Growth Strategies and Rural Transformations in Bhutan: An Institutional Analysis

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Abstract

The Ph.D. project looks at how formal and informal institutions shape governance in the tourism value chain in Bhutan. The implications for processes of economic inclusion and upgrading are explored, together with broader considerations on the industry’s contribution to economic growth. The mechanisms identified are further explored and tested in two rural communities in central Bhutan, analysing the implications for rural livelihoods’ diversification and specialisation. The findings of this thesis show that despite the presence of market-enhancing formal institutions, high transaction costs in the business environment are bridged through informal networks based on trust. These mechanisms have important implications for economic inclusion and upgrading in the tourism value chain and for the direct participation of rural communities. Close networks not only minimise transaction costs but also transact valuable information and resources providing competitive advantage. Yet, networks can support inclusion and in other cases exacerbate exclusion. Mechanisms of “go-betweenness” are identified, indicating the possibility to make tourism more inclusive through targeted government interventions and sectoral policies. Beyond the direct implications for the industry case study in Bhutan, the findings challenge and extend the concept of governance used in a GVCS/GCCs framework as well as broaden the scope of institutional analysis to understand processes and outcomes of economic participation.