being of the people and sovereignty and security of the country;
- 2) Ensure the security that comes when people are united in their love for the country and are united in their efforts to further secure, consolidate and handover an even stronger national to their children;
- 3) To build a vibrant democracy – fortifying its roots, properly understand its tenets and judiciously exercising right in ways that will benefit the national;
- 4) To achieve the goal of self-reliance – which entails changing the mindset, way to working and to succeed through hard work and sweat;
- 5) The realization of development philosophy of GNH.

In the case of entrepreneurship, this pursuit or endeavor must be seen through the lens of Bhutanese society where there is a strong focus on community relationships and sense of obligation to maintain community harmony – entrepreneurship is more focused on good for the community, rather than for the entrepreneurial drive to challenge the status quo.

The definition of entrepreneurship as it relates to the NES mainly refers to those persons in the pre-start-up, start-up and early phases of business ownership. The main reason for this is that these are the targets for MoLHR’s entrepreneurship policy measures and as a result much of the entrepreneurship policy measures recommended in the NES are taken to stimulate individuals to behave more entrepreneurially. This is primarily done through *influencing motivation, opportunity recognition, development of skills and societal encouragement.*

4.2 The Role of Entrepreneurship

The research continues to link entrepreneurial activity and economic prosperity. A recent published Global Entrepreneurial Monitor 2013 states, “Variations in rates of entrepreneurship may account for as much as one-third of the variation in economic growth.” The GEM study then examines the culture and economic policies of 10 nations to

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determine which factors either support or impede the emergence and growth of an entrepreneurial economy. One can assume that there are also a variation at the sub-national level affected by differences in state policies and approaches to economic development.

Entrepreneurs contribute to economic and social development by:

- Developing and commercializing innovative products and services that improve quality of life and improve the country's position in the global economy;
- Generating new industries and firms;
- Creating employment opportunities and enhancing economic growth;
- Introducing new methods and technology;
- Contributing to development growth/wealth creation which can be re-invested in new economic enterprises and, through philanthropy, in communities. This is particularly the case with social entrepreneurs who use their business and creative skills to help identify and solve problems that have an immense societal impact such as health, education and alternative energy.

Government can play a significant role in supporting the emergence and success of entrepreneurial enterprises. The intersection of these two precepts—the value of entrepreneurship to the overall economy and the impact of state actions on the business climate – has significant implications for state officials and policymakers.

One item to highlight is that the majority of entrepreneurship policies across the globe do not regard self-employment as 'entrepreneurship'. Rather, entrepreneurship has some element of innovation and growth potential. **Entrepreneurs bring employment and productivity gains through innovations and enhance competitiveness.** The development of entrepreneurship policy strives to promote and strengthen the requisite competence to this end. When entrepreneurs succeed, they revolutionize markets. When they fail, they still keep incumbents under constant competitive pressure and thus stimulate progress. Global Monitor Report shows that innovation and entrepreneurship is

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the main engine for economies to evolve and regenerate. While this paradigm has merit, entrepreneurship policy in a developing country like Bhutan cannot ignore the self-employed segment of the economy. Not only do these ‘necessity based’ entrepreneurs seek to employ themselves, but often they form an integral part of the informal sector, which contributes to GDP and employment. It is, therefore, necessary to craft an entrepreneurship strategy that also targets the concerns of self-employed micro entrepreneurs as well as under-represented groups like women, youth and other disadvantaged rural community groups.

In summary, an entrepreneur is an individual who identifies opportunities in the marketplace, allocates resources, and creates value. Entrepreneurship—the act of being an entrepreneur—implies the capacity and willingness to undertake conception, organization, and management of a productive new venture, accepting all risks and seeking profit as a reward. It has the potential to contribute to specific sustainable development objectives, such as the employment of women, young people or disadvantaged groups.

The entrepreneur is at the heart of the National Entrepreneurship Strategy.

4.3 NES Mission

The mission of the National Entrepreneurship Strategy of the Kingdom of Bhutan is *‘to create an eco-system that supports, sustains and grows opportunity based innovative entrepreneurship with the objective to drive the country towards achieving high levels of human development and contribute to the maximization of the GNH of the country’.*

NES should strive to develop entrepreneurship strategies and policies as well as stimulate greater complementary of policy making within the various Government Ministries in the area of entrepreneurship.

Royal Government of Bhutan has deliberately chosen to propose a NES that is consistent with the concepts of Gross National Happiness. It is organized around four pillars –

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sustainable development, preservation of culture, environmental conservation and good governance – which seek to balance the material and the spiritual by resisting unchecked development.

As a result of formulating this document, the NES policy measure will be:

- aimed at the pre-start, the start-up and post-start-up phases of the entrepreneurial process,
- designed and delivered to address the areas of Initiating Motivation, Recognizing Opportunity and Developing required Skills.

The parameters for the entrepreneurship strategy span a range of measures aimed at addressing the needs of people as they take the journey from awareness of the option, to exploring the option, to planning and starting the business, through to the critical three to five years survival period of a new venture.

It is important to clarify that the proposed NES is different from Micro, Small and Medium Enterprise (MSME) or Small Medium Enterprise (SME) Development Policy. While MSME/SME policy focuses on existing enterprises or a group of enterprises (clusters), entrepreneurship strategy focuses on individuals with an expectation that they would move towards entrepreneurship. The client in the case of an MSME Policy is a firm, a physical entity, unlike the entrepreneurship strategy where the focus is on the individual entrepreneur.

The Entrepreneurship strategy encompasses multiple stages in the emergence of an enterprise from pre-start to stabilization and growth. It usually focuses on motivation, opportunity and skills with the primary objective of encouraging people to venture out. Moreover, while an MSME Policy uses ‘hard policy instruments’ to directly benefit established firms (policy, regulatory framework, financial instruments); entrepreneurship strategy uses ‘soft’ policy measures such as awareness, promotion, education, skill development, networking and mentoring, and aims to change the

mind-set of target group.

4.4 NES Objectives

The overall objective of the National Entrepreneurship Strategy is to underpin the importance of entrepreneurship as an explicit policy priority for job creation, innovation activity and economic growth. This includes enhancing the environment to foster opportunity, rather than necessity-driven entrepreneurs.

Specific sub-objectives include:

3.4.1 Instill entrepreneurial values in society at large and develop the mind-set of people towards a culture of entrepreneurship;

3.4.2 Create awareness about the benefits of being an entrepreneur as a career objective and the process of entrepreneurship;

3.4.3 Encourage more dynamic start-ups by motivating youth (educated and those with non-formal education) and women to consider entrepreneurship as a preferred and viable career;

3.4.4 Support early phase of entrepreneurship development including the pre-start-up, potential as well as early post start-up phase and growth enterprises;

3.4.5 Facilitate creation of social and sustainable enterprises to address the needs of those that are less advantaged;

3.4.6 Ensure adequate availability and flow of information to potential entrepreneurs;

3.4.7 Eliminate entry and exit barriers (depending on the size of the business), create business friendly, conducive regulatory and policy environment to reduce administrative burden related to compliances of various kinds.

In many of the consultations held, it was repeated that Bhutan needs to create 'job

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providers’, rather than ‘job seekers’. This will address the twin problems of unemployment reduction and poverty alleviation. The focus will be encouraging and fostering opportunity-driven competent entrepreneurs, rather than ‘necessity-driven’ entrepreneurs as they have a greater tendency to generate employment for others and are resilient in character to persist in their business venture(s).

To achieve the above stated objectives, MoLHR through the implementation of the NES will follow a multi-pronged strategy that focused on the following activities:

- a) Sensitizing, Promoting and Igniting Entrepreneurship
- b) Creating and Fostering Entrepreneurship
- c) Nurturing Entrepreneurship
- d) Recognizing and Celebrating Entrepreneurship
- e) Institutionalizing the Entrepreneurship Mindset and Movement

Most of the abovementioned activities will be addressed under the UNIDO and United Nations Conference and Trade and Development (UNCTAD) framework modules of entrepreneurship education and building awareness /networking, which will comprise the majority focus of the NES.

4.5 Opportunities and Challenges

The development of entrepreneurship in a particular environment depends not on a single overriding factor but rather on a combination of factors at the individual, societal and national levels. Entrepreneurship depends on individual motivations, individual experiences, socio-cultural (including family) traditions, educational opportunities, creativity, availability of relevant skills and attitudes, supporting financial institutions and access to credit, existence of commercial trading centres and networks, supporting infrastructure including transport and communication facilities, macro-economic environment and overall political stability.

NES came up an ‘Entrepreneurship Indicator’ program which would build internationally

comparable statistics on entrepreneurship and its determinants, whose aim is to create a durable, long-term, programme of policy-relevant entrepreneurship statistics to monitor progress. Although there exists several organizations, such as research centres, and financial institutions (World Bank) that gather this information, an indicator matrix that factors in GNH should be conceived. This has the ability to broaden the definition of successful entrepreneurship and can engage other countries that are looking at outputs beyond GDP, yet still recognizes the impact and contribution to productivity, wealth and employment creations. However, the absence of scale economies, unequal access to finance, mismatched skills of the labour force (vis-à-vis market requirements) and the lack of adequate infrastructure also limits growth of the private sector.

Understood in this context, the task of developing a National Entrepreneurship Strategy for Bhutan is both complex and challenging. Being a strategic initiative, it is also important that the adopted framework is supported by sound theoretical foundations, research and experience. Based on a literature review of the strategy and policy formulation process, the NES will adopt a framework for developing an entrepreneurship strategy based on that proposed by international organizations including UNCTAD and UNIDO.

4.6 Entrepreneurship Framework

In analyzing the inputs to the NES, this document utilizes the paradigm developed by *UNCTAD's Entrepreneurship Policy Framework* aims that support developing-country policymakers and those from economies in transition in the design of initiatives, measures and institutions to promote entrepreneurship. It sets out a structured framework of relevant policy areas, embedded in an overall entrepreneurship strategy that helps guide policymakers and professionals as well service providers through the process of creating an environment that facilitates the emergence of entrepreneurs and start-ups, as well as the growth and expansion of new enterprises. The framework recognizes that many countries have a dedicated '***National Entrepreneurship Strategy***'.

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The Entrepreneurship Strategy Framework is narrower in scope and focuses specifically on policies aimed at promoting the emergence of new entrepreneurs and facilitating new business start-ups in developing countries and transition economies. Given this focus, the framework also pays attention to how entrepreneurship strategy interacts with broader private sector development and general economic policies, as well as policies that contribute to improve the business climate. The framework aims to help policymakers to formulate policies to promote entrepreneurship across all sectors and industries, independent of the level of innovation, and including profit-seeking ventures and those with social entrepreneurship objectives. It also acknowledges the importance of the informal sector, although policy initiatives aimed at facilitating entrepreneurship will, by necessity, tend to promote formal business start-ups or transitions out of informality.

The overarching goal of the framework is to contribute to inclusive and sustainable development in developing countries and economies in transition. The design principles that underpin the document were employed in the development of the Bhutan NES, namely: there was an extensive consultation between government and representatives of all sectors of business activity, local communities, education and financial institutions.

