

Guideline for Industrial Development Grant Scheme

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

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ABBREVIATIONS

DCSI	Department of Cottage & Small Industry
DEC	Departmental Evaluation Committee
DoI	Department of Industry
EDO	Economic Development Officer
IDGS	Industry Development Grant Scheme
MoEA	Ministry of Economic Affairs
RTIO	Regional Trade & Industry Office

1 Background

The Industrial Development Grant Scheme (IDGS) was initially started as the Rural Enterprise Grant Scheme (REGS) in 2005 by the Department of Industry (DoI) to support the cottage and small industries in procurement of machine and equipment on cost sharing basis. With the establishment of Department of Cottage and Small Industry (DCSI) in 2010, the mandate to administer the REGS was handed over to DCSI as the scale of sectors targeted for support falls under the purview of the DCSI.

Cottage and small industries account for more than 95% of the total number of industries in the country playing a vital role in the industrialization and diversification of the economy which would ultimately contribute towards economic self-reliance, employment creation, revenue generation, poverty reduction and alleviation of rural-urban migration. Despite its huge potential, CSIs are constrained by myriads of challenges such as limited access to finance due to lack of equity and collateral, low level of innovation and technology adoption, shortage of business infrastructure and so on. Therefore, considering the critical role of the CSIs in the economy and given its current challenges, the Royal Government has adopted various support measures to boost the development and promotion of CSIs in the country. The IDGS is one of the support measures that the Government initiated to address the financial challenges being faced by the CSIs.

2. Definition

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

3. Objectives of the Grant

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

- i) To facilitate access to technology through provision of equipment/ machinery;
- ii) To upgrade the level of technology and embrace modern and efficient technology;
- iii) Enhance competitiveness through economy of scale ; and
- iv) Improve quality of products.

4. Sectors Eligible for Grant

- i) Production and Manufacturing Industries
- ii) Innovative, Creative and Essential Service Industries
- iii) Existing as well as Startup Industries
- iv) Applicant will be eligible for more than one time grant depending on the genuineness of the case

5. Grant Amount

The Grant shall be provided on a cost sharing basis for the procurement of equipment & machinery and the maximum ceiling of the Grant amount shall not exceed Nu. 300,000 (Three hundred thousand) only. The Grant shall be disbursed in the following manner:

- i) New/startup Business: The grant shall cover 90% of the cost of the equipment /machinery or Nu. 300,000 whichever is less.
- ii) Existing Business: The grant shall cover 80% of the cost of the machinery/equipment or Nu. 300,000 whichever is less.

6. Application Procedures

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

- i) DCSI shall announce in media and on the DCSI/Ministry's website soliciting interested applicants to apply for the IDGS. The

information can also be obtained from respective RTIOs/EDOs/Dzongkhags.

- ii) Interested applicant(s) shall apply as per the application form provided in Annexure I. The application may be submitted either in hard copy or through emails.
- iii) The application may be submitted directly to the DCSI or through the RTIOs/EDOs/Dzongkhags. The application must reach the DCSI/RTIOs/EDOs/Dzongkhags within the stipulated deadline.
- iv) The RTIOs/EDOs/Dzongkhags shall forward the applications received from the applicants to DCSI within five working days from the stipulated deadline.
- v) The Departmental Evaluation Committee (DEC) shall appraise and evaluate the applications based on the criteria mentioned in clause 7 of this Guideline.
- vi) The selected applications shall be submitted to IDGS Committee for final approval.
- i) The decision of the IDGS Committee shall be communicated to the applicants within five working days from the date of the Committee meeting.

7. Application Evaluation Criteria

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

- i) Suitability of the business in the proposed location
- ii) Availability and use of local resources
- iii) Export potential of product
- iv) Potential for import substitution

- v) Potential for employment generation
- vi) Readiness to start the business for new CSIs (Skills, land, Infrastructure)
- vii) Growth potential for existing CSIs

8. Modality for Release of Grant

- i) The DCSI and applicant(s) shall sign an agreement upon the approval of the grant (Annexure II).
- ii) The DCSI/RTIOs/EDOs/Dzongkhag officials may meet with an applicant(s) in their respective regions for verification and assessment.
- iii) Upon completion of the assessment, the applicant shall submit Pro-forma Invoice of the equipment/machinery to the DCSI.
- iv) The applicant shall pay his/her part of the contribution in the event the manufacturer/supplier demands advance payment.
- v) The DCSI shall disburse the grant directly to the manufacturer/supplier upon submission and verification of the Pro-forma invoice or commercial invoice.
- vi) In the event the manufacturer/supplier fails to supply or the applicant decides not to procure the equipment/machinery, the applicant shall immediately reimburse the grant amount to the DCSI.
- vii) The DCSI shall revoke the grant in case the applicant substantially changes the scope of the proposal from the one initially approved.
- viii) The DCSI may facilitate the procurement of equipment/machinery on behalf of those selected applicants who lack technical knowledge of the required equipment/machinery.

- ix) The selected applicant(s) of new/startup businesses shall obtain business license after receipt of the grant.
- x) The applicant(s) shall commence and operate the business within 6 months from date of delivery of the equipment/machinery at the business site.

9. Departmental Evaluation Committee

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

- i) Dy. Chief Industries Officer, Enterprise Development Division - Chairperson
- ii) One Officer from the Small Business Promotion Division - Member
- iii) One Officer from the Programming Division – Member
- iv) One Officer from the Directorate Services, MoEA - Member
- v) A Focal Officer from the Enterprise Development Division, MoEA - Member

10. IDGS Committee

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

- i) Director General, DCSI - Chairperson
- ii) Chief Finance Officer, Directorate Services, MoEA - Member
- iii) Chief Industries Officer, Programming Division - Member
- iv) Chief Industries Officer, Small Business Promotion Division - Member
- v) Chief Industries Officer, Enterprise Development Division - Member
- vi) Focal official, Enterprise Development Division – Member Secretary

10.2 2/3 of the Committee members including the Chairperson shall constitute a quorum.

11. Monitoring and Reporting

The DCSI shall monitor the applicants on a regular basis on the utilization of the equipment/machinery.

12. Provisions of the Guideline

The DCSI may change / alter the provisions of the Guideline as and when necessary with prior approval of the Ministry.

