



ENCORE

Entrepreneurship Status-Quo Report

**Entrepreneurship Knowledge Centers to Foster
Innovative Entrepreneurship Practices in
Education and Research**

WP1 – Status-Quo Analysis of the Status of Entrepreneurship
Efforts in Bhutan, Nepal and Lao PDR Including a
Good Practice Catalogue (EU)

Co-funded by the
Erasmus+ Programme
of the European Union



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Introduction

Entrepreneurship has, universally, come to be known as a driver for economic development. Entrepreneurship is viewed as a means to move out of poverty, phenomenon to generate employment opportunities, and allow innovation and creativity to revitalize an economy. In fact, researchers claim that entrepreneurship is to be credited for the unprecedented economic growth of the United States as it enabled everyone in the society, including the minority, to move up the economic ladder (Harrell-Carter & Alijani, 2017).

The concept of entrepreneur was borrowed from the French word entrepreneur which means to undertake (Kowo, Sabitu, & Bola, 2019). Amongst the various definitions put forth by different scholars one key element that is predominantly captured in the varying definitions of an entrepreneur is the risk element (Mason and Brown, 2014). Thus, most scholars define an entrepreneur as an individual who takes the risk to explore the business opportunities. Similarly, the concept of entrepreneurship is mostly associated with identification of business opportunities by many a scholars (Harrell-Carter & Alijani, 2017; Kowo, Sabitu, & Bola, 2019).

Entrepreneurial Ecosystem is defined as 'a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organizations (e.g. firms, venture capitalists, business agents, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes (e.g. the business birth rate, numbers of high growth firms, levels of blockbuster entrepreneurship, number of serial entrepreneurs, degree of sell-out mentality within firms and levels of entrepreneurial ambition) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment' (Khattab & Al-Magli, 2017).

Simply put, entrepreneurial ecosystem comprises of all the activities, processes, players, and factors that influence entrepreneurship development (Khattab & Al-Magli, 2017). The term "ecosystem" was first coined in 1993 by James Moore who argued that business firms are part of a larger business ecosystem beyond industrial boundaries. Since then, many models, frameworks and theories have proposed to understand the design of entrepreneurial ecosystem but Daniel Isenberg's model has been one of influential models (Al-Abri, Rahim, & Hussain, 2018). He uses six domains with twelve key elements within the entrepreneurial system to understand the entrepreneurial ecosystem within which the business enterprises and entrepreneurs operate. Those domains are culture which includes success stories and social norms, policy that encompasses both leadership and government, finance which refers to financial capital, human capital extending to both labour and educational institutions, markets in terms of early customers and networks, and supports in the form of infrastructure and support professions as presented in figure 1.

Isenberg (2010) argues that entrepreneurial success depends on more than one factor. For example, access to finance may be more useful to start-ups but to ensure sustainability of a venture, it would require critical guidance and bigger market (Khattab & Al-Magli, 2017). Thus, assessing the entrepreneurial ecosystems provides an insight into how well a society is faring in its efforts to entrepreneurial development as compared to other ecosystems. This can help in understanding the aspects that are underdeveloped and needs focus (Mason & Brown, 2014). Thus, it affects entrepreneurial growth positively (Al-Abri, Rahim, & Hussain, 2018).

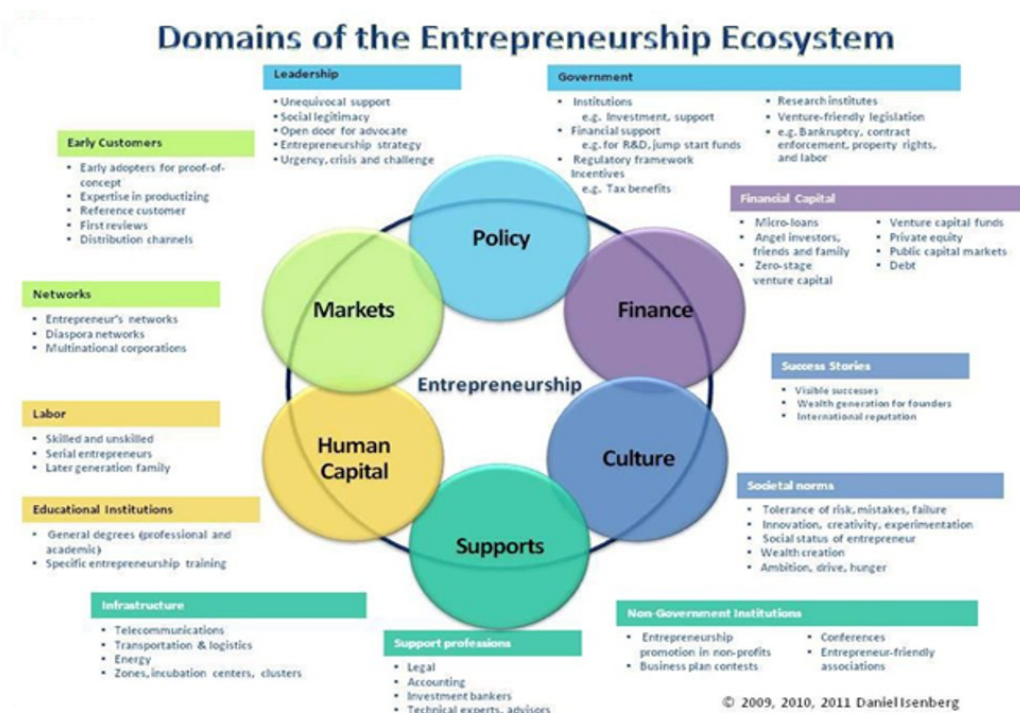


Figure 1: Entrepreneurial Ecosystem Model of Daniel Isenberg (2010)

Aims

The study was carried out mainly to determine the current status of entrepreneurial ecosystems in Lao PDR, Bhutan and Nepal. Through the status-quo analysis, the intention was to identify gaps in the entrepreneurial ecosystems in the respective countries so that the gaps could be filled in with knowledge through adequate and proper training to be delivered in collaboration with partner countries, viz, Austria, Spain and Finland.