STAKEHOLDER CONSULTATIONS FOR DEVELOPING NATIONAL ENTREPRENEURSHIP STRATEGY:

- *Over 100 stakeholders consulted through meetings, workshop, interviews, conferences and field visits.*
- *These include officials from government ministries, industry bodies/ representatives, business owners, students, faculty and management of education and training institutes, youth and job seekers, financial institutions, incubators, civil society organizations and development agencies.*

During these interactions it was noted that the sustainability aspects of the NES, i.e. poverty reduction, gender equality and environmental protection, are core goals. This is

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aligned with the values espoused by the Royal Government of Bhutan through its Gross National Happiness Committee and expressed in 11th Five Year Plan.

The UNCTAD framework and UNIDO recognize that in designing entrepreneurship policy “one size does not fit all”. It highlights the key policy areas to take into account and suggests policy objectives and options in the form of recommended actions in each area. Although the national economic and social context and the specific development challenges faced by a country will largely determine the overall approach to entrepreneurship development, UNCTAD has identified several priority areas for policy focus that have contribute to the development of an entrepreneurship policy impact.

These are:

- 1) *Formulating National Entrepreneurship Strategy*
- 2) *optimizing the regulatory environment*
- 3) *enhancing entrepreneurship education and skills*
- 4) *facilitating technology exchange and innovation*
- 5) *improving access to finance*
- 6) *promoting awareness and networking*

Chart 3: Entrepreneurship Strategy Framework

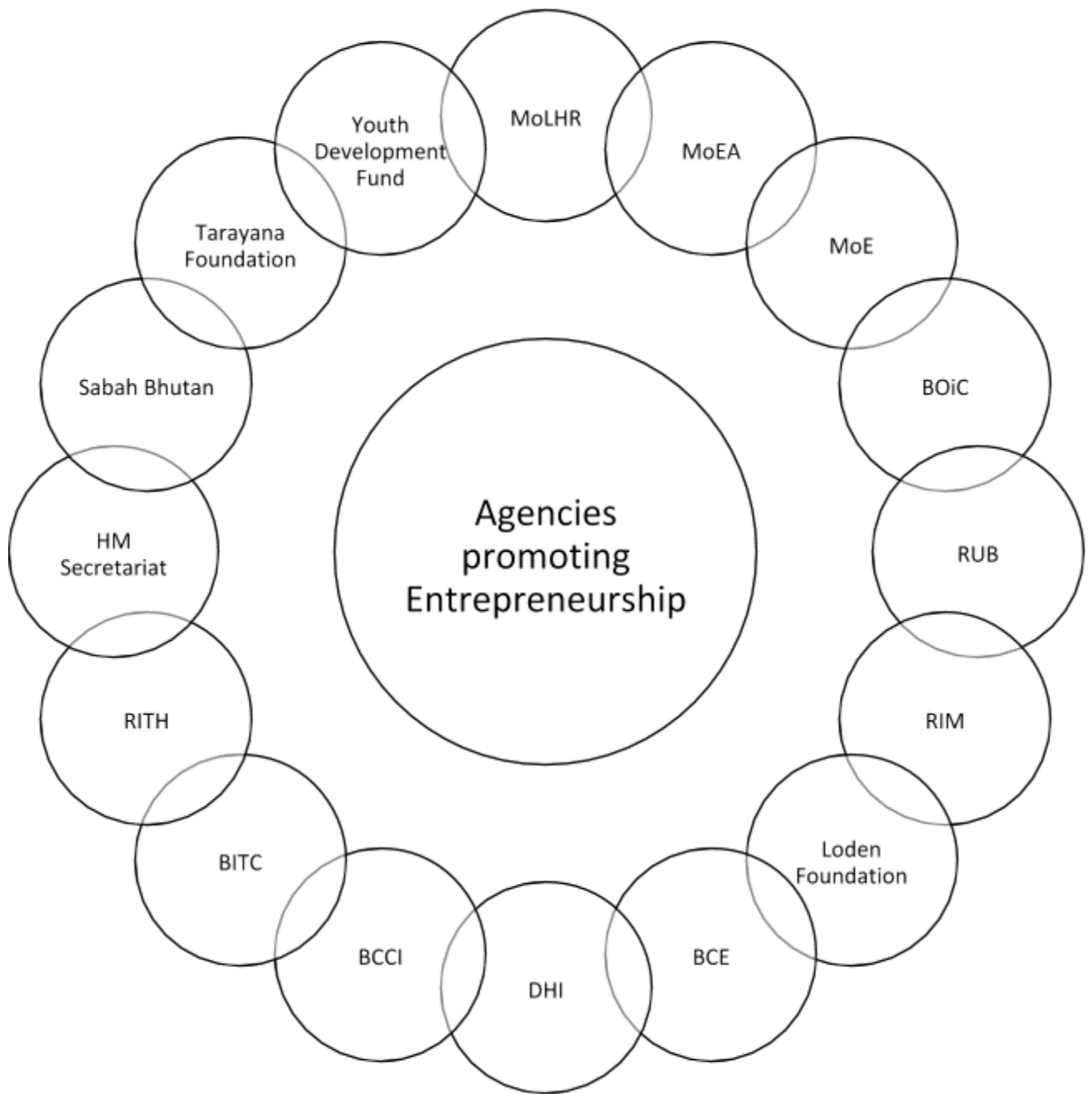


Source: United Nations Conference and Trade and Development (UNCTAD)

The following chart identifies the government and private sector entities carrying out entrepreneurship.

Chart 4: Entrepreneurial eco-system in Bhutan

Source: Derived from NES workshop



5 INPUTS TO ENTREPRENEURSHIP DEVELOPMENT

The National Entrepreneurship Strategy will provide the baseline and vision for the governments' approach to entrepreneurship development in Bhutan.

This section of the NES document will cover various inputs to entrepreneurship.

5.1 *Optimizing the Regulatory Environment*

Target: *MoEA, MoLHR, MoE, MoIC, MoF, MOAF, GNHC, RMA, NLC, Dzongkhags, Local govt.*

Policy objectives	Policy options
a. Examine regulatory requirements for start-ups	<ul style="list-style-type: none"> • Benchmark time and cost of starting a business • Benchmark sector- and region-specific regulations • Set up public-private dialogue on regulatory costs and benefits • Balance regulation and standards with sustainable development objectives
b. Minimize regulatory hurdles for business start-ups where appropriate	<ul style="list-style-type: none"> • Review and, where appropriate, reduce regulatory requirements (e.g. licenses, procedures, administrative fees and land requirement) • Introduce transparent information and fast-track mechanisms and one-stop-shops to bundle procedures • Enhance ICT-based procedures for businesses registration and reporting
c. Build entrepreneurs' confidence in the regulatory environment	<ul style="list-style-type: none"> • Ensure good governance • Make contract enforcement easier and faster • Establish alternative conflict resolution mechanisms • Reduce the bankruptcy stigma and facilitate re-starts • Constructive failure

d. Guide entrepreneurs through the start-up administrative process and enhance the benefits of formalization	<ul style="list-style-type: none">• Carry out information campaigns on regulatory requirements• Make explicit the link between regulatory requirements and public services, including business support services• Assist start-ups in meeting regulatory requirements• Focus on high-growth entrepreneurship
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Creating a business environment conducive to entrepreneurship and enterprise creation requires a broad range of reinforcing and supportive policies. These include fiscal and monetary policies, which are essential to provide a basis for a stable macroeconomic environment. They also include structural policies that determine the overall economic framework in which the business sector operates, such as those affecting labour markets, tax policies, competition, financial markets and bankruptcy laws.

There is considerable evidence that regulatory and administrative burdens can impose adversely on entrepreneurial activity. The regulatory environment should encourage people to set up their own business, to try new business ideas and to take on calculated risks, keeping administrative burdens to the minimum required to support public policy and sustainable development objectives.

Regarding the barriers to entry, we can look at the complexity of creating a company: in some countries, the entrepreneurs need one day to register an enterprise, in others, they need 20 weeks; in addition to registration requirements, some countries require skill qualification when the activity is deemed to be an artisanal nature or the elaboration of a business plan certified by a business expert which attests to the enterprise viability. Employment regulation limits management flexibility and leads to smaller firm size and less research and development as well as less investment in technology.

Barriers to exit may also discourage entry, since exit and entry rates tend to be closely related. Since firm entry involves considerable risk, with survival chances that are

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difficult to assess, institutions that make exit very costly discourage entry.

Bhutanese should develop cultural tolerance on the constructive failure in business. Without tolerating large number of failures, it is impossible to achieve true innovation. Indeed, a Harvard University study shows that entrepreneurs who have failed in their previous enterprise have an almost one-in-five chance of success in their next start-up, which is higher success rate than that for first time entrepreneurs not far below that of entrepreneurs who have had a prior success. The true culture of innovation is fear of loss often proves more powerful than the hope of gain.

According to the 2014 *Doing Business* report by the World Bank, in the category of 'starting a business', Bhutan ranked 92th out of 189 in the global ranking (up from 106th position in the previous year). Information on the following indicators were collected:

- Procedures (number)
- Time (days)
- Cost (% of income per capita)
- Paid-in minimum capital (% of income per capita)

As compared to other countries, in the region as well as the OECD, Bhutan's weakness ranking was in the area of time (the total number of days required to register a firm). In this regard, companies had to wait 32 days (versus 16 in South Asia and 11 in OECD countries). It should be noted that the World Bank report does not have information on resolving insolvency issues for companies, which resulted in a ranking of 189 for Bhutan. The length of time required for construction permits (e.g. to build a warehouse) also was significantly higher for companies based in Bhutan, as compared to other South Asian or OECD countries.

In the initial phase of a business, once an entrepreneur has started a business, expenditures generally exceed revenues. Second, entrepreneurs tend to reinvest the gains from their initial business in successive enterprises. In this regard, the government

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can use tax policy to support entrepreneurs in two ways: the general tax structure and tax incentives that reward specific business practices.

Some of the state fiscal policies that could support entrepreneurs can include:

- Reduction in tax rates
- Targeted tax credits
- Sales tax exemptions on machinery and equipment for businesses
- Absence of income taxes
- Tax incentives based on geographic location of the business (e.g. regional districts) or job tax credits, capital investment tax credits
- Tax incentives and provisions for engaging in social entrepreneurship

It should be noted that the concept of entrepreneurship is mentioned in the 2012 Cottage, Small, Medium Industry (CSMI) Policy and recommends a number of activities on the regulatory front.

“Bhutanese society prioritizes public administration over enterprise / business yet its key competitors include China, India and the ASEAN bloc countries, all of which emphasize enterprise development. The Tenth Five Year Plan emphasizes that it is critical for a culture of entrepreneurship to be developed at all levels of the education system and all spheres of economic activity, which reinforces the importance of entrepreneurship and the contribution of entrepreneurs to employment generation, low carbon business, wealth creation, environmental and social protection, and poverty reduction (rather than seeing public administration / white collar jobs as the only ideal). The growth of the knowledge economy and rapid developments in consumer preferences, product life cycles, etc. place a premium on the development of a deep and diverse talent pool, combined with a capacity to match labour market demand with the supply of human capital, with an emphasis on gender equality.”

