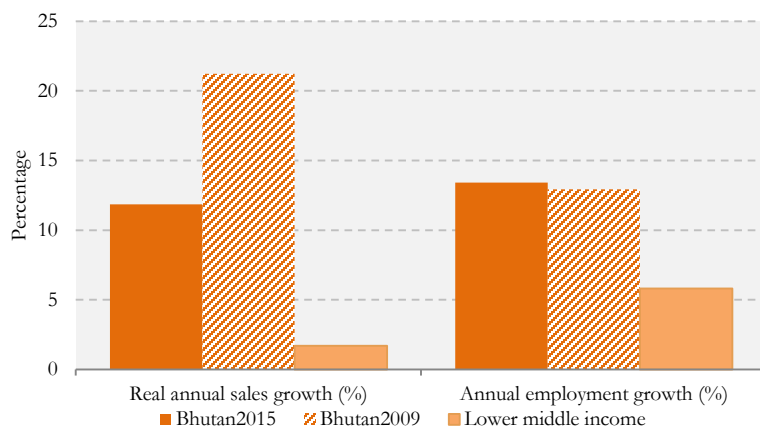


The World Bank interviewed a representative sample of the private sector in 4 of the most active economic regions in Bhutan. The sample consisted of 253 business establishments surveyed from May 2015 through July 2015. The Enterprise Survey (ES) covers several topics of the business environment as well as performance measures for each firm. Below are the main highlights from the survey.

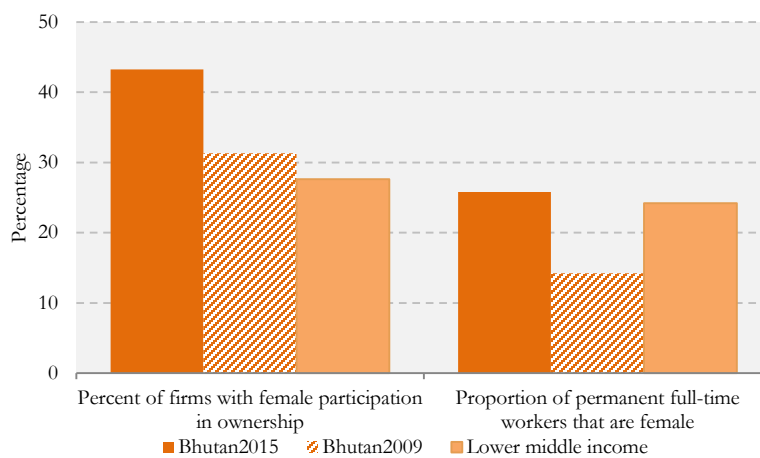
Despite its small size, the Bhutanese private sector reports strong annual sales and employment growth

Bhutan’s economy is extremely small but growing. Comparing the performance of Bhutanese firms between 2012 and 2014 by annual sales and employment growth with other lower middle income countries, the ES show that firms in Bhutan exhibited considerably higher growth rates. However, compared to the 2009 ES data, the 2015 data indicates that sales growth has decreased by over 40% (from 21% in 2009 to 12% in 2015). Annual employment growth, on the contrary, has remained the same at 13% per annum.



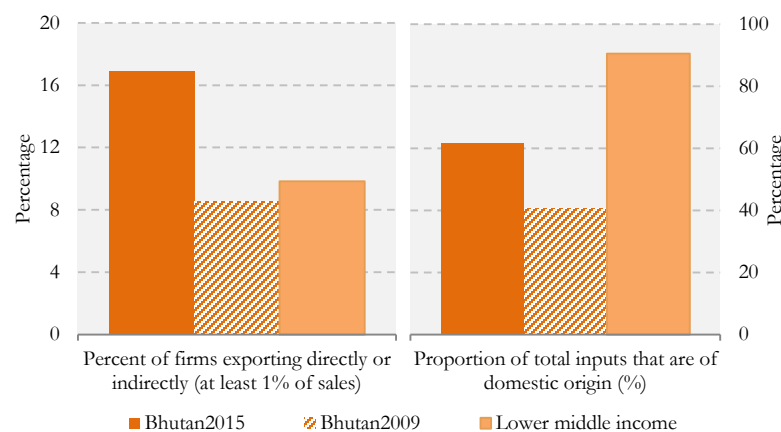
Bhutanese firms have much higher rates of female participation in ownership

Compared to firms in countries with a similar income level, Bhutanese firms have much higher rates of female participation in ownership: 43% of firms have at least one female owner, compared to 28% for firms in lower middle income countries. Considering that 82% of firms in Bhutan are sole proprietorships, this translates into a relatively large percentage of firms which are majority female-owned. In terms of female participation in the workforce, 26% of the workforce on average is composed of women. This is an increase compared to 2009 (14%) and comparable for firms in other lower middle income countries (24%).