Methodology

Since Focus Group Discussions (FGD) offers a more natural environment than that of an individual interview as participants are influencing and influenced by others-just as they are in real life it was chosen as the main tool for collecting data (Dilshad and Latif, 2013). A total of six FGDs were conducted with two FGDs in each of the countries. Each FGD consisted for 6 – 8 participants and lasted from 1 hour 47 minutes to 2 hours 19 minutes. The participants have varying backgrounds and roles in the entrepreneurial ecosystems; there were entrepreneurs, government representatives, financial institutions personnel, academicians, representatives from agencies that support entrepreneurship and the like. The complete list of participants in each of the country is given in appendix 1.

To ensure holistic coverage of each of the involved countries, countries were divided into two regions and a FGD was conducted for each region. Thus, the participants in each FGD were from the same region for the ease of administering besides ensuring no section of the nation is left behind and the study is truly representative of each of the countries.

The participants were informed about the objective and nature of the study so as to seek their consent of participation. Thus, the study confirmed strictly to the ethics of research and data collection which ensure anonymity and confidentiality of information provided.

Once the data was gathered, following Anderson (1990), the data was first reported in the form of summary of the main ideas. The main ideas were then combined and converted into narrative summaries with inclusion of actual quotes, where necessary and relevant, to explain the participant's opinions in his or her own words.

Findings

As mentioned in the foregoing section, to determine the current status of entrepreneurial ecosystem's status in each of the participating countries, the Isenberg's (2010) model of entrepreneurship ecosystem was deployed. Along with trying to ascertain the stand of the countries entrepreneurial ecosystem, an attempt was made to understand the definition of entrepreneurship from the perspective of the participants. Thus, this section first presents the definition of entrepreneurship as gathered through the FGDs and then presents the findings along the six dimensions of Isenberg's (2010) model.

Entrepreneurship Definition

Though the concept of entrepreneurship has been defined concretely in an academic/scholarly setting, the perception of people on the same concept differed. Each of the participants to the focus group discussion interpreted the meaning of the term based on their own experiences and real-life encounters. They mostly relied on their understanding of the term "Entrepreneur" to define the concept of entrepreneurship. However, three features were captured prominently in each of the definitions viz; addressing issues of societal interest, risk taking and profit motive.

Majority of the participants pointed to the intention of entrepreneurship as pursuing an idea/opportunity for the greater cause of benefiting the wider community. It consists of designing innovative solutions to solve any social issues/problems. Entrepreneurship for them is beyond the mere concept of making profit/ money. This is captured in the following quote of one of the participants:

"I no longer consider myself as an entrepreneur but as a businessman, as I now look for profits from my business."

Hence, there seems to be some understanding of associating the term entrepreneurship mostly towards social entrepreneurship related concepts for most of the members. Further, the emphasis on willingness to take risk and the inherently risky nature of entrepreneurship was indicated. Details of the Definitions given by the various panel members are given below:

- i. Entrepreneur is someone who pursues an idea/ skill that will benefit the wider community and not just oneself or one's family. It is beyond the mere concept of making profit or making money.
- ii. Entrepreneur is an individual who undergo the process of moving from an idea inception stage to the launch of business with a sustainable growth while undertaking unique initiatives to overcome all the challenges/ pitfalls associated with the journey and make a successful progression.
- iii. Entrepreneurship is any business which goes beyond ensuring livelihood to design innovative solutions to address or solve any social issues or problems.
- iv. Entrepreneurship is not an end in itself, it is a means to achieve socio economic development at a national level.
- v. Entrepreneurship is creating indigenous products that will be of not only service to the society but that will also give him profit through getting the right networks and mentoring support.

- vi. Entrepreneurship is about taking huge risk to solve a local problem
- vii. Entrepreneurship is understanding the problem in the society and creating value out of that issue or solving that problem
- viii. Entrepreneurship is a source of self-employment, new idea implementation, providing employment opportunities for others, providing goods and services to the society
- ix. Entrepreneurship is understanding the societal issues through generation of new business ideas and collecting economic resources to start the business venture as a way to address the societal issues and willingness to take risk
- x. From an Engineering perspective – it is the identification of problems and using creativity and innovation along with leadership and time work – with risk taking capacity to address the societal issues – not about profit making
- xi. Entrepreneurship is bringing changes in the society through solving problems by way of creating new products. It is not about profit making; it is more like conservation of environment for helping the society in terms of reducing the firewood consumption
- xii. Entrepreneur is a person who takes risk of pursuing the business idea s/he has, to a problem and that which ensures a sustainable return/ profit.

Entrepreneurship Ecosystem

Isenberg (2010) proposed six domains of the entrepreneurship ecosystem which include policy, finance, culture, supports, human capital and markets.