5.1.1 Strategic Recommendations

The reduction in administrative challenges for entrepreneurs would not only improve the enabling business environment (through the reduction of red tape), but also has the potential to improve entrepreneurs' experience and open up new market opportunities.

As a result the NES recommends that the MoLHR should, along with other government departments under the following activities:

4.1.1.1 Identification of incentives: Identify targeted incentives to entrepreneurs for the development of key sectors and value chains that are currently underserved.

4.1.1.2 Conducive legislation: Develop conducive legislation for Cottage, Small and Medium Industries that helps them to set up businesses.

4.1.1.3 Guide entrepreneurs through the start-up administrative process: in other words, reduce the prohibitive costs, time and bureaucracy associated with starting and operating a business to create a more enabling environment for entrepreneurship.

4.1.1.4 Business Information centre: This last recommendation is particularly important for certain groups of entrepreneurs, and it is generally important for start-ups, because new entrepreneurs are not familiar with common processes and often have to go through many initial administrative procedures for registering their business, obtaining licenses and authorizations, exactly at the time when they are struggling in the process to build their new business. A business service group that provides a one-stop service centre (staffed by knowledge experienced staff) for entrepreneurs and provides the following information can be beneficial:

- Relevant publication/forms
- Contracting assistance
- Publications and relevant manuals
- Electronic filing

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- Pointers to an established network of private providers (for businesses)

In this regard, in November 2013, the Royal Government of Bhutan announced a commitment of Nu 1.9 billion to restart of the Business Opportunity and Information Centre (BOIC), as an autonomous entity, through which the government will support entrepreneurship. This will be done in collaboration with various agencies that are involved in entrepreneurship development.

4.1.1.5 Bhutan should focus on high-growth entrepreneurship start-up that uses specialized talent from engineers, technologists to business managers and marketers to commercialize radically innovative idea.

5.2 Enhancing Entrepreneurship Education and Skill Development

Target: *Educational Institutions – secondary schools, colleges, universities and technical training institutes*

Policy objectives	Policy options
a. Embed entrepreneurship in formal and informal education	<ul style="list-style-type: none">• Mainstream the development of entrepreneurship awareness and entrepreneurial behaviours starting from primary school level (e.g., risk taking, teamwork behaviours, ...)• Promote entrepreneurship through electives, extra-curricular activities, career awareness seminars and visits to businesses at secondary school level• Support entrepreneurship courses, programmes and chairs at higher education institutions and universities

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	<ul style="list-style-type: none">• Promote vocational training and apprenticeship programmes• Promote and link up with entrepreneurship training centres• Establishment of autonomous institute for entrepreneurship development in the country.• Creative and innovative entrepreneurial culture
b. Develop effective entrepreneurship curricula	<ul style="list-style-type: none">• Prepare basic entrepreneurial skills education materials:- Personal Entrepreneurial Competencies (PECs), Myer Briggs Type Indicators, Johari Window, Entrepreneurial Financial Lab (EFL), SCAMPER, Value Engineering, etc.• Encourage tailored local material, case studies and role models• Foster interactive and on-line tools• Promote experiential learning- by- doing methodologies
c. Train teachers and Trainers	<ul style="list-style-type: none">• Ensure teachers engage with the private sector and with entrepreneurs and support initiatives that bring entrepreneurs to educational establishments• Encourage entrepreneurship training for teachers and trainers• Promote entrepreneurship educators' networks
d. Partner with private sectors, Institutes, Universities, CSOs, International agencies	<ul style="list-style-type: none">• Encourage private sectors, Institutes, CSOs sponsorship for entrepreneurship training and skill development• Link up business with entrepreneurship education networks with national and international organizations

e. Instituting extended programmes

- Springboard Business Accelerator programmes
- Instituting Business Development Services
- Develop business mentoring, coaching, and counselling programmes with participants from experiences and successful businessmen and academicians.

Entrepreneurial skills centre around *attitudes* (soft skills), such as persistence, networking and self-confidence on the one hand and *enabling* skills (hard skills) on the other hand, including basic start-up knowledge, business planning, financial literacy and managerial skills. Effective entrepreneurship education policies and programmes focus on developing these entrepreneurial competencies and skills, which are transferable and beneficial in many work contexts. The aim is not only to strengthen the capacity and desire of more individuals to start their own enterprises, but also to develop an entrepreneurial culture in society.

Entrepreneurship education is usually not an explicit part of the curriculum of educational institutions at any level in most countries. Instead, hard and soft entrepreneurship skills are taught as part of basic subjects, or through teaching methods. Thus, strategic policies on entrepreneurship can ensure that entrepreneurship is embedded into the formal educational system as well as offered as a formal subject through community, rural and apprentice training programmes. Mainstreaming entrepreneurship into the national education curriculum can be coordinated by the Ministry of Education, Ministry of Labour and Human Resources, , Ministry of Economic Affairs, and Royal University of Bhutan. In addition, the engagement of other stakeholders is valuable. Business, NGOs, foundations, international organizations, government agencies and other stakeholders have important roles to play and need to be engaged in the process of developing and implementing entrepreneurship education policies. Regional and local authorities also play an essential role in promoting entrepreneurship

education in the local community. Finally, for future policy action in this area, it is important that precise, comprehensive and objective quantitative data are developed to monitor progress.

Entrepreneurship education is the first and the most important step for embedding an innovative, creative culture and for generating a critical mass of entrepreneurs, entrepreneurial individuals and organizations that would contribute to the socio-economic development of Bhutan. At a general level, the multi-dimensional nature of the required entrepreneurial skills originates in education and involves a combination of critical, i.e. 'hard' skills, such as (objective, analytical and logical) as well as creative and empathetic, i.e. 'soft' skills and thinking (lateral, imaginative, design and emotional).

5.2.1 Strategic Recommendations

4.2.1.1 Embed entrepreneurship in formal and informal education

Perceptions and attitudes about entrepreneurship start at a young age. In developing countries, enrolment rates after primary education may decrease rapidly, and, therefore, entrepreneurship education should be considered a priority at early levels. Entrepreneurship education at the primary school level focuses mainly on soft skills, including entrepreneurship awareness and the development of entrepreneurial behaviours (e.g. risk taking, teamwork skills, opportunity seeking). The adoption of awareness programmes with interactive games and, where feasible, online tools useful. At secondary level, students need to be informed about self-employment as part of career development and mentored about their choices. Students also need to learn basic business skills, such as economics, marketing and rudimentary local commercial law. The implementation of extra-curricular activities, including visits to businesses to understand the world of work has yielded good results in some countries.

Student-led initiatives are also useful to initiate special projects to establish links with local communities, serving their needs. At the higher education level, attending elective

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and/ or required courses on entrepreneurship, as well as participating in more focused activities and projects, has proven effective. It is important that students are exposed to entrepreneurship prior to their specialization, if they go on to college and university.

Vocational schools offer the largest variety of specialized programmes in such trades as carpentry, electronics, auto-mechanics, building trades, welding, computer-automated design and manufacturing (CAD/CAM), and many other technical and apprentice-type occupations. In addition, there are also cases in which such training institutions identify companies' demand for skills and define courses based on those demands. In some variants oriented towards self-employment, internships in companies are replaced by supervised implementation of an independent productive project with coaching provided by a mentor. With the introduction of entrepreneurship teaching in vocational schools, young people can learn how to enter self-employment, subcontracting, and small business in all these fields.

At the college and university level, entrepreneurship centres can play a key role in promoting entrepreneurship both within and outside of the curriculum. These centres provide a dedicated space where ideas can be incubated and start-ups supported by experts available through the college and university's network of mentors. Entrepreneurship education should be encouraged across different university disciplines. It should not be limited to business majors or students in specialized science, engineering and technology programmes. Beyond embedding entrepreneurship education at the different levels of the formal education system, supplementary programmes are useful in order to target specific segments of the population, including youth, women, rural populations and other potentially underserved groups. These might include after school programmes or activities in community centres.

The young people lose their enthusiasm and interest to become entrepreneurs because they believe that they lack the capacity to start and manage a business. In addition the dream of owning one's own business can easily dissipate over time as other priorities

take over. Early and continued exposure to entrepreneurship education can greatly increase the self-confidence of potential start-ups and business owners.

4.2.1.2 *Industry-Specific Curriculum:* One additional way that the NES can support the growth of an entrepreneurial sector is by ensuring that institutions of higher learning and colleges produce graduates who are literate in the technologies associated with specific industry sectors. For example, the vocational institutions can partner with the private sector agencies to develop new curriculum in the following disciplines: tourism, computer science, systems engineering, electrical engineering, and telecommunications. In this regard, there should be greater interaction between the various Business entities and the educational institutions.

4.2.1.3 *Develop and expand effective entrepreneurship curricula to the schools:* Develop guidelines for entrepreneurship education for inclusion in the curriculum in schools, including business ethics, enterprise management. This includes entrepreneurship training in both vocational education as well as secondary schools. For example: Introduce manuals in secondary school curricula on 'How Things Work' on various practical aspects of everyday living to explore innovative thinking to youth. Entrepreneurship modules could also be developed for college students and those in technical training institutes. Introduce behavioral and soft skills training in secondary school education level to inculcate entrepreneurial traits: communication skills, interpersonal skills, professional attitudes and business etiquette. These would be undertaken in co-ordination with initiatives with Ministry of Education, Royal University of Bhutan and MoLHR.

Without encouragement and support during their elementary and secondary education, many students might forego entrepreneurship education opportunities at the post-secondary level. Therefore the economy might miss out on reaching the next generation of entrepreneurs. It is important to design courses specifically for secondary school students which require them to think critical and develop opportunity recognition skills. For example, integrated Entrepreneurship Awareness Programmes and

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Entrepreneurship Orientation Programmes can be organized periodically in secondary and vocational schools, to expose the students to the concept of entrepreneurship and the emerging opportunities in the field with the help of tools like Personal Entrepreneurial Competencies (PECs), Myer-Briggs Type Indicators (MBTI), Johari Window, Entrepreneurial Finance Lab (EFL), SCAMPER model, Value Engineering, etc.

- ✓ The development of personal competencies including: working in a team, self-confidence, self-awareness, calculated risk taking, problem solving, creativity, thinking as employers rather than as employees and dealing with uncertainty in an enterprising way.

