



Bhutan

Rapid eTrade Readiness Assessment





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NOTE

Within the UNCTAD Division on Technology and Logistics, the ICT Analysis Section carries out policy-oriented analytical work on the development implications of information and communication technologies (ICTs) and e-commerce. It is responsible for the preparation of the *Information Economy Report* (IER) as well as thematic studies on ICT for Development. The ICT Analysis Section promotes international dialogue on issues related to ICTs for development, and contributes to building developing countries' capacities to measure the information economy and to design and implement relevant policies and legal frameworks. It also monitors the global state of e-commerce legislation (unctad.org/cyberlawtracker). Since 2016, the ICT Analysis Section coordinates a new multistakeholders' initiative entitled *eTrade For All* which aims to improve the ability of developing countries, and particularly Least developed countries, to use and benefit from e-commerce.

This document has been edited externally.

The following symbols have been used in the tables:

Two dots (..) indicate that data are not available or are not separately reported. Rows in tables have been omitted in those cases where no data are available for any of the elements in the row;

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PREFACE

The eTrade for All initiative, launched at the fourteen Ministerial Conference of UNCTAD in July 2016, is a practical example of how to harness the digital economy in support of the 2030 Agenda for Sustainable Development, notably the Sustainable Development Goals (SDGs) 5, 8, 9 and 17. The initiative seeks to raise awareness, enhance synergies and increase the scale of existing and new efforts by the development community to strengthen the ability of developing countries to engage in and benefit from e-commerce by addressing seven relevant policy areas:

- E-commerce readiness assessment and strategy formulation
- ICT infrastructure and services
- Trade logistics and trade facilitation
- Payment solutions
- Legal and regulatory frameworks
- E-commerce skills development
- Access to financing

As part of the initiative, demand-driven assessments are envisaged to provide a basic analysis of the current e-commerce situation in the countries concerned, and to identify opportunities and barriers. The resulting reports will serve as a valuable input to these countries involvement in various discussions related to e-commerce and digital trade, such as in the WTO Work Programme on E-Commerce and the new UNCTAD Intergovernmental Expert Group on E-Commerce and the Digital Economy. It may furthermore help LDCs to identify areas in which they could benefit from assistance by partners of eTrade for All.

The Bhutan Rapid e-Trade Readiness Assessment is the second one conducted by UNCTAD in an LDC following the launch of the eTrade for All initiative. The Royal Government of Bhutan was instrumental in shaping the eTrade for All initiative, notably through being the voice of LDCs in the initial consultation UNCTAD carried out jointly with the Friedrich Ebert Stiftung (FES) in February 2016 and the public consultation on eTrade for All during the 2016 E-Commerce Week. The rapid eTrade readiness for Bhutan complemented the Royal Government of Bhutan's own efforts to accelerate the implementation of their national ICT and eGovernment master plans. Let me assure of UNCTAD's commitment to continue to support Bhutan in its firm resolve to harness the potential of e-commerce for its development.

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In Bhutan, the consultant wishes to express his profound recognition of Mr. Sonam Tenzin, Director, Department of Trade (DoT), Ministry of Economic Affairs (MoEA), Royal Government of Bhutan, for his guidance and kind advice before, during and after the eTrade readiness assessment in-country mission. The consultant is also grateful to Dasho Yeshey Wangdi, Honorable Secretary, MoEA and Chairman of Bhutan's National Steering Committee (NSC) for Trade Development for the opportunity to present the eTrade for All initiative and eTrade readiness assessment early results on November 24, 2016. The consultant is indebted to three officials who ensured that the in-country assessment was successful: Mr. Sonam Chedup, Head, ICT Division, MoEA, Mr. Pema Thinley, Coordinator, National Implementation Unit (NIU) for the Enhanced Integrated Framework (EIF) programme, DoT, MoEA and Mr. Choki Tshewang, Deputy NIU Coordinator, DoT, MoEA. The EIF is a core partner of the eTrade for All initiative.

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The views expressed in this report are those of the consultant and do not necessarily reflect those of UNCTAD or of the Royal Government of Bhutan.

