



and foreign companies; and managing Business Innovation and Technology Centre which provides business incubation services to both domestic and foreign start-ups, shared technology services to its occupants and data center services.

INVESTMENT OPPORTUNITIES

The ICT industry is identified as one of the strategic thrust areas of achieving the objectives of 'green knowledge economy' and accelerating structural transformation of the economy. The growing focus on the ICT sector for sustainable development, efficient delivery of services, and overall wellbeing, provides opportunity to invest in the sector.

Applications/Software development: The growing focus on development of ICT sector, access to human resources and the growing global market for applications provide an opportunity to focus on applications or software development. The investor can focus on developing applications based on advanced digital technologies which has gained significant priority in recent years.

Data centre services: Bhutan's geo-climatic conditions coupled with reliable and low electricity tariff, high capacity internet and young workforce are enabling conditions for developing Data Centre and Cloud services. Currently, only Thimphu TechPark has these facilities for clients within and beyond Bhutan to avail data center services.

Cyber security: The importance of data and information security is essential for the security and sovereignty of the country, provisions of digital services and protection of data and privacy. The opportunities in areas of cyber security also complement the opportunities for data centre services in Bhutan.

BPOs and other ITES : Bhutan has the potential for investment in BPOs. The country's peace, political stability and the ICT literate talented young workforce who are conversant in English, provides opportunities for BPOs.

Development of IT Park: With increasing emphasis on development of IT sector and the priority accorded to the sector for economic development of the country, there is opportunity to develop and operate IT park in Bhutan. The foreign investor can take advantage of the stable economy, peaceful political and social climate, and the growing FDI in IT sector to develop and operate IT park in Bhutan.

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ICT SECTOR

Bhutan: overview

Key facts ¹	
Capital	Thimphu
Total Area	38,394 Sq. Km
Population (2020)	748,931
National Language	Dzongkha ²
Natural Population Growth Rate	0.9%
Labour Force Participation Rate (2019)	66.4%
Unemployment rate (2019)	2.7%
GDP Growth rate (2019)	5.46%
GDP (Nominal 2019)	USD 2,457.96 million
Per Capita GDP (2019)	USD 3,411.94
FDI capital Inflow (2019)	USD 22.98 Million
Exports (2019)	USD 654.99 Million
Imports (2019)	USD 953.27 Million
Currency	Bhutanese Ngultrum (Nu) ³ USD 1 = Nu. 74.39

The Kingdom of Bhutan is a small landlocked country in South Asia. Though landlocked, Bhutan is strategically bordered by India to the south and China to the north. One of the key aspirations is to transform Bhutan into a smart and inclusive society by harnessing the power of ICT. Towards realizing this aspiration, the government has developed Digital Drukyl as one of the flagship programs to create a digital ecosystem for citizens to reach their full potential providing opportunity to invest and develop the ICT sector.

Why Bhutan?

The political and social environment in Bhutan is peaceful, stable and predictable which is critical for sustaining businesses. Bhutan is ranked 22nd most peaceful country in the world and the most peaceful in Asia as per the Global Peace Index 2019.

A thriving and stable economy with positive outlook

- Bhutan 'maintains solid growth and macroeconomic stability'.⁴ Annual real GDP growth has averaged 7.5 percent since the 1980s, mainly driven by public sector-led hydropower development and electricity sales to India, far exceeding the average global growth rate of 3.2 percent. During the same period, Bhutan had a single-digit inflation of 2.8 percent, a stable exchange rate, and accumulated a gross international reserve of USD 1,343.50 million in 2019-20⁵.
- The slowing projections in the economy in 2020 and 2021 are a direct impact of the ensuing Covid-19 pandemic. However, the projected positive growth from 2022 onwards indicates a recovering economy that will grow fast and expand in the near future.

- Source: Statistical Yearbook 2020 (National Statistics Bureau), Annual Report 2020 (RMA) FDI Annual Report 2020 (MoEA), Doing Business 2020.
- English is the medium of instruction in the education system and official language of communication.
- Exchange rate based on the Annual Report 2020 of Royal Monetary Authority (ref page 106) <https://www.rma.org.bt/>
- <https://www.worldbank.org/en/country/bhutan/overview#:~:text=Bhutan%20maintains%20solid%20growth%20and,reserves%20at-test%20to%20the%20stability.>
- Annual Report 2020, Royal Monetary Authority of Bhutan.