Empretec Personal Entrepreneurial Competencies (PECs):

1. Goal Setting	6. Fulfilling Commitments
2. Information-seeking	7. Demand for Efficiency and Quality
3. Systematic Planning and Monitoring	8. Taking Calculated Risks
4. Opportunity-seeking and Initiative	9. Persuasion and Networking
5. Persistence	10. Independence and Self-Confidence

- ✓ The acquisition of core operative skills: numeracy, accounting, communication, ICT and rudimentary knowledge of commercial law and governance principles. They represent the fundamentals for operating effectively in a working environment, and help improve personal and family budgets and management.
- ✓ Business & management skills: competitive advantage analysis, market research, business plan development, marketing, financial management, sales and human resources. Curricula should include case studies and exercises in setting up and running a company and should develop the knowhow to identify and exploit business opportunities for solving social and/or environmental issues. Financial and human resource management skills that are necessary for the formation and survival of a new enterprise should also be introduced.

Effective entrepreneurship curricula introduce experiential learning through interactive teaching methods that incorporate practical experience and encourage learning-by-doing.

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Further, entrepreneurship curricula should be tailored to the local environment and leverage existing resources as well as create new local materials, case studies and include examples of local role models to whom the students can more easily relate. Students can participate in the elaboration of case studies. Role models would ideally include adequate representation of women, youth, indigenous people, and people with a disability, as well as informal enterprises and those based in rural areas

Students add immense value if given the opportunity and support to act. Successful examples include

- i. creation of a student run entrepreneurship club,*
- ii. running a start-up hub on campus,*
- iii. introduction of paid student entrepreneurship interns, which work across the campus to promote and support entrepreneurship actions and*
- iv. to carry out applied entrepreneurship research.*

The NES should seek to turn students into partners and creators of entrepreneurship activities. At some point, it can even be evaluated whether entrepreneurship will be made a compulsory subject at the secondary level in all the schools.

4.2.1.4 Engage industry/private sector: Expand colleges and universities provided opportunities for internships for students in which they learn about or practice entrepreneurial behavior. This could involve placement of interns in entrepreneurial companies to observe real-world applications of their classroom instruction in a business environment. These internships often include a project-specific assignment. The private sector and entrepreneurial firms should also be encouraged to provide input on the design of university curricula with the objective to incorporate more ‘practical’ or real-world learning experiences. Undertake an Assessment of the internship opportunities for vocational and university students to bridge the gap between academic and practical experience.

4.2.1.5 Professional Development for Teachers and Trainers: To raise the quality of education and training, support teachers training to specifically address the need to instill entrepreneurship qualities and aptitude among students. This could be a teacher-training centre or program that would focus on enterprise development and skills both within student and faculty.

Teachers and Trainers are key to instilling basic entrepreneurial skills and to develop enthusiasm and understanding among students. There are no subject to teach entrepreneurship in primary, secondary and high secondary level and not enough qualified human resources to teach entrepreneurship at technical training institutes, colleges and universities. There are examples of cases where introduction of entrepreneurship courses at colleges level in developing and transition countries has been made possible through transfer of knowledge and know-how with reference to teaching and learning methodologies, for example, *Creation of Entrepreneurs through Formation of Enterprises (CEFE)* conceived by GTZ, *Start and Improve Your Business (SIYB)* by ILO, *Youth Business International* by The Prince of Wales International Business Leader, UK. The network of those adept at entrepreneurship education should:

- a) expand to include secondary and vocational professionals and
- b) provide entrepreneurship teacher and trainers training through seminars, platforms of learning and exchanges with entrepreneurs.

Expertise and programmes in the area of entrepreneurship education could be further disseminated through entrepreneurship educators' networks at national, regional and international levels. Minimum of 200 teachers and trainers should be trained to get entrepreneurship program going.

4.2.1.6 Launching springboard business accelerator programmes, business development services, business mentoring program to inculcate the entrepreneurship culture: this program would provide aspiring entrepreneurs with the tools, strategies and confidence needed in order to create their own ventures. Participants would understand

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how to assess, determine feasibility of, and launch and grow new businesses or reinvigorate existing businesses. Practical learning on how to grow and nurture the business through effective brand building, cash flow management and resource allocation. Participants would also gain a better understanding of themselves as entrepreneurs including their motivations, roles, and key responsibilities.

Why mentoring is relevant to Bhutan: One of the principal weaknesses of Bhutan's entrepreneurial system is the private sector and its ability to play a role in the emergence of an entrepreneurial culture. And yet, the private sector is the main source of entrepreneurial experience. Business mentoring is an excellent way of improving the expertise of youngsters over a short period, by using the knowledge of more experienced people.

5.3 Facilitating Technology Exchange and Innovation

Target: Business Incubation Centres/Clusters, SEZ, private sectors, government, colleges, universities, institutes, research bodies.

Policy objectives	Policy options
a. Support greater diffusion of ICTs to the private sector	<ul style="list-style-type: none">• Launch awareness and capacity-building campaigns on ICT use• Stimulate the introduction of ICT into business• Support the development of on-line and mobile market information platforms• Provide training on ICTs to target groups such as women and rural entrepreneurs
b. Promote inter-firm networks that help spread technology and innovation	<ul style="list-style-type: none">• Promote horizontal linkages through cluster development through SEZ• Provide assistance for standardization and quality certification to networks of local enterprises (including social and environmental standards)• Promote business linkages through supplier development.

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c. Build bridges between public bodies, research institutions, universities and the private sectors	<ul style="list-style-type: none">• Identify joint research activities with clearly designated participants and beneficiaries• Promote PPPs and mixed public/private structures to diffuse innovation• Develop market friendly university-industry collaboration• Promote institutional synergies at the sectoral level
d. Support high-tech start-ups	<ul style="list-style-type: none">• Establish high-tech business incubators, knowledge hubs and science parks• Facilitate start-ups that commercialize innovation• Build networks in knowledge intensive sectors with leading science experts and academics around the world• Give researchers and innovators streamlined access to cost-effective patent protection
e. Incubation Centre	<ul style="list-style-type: none">• Setting up incubation centre in all Colleges, Technical Training Institutes• Institutional support for Incubators

Entrepreneurship, technology and innovation are mutually supportive. Technology provides entrepreneurs with new tools to improve the efficiency and productivity of their business, or with new platforms on which to build their ventures. In turn, entrepreneurs fuel technological innovation by developing new or improving existing products, services or processes and ensuring commercialization. Both angles are important, to varying degrees, depending on the level of local economic development, the rate of adoption of technologies in use internationally, and the innovation capabilities of local firms or research institutions. Taking into account the two-way relationship between technology/innovation and entrepreneurship, the above table presents a synopsis.

Fostering innovation and technology in a country involves a complex set of relationships among the different actors involved. To help coordination and communication between those actors, Bhutan should develop a National System of Innovation (NSI). An NSI could include the promotion of entrepreneurial activity and investment in pro poor technologies and agricultural innovations with a focus on needs-based innovation. This is particularly relevant, as the majority of innovations in developing countries stem from incremental knowledge and innovations in traditional sectors, including agriculture.

4.3.1. Strategic recommendations

4.3.1.1 Support greater diffusion of ICTs to the private sector

Entrepreneurs can greatly benefit from the use of modern ICTs in their business practices and should raise awareness of the advantages of ICTs and take concrete measures to encourage their use. The ways in which entrepreneurs may take advantage of different types of ICTs varies according to their firms' size, industry and market orientation. Training and capacity building programmes for entrepreneurs; providing incentives for introducing ICTs and modernizing business operations.

4.3.1.2 Promote inter-firm networks spreading technology and innovation

Technological innovation is the ultimate source of productivity and growth. Competitive industrial clusters, in which firms reap the benefits of physical proximity and horizontal networks, can help generate opportunities for entrepreneurs to access new markets (including through exports) and resources, and to acquire new skills and capabilities. Setting-up competitive industrial clusters can also be an important factor in attracting foreign direct investment. Such clusters, in which SMEs grow through specialization, inter-firm collaboration, knowledge spillovers and subcontracting, have been the key to success for many enterprises in developing countries in sectors such as ceramics, garments, leather and shoes, as well as electronics, auto-parts and biotechnology. Clustering and networking can help local enterprises to innovate and continuously upgrade. The large firms increasingly focus on core competences and outsource non-core activities, thereby opening up new markets for smaller enterprises. Outsourcing may be

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encouraged by facilitating non-equity modes (NEM) of business collaboration. Often, small local firms manufacture parts or provide services for large firms, or they offer customer services related to the products of large firms (repair, customization). Many firms also operate on the basis of licenses or franchises, which is an increasingly important route to entrepreneurship development. Governments and entrepreneurship development agencies need to acknowledge that in many instances small and informal actors require technical support and capacity building in order to overcome the constraints to the integration in value chains.

Meeting international quality standards is a challenge for many local suppliers in developing countries. Technological upgrading programmes providing low cost technical assistance for the adoption of quality practices can be important to facilitate ties with large international buyers.

Mentoring programmes that bring together experienced suppliers and the next generation of business-owners may help in exchanging information and experience, and provide stimulus through awards and grants. Governments can foster export-oriented industrial clusters and networks through appropriate trade policies. In addition, governments can promote business linkages between large and small enterprises by facilitating partnerships and supplier development programmes. In such programmes, large enterprises develop the capacity of local entrepreneurs and local suppliers by mentoring them and transferring technology. In return, large enterprises have access to a supplier network which can quickly and flexibly meet their needs. This increases the competitiveness of the large and small enterprises alike.

4.3.1.3 Build bridges between public bodies, research institutions, universities and the private sectors

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The innovation process of a country is increasingly dependent on the interaction between the government, academia (i.e. public and private education institutions, universities and research laboratories) and the private sector. This interaction involves the fluid exchange of information, ideas and technologies.

With fewer barriers between academia and the private sector, university and colleges research can be more in tune with the needs of the market and have a bigger impact on the wider economy. Universities and colleges should be stimulated to move beyond the confines of the academic sphere and to become actively involved in the innovation and entrepreneurship development process by fostering commercialization of their research and by focusing on market needs, which may involve the adaptation of advanced technologies to local requirements, or the development of grassroots or pro-poor technological solutions. At the same time, private firms will be increasingly interested in training, sharing of knowledge and collaboration with universities and colleges.

Governments have an active entrepreneurial role to play in facilitating such interaction. This can be done through initiatives that encourage the involvement of universities and colleges in technology transfer, providing incentives for collaborative projects encouraging research, technology transfer and commercialization of science and technology or the development of government research labs. Experts and academics can gain exposure and knowledge when moving to work and study in centres of excellence in their respective fields. Local institutional networks and public-private sector partnerships are also key in promoting entrepreneurial innovation in all sectors of the economy. Public-private innovation centres can also provide speedy and flexible technological solutions to respond to market needs and to link local innovators with commercial investors.

4.3.1.4 Support high-tech start-ups

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There is a spectrum of possible policy interventions to support technological innovation and high-tech firms. Technology hubs and incubators are often created to establish spatial agglomerations of growth-oriented high-tech firms, ranging from large technology research hubs to small science parks. These facilities typically provide a range of core support services such as infrastructure, office buildings or shared workspaces as well as targeted business development programmes, mentoring services and advice on accessing finance or protecting intellectual property. These should be situated close to universities, colleges and research institutes so as to provide access to technological advice and to other scientifically or technically minded entrepreneurs. Various models of high-tech business incubation exist, ranging from highly intensive services for a small number of firms to less intensive services for a larger number of firms. Incubators may focus on a particular sector, often ICT, or be more general in nature. They may purposely focus on exports or on developing new products for the local market.

