



ic standards certificates were awarded for carrots from Gasa and turmeric from Zhemgang to encourage agro-processing of premium products.

Non-wood forest sector for herbal tea and specialty juice: Bhutan is home to Cordyceps, the highly valuable miracle fungi, with export value of valued at USD 2.317 million for 482.42 kgs in 2019. Organic certificates¹¹ are awarded for green tea from Trongsa, chamomile, sea buckthorn and mint tea from Bumthang in 2018. A total of 138 non-wood products (NWFP) management groups and 6,106 rural households in 17 districts offers great opportunities for contract buying.

Dairy sector for dairy-based beverages: Almost all cattle in the country are free-range grazing on the grass that is untouched by pollution and human development. There are over 127,621¹² bovine animals and over 150 groups and cooperatives, out of the 580¹³ involved in the dairy-based production.

INVESTMENT OPPORTUNITIES

The global market for non-alcoholic beverages is shifting with consumers turning to products that promote immunity and performance. Bhutan has been nurturing these advantages for centuries aligning with our unique philosophy of GNH.

Sl. #	Investment Area	Potential
1	Natural resources based sector	
	Premium Mineral and Bottled Water	<ul style="list-style-type: none">Water from the basin of Shangri-la above 3,500 meters,Similar to French Alps water, Bhutanese glacial sources enjoy purity and mineral contents with potential to compete with Abatilles, Badoit, Chateldon, Perrier, Icelandic Glacial Waters and Glacial Fire.
	Flavoured and Fortified Water	<ul style="list-style-type: none">Unique fortified & flavoured Bhutanese spring water in a combination of flavours with unique ingredients such as the Bhutanese honey and Cordyceps.
2	Agro-based sector	
	Premium fruit juice	<ul style="list-style-type: none">High-value fruits such as citrus, apple, mangoes, sugarcane, litchi, peach, etc. widely grownHuge potential for area expansion and production volume with early and late bearing fruits
	Premium Vegetable Juice	<ul style="list-style-type: none">Organic carrots, tomato, cucumber, greens, etc. for high-end RTD juice, health shots, concentrates and syrups.
	Exotic Dry Drink Mix	<ul style="list-style-type: none">Organic dry mixes & powders for drinks, marinades, dressings, smoothies and ice creams
3	Non-wood forest sector	
	Premium Green tea	<ul style="list-style-type: none">Bhutan's climatic conditions suitable with altitudes ranging from 600 to 2,000 masl & 650-800 mm annual rainfallTrongsa, Dagana, Samtse, Sarpang and Chhukha show high potential
	Premium Herbal tea	<ul style="list-style-type: none">Unique and organic ingredients i.e. wild berries, exotic plants, cereals or spices for tea infusions
	Cordyceps infused tea	<ul style="list-style-type: none">Variety of exotic tea mixes with high-value cordyceps, the rare and high-value miracle fungi.
4	Dairy Based	
		<ul style="list-style-type: none">Exotic and organic Yak milk beverages and yogurt for niche high-end markets.
5	Input industries for Non-Alcoholic Beverages	
		<ul style="list-style-type: none">The creation & promotion of ingredients such as natural colours, flavours and mouthfeelProduction of reusable packaging materials

Key contacts

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11 The Local Organic Assurance System (LOAS) and Organic Standards certificates
12 MOAF (2019), RNR Census
13 There are 509 registered FGs & 71 registered Co-ops| Source: DAMC Report on the Evaluation of Farmers Group and Cooperatives, 2019.

NON-ALCOHOLIC BEVERAGE SECTOR

Bhutan¹: overview

Key facts	
Capital	Thimphu
Total area	38,394 Sq. Km
Population (2020)	748,931
GDP growth rate (2019)	5.46%
Per capita GDP (2020)	USD 3079.80
FDI capital inflow (as of June 2019)	USD 22.98 million INR 766.38 million
Exports (2020)	USD 628.97Million
Imports (2020)	USD 915.39 Million
Balance of trade (2020)	USD (286.42) million
Currency	Bhutanese Ngultrum(Nu.) ² USD 1 = Nu. 74.39

Bhutan is a small landlocked country in South Asia with a population of 748,931 people in 2020 and a per capita GDP of \$3,411.94 in 2019. Bhutan is a global biodiversity hotspot with a wide range of agro-ecological zones supported by sub-tropical to temperate to alpine climates. Bhutan has approximately 38,39,400 hectares of land, with only 2.75% under cultivation. The stronger emphasis on “inclusive and sustainable development” to “ensure food self-sufficiency and economic self-reliance” has led to a major shift and emphasis on commercialization and agro-enter-

prise development in the country. The country offers opportunities for investors in agro-processing categories of production, value addition and marketing of non-alcoholic beverages.

Why Bhutan?Political and economic stability

Bhutan is a progressive country promoting an inclusive and sustainable development. The past governments have remained committed to maintaining a stable politics and economy. The country is known for:

- The development philosophy of Gross National Happiness (GNH).
- Strong political will to pursue inclusive economic transformation through innovation and technology
- A thriving economy during pre-covid period with an annual average growth rate of 7.6% between 2007 and 2017. 2019 recorded a growth rate of 5.5% rebounding from 3.2% in 2018
- A total of USD 1,344 million (BTN 1 billion) allocated for the organic flagship program in the 12th Five-Year Plan aiming to transform Bhutan into a “GNH Society”

Liberal policy

The Royal Government adopted the revised FDI Policy in 2019 and 2020 with the objective of making the investment climate conducive and broadening the areas of investment. Among other, the key feature of the new policy are as follows:

- FDI allowed in select small-scale production with minimum project cost of Nu. 5 million (USD 68,965.52) and maximum foreign investors’ equity of 49%.

