

Changes and Developments in Bhutan's Investment Policy and Regulatory Framework (2016-2017)

*Updates for the 7th Meeting of the Asia-Pacific FDI Network
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A. Economic Development Policy 2016

The Royal Government of Bhutan adopted the revised Economic Development Policy (EDP) in 2016. The EDP as the apex policy for economic development of the country provides the strategic directions to stimulate economic growth. Recognizing the private sector as the engine of growth, the policy aims to create an enabling environment for investment. To attain its primary objectives by 2020, namely, achieving economic self-reliance and sustaining full employment, the policy identifies several strategies and reform initiatives. Those that are directly related to promotion of investments include the following:

- a) To improve the ease of doing business and scale up its position within the top 50 in the Doing Business Ranking through enhancement of public service delivery by use of IT services and adopting one Government principle;
- b) To consider acceding to relevant international/UN conventions to promote investor confidence;
- c) Strengthening embassies and missions abroad to play a more active role in economic diplomacy;
- d) To review the regulations relating to the possession of assets and properties outside Bhutan by Bhutanese citizens to promote investments abroad;
- e) Identification of priority sectors including five jewels of the economy;
- f) Call for announcement of fiscal incentives.

Amongst the host of policies and regulations that require revision, the EDP action matrix requires the revision of FDI Policy and FDI Rules & Regulations by June 2018 and June 2019 respectively. The revision of these policy/regulations is expected to liberalize the FDI regime of the country to encourage more foreign investments. For instance, the areas of liberalization according to EDP 2016 include the opening up of the film, media and creative art sector for foreign investments and relaxing the existing minimum investment threshold for IT/ITES activities in the IT parks.

Following the revision of the EDP, the Royal Government announced the Fiscal Incentives in May 2017 to facilitate implementation of EDP 2016. The Rules and Regulations on Fiscal Incentives 2017 contains general incentives that are applicable to all sectors of the economy and sector specific incentives that are applicable to the priority sector activities identified under EDP 2016.

B. Trade Development & Investment Act

The Ministry of Economic Affairs has engaged United Nations Conference on Trade & Development (UNCTAD) in 2012 to work on an investment act for the country. However, due to limited funding and lack of clarity on the actual need of an investment law, the enactment of bill was discontinued. It is now realized that to provide investor confidence, an act was necessary. Accordingly, a committee has been formed within the Ministry to complete the drafting of the bill by November 2017.

C. eRegulations

The work on development of eRegulations under the support of UNCTAD is still ongoing. The coverage of the portal is now enhanced to 12 districts from just the capital at the end of 2016. By the end of 2017, it will cover the whole of the country.

D. 11th Five Year Plan Activities

Two key 11 five year plan activities that are expected to be completed by June 2018 are, i) *Assessment of international/regional treaties/conventions on investments and ii) Development of investment promotion strategies*. The talks are in advanced stage with the World Bank and International Trade Center (European Union), respectively, to carry out these activities during the plan period.