

Druk Nyamrup Tshogpa

Press Release, 19 May 2017

Debt fear is real

Debt fear is real. But the PM was trivializing it and misleading the people by misrepresenting IMF's assessment of Bhutan's debt risk as "just moderate" and "definitely not high." This is not true. IMF's latest Debt Sustainability Analysis report clearly states that Bhutan's "debt ratios breach all indicative thresholds" indicating "a high risk of external debt distress." Therefore, the PM's statements of "definitely not high" and "just moderate" are factually not true. The truth is debt fear is real and it is a high risk by all indicative international thresholds at the macroeconomic level when we talk about the country's economy as a whole. We are talking about macro-economy of Bhutan, not micro-economy or a sector of economy such as hydropower. The Government has exposed their lack of understanding of the macro-economy of Bhutan by narrowly focusing only on a sector of the economy such as hydropower.

Only as a mitigating factor of debt sustainability, the IMF took into consideration at the micro level such as a huge portion of the debt being hydropower debt and gave a conditional moderate risk for Bhutan, not "just moderate" as stated by the Government. Is the Government fulfilling the conditions? Why the Government thinks the ground(s) for high risk does or does not exist? Is our debt really self-liquidating or self-fulfilling solvency trap? Why does the Government think a conditional moderate is same as a just moderate? The people of Bhutan has more questions because they say debt is debt and they do not want their children's future being squeezed between debt burden and no jobs. We would, therefore, like to ask the Government to be mindful and responsible. Even if the Government does not care about the concerns and voices of the people, the Government must abide by Article 14 (5) of the Constitution of the Kingdom of Bhutan, which states that the Government "shall ensure that the servicing of public debt will not place an undue burden on future generations."

In this regard, a practical international criterion used to assess the debt sustainability is debt can be viewed as sustainable as long as the debt to GDP ratio is non- increasing. But the primary fact is during the term of the current Government so far, the debt to GDP ratio is

NOT non-increasing but increasing and increasing dangerously in the last 2 years of its term as follows:

Bhutan's Debt to GDP Ratio during the current Government's term

Year	Debt to GDP Ratio
2013	93.64%
2014	93.77%
2015	94.35%
2016	110.24%
2017	112.87%

Data Source: IMF Database.

The PM should not misinform and mislead the people to save short-term political face. Data trends show that the current Government has not done well with debt management and has put the country at more risk. By the current Government's trends in debt management, the debt will not be sustainable. Data trends also raise a serious question why the debt level has increased dangerously in the last 2 years of the current Government's term. Whether it has any link to the Government acting unrealistically benevolent with political handouts of sheep, shoes, and sleek prados in the later part of its term or not will be left to the Bhutanese people to judge. DNT will not analyze deeper into it for we are unfairly accused by the Government blindly for political mileage no matter how sincere we represent and reflect the concerns and voices of the people who avail DNT as people's platform for nation-building together. Let's forget about the election round the corner. Let's see beyond the corner for long-term destination of our shared future as a small but dynamic nation. Debt fear is real because as of now our national debt per capita is US \$2,993 per citizen, which is almost Nu. 200,000 per Bhutanese. How can our average citizen avail personal or business loan when each of us, in principle, already has that much national debt hanging on our heads? Time to think. The people must always be told the truth and Bhutan must maintain better macroeconomic stability, for long-term interest of the nation.