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ABBREVIATIONS

3G	3rd Generation of wireless mobile telecommunications technology
ADB	Asian Development Bank
API	Application Programme Interface
ATM	Automatic Teller Machine
B4ETD	Business for eTrade Development
BCCI	Bhutanese Chamber of Commerce of Industry
BDBL	Bhutan Development Bank Limited
BICMA	Bhutan Infocomm and Media Authority
BICTTA	Bhutan ICT and Training Association
BIPS	Bhutan Information and Communication Technologies Policy Strategies
BNB	Bhutan National Bank
BoB	Bank of Bhutan
BPCL	Bhutan Postal Corporation Ltd.
BPO	Business Processing Outsourcing
CSI	Cottage and Small Industries
DoT	Department of Trade
DP	Development Partner
e-GIF	eGovernment Interoperability Framework
eGov	eGovernment
EIF	Enhanced Integrated Framework
FYP	Five-Year Plan
G2C	Government to Citizens initiative
GNHC	Gross National Happiness Commission
ICT	Information and Communication Technology
IT	Information Technology
ITU	International Telecommunications Union
JICA	Japanese International Cooperation Agency
MoEA	Ministry of Economic Affairs
MoF	Ministry of Finance
MoIC	Ministry of Information and Communication
MSMEs	Micro, Small and Medium Enterprises
NIU	National Implementation Unit
NSC	National Steering Committee
POS	Point of Sales
RBI	Reserve Bank of India
RGoB	Royal Government of Bhutan
RMA	Royal Monetary Authority
RSEB	Royal Stock Exchange of Bhutan
SAARC	South Asian Association for Regional Cooperation
TCB	Tourism Council of Bhutan
TIP	Trade Information Portal
TPP	Third Party Processor
UNCTAD	United Nations Conference on Trade and Development
WEF	World Economic Forum



EXECUTIVE SUMMARY

Bhutan is a latecomer to the ICT space, with the earliest efforts at introducing TV or other forms of information and communications technologies (ICTs) dating back to 1999. The country is therefore well positioned to reap the advantages of a late starter in the technology space by not having any legacy systems, but having reliable access to electricity, access to relatively more cost effective technologies and opportunities for adoption of new (and open) standards. In addition, Bhutan is characterized by a unique environment for development of an ICT-based society by way of a stable and vibrant government, a small population, widespread knowledge of English, good telecommunications network in many of the urban areas and the Government's commitment to adopting ICT as a development tool.

In the past decade, the ICT sector in Bhutan has experience rapid development. The international Internet bandwidth has increased from 10 Mbps in 2005 to 5 Gbps in 2015, with a total of over 300,000 Internet users (MoIC Annual Report, 2014). Also, various media are used to access the Internet with rapid adoption of mobile phones, in cities as well as remote districts. With its dispersed population scattered in a country marked by geographic challenges, ICT is seen as a powerful tool in assisting the already existing mechanisms to disseminate information and bring about efficiency, transparency and accountability in delivering services.

The revolution in ICTs has profound implications for economic and social development. It has pervaded every aspect of life and the dissemination, propagation and accessibility of these technologies are integral to a country's development strategy. The country's

can foresee the possibilities that it entails in terms of quality of life improvement and increased employment.

Bhutan was home to about 757,000 people in 2015, dispersed over some 38,000 square kilometers. Because of the country's location, arrangements with India are critical: India is the source of 84% of Bhutan's imports and the destination of 89% of its exports. To tap into other markets, e-commerce represents a solution to overcome logistical and geographical barriers. Since the technology itself is new to the country, the Government can intervene and catalyze the development of an e-commerce platform to promote the technology and encourage adoption by businesses.

Regarding the seven key policy areas of the eTrade for All initiative, Bhutan appears to have a robust set of laws and regulations providing a sound basis for e-commerce to grow, although a comprehensive, up-to-date and business-friendly e-commerce strategy and an e-commerce law are still missing. The infrastructure is in place, despite still moderately high costs and low reliability of access to the Internet. G2B and G2C platforms have created the necessary momentum for ICT business to start developing locally. The introduction of an e-payment gateway triggered the development of several online portals, with a new trend appearing lately to use the portals to promote "Made in Bhutan products".

The development and growth of e-commerce and e-services are generally seen to go hand in hand with the development and improvement of ICT facilities and technology. However, for the adoption of e-services and other technological innovations, the citizens should be educated and technologically savvy. Businesses need to be able to recruit talented and trained graduates as

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