1. Policy

Under this domain information about various policies that are currently in place and issues in the current policies were discussed.

Some of the policies affecting entrepreneurship in Bhutan are Economic Development Policy, CSI Development policy, Income Tax Rules and Regulation, Companies Act ,12th Five Year Plans and Fiscal Incentive Act. Compared to the past, the policies have been encouraging for promotion of entrepreneurship in Bhutan. Yet, many view the policies to be restrictive in terms of getting licenses, clearances, and other requirements from the government which is not conducive for creating an enabling environment for business.

It was mentioned that while the government wants entrepreneurs to come up with new innovative ideas, however, at the same time there are certain policies that actually restrict such innovative ideas and this serves as one of the major impediments to growth and development of entrepreneurship in the country. Government policies are not recent enough to accommodate new business ideas and this poses challenges for any new innovative business ideas to launch. The rigidity and lack of flexibility of current policies and regulations to suit the needs of business hampers in giving a conducive environment. While in some cases we have acts like the Waste Prevention and Management Act of Bhutan, 2009 with forward looking policies, however, it was mentioned that there is a huge gap in terms of implementation and interpretation of the policies.

Despite these issues, consistent efforts have been put to ease the hiccups and one such initiative was the appointment of Economic Development Officers (EDOs) in every Dzongkhag. The EDOs provide support to the entrepreneurs in establishing their businesses beginning from tasks like business proposal development to land leasing to surveying. Another such initiative was the launching of the G2C services. The possibility of availing the basic services from the community level has positively impacted the turnaround time.

Some of the policies developed for the promotion of entrepreneurship as reported in the Cottage and Small Industry annual report 2019-2020 are as follows:

- i. Build forum for CSIs to ensure regular, proactive, two-way

public private dialogue between the CSI sector and the relevant RGoB agencies.

- ii. Revise the Rules and Regulations for the Establishment and Operation of Commercial and Industrial Ventures in Bhutan, 1995.
- iii. Adopt an Integrated Business licensing system end to end automation of business licensing systems.
- iv. Establish Integrated E-platform for tax filing, licensing and registration.
- v. Develop E-commerce regulatory framework to ease doing business.
- vi. Establish a consultation forum for tax administration reforms affecting CSIs to bring about ease in tax filing by the CSIs.
- vii. Prepare Satellite CSI accounting to account CSI contribution to the economy
- viii. Adopt CSI Policy 2019 and create awareness programmes
- ix. Prepare Six Monthly Progress Reports on the implementation of CSI Action Plan for CoS.
- x. Collect, analyze and disseminate annual CSI Report

2. Access to Finance

This domain focused on various funding sources and associated challenges faced by the entrepreneurs were discussed.

Access to finance is very important for promoting entrepreneurship and the landscape in this domain has been improving in the Bhutanese context. Difficulty in accessing finance has become more of a story of the past. Government agencies like RMA, banking institutions, NGOs and even friends and family are now supportive of financing entrepreneurial ventures, though World Bank's Ease of Doing Business Report rates Bhutan comparatively lower. This also implies that Bhutan has scope to make access to finance more attractive.

Participants acknowledged that while the process of getting licenses, clearances and taking loans from the bank is a lengthy and difficult process, the service providers are unclear as to why the service takers are not exploring all the financing options, some of which do not even require collaterals when the main complaint against access to finance is the requirement of collaterals. This hinders the relevant agencies from coming up with new financial services. For instance, Government through the National CSI Development Bank provides collateral free loans at a very minimal interest rate; National Credit Guarantee scheme has also been started for guaranteeing up to 90% of the project cost; even the processes and formalities are simple. However, one of the impeding factors in accessing financial services is proper preparation of business proposal by the proponents – inappropriate proposals lead to longer duration of getting access to finance; the failure on this front leads to challenges to access finance.

Some of the funding sources instituted by RMA and Financial Institutions currently in place, in Bhutan are:

- i. Kuenphen Financing: an inclusive access to finance for the marginalized communities, is an innovative mix of integrating crowdfunding with a backup fund. Applicants have to come through crowdfunding first, where they have to raise, at least, 20 percent of the

required amount and the loan needs no collateral, so after unlocking the 20 percent funds required, the remaining 80 percent is funded through Kuenphen.

- i. Priority Sector Lending: Created by RMA and implemented by the banks to finance new start-ups
- ii. Created alternative sources of financing such as Job Chor, crowdfunding and venture capital.
- iii. Loden Foundation's LEP funding, Grant from DCSI and loans from banks are there to support entrepreneurs.

Some more initiatives are:

- i. NPPF's voluntary pension scheme which can be availed by entrepreneurs and business members through registration
- ii. Micro financing through His Majesty's office which is more for social causes though not necessarily for business. It's given in the form of 30% grant and remaining as interest free loan.
- iii. Further CSI bank has a credit guarantee scheme

As an inherent element of the Bhutanese culture, networking and relationships seem to be playing a significant role in getting investors. Entrepreneurs have some success stories of raising the fund through social network to start their business. Similarly, venturing into business in the domain of social entrepreneurship was pointed out as one attraction point to ease the access to finance. Experience and observation imply that businesses with higher Environment, Social and Governance ratio have greater potential attract more investments. Besides access to finance this will also enable addressal of social issues. However, angel investors were expressed to be difficult to attract in Bhutan. With more fund required at the initial stages of the startups, having a system of start fund would allow startups to grow and entrepreneurship to thrive in the country.

