



# FDI ANNUAL REPORT

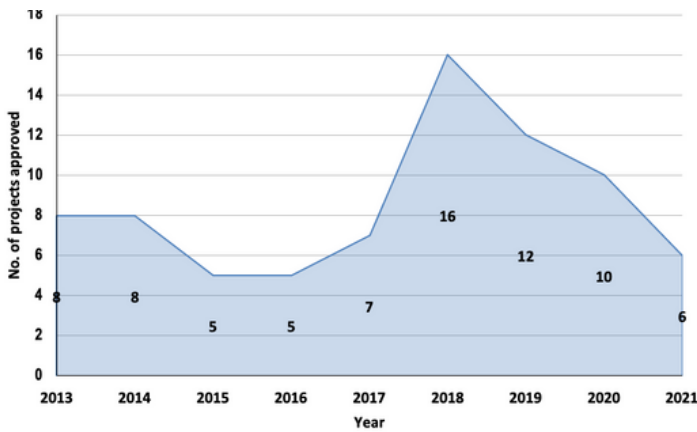
## 2021

DEPARTMENT OF INDUSTRY  
MINISTRY OF ECONOMIC AFFAIRS

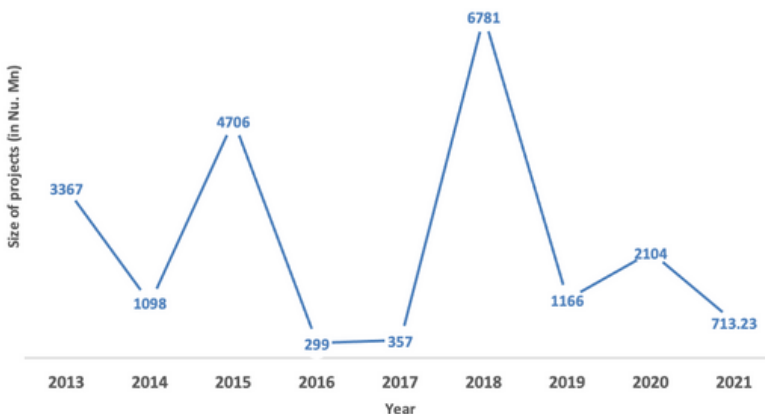
# 2021- FDI TREND & OUTLOOK

## FDI PROJECTS APPROVED

The Department of Industry has approved a total of 6 FDI projects worth Nu. 713.23 million during the year 2021. Three of the projects are in the manufacturing sector and the other three are in the service sector. The charts below shows that the number of projects approved and the project size have both declined during the year. The trend in the country is similar to the global trend which reported that both the number of FDI projects and capital investment in FDI dropped by a third in 2020 (fDi Intelligence, 2021)



## PROJECT SIZE



## ORIGIN OF FOREIGN INVESTORS

64 % of the FDI projects in the country are received from investors based in Asia.

## TOP SOURCE COUNTRIES IN ASIA

From within Asia, India remains the major source of investment in Bhutan with 50 % share followed by Singapore (18 %) and Thailand (11%).

## FDI PROJECTS AS OF 2021

The total number of projects stand at 96 with 6 new projects approved during the year. Two FDI projects were converted to domestic project during the year.

2021:96



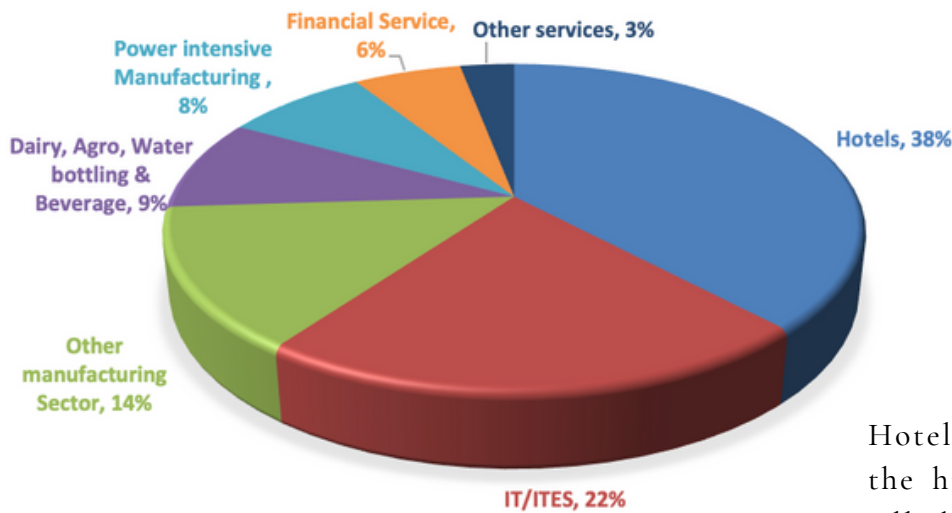
2020:92

## PROJECT APPROVED IN PRINCIPLE

A total of 9 FDI projects were issued FDI Registration Certificate in 2021 of which 3 projects are in the manufacturing sector and the remaining 6 in service sector. The projects are in various stage of approval.

# 2021- FDI TREND & OUTLOOK

## SECTORAL SHARE OF FDI



Hotel sector remains the sector with the highest number of FDI received till date (38 %) followed by IT/ITES with 22%.

## KEY TRENDS IN FDI

- Share of Hotel sector to overall FDI declined from 42 % in 2019 to 39 % in 2020 and 38 % in 2021.
- Share of IT/ITES increased from 19 % in 2019 to 21 % in 2020 and 22 % in 2021.
- Power intensive manufacturing increased from 5 % in 2019 to 8 % in 2021.
- Service sector dominates overall FDI with 69 %.
- 68 % of approved projects have started commercial operation.
- The value of FDI Projects (as per the project report) stands at Nu. 43.314 billion as of 2021.
- About 84 % of the approved FDI projects fall in the priority sector of the Government as stated in the FDI Policy.
- FDI projects are mostly located in Thimphu, Paro and Chukha Dzongkhag, with 49 % of the operating FDI projects concentrated in Thimphu alone.