1 The Bhutanese Ngultrum is pegged one on one to Indian Rupees (INR). Exchange rate of USD to Nu is based on the Annual Report 2019-2020 of Royal Monetary Authority (ref. page 28).
2 Exchange rate based on the Annual Report 2020 of Royal Monetary Authority (ref page 106) <https://www.rma.org.bt/>



- FDI in agro-processing and water-based products in the priority activity list³ with minimum project cost of Nu. 20 million (USD 268,853) and up to 74% foreign ownership.
- Enhanced access to convertible currency.
- Institution of single window service and simplified approval system.

Predictable **business environment**

Stable political and economic context provides an enabling factor for boosting a predictable business environment:

- Bhutan ranks 2nd in South Asia in Ease of Doing Business in 2020.
- It is the most peaceful country in Asia and 22nd most peaceful country in the world according to Global Peace Index 2020.
- It ranks 24th in the world and 1st in South Asia in Corruption Perception Index 2020 indicating as less corrupt.

Market **access**

Bhutan's membership of and signatory to the following economic cooperation and agreements, among others, enable the country's access to the international markets:

- South Asian Free Trade Area (SAFTA).
- The Bay of Bengal Initiative for Multi-sectoral Technical & Economic Cooperation (BIMSTEC).
- Generalized System of Preferences (GSP).
- The World Customs Organization (WCO) and the Kyoto convention.
- Bhutan-India free trade agreement and transit rights with third countries through India.
- Bhutan-Bangladesh preferential trade agreement- duty-free access for 34 products.

Strong natural resource base

- Only carbon-negative country in the world with untrodden mountains and pristine glacial lakes with untapped water and forest resources.
- Enjoys a diverse geographical and climatic zone, rich soils and favourable temperatures that vary between 500 – 4000 masl. Most high value crops, fruits and spices are organically and sustainably grown.

Taxes and special **incentives**

Fiscal Incentives Act of Bhutan 2017 provides tax incentives to investors as follows:

- **Direct tax incentives** – 10 years income tax exemption on convertible earnings, 25% reinvestment allowance, up to 15% tax rebate on environmentally-friendly upgradation, etc.
- **Indirect tax incentives** – Sales tax and customs duty exemption on plant and machinery, professional equipment, raw materials and packaging materials, etc.
- **Sector specific incentives** – five to 10 years income tax holiday on priority sectors such as Agriculture and RNR, Tourism, CSI, ICT, Business Infrastructure Development, Health & Education, etc.

Logistics and **connectivity**

- Flights to five countries (Bangladesh, India, Nepal, Singapore and Thailand), domestic flights to four domestic destinations with a travel time of less than an hour.
- The Asian Highway 48 and Asian Highway 2 connects Bhutan to neighbouring countries of India, Nepal and Bangladesh.
- With a total road network of 18,264.63 kms and 377 bridges⁴, Bhutan is well connected internally.

Human **resource**

Bhutan's demography is young with around 40% of the total population comprises young between the ages of 15 and 34. The key strengths are:

- Around 40% of the total population comprise of young people between the ages of 15 and 34.
- Fluent and conversant in English, the medium of instruction in schools. Over 300 schools implementing the School Agriculture Program (SAP) to instill farming as a viable career option.
- With prevailing monthly minimum wage rate of USD 95 for unskilled and about USD 140 for skilled workers, the wage rate is competitive as compared to the rates in the region.
- Easy access to skilled foreign workers from neighbouring countries.

FDI registration – A brief guide

The FDI registration and approval can be done online at **www.citizenservices.gov.bt**

SECTOR OVERVIEW

In order to promote development, agro and agro-based production are identified as priority areas with a specific focus towards organic farming and agro-processing. The following is an overview of the sector:

Natural resources sector for mineral & bottled spring water and carbonated drinks: Rich in freshwater with a per capita mean annual at 109,00 cubic meters in 2016⁵, making it one of the highest in South Asia. With around 2,674 high altitude glacial and subsidiary lakes and over 59 natural non-glacial lakes⁶, it is largely underutilized with over 2,325 cubic meters flowing out of the country annually⁷. Currently valued at USD 10.42 billion in 2020, the global premium bottled water market size is expected to expand at a compound annual growth rate (CAGR) of 6.8% from 2021 to 2028⁸, thus indicating potential for incremental growth in the sector. Brands like Aquafina from PepsiCo is ranked the top 10 water companies in the world in 2020⁹.

Agriculture sector for fruit and vegetable juices: With around 8,829,845 fruit-bearing trees with a combined fruit production at 97,639 MT, citrus, apple, mangoes, sugarcane, litchi, kiwi, apricot, peach, etc. are grown naturally. Mandarin is the highest yielding fruit with over 1,874,482 trees out of which 960,851 trees are fruit bearing that produced 27,529.49 MT in 2019¹⁰. Organ-

⁴ MOWHS, Annual Information Bulletin 2020.

⁵ NEC, Bhutan Drinking Water Quality Standard.

⁶ Lakes of Bhutan, Wikipedia, https://en.wikipedia.org/wiki/Lakes_of_Bhutan

⁷ Bhutan Water Policy Report.

⁸ Retrieved from <https://www.grandviewresearch.com/industry-analysis/bottled-water-market> on 15th August 2021.

⁹ Retrieved from <https://blog.bizvibe.com/blog/top-water-bottle-companies> on 18th August 2021

¹⁰ MOAF, Agriculture Statistics, 2019.