



ROYAL MONETARY AUTHORITY OF BHUTAN

Overseas Education and Skill Development Loan Scheme 7th April 2017

Inspired by the Royal Aspiration on the significance of access to finance for our youth and rural people towards enhancing their livelihood, the Government and RMA is embarking on various priority lending schemes. To begin with, the RMA, in collaboration with the Ministry of Labour and Human Resources and the Ministry of Finance, is pleased to introduce the **Overseas Education and Skill Development Scheme**. The main objective of the scheme is for Bhutanese Youth to access higher education or develop proficiencies/skills abroad to improve their employment opportunities or business positions on return home. Given the immediate benefit associated with such schemes in the environment of youth employment, this scheme has been identified as one of schemes under priority lending policy, which is under formulation. It shall, therefore, be taken into consideration while computing financial institution's targeted lending to the priority sectors. The Financial Institutions (Banks and Non-banks) are, therefore, encouraged to participate in this scheme.

The salient feature of the Overseas Education and Skill Development Scheme (OESDS) are detailed below as agreed to be provided by the concerned stakeholders:

- The RMA and financial institutions waive off the collateral requirement and instead “a letter of acceptance from the university/colleges/Vocational Institution, duly attested by the MoLHR”, shall be used as a condition for extension of loans under this scheme;
- The provisions on the Loan to Value (LTV) and Loan to Income (LTI) ratios specified in the Prudential Regulation issued by the RMA shall be also waived for loans under this scheme;

- The maximum amount of loan under this scheme shall be Nu. 1,500,000 for a period of up to 5 years, excluding the gestation period;
- Gestation Period proposed at 6 months;
- Under the Fiscal Incentives 2016, the MoF has approved waiver of tax on interest income through preferential lending rates up to 8% per annum to the financial institutions for lending to OESDS. Therefore, this scheme would be covered under preferential interest rate structure of the priority lending policy;
- The MOLHR shall set criteria of eligibility of youth for such loan scheme and select youth accordingly either directly or through local and foreign agent(s);
- If agents are engaged, Memorandum of Understanding shall be signed between the agents (local and foreign) and the MOLHR articulating defined roles and responsibilities of the agents;
- The loans issued under this scheme shall be insured for death and natural disability.
- The repayments have to be made through REMIT Bhutan for which the applicants are required to open REMIT Bhutan account for their loan repayment. The MoLHR shall monitor the repayment made through the REMIT Bhutan account.
- A Memorandum of Understanding has to be signed between the MoLHR and the participating financial institutions detailing the terms and conditions of the loans being extended under this scheme.
- A committee with members from MoF, MoLHR, RMA and the Financial Institutions shall be established to evaluate the impact and status of the scheme. The Committee shall meet at least once in 6 months or more frequent if deemed necessary and submit the report to the RMA and MoF.

The following representatives of the Government attest their signatures below in agreement with the conditions set in the afore-mentioned loan scheme. The scheme shall come into effect from 7th April, 2017.

(Ministry of Finance)

(Ministry of Labour and Human Resources)

(Royal Monetary Authority of Bhutan)