# FDI Scenario in 2020

Covid-19 has disrupted FDI considerably worldwide. Global FDI flows collapsed in 2020 and fell by 42 per cent (UNCTAD, 2021). Similarly, FDI flows within the country has declined to a great degree. An assessment of the scenario of FDI is carried out through survey of FDI project and validation of the information through Audited Accounts submitted to Government agencies. While attempt was made to cover entire FDI projects, information from few companies could not be collected due to temporary closure of business. Further, the extensions granted to submit audited accounts to the Government in the wake of Covid-19, has delayed the timely publication of this Report.

## CAPITAL INFLOW

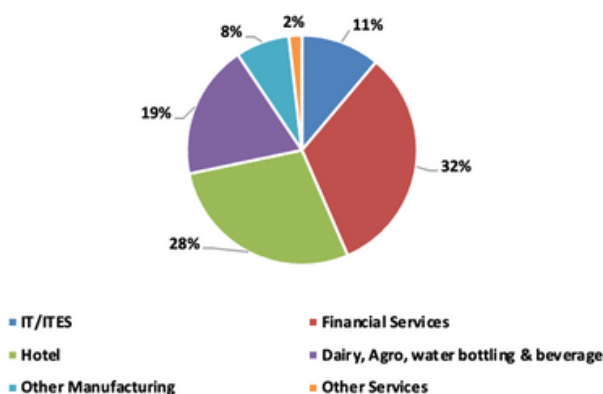
Information compiled reveals that the country has received capital inflows worth Nu. 423 million in 2020. Inflows in convertible currency was recorded at US\$ 3.54 million and that in Indian Rupee at INR 175.38 million. Considering the number of huge projects approved in 2020, the inflows should be much higher than what has been received. However, as most projects could not be initiated due to Covid-19, the actual inflows are comparatively lower. The inflows in convertible currency received during the year has declined by over 80 % from that of capital inflow received in 2019. Similarly, inflow received from Indian investors declined by 77 % as compared to inflow received in 2019.



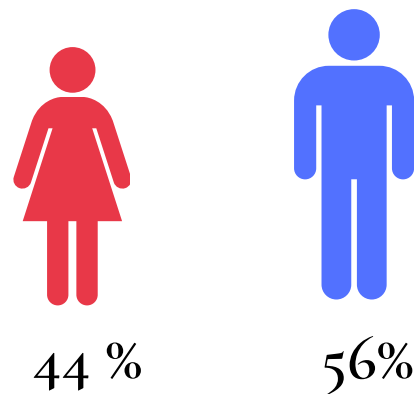
## EMPLOYMENT

A total of 4,747 Bhutanese were directly employed by 57 operating FDI projects as of December, 2020.

## EMPLOYMENT SCENARIO BY SECTOR



## EMPLOYMENT BY GENDER: BHUTANESE



## BHUTANESE EMPLOYED

**32%**

As of 2020, the financial services is the sector that generated the most jobs for Bhutanese.

# FDI Scenario in 2020

Most economic sectors in the country were hit by the pandemic and workers laid off as Covid-19 continues to distort the economy. However, except for the hospitality sector, all FDI companies have retained their employees on their payroll. Annual survey revealed that as of 31st December 2020, with the exception of those working in hotels, most of the employees of FDI companies, have not availed monthly income support under the Druk Gyalpo's Relief Kidu (DGRK).

Sector	Number of Employees			
	On regular salary	On partial salary from company & partially on kidu	On partial salary from company with no kidu support	Fully dependent on kidu
Financial Service	1536	0	0	0
Hotels	61	123	92	1062
IT/ITES	527	0	0	0
Dairy, Agro, water bottling & beverage	897	0	0	0
Other manufacturing Sector	348	0	15	0
Other services	86	0	0	0
Sub Total	3455	123	107	1062
Total	4747			

The table above shows the employee status of 57 operating FDI projects. It reveals that 73 % of the total employees are retained on their regular salary and 2.6 % on partial salary from the company and partial support from relief kidu. About 22 % of total employees are fully dependent on kidu (DGRK). These employees are all employed in the hotel industry, which has been severely impacted by the pandemic.

## AVERAGE EMPLOYMENT- Manufacturing Verses Services as of 2020



70



89

Manufacturing sector on an average employed 70 Bhutanese, while service sector employed 89 on average.

## IMPACT OF COVID- BUSINESS INCOME

**65%**

Of the 57 operating companies, 65 % have indicated a decline in their business income during the year 2020.

**3.5%**

About 3.5 % of the operating companies reported an increase in their business income during the year.

The decline in income however vary across sectors. Hotel industry and dairy, agro, water bottling and beverage industry reported an income decline of 75% to 100 % during the year.

Sector	LEVEL OF DECLINE			
	Upto 25 %	Upto 50 %	Upto 75 %	75 % to 100 %
Financial Service				
Hotels				
IT/ITES				
Dairy, Agro, water bottling & beverage Industry				
Other manufacturing Sector				
Other services sector				

## TAX CONTRIBUTION

Tax contribution by the operating FDI companies are recorded at Nu. 796 million for the income year 2020. The contribution has declined by almost 48 % from the contribution recorded for the income year 2019 which is Nu. 1530.65 million. The figure is compiled from survey and includes taxes such as salary tax, custom duties, corporate tax etc.

### FOR FURTHER INFO:

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