Some of the policies to enhance funding support as reported in the Cottage and Small Industry annual report 2019-2020 are as follows:

- i. Facilitate credit access for 21 identified products and CSI targets under flagship
- ii. Incentivize CSI banks and FIs to lend at affordable rates and encourage FIs to commit portion of their loans to CSIs
- iii. Expand the coverage of MFIs in rural areas
- iv. Adoption of alternative credit scoring models
- v. Organize meetings for resource mobilization
- vi. 9 CSIs were recommended for working capital support under Term-Based Soft Working Capital Loan introduced as an interim measure to counteract the impact of COVID-19.

3. Culture

Under this domain, attempt was made to understand the participants views on the impact of national culture on entrepreneurship. It mainly focused on the role of culture in either promoting or impeding entrepreneurship development; society's views towards entrepreneurship and entrepreneurship as an occupation; and tolerance and supports from the society towards entrepreneurial efforts.

The discussion was indicative of the fact that Bhutanese people in general are still strongly embedded into the conventional conviction that the very purpose of educating the children is to secure 'White Collar jobs' which are viewed favourably while entrepreneurs per se and venturing into entrepreneurship into areas like agriculture or farming are seen as 'Blue Collar Jobs'. This is basically due to the general societal view of placing a greater importance or status to civil servants, doctors, lawyers, engineers and other traditional forms of employment. Entrepreneurs are general looked down by people and do not share the same respect and status as others. Thus, majority of the participants expressed that the culture and attitude of Bhutanese, in general, towards entrepreneurship is not very positive.

The participants attributed this to the focus of our education system. The modern Bhutanese education

system, with its base and influence from the traditional Indian and British Education system, is textbook and exam based, and there is little scope for innovation, creativity or other entrepreneurial related skills. With no curriculum content on entrepreneurship or entrepreneurial related skills development (until recently in the schools), students were trained to become workers or employees and not on becoming bosses/employers/entrepreneurs. Hence being an entrepreneur was never seen as a possible first preferred career option by many youths. Further, the general trend so far in Bhutan has been that the students who perform well in academics take up jobs in the with civil service and become professional like doctors, engineers, lawyers and others; and the ones who do not get employment either in government, corporate and private sectors, pursue entrepreneurial path as their eventual career option. This was rightly pointed out by one of the participants who said,

"The current entrepreneurship culture in Bhutan is necessity driven rather than opportunity driven."

One of the participants noted:

"While we see our culture not being very conservative but it is also not enabling someone to grow."

As a Buddhist country, Buddhism has a big influence on Bhutanese culture and hence religious beliefs were also identified as impeding factors towards entrepreneurship. For instance, participants believed that entrepreneurial ventures that are against some of the core Buddhist values like fishery, poultry and piggery, though so opportunistic and a boon for an economy like Bhutan's that depends on import in these areas are discouraged by the society. Further, the risk adverse attitude of Bhutanese, in general, was also found to be demotivating for youth to venture into entrepreneurship. Similarly, it was also found that the rich and unique culture of Bhutan is not fully capitalized for entrepreneurship and there are a lot of potential areas for many viable business ideas around Bhutanese culture. The participants remarked on the need to have business ideas inspired by culture and institutions to promote it particularly in the sense of taking it into the business aspects. The observation thus far is of agencies mostly supporting entrepreneurship development ideas that are technology based and lack of opportunities & support for cultural based business ventures.

However, on a positive note, few participants indicated that in comparison to the past decade, the culture of entrepreneurship is now gaining a lot of momentum. With efforts from the government and the NGOs Bhutan is seeing a gradual shift in the mindset of youth towards entrepreneurship, as there is now a growing number of youths who are showing interest in entrepreneurship, with some even leaving their college mid-way to pursue entrepreneurship as their career. Some of the possible reasons for this change could be due to many entrepreneurship related advocacy programs conducted by different agencies including the government through the Ministry of Labour & Human Resources.

The scenario is expected to grow better with the recent inclusions of entrepreneurship related materials in the courses/ curriculum content of various TVET Institutions, colleges, and schools. These curriculums can be supplemented with introduction of real-life

cases of rising/successful entrepreneurs to the students as interactive sessions. This will be more impactful with the entrepreneurs emphasizing on the financial benefit aspect as the youth seem to be more convinced with monetary outcomes. In this line, one of the respondents made a critical suggestion on delivery of entrepreneurship as a part of the curriculum to the students. Instead of teaching entrepreneurship as some hardcore business subject, aligning the design of the content and delivery with the students' field of study like Arts, Commerce or Science will make it more meaningful and easy to relate with for the youth/students.

Respondents were of the view that further enhancement of the entrepreneurial culture can be made through efforts to change the mindset of the people, especially the uneducated parents by way of reintroducing the purpose of education as enabling an individual to be independent and beneficial to the society rather than securing an employment. In similar vein, illustrating the benefit the business venture, irrespective of the nature, to the mass would also help in reducing the impact of religious values on discouraging entrepreneurial ventures.

Moreover, participants agreed that under the dynamic leadership of His Majesty, who has been at the forefront of promoting innovation, creativity and ensuring the country is moving as per the needs of the 21st century, the changes required for a positive entrepreneurial culture in the country will not be a far-fetched dream.

4. Support

In this domain of Isenberg's entrepreneurship model the FGD focused on areas of support mechanisms currently available for entrepreneurship development and also critically reviewed the current support mechanisms available to identify the area of gaps.

