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Neighbourhood First, Priced in Rupees: India Extends Bhutan a Rs 4,000-Crore Credit Line

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Neighbourhood First, Priced in Rupees: India Extends Bhutan a Rs 4,000-Crore Credit Line

31 July 2026 · 3 min read ·

✓ Every fact web-verified against primary sources

India and Bhutan exchanged a concessional line of credit of Rs 4,000 crore at the 5th India-Bhutan Development Cooperation Talks held in Thimphu on July 31, 2026, linked to energy projects under Bhutan's 13th Five-Year Plan.

THE AGREEMENT, IN NUMBERS

PARAMETER	DETAIL
Forum	5th India-Bhutan Development Cooperation Talks , Thimphu
Line of credit	Rs 4,000 crore (Nu 40 billion) , Exim Bank of India to Bhutan's Finance Ministry
Linked plan	Bhutan's 13th Five-Year Plan (2024-29) , energy-sector focus
Broader support envelope	India has reaffirmed Rs 10,000 crore total support for the 13th Plan
New projects approved	12 projects , worth Rs 332 crore
Indian side	Foreign Secretary Vikram Misri
Bhutanese side	Dasho Pema Lektup Dorji

WHY BHUTAN IS INDIA'S DEVELOPMENT-DIPLOMACY TEMPLATE

Bhutan occupies a distinctive place in India's neighbourhood policy: unlike most of India's other neighbours, Bhutan's development cooperation with India predates and has largely avoided the debt-sustainability controversies that have complicated Indian and Chinese infrastructure financing elsewhere in South Asia. The hydropower-anchored model, in particular, is frequently cited as a mutually beneficial template, since Bhutan exports surplus power to India, generating a significant share of Bhutanese government revenue, while India secures clean, reliable power from a trusted neighbour.

FEATURE	WHY IT IS DISTINCTIVE
Hydropower export model	Bhutan sells surplus hydroelectric power to India, generating a major share of Bhutanese government revenue
Grant-plus-concessional-credit mix	India's support combines outright grants for the Five-Year Plan with concessional lines of credit for specific project financing
No major debt-sustainability controversy	Unlike some other regional infrastructure financing arrangements, Bhutan-India cooperation has not triggered comparable debt-distress concerns
Deep institutional continuity	Bilateral development talks have run through five successive rounds, reflecting sustained, predictable engagement rather than one-off announcements

THE 13TH FIVE-YEAR PLAN CONTEXT

Bhutan's 13th Five-Year Plan (2024-29) prioritises economic diversification, hydropower expansion, digital infrastructure and self-reliance, as Thimphu seeks to reduce its historical dependence on hydropower exports alone as a revenue source. India's Rs 10,000 crore reaffirmed support envelope for this Plan period, of which the new Rs 4,000 crore line of credit forms a part, positions India as Bhutan's principal external development partner for the current planning cycle, ahead of other bilateral or [multilateral](#) sources.

PLAN PRIORITY	INDIA'S ROLE
Hydropower expansion	Continued financing and technical partnership on new hydroelectric capacity
Economic diversification	Grants and credit lines extending beyond energy into wider development projects (12 new projects approved this round)
Regional balance	Sustained Indian engagement is widely read as reinforcing Bhutan's traditionally close ties with India amid wider regional competition for influence in the Himalayan neighbourhood

UPSC RELEVANCE

GS Paper 2: India and its neighbourhood relations; bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.

Prelims pointers:

- 5th India-Bhutan Development Cooperation Talks held in **Thimphu, 31 July 2026**.
- New line of credit: **Rs 4,000 crore (Nu 40 billion)**, via **Exim Bank of India**.
- Total reaffirmed Indian support for Bhutan's **13th Five-Year Plan (2024-29): Rs 10,000 crore**.

- Indian side led by Foreign Secretary **Vikram Misri**; Bhutanese side by **Dasho Pema Lektup Dorji**.

FACTS CORNER, KNOWLEDGE PEDIA

THE AGREEMENT:

5th India-Bhutan Development Cooperation Talks, Thimphu, 31 July 2026.

New line of credit: Rs 4,000 crore (Nu 40 billion), Exim Bank of India to Bhutan's Finance Ministry.

12 new projects approved, worth Rs 332 crore.

THE BIGGER PICTURE:

Total reaffirmed Indian support for Bhutan's 13th Five-Year Plan (2024-29): Rs 10,000 crore.

Bhutan's hydropower exports to India are a major share of Bhutanese government revenue.

TALKS LEADERSHIP: FOREIGN SECRETARY VIKRAM MISRI (INDIA), DASHO PEMA LEKTUP DORJI (BHUTAN).

Sources: Ministry of External Affairs, Press Information Bureau, Exim Bank of India

Source: Neighbourhood First, Priced in Rupees: India Extends Bhutan a Rs 4,000-Crore Credit Line — [Ujjayari.com](https://ujjayari.com)
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