Governments can also facilitate early stage enterprises that commercialize high-tech ideas. Public innovation awards, for example, may help entrepreneurs getting new high-tech projects started. Governments may also give researchers and innovators preferential access to cost-effective patent information and patent protection. Safeguarding protection is important to convince key stakeholders to move technology from the laboratory to incubators and science parks for commercialization.

If the support services are not market-driven and focused on high-tech start-ups' genuine needs, they are unlikely to achieve positive outcomes, despite often high costs. The high growth business incubation facilities should be located close to commercial, industrial or scientific hubs, where a critical mass of entrepreneurial opportunities exists and expansion of economic activity is already taking place in a competitive manner.

In deciding whether or not high-tech business incubation facilities are feasible and the most appropriate tool given local circumstances, Government need to focus on a few critical questions such as what services to offer, whether and how to support companies

beyond basic facility services (and based on what criteria), and how to set up the facility’s governance structure. In some incubation facilities, mentoring services are offered, frequently free of charge by successful entrepreneurs wishing to share their experience with others. Business incubators around the world have many different types of governance structures. Experience suggests that, at their inception stage, many successful initiatives depended on technical assistance supported by donors’ funding, public-private partnerships between local government and a few high-quality “anchor tenants” that subsequently spawn further start-ups through spin-offs or sub-contracting relationships.

4.3.1.5 Incubation Centre

Incubators play a critical organizational support mechanism for fledgling entrepreneurs at the initial stage. The quality and scale of business incubators could become one of the important tools to enhance the entrepreneurial ecosystem in the country as they provide access to physical infrastructure, administrative support, management guidance/mentoring, help in formulation of a business plan, technical support, Intellectual Property (IP) advice where applicable, facilitating access to finance and encouraging networking with the greater and relevant business community. Providing sufficient resources for improving the viability of business incubators in Bhutan must be a key element in building entrepreneurial capability. This incubation can be set up in all colleges and technical training institutes in the country. There should be institutional support for the incubators.

5.4 Improving Access to Finance

Target: *Financial community*

Policy objectives	Policy options
a. Expansion of financial services	<ul style="list-style-type: none">• Provide financial incentives for start-up• Develop attractive public credit guarantee schemes;

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	<ul style="list-style-type: none"> • Source up start-up seed capital through BOiC, Loden Foundation, DHI, Nubri Capital and building Bhutan Business Start-up capital; • Promote financial services through supply chain finance (“factoring”) and leasing; • Facilitate collateral-free loan screening mechanisms • Vibrant Venture capital industry ; • Crowd funding through crowd building
<p>b. Promote funding for innovation</p>	<ul style="list-style-type: none"> • Provide incentives to attract venture capital investors and business angels • Encourage equity and “risk capital” financing modalities • Provide performance-based loans and incentives for innovation and green growth • Facilitate the use of intellectual property as collateral • Bhutan Technology Rating System for loan based on technology
<p>c. Build the capacity of the financial sector to serve start-ups</p>	<ul style="list-style-type: none"> • Initiating the Financial Charter for SMEs • Promotion of public-private partnerships for specific groups or sectors; • Capacity building grants and • Technical assistance to expand services to entrepreneurs • Train the financial institutes to evaluate and apprise investment opportunities based on future prospects.
<p>d. Financial and accounting literacy training</p>	<ul style="list-style-type: none"> • Provide financial literacy training to entrepreneurs and encourage responsible borrowing and lending
<p>e. Monitoring of start-up business</p>	<ul style="list-style-type: none"> • Monitoring of start-up business till 3 years • Assess the financial need for further growth and diversification

Supply and access to capital are critical to stimulating entrepreneurship and economic

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growth. Entrepreneurs suggest that obtaining adequate access to capital is one of the biggest hurdles to starting and growing a new business.

The International Finance Corporation estimates that up to 84% of SMEs in developing countries are either un-served or underserved, representing a massive gap in credit financing. In conducting primary market research for the NES, challenges related to accessing finance drew mixed perceptions from both the demand and supply sides.

While many Bhutan entrepreneurs lament a limited supply of capital, financiers point out that many proposed businesses are not fundable. Currently, the main sources of capital for small and growing enterprises are debt financing from banks. However given the risk-reward profile of new companies (high failure rate), banks are reluctant to invest in start-up ventures. Venture capital, where investors share the risk but also gain on the equity upside, is a more appropriate source of funding. However the equity markets for small firms is small and this industry is still in its infancy in South Asia. To make easier access to the finance the psychometric screening of the entrepreneurial profile of loan applicants can be put in place like Harvard Business School's ***Entrepreneurial Finance Lab*** which is widely used in SMEs sectors. It helps to access the entrepreneur's attitude, outlook, ability and character to measure risk and future entrepreneurial potential.

According to the 2014 World Bank *Doing Business* reports, Bhutan ranks 109th in the category of 'Getting Credit' to its SMEs and startups. This category measures the legal rights of borrowers and lenders with respects to secured transactions and the sharing of credit information. In a sense, the strength of legal rights measure the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending and access to credit sources. Bhutan also ranks low on the topic of 'Protecting Investors'.

In the 11th Five Year Plan (2013-2018), the government allocated Nu 61.5 million for entrepreneurship training and management courses during the five years. The lack of

capital continues to be a pressing issue for many aspiring and high growth businesses.

It is important to note that there are a number of impediments to capital access that are unrelated to financing issues and can include:

- Readiness of the business to access capital
 - Companies tend to lack a finance-ready business plan
 - Lack of management skills
 - Lack of owner equity or other collateral
 - Lack of knowledge about lending sources
 - Business has no track record
 - No understanding of the risk-reward of finance

Often there is sufficient capital for quality investment and business opportunities. The inability of businesses to access these resources is often a function of the company's 'capital readiness' more than the lack of capital.

5.4.1 Strategic Recommendations

Access to capital continues to be a critical issue for entrepreneurs in Bhutan. However, the overwhelming majority of state financial assistance programs are in the form of loan guarantees, loan participations and direct loans. Although MoLHR recognizes increasing the supply of capital is important, so is also important to build the capacity to work with entrepreneurs to address and mitigate investor concerns about business planning and management.

The NES should address the following issues, with corresponding stakeholders, in the area of access to finance:

4.4.1.1 Expansion of financial services: This could include development of

- i. Provide financial incentives for start businesses in priority growth sectors such as tourism and hospitality, agriculture, forest based production, natural

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resources and ICT, energy education, health and creative/cultural industries. This could be employment initiatives (to hire), guarantee funds for small loans, interest subsidies, etc.

- ii. Examine the feasibility of alternative modes of funding:
 - 1. vibrant venture financing models
 - 2. social financing (crowdfunding) for business start-ups.
- iii. Development of attractive existing credit guarantee schemes;
The government should come up robust credit guarantees schemes to encourage Financial Institutes to provide more loan to start-ups with supportive incentives. Board fee should be provided to the Board of Directors of credit guarantee scheme to encourage more participation for decision making.
- iv. Source of start-up seed capital through BOiC, Loden Foundation, DHI, Nubri Capital, and building Bhutan Business Start-up capital for the young entrepreneurs;
- v. Promote financial services through supply chain finance “factoring” and leasing;

The means of increasing access to finance for entrepreneurs that are active as suppliers to larger firms in the value chain is the use of various forms of “*factoring*” and “*leasing*”. For example, a supplier could obtain a loan by providing a signed purchase order from its large buyer as collateral. The large buyer then pays the invoice for the goods directly to the lending institution, which remits the payment to the supplier net of the loan principal and interest. This effectively transfers credit risk from the lender to the large buyer, leaving the risk that the supplier will not deliver the ordered goods (which is mitigated by the large buyer’s screening of the suppliers it chooses to work with). This kind of *supply chain finance* is a tool that Government could promote to improve access to finance for entrepreneurs in developing countries where financial information is weak, enabling suppliers to borrow based on their buyer’s credit rating, which, especially in the case of large domestic companies is usually vastly superior to that of the small entrepreneur.

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Leasing provides financing of assets, such as equipment, machinery, vehicles for a set period of time. Leasing institutions, companies or equipment producers purchase the assets, usually as selected by the lessee, who makes periodic payments at an agreed interest rate. At the end of the lease period, the equipment can be purchased, returned, discarded or sold by the lessee. Developing the leasing sector increases the range of financial products in the marketplace and can help develop domestic production by encouraging different forms of buyer-supplier schemes. Many entrepreneurs in developing economies start their business informally, sourcing start-up and working capital from relatives and friends, including through remittances from expatriate family members. It is important to recognize these realities and provide appropriate support, for example, by working with private sector providers to lower the cost of remittances and money transfers..

vi. Promoting and facilitating collateral free loan mechanisms.

More recent innovative tools to facilitate access to finance for developing country entrepreneurs include measures that attempt to dispense with conventional collateral requirements altogether. One such approach, for example, is collateral-free lending based on psychometric screening of the entrepreneurial profile of loan applicants. Encouraging experiences in this regard include those of EMPRETEC as well as Harvard University's Entrepreneurial Finance Lab. Innovations in access to finance often exhibit a "bandwagon effect" once an early adopter has proven their viability. Policymakers may wish to keep an eye on such experiments and provide support where appropriate

4.4.1.2. Promote funding for innovation

Entrepreneurs running innovative and/or high-growth companies frequently have quite distinct financing needs from the general SME and start-up population, such as a need for risk or venture capital that does not drain resources for interest repayment during their start-up and expansion phases. Successful investments of this kind can act as catalysts that transform industries and sectors. Examples include mobile applications and green technologies such as renewable energy—areas in which Bhutan have the potential to

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“leapfrog” technological developments in more advanced economies. The design of schemes aimed at mitigating the risks associated with early-stage entrepreneurs may include the encouragement of wealthy individuals prepared to provide financial support and know how to entrepreneurs (so-called “business angels”). These represent an alternative to formal equity funds, and normally consider smaller-scale investments. A business angel with the right skills can strengthen a venture by, for example, offering marketing and sales experience.

Entrepreneurs seeking financing for innovation face a double hurdle because such investment involves considerable uncertainty, information asymmetries and intangible assets to a far greater degree than investment in traditional ventures. Banks’ aversion to risk will cause them to avoid loans to ventures that have long gestation periods and uncertain outcomes in terms of new products, processes or markets. The early development of a venture capital industry, for instance, by giving investors *incentives* such as tax rebates and/ or by partially guaranteeing investors’ equity.

