



INVESTMENT OPPORTUNITIES

The government emphasizes value addition through various policies and regulations, for intergenerational equity and greater economic contribution from the sector. Based on the government policy, the current mineral resource, and the economic potential for export, there are investment opportunities in the following mineral-based industries:

- **Gypsum:** The quality of Bhutanese gypsum is reported to be one of the best in the region and its reserves are also substantial considering the current extraction rate. According to a review of the gypsum in some of the scientific journals³, gypsum extracted from Pemagatshel district is reported to be of “high purity” with its composition falling in the category of pottery to fertilizer grades. There is an investment opportunity in value addition such as fertilizer, soil amendments, PoP, and gypsum boards in Bhutan.
- **Dolomite:** Dolomite is an important raw material for iron and steel, ferroalloys, glass, alloy steels, fertilizer industry, among many others. Dolomite found in Bhutan is classified as Grade II (>28 % CaO and >18% MgO, and <2% Al₂O₃) which can be used in blast furnaces or sintering plants, and for production of sintered dolomite for fettling purpose in open earth furnaces in iron and steel industries. Currently, the crushed mineral is supplied to industries both within and outside the country for the production of ferroalloys, pig-iron, sponge-iron, iron, and steel.
- **Limestone:** Limestone found in Bhutan varies in grade between mines. The average Calcium Carbonate (CaCO₃) varies between 70% to 97%. One of the immediate value addition opportunities is the production of quicklime (CaO) to substitute its import. In 2019 Bhutan imported quicklime worth USD 0.23 million, an increase of 150.77% from the previous year. Quicklime has further upstream value addition opportunities such as the production of aerated concrete blocks. In addition, limestone is also used in agriculture, chemical industries, manufacturing industries, water treatment, etc.

Constituents	%
SiO ₂	8.0-9.62
Al ₂ O ₃	0.51-1.0
Fe ₂ O ₃	0.0.3-05
CaO	28.0-30.0
MgO	0.16-0.20
K ₂ O	0.04-0.6
Na ₂ O	0.16-0.18
SO ₃	41.15-43.90
CaSO ₄ .2H ₂ O	88.0-92.0
Moisture	6.0-8.0
Loss on ignition	12.7-14.0

Constituents	%
CaO	31.47
MgO	19.24
SiO ₂	1.67
Fe ₂ O ₃	0.46
Al ₂ O ₃	0.59%

Leasing land and mines

All FDI companies must, by law, be incorporated under the Companies Act of the Kingdom of Bhutan, 2016. An FDI company may lease land for an initial term of 30 years, which is subject to renewal. Alternatively, the company may buy and register immovable property including private land in the name of the company for the purpose of approved business. An FDI in the mineral sector is permitted only for value addition and the government allocates captive mines to provide raw material to the company. Captive mines are allocated based on the application submitted by the company. When a mine is directly allocated based on application, it is the responsibility of the proponent to undertake and complete all regulatory and administrative requirements for leasing a mine. This includes identification of mines, securing sectorial clearances, undertaking a feasibility study, among others.

Key contacts

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MINING SECTOR

Bhutan: overview

Key facts	
Capital	Thimphu
Total area	38,394 Sq. Km
Population (2020)	748,931
GDP growth rate (2019)	5.46%
Per capita GDP (2019)	USD 3,411.94
FDI capital inflow (as of June 2019)	USD 22.98 million INR 766.38 million
Exports (2019)	USD 654.99 million
Imports (2019)	USD 953.27million
Balance of trade (2019)	USD (298.28) million
Currency	Bhutanese Ngultrum (Nu.) ¹ USD 1 = Nu. 74.39

Bhutan is a small landlocked country in South Asia with a population of 748,931 in 2020 and a GDP per capita of USD 3,411.94 in 2019. Located in the eastern Himalayas, Bhutan shares borders with India to the south and China to the north. It has access to the large Indian market through the states of West Bengal and Assam in the south and Arunachal Pradesh in the east.

Bhutan's development is guided by the philosophy of Gross National Happiness (GNH) which emphasizes equitable and sustainable socio-economic development, good governance, conservation of the environ-

ment, and preservation and promotion of culture. Planned development in Bhutan is implemented through the Five-Year Plans. The current plan (12th Five Year Plan 2018-2023) emphasizes the development of key sectors such as tourism, organic agriculture, IT, and sustainable harnessing of natural resources, among others.

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.

Predictable Business Environment

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

- 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.