In Bhutan, the concept of entrepreneurship promotion and support is still at an infancy stage and the players of ecosystem are just learning to share information and implement plans and programmes through collaboration (ITC 2019). As of June, 2020 Bhutan has around 21,813 active licensed CSIs and this has created employment for more than 100,000 individuals. As entrepreneurship in Bhutan is at the evolution stage right now and also with a huge number of population being engaged in entrepreneurship related activities, any support provided towards entrepreneurship is timely and much needed.

In terms of the support provided by different agencies, almost all the participants agreed that there is tremendous support from various agencies, both government and non-governmental encompassing all areas like legality, regulations and finance. However, support was still found to be short in areas such as access to market, storage, copy rights & protection, certification of local products and others. Further most of the entrepreneurship support programs in Bhutan are focused on youth. Studies have confirmed that the successful entrepreneurs are the ones who are older like people in their 30s and 40s. Considering the maturity needed to deal with people and understand the nature of the business, except for a few exceptional youths, many have difficulty having such maturity this early. This could also be one possible reason for lack of entrepreneurship growth in the country.

Interestingly, the views of the supporting agencies and the entrepreneurs on the support front seemed to vary quite widely. For instances, respondents from the supporting agencies were of the opinion that most of the Bhutanese entrepreneurs have an entitled attitude and expect all the things to be worked out for them freely by the government and/or the relevant agencies due to which most entrepreneurs are unaware of most of the support available and ignorant of how to avail one. In fact, as per the Entrepreneurship Ecosystem in Bhutan Report (ITC, 2019) it was found that entrepreneurs find it difficult to access information about the

different support institutions in the ecosystem. "Entrepreneurs approach institutions based on recommendations from family and friends, without previous knowledge of the institutions' specific offer. This also relates to the lack of diversification and specialization found in the ecosystem, which makes it difficult for entrepreneurs to distinguish among the services provided by different institutions" (ITC, 2019). Thus, there is the need to educate and advocate the entrepreneurs about the support that are available to them.

This was contributed to the fact that most of the support towards entrepreneurship comes from the supply side (i.e. the government or related agencies) in Bhutan and the entrepreneurs are young and immature. This makes the entrepreneurs complacent and dependent when the entrepreneurs actually ought to lay out clearly, to the regulators, what kind of support is needed. It was found that the private and corporate sectors could also play an active part in providing support.

One of the points for attention in terms of support provided to the entrepreneurs in Bhutan is the issue of duplicated efforts. Almost all the support agencies/ organizations are focused on providing support for the entrepreneurs who are at the initial stages like idea, start-up & early in their entrepreneurial journey, while there is little support from any agencies for entrepreneurs who have crossed these initial stages. This implies there is duplication of support efforts for entrepreneurs at the initial stages and lack of support for entrepreneurs who have crossed the initial stages. This exclusiveness has led to situations wherein many experienced entrepreneurs are hesitant to approach relevant agencies for support. Therefore, an inclusive support system not only covering youths, but also extended to adults, farmers, differently-abled individuals and support beyond initial stages like the support for the launch, growth and maturity stages needs to be there.

This has been rightly pointed out by studies which found that Bhutanese entrepreneurs get trained on the same topic by several institutions due to the lack of data sharing between the institutions (ITC, 2019). This calls for greater degree of coordination & collaboration amongst the supporting agencies and it will also allow pooling of resources and bridge the resource constraints, supplement each other's effort and ultimately benefit the entrepreneurs. In a similar pattern, rather than having multiple agencies work towards entrepreneurship development related efforts in the country, having a one-stop agency that is given the sole mandate of working towards entrepreneurship development could address the current issues of duplication of efforts. Some small steps are being taken to address these issues, for instance, Innovate Bhutan has created a platform to connect all the agencies working in the education sector, financial sector, labour sector and CSO sector who are working towards Entrepreneurship Development. And RMA is focusing their work to provide necessary support for the existing entrepreneurs to scale up and become a company (with IPO) at the end.

Moreover, many entrepreneurs have built their skills and knowledge to pursue entrepreneurship through online and face-to-face training programmes. It was reported that the entrepreneurs found the trainings that provided currently to be too generic in nature and not sector-specific; this does not allow development of the participants' technical skills. But studies indicate that the trainings provided as a part of the entrepreneurial support in Bhutan do not cover opportunities

related to information and communication technology (ICT). Even the existing school and university curricula offer only limited and often outdated content on ICTs. In fact, one of the greatest difficulties that the aspiring entrepreneurs have after attending the trainings is writing a good business proposal that will be accepted by agencies for implementation or funding. Thereby signalling that the training content and curriculum are not standardized (ITC, 2019).

Lateral support from one entrepreneur to the other entrepreneurs, including the upcoming and struggling ones was found to be necessary and improving. This networking or information sharing has been fueled by the access to digital platform. Very specifically, one of the respondents was of the view that the support system can be further improved, at individual level, through initiatives of the successful entrepreneurs taking the responsibility of inspiring at least young youth annually.

4.1 Incubation Center Related Support:

In terms of support related to incubation, the MoLHR helps the colleges in the country to set up incubation centers and Tech Park Ltd in Thimphu also has an incubation center. However, due to lack of trained incubation managers, this was pointed out as one of the biggest impediments towards growth of a strong entrepreneurship in the country. There is a need to have a trained incubation managers who are instrumental to manage and promote incubation centres. The Ministry of Economic affairs (MoEA) has plans to have incubation managers in each of the colleges. Their role would be to select ideas, help in product development and be involved in R&D, facilitate networking with access to finance and marketing. In the same vein, studies have rightly established that Bhutanese entrepreneurs lack access to mentors in the first place and in case someone does get a mentor, there is issue with pairing relevant and committed mentors with aspiring entrepreneurs (ITC, 2019).