Strategies for green growth provide entrepreneurs with many opportunities to start-up new businesses across a wide spectrum of activities such as water supply, waste recovery and recycling, habitat protection, eco-tourism, and renewable energy. While entrepreneurs can play a major role, they need access to appropriate types of financing for these new ventures and a level playing field to benefit from green procurement. Financial constraints are especially high for new entrants into eco-innovation since they have no history of success and, in the case of eco-innovation, technological and market uncertainty are particularly high, raising risk premiums. Greening products, processes and services takes research and banks might not be willing to finance eco-innovation which is not immediately profitable. Therefore, green growth entrepreneurs may rely on grants, special loans and “green” funds. Governments can also provide access to finance directly to promising entrepreneurs by setting up specialized loan facilities and/or tax incentives for innovative, high-growth firms. One innovative way of providing “*risk*

capital” is in the form of loans that link repayment to revenue growth, rather than a fixed interest rate, thereby sharing-in both risks and profits.

However, in all cases of direct public provision of funds for innovation, it is important to implement strict and transparent, preferably performance-based, nondiscriminatory eligibility criteria for such funds, to avoid abuse and waste of taxpayer money. Innovative, high-growth entrepreneurs can also benefit from an effective intellectual property rights (IPR) that would allow them to pledge their *IPRs as collateral* and to include such non-tangible assets in company valuations.

The *Bhutan Technology Rating System* should be developed for a credit scoring model that can be successfully use by agencies of the Royal Government of Bhutan to select SMEs for loans based on their technology. This support to lenders helps SMEs that do not have the tangible collateral to obtain debt financing. They provide guarantees for bank loans, bonds, commercial bills and leasing, with a special emphasis on guarantees for SMEs that have difficulties in qualifying for bank loans.

4.4.1.3 Building up the capacity of the financial institutes to serve start-ups:

Government should work to build their capacity to better serve specific segments of entrepreneurs (such as start-ups, high-growth firms, women, youth, rural entrepreneurs). In designing support measures, they should be aware and leverage the respective strengths and core competencies of each partner institution.

i. Initiating the Financial Charter for SMEs

In order to maximize each participant’s contribution, Government may develop a shared blueprint for the financial sector’s role that is consistent with the country’s development strategy. Several countries have concretized this in the form of a national “*financial charter*”. Government can also take the lead in initiating *public-private sector partnerships* involving, for example, financial service providers and local institutions such as business schools in order to target specific segments of entrepreneurs.

ii. Promotion of public-private partnerships for specific groups or sectors;

iii. Capacity building grants and

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The financial service providers initially require public support, through *capacity-building grants* and *technical assistance*, in order to expand lending activities to SMEs and entrepreneurs. Public support is particularly useful for adapting lending technologies to serve new constituencies, as well as in building capacity in staff training and information management.

iv. Technical assistance to expand services to entrepreneurs

Government should also provide technical assistance to expand and provide better services to entrepreneurs to develop management information system.

Government also have a key role to play in promoting the adoption of *new banking technologies* (e.g., mobile phone banking) that can overcome high transaction costs in reaching rural and remote entrepreneurs, widening access and promoting financial inclusion. Often these technologies also facilitate financial sector supervision, bank monitoring and credit information by digitizing and automating the registration of countless small transactions hitherto outside the scope of formal sector financial reporting. Public support and funding for the rolling-out of new banking technologies can therefore enhance the overall stability and transparency of the national financial system, by building the case for the integration of these technologies with a supervisory agency's financial information system.

v. Train the financial institutes to evaluate and apprise investment opportunities based on future prospects.

It is very crucial to the institutes if by chance could not evaluate potential business project which will not get through credit rating and less deserve project getting credit. In this regard, the project appraisal training should be given time to time to up-date the evaluation method and apprise better projects.

4.4.1.4 Enhancing financial literacy of entrepreneurs:

Create greater awareness among the population interested in entrepreneurship on financial discipline and literary – address the financing information gap by providing tools to entrepreneurs on financing options for new enterprises. FIs should also undertake training to entrepreneurs to encourage responsible borrowing and lending. Given the nascent stage of entrepreneurship in Bhutan, the financial institutions should train business owners on the language and requirements of funding partners to ensure responsible borrowing and client protection. MoLHR should reassess their programmatic priorities, and if warranted, shift resources from programs that increase the capital supply to activities that increase the number of quality deals.

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This action could be strengthened with the creation of an online entrepreneurship toolkit which would provide entrepreneurs with information on various topics such as financing, governance, legal, management accounting, marketing, sales, strategy, social venturing etc.

The financial institutions that would be involved in these initiatives would include:

- Bhutan National Bank
- Bank of Bhutan
- Bhutan Development Bank
- Druk Punjab National Bank
- T Bank
- Royal Insurance Corporation of Bhutan

4.4.1.5 Monitoring the start-up businesses:

The business start-up who is in early in the stage should be monitoring by the MoLHR & FIs/jointly by both agencies and any participating agencies for at-least 3 years. Through this monitoring the business start-up can be track in the right direction for business and financial sustainability. Any glitches that occur in the event of business process can be mitigated timely and re-course of action can be taken either for product development, marketing viability, training need requirement, supply chain management and business growth.

5.5 Promoting Awareness and Networks

Target: Private sector agencies such as Business Chambers of Commerce & Industry/Associations/NGOs, National and International agencies, Media, Schools, Institutes, Colleges

Policy objectives	Policy options
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a. Highlight the value of entrepreneurship to society and address negative cultural biases	<ul style="list-style-type: none"> ● Launch entrepreneurship outreach and awareness campaigns at national, regional and local levels in collaboration with all stakeholders ● Utilize the media and spaces for policy dialogue, speeches, addresses and reports to communicate support for entrepreneurship ● Disseminate information about entrepreneurship, including social entrepreneurship, and its impact on the economy ● Publicly celebrate entrepreneurship role models through awards and other initiatives ● Involve entrepreneurs in policy dialogue processes to sensitize government officials
b. Raise awareness about entrepreneurship opportunities	<ul style="list-style-type: none"> ● Advertise business opportunities linked to national sustainable development strategies, and related incentive schemes ● Organize information and career fairs, forums and summits on business opportunities, including in specific economic sectors or on specific business models such as micro-franchising
c. Stimulate private sector-led initiatives and strengthen networks among entrepreneurs	<ul style="list-style-type: none"> ● Support private sector-led campaigns ● Facilitate business exchange platforms, business portals, fairs & exhibitions, business associations and clubs ● Engage diaspora community in local entrepreneurship networks ● National linkage with all entrepreneurship promotion agencies ● International Linkage with National Business Incubation Association, USA; CEFE Sri Lanka & Germany, Youth Business International, UK; Rec@nnect, USA; SIYB, ILO etc.
d. Leveraging media	<ul style="list-style-type: none"> ● Leveraging through Facebook, Twitter, LinkedIn ● Use of BBS, Kuensel, Business Bhutan, Bhutan Today, Student Plus, Radio, brochures, folder files, note book
e. Entrepreneurship Boosting programs	<ul style="list-style-type: none"> ● Business Idea Generation (BIG) Competition ● Successful Entrepreneur Award System ● Ignite Boot Camp ● Start-up Weekends

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- Meeting of Mindful Mind program for entrepreneurs
- Buddha and Business program
- Celebrating Global Entrepreneurship Week & World Entrepreneur Day
- Visit to Schools, colleges, institutes & school Exhibitions

The culture of entrepreneurship in Bhutan is largely viewed as necessity-driven entrepreneurship; that is, entrepreneurship as a means of survival. Entrepreneurship is viewed as a last resort, as opposed to the pursuit of an opportunity or aspiration. These limited socio-cultural perceptions about entrepreneurship can result into significant barriers to enterprise creation and can undermine the impact of policy intervention in support of entrepreneurship. The impact of regulatory reforms in support of start-ups or to facilitate access to finance for entrepreneurs will be less than optimal if large sections of the population do not consider entrepreneurship as a viable and rewarding option, i.e. if they would only consider entrepreneurship when forced, or out of necessity. Fostering an entrepreneurial culture that positively values entrepreneurs and entrepreneurship is a key determinant of the success of an entrepreneurship policy framework and it is also a crucial factor to overcome the culture of dependency, either from governments or aid donors. Entrepreneurship networks can foster the evaluation of an entrepreneurial culture. Network building serves as an important tool to showcase models, champions and references of success of entrepreneurship as a viable and respectable and financially rewarding career option.

In developing countries, including Bhutan, the building of the entrepreneurial network is particularly important, for a number of reasons:

- *Trust* is crucial for doing business in environments with relatively weak systems of contract enforcement. It becomes even more important for start-ups and new entrants that do not yet have established reputations. To the extent that networks are based on particular identities, it is important to strengthen those that are

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inclusive along professional lines— rather than, for example, exclusive based on ethnic or socio-economic background lines.

- *Inadequate resources for education* similarly restrict possibilities to advocate for entrepreneurship. Networks contribute towards capacity development. This is particularly acute in Bhutan due to the weak capacity building and institutional support for entrepreneurship.
- The *digital divide* has left youth and communities with less-than modern communications infrastructure, representing a major impediment to awareness generation on entrepreneurship.

Within Bhutan there organizations that provide a platform where entrepreneurs and startups can convene and share knowledge, experience and challenges. These include:

- Loden Foundation
- Bhutan Chamber of Commerce and Industries
- Druk Holding and Investments Limited
- Tourism Council of Bhutan
- Business Opportunity & Information Centre
- Bhutan Innovation and Technology Centre - Thimphu Tech Park
- Various NGOs

Women Entrepreneurs

Women entrepreneurs play an important role in the entrepreneurial economy, both in their ability to create jobs for themselves and to create jobs for others, but in all countries women still represent a minority of those that start new firms, are self- employed or are small business owner managers. Some of the common factors which present barriers to the successful transition for many women into business, self-employment or a social enterprise include:

- General education instead of creative and innovative education
- The impact of caring and domestic responsibilities
- Difficulties experienced in the transition from benefits to self-employment or

- business ownership
- Lack of appropriated role models in entrepreneurship
- Lack of appropriated business support
- Low levels of confidence and self-esteem
- Access to finance

5.5.1 Strategic Recommendations

To promote awareness and networking in the area of entrepreneurship, the NES should engage in the following activities:

5.5.1.1 Highlight the value of entrepreneurship to society and address negative cultural biases

A country's general attitude towards entrepreneurship is a product of societal values, tolerance of risk, fear of failure, rewards of success, encouragement of creativity and experimentation and recognition of persistence. So-called "soft" barriers to entrepreneurship, including negative cultural perceptions, are equally important as the "hard" barriers, and because they tend to be deeply ingrained in a society, they take time to address. However, relatively simple communication tools can successfully challenge many biases against entrepreneurship.

- Launching entrepreneurship awareness campaigns and publically celebrate entrepreneurs – MoLHR's active involvement in Global Entrepreneurship Week (GEW) since 2013 with Loden Foundation, which was an effort of various partners involved in the ecosystem in Bhutan. All the promoter of entrepreneurship should be come together to celebrate GEW to give the solidarity.
- 2. Promotion of a National Entrepreneurship Conference on an annual basis by the Royal Government of Bhutan to connect entrepreneurs with investors and industry organization and provide training and guidance on start-up issues. This can be done in addition to active support of GEW.
- Develop a platform for discussing entrepreneurial best practices and experiences

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by holding nation-wide workshops and/or through creation of entrepreneurship portal. Hold quarterly ‘Enterprise Meet ups.’ Encourage activities that deal with the basic practicalities of Entrepreneurship and platforms to interact with various entrepreneurs, the financial community and relevant networks.