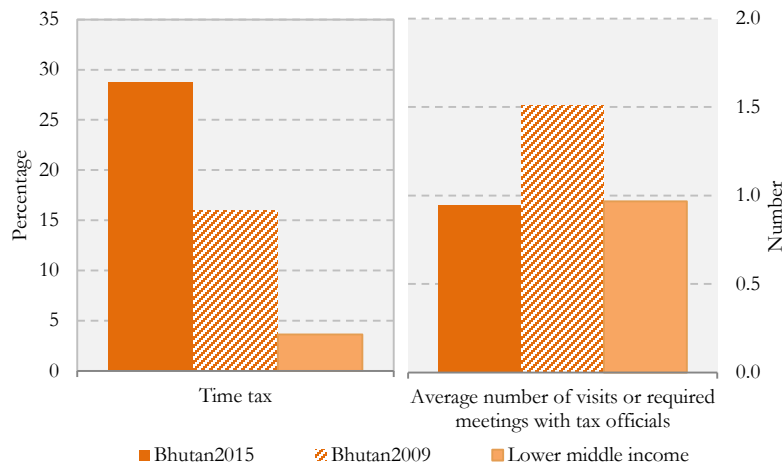
More businesses are exporting their products, however manufacturers are more reliant on domestic inputs

Almost 17% of businesses are exporting directly or indirectly at least 1% of their sales; this is double the rate found in 2009. Despite being a landlocked developing country, Bhutan outperforms its peers in the lower middle income group. However, the overall picture of international trade is somewhat mixed in that manufacturers are now less reliant on inputs of foreign origin compared to 2009 and compared to other lower middle income countries. For manufacturers, the average proportion of inputs of domestic origin is 61% compared to 41% in 2009.



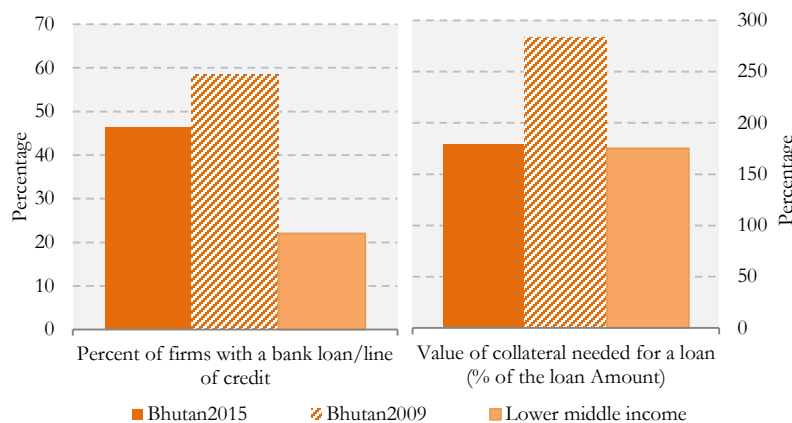
The time tax for firms has increased and is much larger compared to firms in similar income-level countries

Despite improvements in the business environment, in terms of exporting and female participation in the private sector, the burden of government regulations seems to have increased for firms compared to 2009. Bhutanese firms report a “time tax” of 29%, meaning across firms, almost 30% of senior management time is spent on the requirements of government regulations. This is a marked increase from 2009 (16%). The average number of visits or required meetings with tax officials, on the other hand, has decreased from 1.5 (in 2009) to around 1 visit per year.



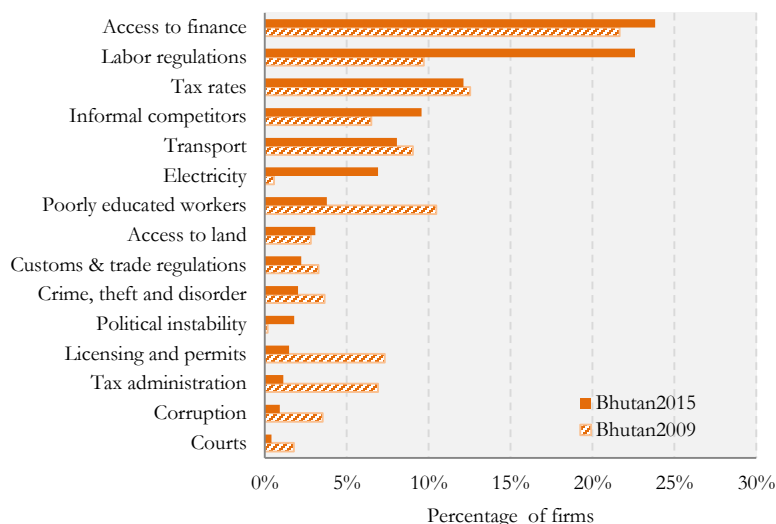
Despite reductions in collateral requirements, fewer firms have loans

Bhutan has made considerable progress in reducing the amount of collateral required for a loan. On average, firms need to provide collateral of around 180% of the loan amount. This is noticeably lower than the 283% as measured in 2009. Despite this reduction in collateral requirements, fewer Bhutanese firms have a loan or a line of credit: 47% in 2015 compared to 59% in 2009. In addition, the percentage of firms not needing a loan has increased across the two survey waves- from 28% in 2009 to 58% in 2015.



Firms consider access to finance and labor regulations as the biggest business environment obstacles

Among 15 areas of the business environment, firms in Bhutan are more likely to rate access to finance and labor regulations as the biggest obstacle to their daily operations, followed by tax rates. Despite improvements over time, such as a reduction in the amount of collateral required for a loan, access to finance remains the top rated obstacle similar to the findings from the Bhutan 2009 Enterprise Survey. Political instability rates very low for Bhutanese businesses whereas in other neighboring South Asian countries, political instability is usually one of the top concerns of entrepreneurs.



The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit <http://www.enterprisesurveys.org>