Support for incubation run by MoEA is provided for 2 years. As of now there are 33 entrepreneurs availing the Centre's facility but none have actually expanded their business successfully or is running it sustainably. However, the incubation centres in Nepal and Afghanistan have a much higher success rate than Bhutan, despite their incubation period being only for 6 months and the entrepreneurs are also required to pay a substantial fee to use the facilities. It is recommended that Bhutan needs to learn from our neighboring countries and also it was mentioned that the long incubation period could be making our entrepreneurs complacent and relaxed. But more incubation support was felt necessary.

All the respondents expressed that all the entrepreneurship related support, policies and regulation is uniformly applicable and available in all the dzongkhags/districts in the country. However, the implementation of these depends on the proactiveness of the branch offices/ departments across the country. The representatives from the government and financial agencies to the panel agreed that not all policies and support services reach to all the parts of the country uniformly. For example, the business idea pitching events organized and sponsored by supporting agencies like RMA and Loden foundation are confined only to university colleges. This was felt necessary to be extended to even schools and vocational institutes.

At this backdrop, Bhutan is gearing towards building Business Development Support and Infrastructure through the following efforts as per the Cottage and Small Industry annual report 2019-2020.

- i. Construction of incubation centers.
- ii. Establishment of Business Incubation Center at TTIs
- iii. Establishment of Fab labs
- iv. Strengthening of Startup Center at Thimphu
- v. Establish CSI estates in Dzongkhags which are not catered by the industrial estates/parks.
- vi. Designate space for Startups in the industrial estates/parks.

5. Human capital

This domain focused on the status of the human capital, labour accessibility for entrepreneurship and the role of the educational institutions in promoting entrepreneurship.

Easy access to human capital plays an instrumental role in promoting entrepreneurship. But for most entrepreneurs getting a set of skilled/good work force is one of the major challenges. However, the access to human resources depends on the nature of the venture in question. For some sectors like waste-based business, getting human resources is a big challenge - firstly due to lack of supply of skilled workforce in the country and secondly majority of Bhutanese are not keen to work hard with perseverance in labour intensive jobs like farming or waste-based business sector. Also, those who are willing to work demand a rate which is much higher than what is quoted by the foreign workers (if available).

Similarly, expertise is found to be scarce even in the area of IT and R & D to the extent that there are no competent professionals to carry to feasibility study or market study at the initial stage of business development. This has forced the novices to carry out the task; compromising the quality. On the other hand, respondents noted that there is adequate access to HR in terms of generic skills and also in the accounting area.

Bhutan currently depends on Indian workers for all the construction and other skilled work and for a private sector, getting foreign workers has a lot of challenges associated with it. This high dependence will not be sustainable if the Bhutanese workers are not trained sooner. The current Bhutanese work force available are not as competent as the Indian counterparts. For an instance, the Vocational graduates are not equipped or trained to work on/with the latest machines as they are trained using obsolete machines.

Lack of access to skilled HR is further fueled by the job security and privileges like availability of bank loans associated with government or corporation-based jobs. Most skilled and trained individuals do not join the small private organizations and this compounds the challenge for the private sector.

In view of these issues in Bhutan for the private sector, the MoLHR has identified more than 20 skills development training programmes under the Human Basic Skills Development Division. However, one of the challenges faced by the ministry while facilitating the training is in terms of getting qualified competent trainers and facilitators. Hence, the ministry had to hire a trainers from Sri Lanka.

Acknowledging the role of education in transforming the quality of human capital, the importance of entrepreneurship and imparting entrepreneurial skills and entrepreneurial mindset from an early age has been reflected in the education blueprint 2014 to 2024. Following the example of Finland's education system, where students are introduced to the

entrepreneurship mindset from an early grade, Bhutan has initiated the inclusion of Entrepreneurship in the high school curriculum. It is hoped that this early exposure to entrepreneurship related concepts will help change the current perception & mindset of students towards entrepreneurship and also enhance their entrepreneurial skills and competencies. Similarly, at the tertiary education level, entrepreneurship is offered as a course/ module for all programmes under RUB and its affiliate colleges.

Human capital at Entrepreneurial Level:

The current quality of entrepreneurs per se is not commendable as they do not seem to come up with any innovative, out-of-the-box business ideas and nor are they creative in actual conduct of business in general. One of participants shared that in the last two decades years, there has been only one patent holder in Bhutan. Further, they shared that around 70 percent of business ideas generated from Bhutan are agriculture based.

The discussion attributed this to Bhutanese education system which is driven by exams and grades with lesser focus on innovation and creativity. Another factor discussed was the lack of exposure to outer world beyond Bhutan that did not enable youths to think of anything different than what has been done previously. Further, the respondents added that the ecosystem does not offer platforms for exchange of business ideas.

Both these phenomena were apparent in the two sessions of 'Little CEO' programs organized by the Royal Monetary Authority. The first session was held at Thimphu which saw mostly the children of businessmen participating who were already exposed to idea of business. The second session was held with children coming from rural backgrounds they couldn't come up any ideas beyond "opening a grocery shop". Entrepreneurship courses offered in schools and colleges should aim instilling decision making skills, critical thinking, problem solving and ability to think differently. For any entrepreneurship course/ training, the focus needs to go beyond profit making onto values like environment and societal well-being and its greater purpose. Having such values incorporated into business will make it sustainable for the future via integration of GNH values into business which will also help students to be ethical entrepreneurs.

