



## INVESTMENT OPPORTUNITIES

Investment opportunities abound in the construction sector with specialization in the following areas:

#	Investment Area	Description
a	Infrastructure development	<ul style="list-style-type: none"><li>Dam construction and hydropower related services</li><li>Tunnelling, drilling and grouting services</li><li>Wastewater infrastructure construction</li><li>Energy efficient building services</li><li>HVAC design and installation</li><li>Renewable energy infrastructure development</li></ul>
b	Institutional and commercial construction projects	<ul style="list-style-type: none"><li>Institutional and commercial spaces in urban areas</li><li>Development of corporate amenities and institutions</li><li>National development projects</li></ul>
c	Manufacturing of construction materials	<ul style="list-style-type: none"><li>Manufacture of construction materials in the industrial estates, such as:<ol style="list-style-type: none"><li>cement and cement-based products, limestone-based products, gypsum-based products, wood-based products, steel bars and metallic hardware, and plastic and chemical based products, and</li><li>ceramic and porcelain tiles for wall cladding and flooring</li></ol></li><li>Manufacture of timber substitute materials such as bamboo construction materials</li></ul>
d	Prefabrication, mechanization and other construction technologies	<ul style="list-style-type: none"><li>Prefabricated structures of bridges, roof, door and window frames</li><li>Heavy duty fabrication for bridges, large pre-engineered structures and assembly</li><li>Reducing heavy dependence on the prevailing RCC construction technology</li></ul>
e	Investments in deployment of transformative digital technologies	<ul style="list-style-type: none"><li>Deployment of digital transformation tools such as software applications that will enhance information, coordination, payment, logistics and management</li><li>Improvement of E-Government Procurement system and G2C services</li><li>Deploying appropriate technologies such as augmented reality, virtual reality, drones, 3D printing, artificial intelligence and machine learning</li></ul>

## Key contacts

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## CONSTRUCTION SECTOR

# Bhutan: overview

Key facts <sup>1</sup>	
Capital	Thimphu
Total Area	38,394 Sq. Km
Currency	Bhutanese Ngultrum (Nu) <sup>2</sup> USD1 = Nu. 74.39 <sup>3</sup>
National Language	Dzongkha <sup>4</sup>
Population (2020)	748,931
GDP at current market price (2020)	USD2.535 billion
GDP per capita (2020)	USD3,079.80
GDP growth rate (2019)	5.46 percent
General literacy rate (2019)	71.4 percent
Youth literacy rate (2019)	93.1 percent
Annual average inflation rate (2019)	2.73 percent
Total labour force (2019)	319,758
Youth (15-24 years) unemployment rate (2019)	11.9 percent
Mobile subscribers per 100 inhabitants (2020)	97.37
FDI inflows (2019)	USD22.98 million INR 766.38 million
Exports (2020)	USD628.97 million
Imports (2020)	USD915.39 million
Balance of trade (2020)	USD (286.42) million

The Kingdom of Bhutan is a “small is beautiful” landlocked country in South Asia. It is strategically bordered by India to the south, east and west, and the Tibetan Autonomous Region of the People’s Republic of China to the north. Located in the eastern Himalayas, it has access to the large Indian market through the States of West Bengal and Assam in the south, Sikkim in the west and Arunachal Pradesh in the east.

## Why Bhutan?

National  
**Peace**, Political  
and Economic  
**Stability**

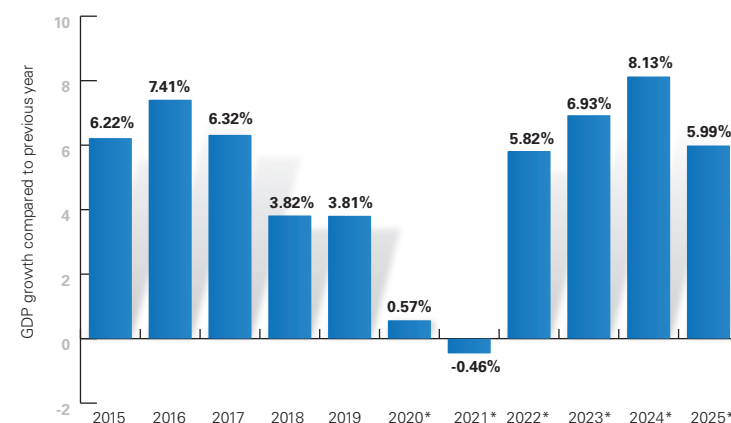
- Bhutan has always been politically and economically stable, and it is rated as the most peaceful country in South Asia.
- The Global Peace Index 2021 ranked Bhutan as the 22<sup>nd</sup> most peaceful country in the world. Bhutan’s level of peacefulness increased by 0.9 per cent over the past year, driven by an improvement in the homicide rate. Bhutan is also one of the least militarised countries in the world<sup>5</sup>.
- Bhutan has managed to be consistently in the top 20 during 2012- 2020.