- Identify and develop a focused sectoral strategy for sustainable entrepreneurship development in consultation with various business networks, other groups. Eg. Tourism/Entrepreneurship Development in Tourism Sector. This would be a pilot project.
- Determine collaborative efforts between Bhutan Chamber of Commerce & Industry, other NGOs, etc. and MoLHR with the goal to develop a portal for new and existing businesses to offer entrepreneurial advice.
- Enhance the capacity of leading business agencies to provide entrepreneurship information and counseling services, conduct business competitions and facilitate mentoring and networking opportunities for youth entrepreneurs.
- Disseminate information about entrepreneurship and its importance and role on the economy to media – MoLHR and private sector agencies should continue to engage various mass media outlets (social media, newspapers, radio/TV) on this topic, however this can be made more visible and done on a regular basis. For example, highlighting the role that entrepreneurs can play in nation-building, creation of sustainable businesses, preservation of cultural institutions (e.g. business owners in the tourism sector).

4.5.1.2 Raise awareness about entrepreneurship opportunities

To promote a culture of entrepreneurship it is necessary to make the entrepreneurship option more tangible by facilitating access to information about business opportunities, including opportunities for business formalization among people in the informal sector. Government has a role in helping to bridge information asymmetries that may exist about potential business opportunities. Forums that bring actors together and generate

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awareness of business opportunities in specific sectors can be effective information dissemination and networking tools.

- MoLHR should advertise business opportunities linked to the sectors identified as high-growth, such as tourism and produce documents (white papers) that provide market information to potential entrepreneurs (e.g. addressable market, segment analysis, promotion strategies, etc.)
- MoLHR could organize entrepreneurship or business fair(s) which showcases opportunities in specific economic sectors.
- These efforts should be in collaboration with other stakeholders in the private sector.
- Sensitization to rural populations, in particular, about the types of entrepreneurship opportunities that exist at the local level and outside their immediate communities. This can be done through career and information fairs. It is key to bring such platforms of information to the local level, and in partnership with local institutions.

4.5.1.3 Stimulate private sector led initiatives and strengthen national and international networks among entrepreneurs

- MoLHR can play a key role in establishing business support service centres, which offer a platform to connect clubs, associations, industry groups, institutes, etc. involved in entrepreneurship development. These should be greater collaboration between BOiC, MoLHR, Loden Foundation and others.
- Form a unit within the BOiC that specifically addresses the challenges faced by women entrepreneurs, so a tailor-made approach is adopted. These would address the issues such as lack of role models and mentor networks, access to financial credit, and development training. Source knowledge from the Bhutan Association of Women Entrepreneurs in this context.

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- The presence of networks, through business advisory services (accountants, lawyers, and consultants), government programmes and incubators also play a critical role in mentoring entrepreneurs. In this instance, incubators are important as they provide space where less experienced entrepreneurs can learn from more experienced business owners; and leverage large anchor firms, universities and business networks.
- Building national networks with entrepreneurs will provide to boost the business amongst themselves. Facilitate linkages between Bhutan tech parks and incubators and counterparts in other countries. These linkages can be leveraged to also provide potential markets for Bhutanese entrepreneurs to international markets.
- Building international linkage with National Business Incubation Association, USA; CEFE Sri Lanka & Germany, Youth Business International, UK; Re@connect, USA; SIYB, ILO etc. will help the entrepreneurship promoting agencies to collaborate for competency development on entrepreneurial skill.

4.5.1.4 Leverage social media

- Social media has emerged as a very powerful tool of communication among youth. Ways will be explored to use this new age medium to promote entrepreneurship among youth and help them network with likeminded people. Twitter, Facebook and LinkedIn account for the entrepreneurship division of MoLHR should be established to monitor developments, which would establish a two-way interaction with potential trainees for the Entrepreneurship courses.
- Media attention to entrepreneurial phenomenon has been observed to be a feature of countries with high rates of entrepreneurial activity. The Government and mass media channels should leverage use of print and electronic media to create mass awareness to raise the profile of entrepreneurship. Use of BBS, Kuensel, Business Bhutan, Bhutan Today, Student Plus, brochures, folder files, note book will disseminate the

entrepreneurship information.

4.5.1.5 *Launching a various Entrepreneurship Boosting programs*

The aspiring entrepreneurs with the tools, strategies and confidence needed in order to create their own ventures. Participants would understand how to assess, determine feasibility of, and launch and grow new businesses or reinvigorate existing businesses. Practical learning on how to grow and nurture the business through effective brand building, cash flow management and resource allocation. Participants would also gain a better understanding of themselves as entrepreneurs including their motivations, roles, and key responsibilities. The MoLHR in collaboration with agencies can boost the entrepreneurship through various program like

- Business Idea Generation (BIG) Competition
- Successful Entrepreneur Award System
- Ignite Boot Camp
- Green Start-up Weekends
- Meeting of Mindful Mind program for entrepreneurs
- Buddha and Business program
- Celebrating Global Entrepreneurship Week & World Entrepreneurship Day
- Visit to Schools, colleges, institutes & school Exhibitions

Instituting creative and innovative Business Idea Generation (BIG) Competition

Business Idea Generation competition can be organized at National Level, College level, technical training institute level and school level. National Level of business idea competition which is currently jointly organized by MoLHR and Business Innovation and Technology Centre, DITT in the Thimphu Techpark are examples where many aspiring and existing business owners take part. They are also provided incubation support, business plan, mentoring by the professionals. This could be made an annual event so that all the people participate and share their viable ideas. Similarly this could be done at the college, technical institute, school level and incubate their students' ideas until commercialization.

Successful Entrepreneur Award System

The Department of Cottage and Small Industries, MoEA and Entrepreneurship Division of Department of Employment, MoLHR organized Enterprise Award system coinciding with World Intellectual Properties Day on 2014. This program had made aware the importance of being entrepreneurs vis-a-vis intellectual properties right. The Award program should be made annual event for all the entrepreneurs. Institutionalize an award system to recognize the achievements of successful entrepreneurs. Competitions for young entrepreneurs can be instituted to encourage others and provide a success story – media can be engaged on this front.

Ignite Boot Camp helps to set the entrepreneurial spirit for the youth. The idea ignition programme could be instituted during summer and winter break. This will help the youth to re-think problem and solution and self-assessment of individual about the future entrepreneurial career. It's insight building for the youth on business world.

Start-up Weekends are weekend-long, hands-on experiences where entrepreneurs and aspiring entrepreneurs can find out if start-up ideas are viable. Beginning with idea pitches on Friday, attendees bring their best ideas and inspire others to join their team. Over Saturday and Sunday teams focus on customer development, validating their ideas, practicing lean start-up methodologies and building a minimal viable product. On Sunday evening teams demonstrate their prototypes and receive valuable feedback from a panel of experts.

Meeting of Mindful Mind programme for the entrepreneurs will be insightful for them to share their business with each other. Marketing the products and services through advertisement will be more costly than through meeting. This will help the entrepreneurs to share the business directly to another entrepreneurs and vice versa.

Buddha and Business is the opportunity for the entrepreneurs to embed the both Buddha's teaching and business. As the business grows there is a tendency to neglect the

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spiritual development due to too much indulgence on materialistic. This program will help the entrepreneurs about the mindful about the business ethics.

Celebrating Global Entrepreneurship Week and World Entrepreneur Day

The launch of the Global Entrepreneurship Week (GEW) in Bhutan in 2012 and its follow-up event in 2013 and 2014, marked a critical milestone in raising the awareness of entrepreneurship in the region. The GEW platform was started in 2007 by 37 countries and the Kauffman Foundation – activities include presentation of business plans by entrepreneurs to investors, policy survey of entrepreneurship, entrepreneur awards events, and regional events (e.g. Africa). As this event becomes embedded in Bhutan, it will play a critical role in encouraging the current generation of entrepreneurs to consider starting up their own business. Mass participation in activities designed to promote entrepreneurship and entrepreneurial thinking can have proven outcomes in addressing these issues around employment creation. Along with Global Entrepreneurship Week the World Entrepreneur Day can also loudly celebrate to make entrepreneur proud and prestige.

Visit to Schools, colleges, institutes & school exhibitions will help to identify the bright and great business idea demonstrated by students. The potential youth can be groomed to be entrepreneurs and keep the track record of their innovations. Innovation and entrepreneurship should go hand in hand with business development and mentoring.

6 NES Roadmap - The Way Forward

All stakeholders in the entrepreneurial eco-system have a critical role to play in the development of entrepreneurial mindset, frameworks and policy in Bhutan. The National Entrepreneurship Strategy shall be implemented in a phase manner to attain its long term objectives.

In order to achieve the mission of the NES,

Stage 1: The Ministry of Labour and Human Resources approves the National

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Entrepreneurship Strategy by 2015

Stage 2: Identification of Nodal Agency on Entrepreneurship Development by 2015

Stage 3: All the necessary strategy framework and institutional arrangements are established by the end of 2016.

Stage 4: It is also recommend that there be a creation of a national committee on entrepreneurship that would in effect institutionalize entrepreneurship development in the country by 2016. This would recognize that there are a number of ministries in the Government, Corporate and Private sectors, CSO, that are engaged directly or indirectly, in the promotion of entrepreneurship. Since development of entrepreneurship is affected by policies and actions of different ministries at the central and local levels, the implementation of entrepreneurship strategy necessitates inter-ministerial and inter-governmental coordination. Also the task of developing broad-based partnerships with community organizations, members of mass media, and business and corporate sector goes much beyond the purview of any single ministry.

In view of the above scenario, the Government of Bhutan should set up a National Committee on Entrepreneurship Development comprised of the following stakeholders. This organization would be chaired by the (***Ministry of Human Resources and Labour***), which would also serve as the (***nodal agency***).

The following bodies should be part of the Committee (not exhaustive):

- Ministry of Labour and Human Resources
- Ministry of Economic Affairs
- Ministry of Education
- Ministry of Finance
- Ministry of Agriculture and Forest
- Tourism Council of Bhutan
- Bhutan National Bank
- Royal University of Bhutan

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- Bhutan Chamber of Commerce
- Gross National Happiness Commission
- Royal Monetary Authority of Bhutan
- Druk Holdings Inc. (DHI)

This National Committee would be mandated to:

- a) Implement and evolve the national entrepreneurship strategy;
- b) participate in the creation of an environment for creation and growth of entrepreneurship, and thus motivate youth to take up entrepreneurship as a preferred, viable and rewarding career;
- c) agree on methodologies for implementing policies, strategies and plans by coordinating with relevant departments and ministries;
- d) establish indicators to measure the effective of each policy area – specifically its impact on job creation, economic growth and poverty reduction;
- e) monitor the changing global and national economic environment and its impact on entrepreneurship, and introduce policy shifts accordingly;
- f) revamp and/or create institutional frameworks for promotion of entrepreneurship;
- g) carry out/sponsor research and document, monitor and evaluate the outcome of the interventions.