Likewise, the startup weekend programme requires an element of follow-up after the events to consolidate the skills and knowledge acquired. The events currently on offer need to be sector- or topic-specific with involvement of international experts who can share their experience and ideas thereby giving the same program a new edge.

In order to help build the competencies of potential entrepreneurs right from early age, RMA has the following programs in action:

- "Little CEOs" program for primary school children with the objective to introduce the students to the concepts of entrepreneurship and build skills like decision making, problem solving & confidence
- At the high school level, RMA has a student business seedling program, which is based on His Majesty's command. The program takes the form of a club with a slightly different concept. The 12th grade students are also introduced to the concepts of business proposal and idea pitching.
- At the college level, the financial literacy and fintech curriculum was launched at Gedu College as a pilot program and soon the programs will be launched at other institutions.

- Financial literacy program is also offered to the National Institute of Zorigchusum and the Royal Academy of Performing Arts with the aim to build capacities and encourage graduates to come up with Bhutanese culture-based businesses

In addition, following are some of the efforts geared towards building human resource capacities as per Cottage and Small Industry annual report 2019-2020.

- i. Institutionalize mentorship program, honorarium and fielding of experts.
- ii. Hard and soft skill training.
- iii. Development and promotion of Handicraft Sector
- iv. Capacity building in postharvest and equipment hand
- v. Startup Incubation and digital fabrication trainings and programs
- vi. Product diversification, miniaturization, innovation and new designs

6. Markets

In this section information about efforts from the government/ other related agencies to improve the current market for entrepreneurship and the possible gap in this domain is discussed.

One of the major issues in Bhutan is the limited market size. With a population of just around 700,000, the local market is small and which requires the entrepreneurs to be more collaborative than competitive. Countries like Nepal have some very successful IT companies and many successful entrepreneurs due to its advantage of larger market size. Hence with the limited in-country market the need to explore the international market through providing necessary support for export is obvious.

Though, some of the respondents expressed that quality product eases the entry into international markets, lack of product certification and packaging issues to a certain degree hinders access to international markets. It was pointed out that entrepreneurs have been requesting for R&D facilities from the government. The Food Safety and Standards Authority of India (FSSAI) has authorized BAFRA to certify local products in Bhutan however, BAFRA do not have the capacity to certify the product and this poses difficulty in selling products in India. Further the certifying authorities do not have the capacity and training to certify a lot of new business that is being generated in the country. The entrepreneurship community has been approaching the government and has expressed the need to have an aggregator in the ecosystem whose duty and the responsibility is to promote products in other markets.

The low scale of production was claimed to be another issue for entering the international markets. This is further coupled with lack of proper warehousing and storage facilities in the country specially for seasonal and perishable products. To make the matters worse, the high cost of productions due to higher cost of labour does not allow Bhutanese products to be competitive in the international markets even upon gaining access.

In view of all the aforementioned issues, the government is investing in facilitating access to both local and international market. But the stakeholders view that to be insufficient. For instance, Government initiated wherein the government supported the local market by purchasing their products but people were unhappy with the prices. Government (RMA) launched e-commerce platform as a way of reaching out to other markets is by using the contact and linkages of the embassy.

The respondents suggested for more support in the area of making existing products ready for export which will improve

sales and encourage future entrepreneurs. One of the suggestions born out of the focus group discussion was to reach out to the embassies which could take the matters to formulation of policies levels. Similarly, entrepreneurs can also collaborate in areas such as packaging or labeling and diversification of product base as suggested in the Entrepreneurship Ecosystem in Bhutan report, 2019, besides hardcore business of selling only.

To increase the access to international markets, entrepreneurs need training and coaching on export market requirements and procedures. Additionally, the current efforts of the government to provide access to international markets through trade exhibitions and linkages could be extended to target markets in the Asian region and beyond to attract international buyers and investors through showcasing of Bhutanese products (ICT 2019).

Details of some of the efforts targeted towards the building market as per the Cottage and Small Industry annual report 2019-2020 are as follows:

- i. Facilitate industries to improve the quality of products and services through promotion of standards, facilitation of conformity assessment services including calibration.
- ii. Create awareness on standards and conformity assessment including metrological services.
- iii. Promote and market Brand Bhutan.
- iv. Strategically position goods and services produced by CSIs in high value market niches using Bhutan's Seals of Excellence and Quality, the Seal of Origin, Bhutan Organic Logo and Green Labeling.
- v. Encourage public and private entities to use and promote CSIs products and services.
- vi. Identify regional and international markets for CSI products.
- vii. Facilitate the participation of CSIs in targeted B2B events, fairs, roadshows, and exhibitions.
- viii. Support launching of new CSI products in the market.

- ix. Establish dedicated sales outlets for CSI products.
- x. Leverage mission, consulates, embassies in promoting and marketing of CSIs products.
- xi. Conduct product mapping/resource inventory of business opportunities for CSIs.
- xii. Develop mechanisms to prevent products made outside Bhutan being sold as Bhutanese products within Bhutan.
- xiii. Develop mechanisms to prevent products made outside Bhutan being sold as Bhutanese products within Bhutan.