International
Trade
Centre



MoEA



Conducive business environment and fiscal incentives

- Bhutan ranked 2nd in South Asia in Ease of Doing Business in 2020. Bhutan was rated favourably in parameters that records trading across borders, enforcing contracts and paying taxes.
- Bhutan ranked 17th among 42 countries in the Asia Pacific in the Economic Freedom Index and 24th in the Corruption Perception Rank (1st in the SAARC region) indicating favourable investment climate with fewer incidences of corruption.
- Industrial estates and technology parks serve as attractive avenues for investors, providing ready access to serviced land to foster the growth of cluster industries. Clearances such as construction permits and environmental clearances are fast-tracked.

Towards making doing business easier and more investor-friendly, the government revised and approved the FDI Policy in July 2019. The new policy broadened the areas of investment to include businesses that drive economic diversification through exports and import substitution. It guarantees foreign investors equal treatment as accorded to similar domestic companies in the application of relevant laws, rules and regulations in the country.

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

Access to global market

1. Bhutan enjoys access to the growing Indian market, duty free trade with India, transit rights for trade with third countries through the Bhutan-India free-trade agreement. Bhutan's trade agreement with Bangladesh provides duty-free access for a number of goods to Bangladeshi market.
2. Bhutan is a member of the South Asian Free Trade Area (SAFTA) and Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC), which facilitate trade and investment between the member countries.
3. Bhutan as a Least Developed Country (LDC) enjoys smaller sensitive lists in some of the SAFTA member countries and less stringent rules of origin, and receives preferential treatment through Generalized System of Preferences (GSP) and the European Union's Everything But Arms Initiative (EBA), which guarantees duty-free trade of a vast variety of products.

Access to workforce

1. Youth literacy rate is 93.10% providing access to an educated young workforce. Most literate youth are fluent and conversant in English as the medium of instruction in schools is English and national language is Dzongkha. Most are proficient in ICT.
2. The FDI company can apply for foreign workers both during the initial phase of the project operation and after five years of operation in Bhutan.
3. The current minimum wage rate for Bhutan is about USD 95 a month (Nu.215 a day) for unskilled and about USD 140 a month (Nu. 324 per day) for skilled workers.

Connectivity

1. Bhutan is connected by air to five countries and nine destinations. In addition, the airlines also operate domestic flights to four destinations with travel time of less than an hour.
2. The Asian Highway 48 and Asian Highway 2 connects Bhutan to neighbouring countries of India, Nepal and Bangladesh. All districts and blocks in Bhutan are connected by road with a total road network of 18,264.63 kms and 377 bridges.
3. Bhutan has two international Internet Gateways- one from Phuntsholing and the other from Gelephu. All districts are connected with OPGW (Optical Ground Wire Cables) Fibre and ADSS fibre.



Access to reliable and cheap utilities

1. Bhutan produces a total of 2,326 MW of electricity and 90% of total electricity produced is exported at the moment.
2. The electricity prices per unit ranges from USD 0.018- 0.051 (low voltage), USD 0.032–4.63 (medium voltage) and USD 0.021- 4.19 (high voltage) which is the cheapest in the region.
3. Bhutan is ranked 18th cheapest country for mobile data with average charges of USD 1.25 for 1GB data. The average price for lease line internet of 1 Mbps per month is around USD 57.

SECTOR OVERVIEW

The increasing emphasis on ICT for development and wellbeing has led to drafting of ICT related policies at the national level, increased investment in infrastructure and talent, development for sectoral specific ICT policies, among many others.

1. Bhutan has initiated an ambitious ICT flagship program titled 'Digital Drukyl' to harness the potential of ICT to transform Bhutan into a smart and inclusive society. The program will support digitalization, adoption of IT technologies such as Artificial Intelligence (AI), robotics, big data and Internet of Things (IoT), smart contract, enhancement of ICT sector's capacity and capability including infrastructure among many others.
2. The Ministry of Information and Communication with the vision of 'ICT enabled knowledge society as a foundation for Gross National Happiness', has developed conducive ICT policy, driven innovation and adoption of ICT, developed infrastructure and enabled the growth of private sector in ICT for socio-economic development of the country.

3. Thimphu Tech Park, the first IT Park in Bhutan provides two major services– facilitating FDI business in Bhutan and leasing commercial space to both domestic