## Recovering and **thriving economy** ahead

- Bhutan ‘maintains solid growth and macroeconomic stability’<sup>6</sup>. Annual real GDP growth has averaged 7.5 percent since the 1980s, mainly driven by public sector-led hydropower

1 Source: South Asia Vaccinates, South Asia Economic Focus, Spring 2021 (World Bank); Statistical Yearbook 2020 (National Statistics Bureau)  
2 The Bhutanese Ngultrum (Nu) is pegged one on one to the Indian Rupee (INR).  
3 Exchange rate based on the Annual Report 2020 of Royal Monetary Authority (ref page 106) <https://www.rma.org.bt/>  
4 English is the medium of instruction in the education system and official language of communication.  
5 <https://www.visionofhumanity.org/wp-content/uploads/2021/06/GPI-2021-web-1.pdf>  
6 <https://www.worldbank.org/en/country/bhutan/overview#:~:text=Bhutan%20maintains%20solid%20growth%20and,reserves%20at-test%20to%20the%20stability.>





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 2019-20<sup>7</sup>.

- The slowing projections in the economy in 2020 and 2021 are a direct impact of the ensuing Covid-19 pan-

demic. However, the projected positive growth from 2022 onward indicates a recovering economy that will grow fast and expand in the near future.

## Favourable investment climate

- Bhutan ranked 2<sup>nd</sup> 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 17<sup>th</sup> among 42 countries in the Asia Pacific in the Economic Freedom Index and 24<sup>th</sup> in the Corruption Perception Rank (1<sup>st</sup> 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 permit 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](http://www.citizenservices.gov.bt).

## Growing bilateral and multilateral trade relations

- Bhutan is member to 45 inter-governmental organizations and has diplomatic relations with 54 countries<sup>8</sup>, of which 79 percent are with countries in Asia and Europe. Bhutan has ratified and adheres to 60 multilateral agreements<sup>9</sup>.
- Bhutan has a bilateral free-trade agreement with India which provides Bhutanese products automatic access to one of the largest and most dynamic markets in the world. The agreement also ensures transit rights through India for trade with third countries.

## Investment-Enabling fiscal incentives & taxation laws

**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% re-investment 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 renewable natural resources, tourism, cottage and small industries, information and communication technologies, business infrastructure development, health & education, etc.

## A young and competent national workforce

- Work and employment conditions are governed by the Labour and Employment Act 2007.
- Around 40 percent are between the ages of 15 and 34, which constitutes a significant proportion of working age population.
- Fluent and conversant in English, the medium of instruction in schools.
- With prevailing monthly minimum wage rate of USD95 for unskilled and USD 40 for skilled workers, the wage rate is competitive as compared to rates in the region.
- Easy access to skilled foreign workers from neighbouring countries.

## Access to reliable and cheap clean power

- Bhutan produces a total of 2,326MW of electricity. At present, the surplus electricity which amounts to around 90% of what is produced, is exported. Electricity exports make up 27% of Bhutan's total export and 32% of the country's total export to India.
- Power supply is clean and reliable, and relatively cheap. With the cost of electricity for industrial use averaging USD 0.03 per kWh, it is one of the cheapest in the world.

## Improved connectivity and excellent road network

- 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 bridges<sup>10</sup>, Bhutan is well connected internally.

## SECTOR OVERVIEW

The construction sector plays a pivotal role in propelling the development trajectory of the country. In view of its direct integration with other sectors of the economy and strong linkage with most strategic socio-economic programs, the Royal Government recognises the construction sector as an engine of socio-economic growth. The sector activates and consumes locally produced materials and manpower in the development and maintenance of properties and infrastructure to motivate local employment and improve economic efficiency.

As per the Labour Force Survey Report 2020, the construction sector was the 5<sup>th</sup> highest employment sector, employing 5.1%, with further potential to grow as it is currently still dependent on foreign workforce, mostly coming from the neighbouring states of India. As of June 2020, there were 28,728 foreign workers within the country. In May 2019, 48,343 foreign workers were employed in Bhutan, more than 90% of whom were in the construction related services.

7 Annual Report 2020, Royal Monetary Authority of Bhutan.  
8 Ministry of Foreign Affairs, Bhutan <https://www.mfa.gov.bt/>  
9 Office of the Attorney General, Bhutan <https://www.oag.gov.bt/>

10 Annual Information Bulletin 2020, MoWHS.