Conclusion

In the summary, from the FGD and the additional secondary sources referred to, it can be concluded that society's high respect for government and other professional jobs has created an environment that does not encourage young people to consider entrepreneurship as a career. However, with some of the recent changes happening in school curriculum it is hoped that this is improved and of course for this to improve, there is a critical need to ensure that the teachers are fully trained and have the right teaching pedagogy & approaches in teaching Entrepreneurship modules. It is also observed that with most entrepreneurs being young adults, there is lack of maturity and is often not well informed about various supports offered by various agencies. Need for skilled, competent human resources in the country is critical and this is posing a huge challenge not only for the entrepreneurs but also for the support agencies in giving effective services. Lastly, for the entrepreneurship ecosystem to become more enabling there is a need for collaborative coordinated efforts from all the stakeholders so that the focus of entrepreneurship development goes beyond the initial awareness and start-up phases, so that Bhutan will get to see more cases of successful entrepreneurs in the country. In terms of policies, there is a need to ensure that the government has a wider consultation with the entrepreneurs, so that there are more enabling policies as per the need of changes and the current gap between formulation and implementation is addressed.

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Appendix # 1:

RTC - ENCORE Focus Group Discussion Panel Members			
26th April, 2021			
Sl.No	Name of the Panel	Organization and Designation	Stakeholders representation in the FGD
1	Dr. Tshering Cigay Dorji	CEO, Thimphu Tech Park Limited	Support Agencies
2	Ms. Nangsi Dema	Financial Inclusion Secretariat, Governor's office, Royal Monetary Authority	Funding Agencies
3	Mr. Ram Bdr Gurung	Dy. Chief Program Officer, Entrepreneurship and self-employment division; Dept of Employment and Human Resource, Ministry of Labour and Human Resources	Government Agencies
4	Rikesh Gurung	President of Bhutan Association of Entrepreneurs and Founder of the Green Road	Entrepreneur
5	Mr. Kinley Tenzin	Chief of Social Enterprises, Innovate Bhutan, Youth Development Fund	Accelerators- Entrepreneurship- Support
6	Mr. Pema Wangchug	Senior Analyst, Enterprise Development, Druk Holdings and Investment, Thimphu Bhutan	Accelerators- Entrepreneurship- Support
7	Mr. Tashi Zangpo	Curriculum Developer, Royal Education Council, Ministry of Education	Entrepreneurship Education

Appendix # 2

List of Incubators, accelerators and other capacity development providers that offers various support to the entrepreneurs in Bhutan.

Category of support	Type of Organization	Name of the organization	Area of focus and offerings
Accelerators and other capacity development providers	CSO	Loden Foundation	Entrepreneurship awareness, financing, mentoring and monitoring
Incubators, and other capacity development providers	Government agency	Startup Center (MoEA)	Provides physical space with required amenities to the selected business ideas to develop and grow their business. Provides weekly training on bookkeeping, marketing, packaging and other business development programs. The center also provides regular coaching and mentoring programs to the incubatees.
Incubators, and other capacity development providers	Private incubation	iHub Bhutan	Provides incubation and coworking space, provides training, mentoring and linkages with international training centers on entrepreneurship to early stage start-ups and scale-ups.
Incubators, and other capacity development providers	Government agency	Tech Park	Provides Business Incubator, Shared Technology Centre, Overseas Expert Program (OEP) and Business Idea Competition of Bhutan (BICOB).
Acceleration Programme	Public Corporation	DHI Business Acceleration Programme	High-level structured business training, funding, mentoring, and monitoring and evaluation.
Other capacity development providers	Government agency	Department of Cottage & Small Industry (DCSI)	Provides skills development training and acts as an intermediate between Governments, CSIs, and the private sector.
Other capacity development providers	Government Agency	Agency for Promotion of Indigenous Crafts (APIC)	Provides trainings in production techniques and design
Other capacity development providers	Government Agency	Technical Training Institutes (TTIs)	Provides Technical Education.

Acceleration and Incubation Programme	CSO	Innovate Bhutan	Structured business training, funding, mentoring, and monitoring and evaluation.
Other capacity development providers	Government agency	Public and Private colleges	Provides Entrepreneurial Education.
Other capacity development	CSO	Bhutan Chamber of Commerce and Industry (BCCI)	Provides business advocacy, conducts market research, provides trainings and advisory support to private sectors, and organizes the participation in international and national fairs.
Other capacity development	CSO	Bhutan Association of Women Entrepreneurs (BAOWE)	Provide advocacy programs ,capacity development training, funding support to women and youth in rural and urban areas,
Acceleration and other capacity development program	CSO	Tarayana Foundation	Provide advocacy programs ,capacity development training, funding support community and marketing of artisans' products
Acceleration and other capacity development program	Alternate source of financing	RMA <i>Jabchore</i>	Provide advocacy programs ,capacity development training, funding support

**Appendix #3:
GCBS -ENCORE Focus Group Discussion Panel Members
28th April, 2021**

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4	Thinley Wangdi, Founder of Khenrig Namsum Cooperatives	knczhemgang@gmail.com
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6	Tshering, Sr Trade Officer, ROEA, S/jongkhar	tsheringtshering@moea.gov.bt
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Co-funded by the
Erasmus+ Programme
of the European Union



The European Commission's support for the production of this publication does not constitute an endorsement of the contents, which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein. Project number: 617589-EPP-1-2020-1-AT-EPPKA2-CBHE-JP