Given the importance on sustainable and inclusive development accorded by the 11th Five-year plan, it would be worthwhile to consider the development of a ‘Green’ entrepreneurship programme for new venture creation.

The National Committee on Entrepreneurship Development would also ensure that the NES is aligned to the needs and objectives of the country and monitor developments. This would allow the NES to be updated periodically – at least once during every Five Year Plan publication. In this way, the NES would truly reflect the key employment and socio-development objectives of the Government.

7 6. INDICATORS TO MEASURE EFFECTIVENESS OF ENTREPRENEURSHIP POLICIES

Policy Areas	Possible Indicators	What they monitor
1. Formulating National Entrepreneurship Strategy	<ul style="list-style-type: none"> - Number of formal business start-ups created annually - Survival rates - Share of total start-ups in target areas such as high-tech enterprises, green enterprises, social enterprises or enterprises in key exporting 	<ul style="list-style-type: none"> - Success of entrepreneurs in starting and sustaining businesses - Success in reaching specific targets for different sectors - Improved economic opportunities for target groups of the population

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	<p>sectors</p> <ul style="list-style-type: none"> - Share of total start-ups in target groups such as women, youth, rural populations - Job growth due to start-ups - Revenue generated and taxes paid by start-ups (values and growth rates) 	<ul style="list-style-type: none"> - Economic impact of entrepreneurship
2. Optimizing the Regulatory Environment	<ul style="list-style-type: none"> - Number of procedures to open a business, number of agencies involved - Number of days, cost to start or close a business - Number of days - Timeliness of dispute resolution mechanism: number of days from filing to judicial decision 	<ul style="list-style-type: none"> - Ease of starting/closing a business - Effectiveness of the judicial system
3. Enhancing Entrepreneurship Education and Skills Development	<ul style="list-style-type: none"> - Share of secondary schools offering entrepreneurship programmes/extra-curricular activities - Share of technical/vocational schools offering entrepreneurship programmes/ extra-curricular activities - Number of annual spin-offs from universities/ institutes programmes 	<ul style="list-style-type: none"> - Availability of entrepreneurship education - Success of higher education institutions in enterprise-relevant research and in commercializing results
4. Facilitating Technology Exchange and Innovation	<ul style="list-style-type: none"> - Share of graduates with science/ engineering degrees - Number (and occupancy rates) of science parks, technology hubs and incubators - Share of technology-intensive start-ups with CGS, BOiC, Loden Foundation, venture capital, crowd sourcing funding, etc 	<ul style="list-style-type: none"> - Success in promoting science/ engineering careers - Availability of facilities for the promotion of technology intensive start-ups - Success in promoting technology intensive start-ups
5. Improving Access to Finance	<ul style="list-style-type: none"> - Share of microfinance/SME loans in total business loans - Average value of collateral required for SME loans (per 	<ul style="list-style-type: none"> - Performance of BOiC, FIs, NGO in facilitating loans to entrepreneurs - Support by private investors

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	<ul style="list-style-type: none"> cent of loan) - Total VC & CS invested in SMEs - Credit Information Bureau coverage (per cent of adult population) 	<ul style="list-style-type: none"> for start-ups - Adequacy of financial infrastructure for entrepreneurship lending - Amount generated for funding for start-up
6. Promoting Awareness and Networking	<ul style="list-style-type: none"> - Results of opinion/attitudinal surveys and evaluations following awareness campaigns - Number of business associations devoted to women, youth, rural entrepreneurs, SMEs, ... - Assessment report on Entrepreneurship with business opportunity - Developing the boosting programmes 	<ul style="list-style-type: none"> - Number of networking - Success in fostering a positive societal attitude toward entrepreneurs - Opportunities for networking for specific target groups - Number of boosting programmes on entrepreneurship and implementation.

7. APPENDIX: 11TH FIVE YEAR PLAN

From the Royal Government of Bhutan, Eleventh 5 year plan:
<http://www.gnhc.gov.bt/five-year-plan/>

The underlying objective of the Eleventh Plan is to achieve “*Self-reliance and Inclusive Green Socio-Economic Development*”. *Self-Reliance* is defined as being able to meet all of our national development needs as articulated through our Five Year Plans by 2020. *Inclusive Social Development* requires reducing poverty and inequality by enhancing the

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standard of living and the quality of life of the most vulnerable sections of our society. *Green Development* means ensuring carbon neutral development at all times.

To realize the Eleventh Plan objective of “*Self-reliance and Inclusive Green Socio- Economic Development*”, 16 National Key Result Areas (NKRAs), key national outcomes and outputs, needs to be achieved over the next five years. The 16 NKRAs, which are categorized under each of the four pillars of GNH, are defined as follows:

- 1) Under the pillar of Sustainable and Equitable Socio-economic Development there are four NKRAs namely Sustained Economic Growth; Poverty Reduced and Millennium Development Goals (MDG) Plus achieved; Food Secure and Sustained; and Full Employment. The achievement of these four NKRAs will be measured by corresponding Key Performance Indicators (KPIs) such as the annual GDP growth rates, inflation, poverty, enrollment, mortality, employment, cereal sufficiency target etc.
- 2) Under the pillar of Preservation and Promotion of Culture there are two NKRAs defined as Strengthened Bhutanese Identity, Social Cohesion and Harmony; and Indigenous Wisdom, Arts and Crafts Promoted for Sustainable Livelihood. The corresponding KPIs to measure progress include GNH Index, rural households engaged in cultural industries and jobs created.
- 3) Under the pillar of Conservation and Sustainable Utilization and Management of the Environment there are four NKRAs namely Carbon Neutral/Green and Climate Resilient Development; Sustainable Utilization and Management of Natural Resources; Water Security; and Improved Disaster Resilience and Management Mainstreamed. The NKRAs have corresponding KPIs to measure performance. Water is given special focus in the Eleventh Plan in view of its importance for the basic survival of all living beings and for our hydroelectric projects and agriculture. It has also been one of the major difficulties faced by the *Dzongkhags* and communities and therefore an ambitious target of ensuring 24 hours water supply has been set.
- 4) Under the pillar Promotion of Good Governance there are six NKRAs covering Improved Public Service Delivery; Democracy and Governance Strengthened; Gender Friendly Environment for Women’s Participation; Corruption Reduced; Safe Society; and Needs of Vulnerable Group Addressed. The KPIs such as reducing turnaround time for Government to Citizen, Government to Business and Government to Government services; monitoring government performance; drafting legislation to ensure quota for women in elected offices; reducing female unemployment; implementation of national anti-corruption strategy; and reducing crime per 1,000 population will be the basis for tracking progress towards these NKRAs.

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The main strategic thrust to achieve the national outcomes and outputs will be on i) inclusive social development, ii) accelerated green economic development and iii) strategic infrastructure development.

- a) Inclusive social development which will focus on further reducing income and multidimensional poverty, address emerging social issues and improve social outcomes in health and education sectors. The targeted key interventions include the Rural Economy Advancement Programme (REAP) to address extreme rural poverty at village and community levels; the National Rehabilitation Programme (NRP) to enhance the productive asset base of marginalized households; the Local Government Empowerment Programme (LGEP) to enhance decision making capacity and improve service delivery through provision of essential equipment, machinery and Nu. 2 million per year per *Gewog*; special programme for vulnerable groups such as senior citizens, differently-abled persons, and youth; and targeted health and education interventions to reach the unreached for *Dzongkhags* with poor health and education outcomes.
- b) Green Accelerated Economic Development which will focus on economic diversification through the development of non-hydropower sectors and by fostering the growth of a dynamic private sector that catalyzes a transition to a green economy. Key interventions include the Economic Stimulus Programme to address the present credit crunch and make finances available for productive sectors; Rapid Investment in Selected Enterprises (RISE) Programme, the flagship programme to accelerate economic growth and achieve the objective of self reliance, will target an end-to-end development of non-hydro sectors such as tourism, agro-processing, construction, small and cottage industries including cultural industries and manufacturing and mining; optimizing opportunities of accelerated hydropower development to enhance local trade and commerce, participation of local private sector and workforce and aligning corporate social responsibilities of hydropower projects with local needs and plans; enabling environment through simplification of the policy and regulatory framework and facilitating vital infrastructure development such as surface and air transport, dry ports and industrial estates.
- c) Strategic Infrastructure Development which will focus on development of critical infrastructure to complement the efforts under the above two thrust areas and to achieve the Eleventh Plan objectives. The investments will primarily be in urban, transport, ICT, energy, economic, social and cultural infrastructure. These include the development of 2 regional hubs and infrastructure facilities and services in *Dzongkhag* headquarters and towns; expansion and improvement of road and air connectivity; expansion of ICT infrastructure including a national data centre, government intranet system, national broadband master-plan and facilities for G2C, G2G and G2B services; expansion of energy infrastructure through the accelerated development of 10,000 MW of hydropower, construction of transmission lines and substations and expansion of rural electrification; the development of dry ports in Phuentsholing and Jigmeling or Nanglam and

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industrial parks in Mongar, Samtse, Samdrup Jongkhar and Sarpang; and construction of educational and health infrastructure and renovation/construction of *Dzongs*.

8. ACRONYMS

BCE	Bhutan Centre for Entrepreneurship
BCCI	Bhutan Chamber of Commerce and Industry
BITC	Bhutan Incubation and Technological Centre
BOiC	Business Opportunity and Information Centre
CSO	Civil Society Organisation
DHI	Druk Holding and Investments Limited
DHR	Department of Human Resources (MOLHR)
DoE	Department of Employment (MoLHR)
DoI	Department of Industry (MOEA)
DoT	Department of Trade, (MOEA)
FDI	Foreign Direct Investment
FYP	Five Year Plan
GDP	Gross Domestic Product
GNH	Gross National Happiness
HDI	Human Development Index
HRD	Human Resource Development
ICT	Information and Communications Technology
IFC	International Finance Corporation
MTFF	Medium Term Fiscal Framework
MDGs	Millennium Development Goals
MOIC	Ministry of Information and Communications

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MoAF	Ministry of Agriculture and Forestry
MoE	Ministry of Education
MoEA	Ministry of Economic Affairs
MoF	Ministry of Finance
MoLHR	Ministry of Labour and Human Resources
MSME	Micro Small and Medium Enterprise
NES	National Entrepreneurship Strategy
NGO	Non-government Organization
PHCB	Population and Housing Census Bhutan
RGoB	Royal Government of Bhutan
RMA	Royal Monetary Authority of Bhutan
RUB	Royal University of Bhutan
SME	Small Medium Enterprise
TCB	Tourism Council of Bhutan
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
VET	Vocational Education and Training

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