Liberal Policy

The Royal Government adopted the revised FDI Policy in 2019 and 2020 with the objective of making

¹ Exchange rate based on the Annual Report 2020 of Royal Monetary Authority (ref page 106) <https://www.rma.org.bt/>





the investment climate conducive and broadening the areas of investment. Among others, the key feature of the new policy are as follows:

- FDI in production and manufacturing including mineral processing is allowed with a minimum project cost of USD 689,655.172 (Nu. 50 million) and up to 74% foreign ownership.
- Enhanced access to convertible currency.
- Institution of single window service and simplified approval system.

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), 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.

Taxes and special incentives

- Fiscal Incentives Act of Bhutan 2017 provides direct and indirect tax, and sector specific tax exemptions to investors.
- FDI receives equality of treatment for all legal, business and related activities, exemption of sales tax and customs duties.
- For businesses and corporations, losses sustained in an income year can be carried forward and adjusted in the subsequent 3 income years.

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 bridges², Bhutan is well connected internally.



Infrastructure and access to cheap utilities

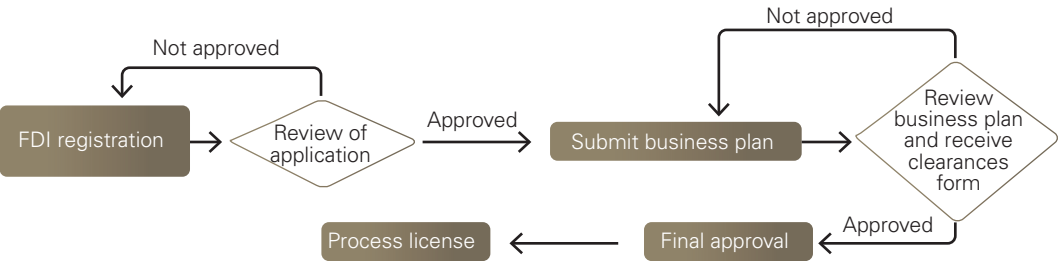
- Access to reliable and cheap power generated using renewable sources. With the cost of electricity for industrial use averaging USD 0.03 per kWh, it is one of the cheapest in the world.
- Five industrial parks are located close to the Indian border for market proximity and easy access to raw materials.

Human resource

- Around 40% of the total population comprise of young people between the ages of 15 and 34.
- Fluent and conversant in English as it is the medium of instruction in schools.
- 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

Figure 2: FDI Registration & Approval in Bhutan

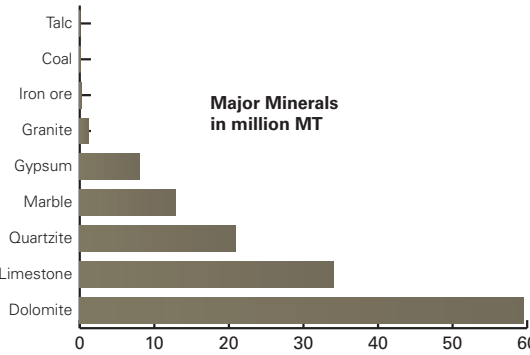


The FDI registration and approval can be done online at www.citizenservices.gov.bt

Mining sector in Bhutan

Mining and Mineral development is identified as one of the five jewels or economic thrust areas in the Economic Development Policy (EDP) 2016. Currently, around 40% of the country has been geological-ly mapped and prospected in a 1:50,000 scale and the mining sector covers approximately 3,319.86 acres of land. Bhutan is known for its mineral potential for dolomite, quartzite, limestone, gypsum, coal, marble, talc and slate, and graphite. The contribution of the mining sector to the Bhutanese economy in the last five years has been close to 5%. The following provides an overview of the mining sector in Bhutan.

- Currently, there are 55 active mines with total employment of 1,393 people.
- The total reserve of the top five minerals is estimated at around 14,800 millionMT with a net present value of USD 4.35 billion.
- In the last five years, dolomite was the most extracted mineral followed by limestone, gypsum, marble, coal, and quartzite.
- The country has proven deposits of dolomite, gypsum, and limestone to last for generations. For instance, dolomite is estimated to last for 169 years considering a 15 to 20% average increase in annual extraction rate.



Mineral trade

- Currently, most of the minerals are sold in raw form with minimal value addition. Between 2017-2019, Bhutan exported mineral products to at least 30 countries. These countries were 13 each in Europe and Asia, 3 in North America, and one in Africa.
- In 2020, Bhutan exported mineral and mineral-based products to 11 countries – three in Asia, seven in Europe, and one in the Middle East.
- In 2019, the top 10 exported commodities accounted for more than 50% of export at USD 345 million of which 95% were contributed by mineral and related products. Of the top 10 export commodities, nine were mineral-based products.
- The major destination of Bhutanese minerals and mineral-based products are India, Bangladesh, and Nepal.

