

## **Changes and Developments in Bhutan's Foreign Investment Regime (2017-2018)**

*Updates for the 8<sup>th</sup> Meeting of the Asia-Pacific FDI Network  
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### **A. 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 a lack of clarity on the actual need of an investment law, the enactment of bill was discontinued. In 2017, realizing the need for a governing law for promotion and regulations of foreign investments in the country, the Royal Government had directed the Ministry to incorporate investment aspect provisions in the trade development bill. The bill renamed as trade development and investment bill and containing investment provisions was finalized by the Ministry in 2018 to be submitted to the Royal Government.

### **B. FDI Policy Revision**

In pursuant to the adoption of Economic Development Policy 2016 which requires certain provisions of FDI Policy to be amended, the Ministry has included the activity to revise FDI policy in the current and the next fiscal year. The revision is one of the triggers of the World Bank's Development Policy Credit.

### **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 16 of 20 districts. By the end of 2018, it is expected to cover the whole of the country. In addition, the exercise will also look at simplifying FDI registration and approval procedures and training of officials in managing the portal.

### **D. Assessment of international/regional treaties/conventions on investments**

The World Bank as part of its technical assistance for Bhutan Private Sector Competitiveness, completed the assignment titled "Bhutan's Integration with the Global Economy: International Investment Treaties and Conventions".

Some of the key recommendations of this exercise based on the affirmation that the advantages of joining international investment system clearly outweigh the disadvantages, include the following:

1. Accession to the International Centre for Settlement of Investment Disputes (ICSID) Convention;
2. Be opportunistic and strategic in signing IIAs according to the principles such as a) start negotiating balanced BIT and/or FTAs with important trading partners, b) build administrative and legal capacity to negotiate future investment treaties, c) continue to undertake the key regulatory reforms and marketing push to attract FDI Inflows and bring in foreign ideas, talent, and competition.

#### **E. Development of investment promotion strategies**

Towards the end of 2017, the Royal Government had issued a directive to form a task force to develop an investment promotion strategy. Based on the objective of promoting and attracting foreign investments in the country in the short to medium term, the strategy has identified specific activities and government interventions required for investment promotion.

#### **F. Development of investment profiles**

As part of the investment promotion strategy, the Department of Industry has prepared profiles for the list of activities identified for potential participation by foreign investors. The profiles for activities contain the key information such as investment project location, applicable fiscal incentives, investment criteria, details of nodal agency and focal officials, etc.