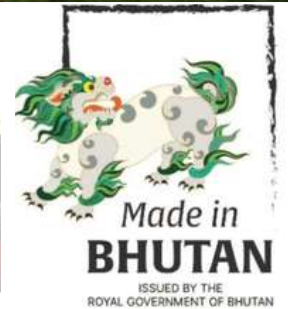
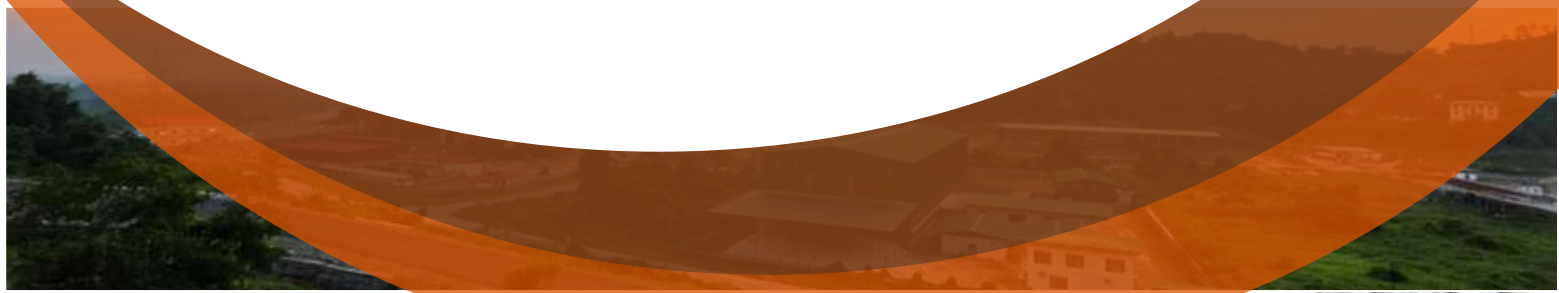




ANNUAL INDUSTRY REPORT 2025-2026

JUNE, 2026

DEPARTMENT OF INDUSTRY
MINISTRY OF INDUSTRY, COMMERCE AND EMPLOYMENT
ROYAL GOVERNMENT OF BHUTAN





FOREWORD

It is my pleasure to present the Annual Industry Report for the Fiscal Year 2025–2026, highlighting the key achievements, reforms, and developments undertaken by the Department of Industry under the Ministry of Industry, Commerce and Employment.



During the fiscal year 2025–2026, the Department focused on strengthening Bhutan’s industrial landscape through policy improvements, promotion of Foreign Direct Investment (FDI), streamlined regulatory procedures, and the development and upgrading of industrial parks, alongside enhanced support services. Efforts were directed toward creating a more business-friendly environment by addressing systemic challenges, encouraging investment, innovation, and competitiveness, and providing targeted assistance to industries of all scales. The year also saw intensified efforts to create an enabling industrial ecosystem and environment, promotion of FDI and domestic investments, increased post-license facilitation, sustainable industrialization, access to markets, capacity building, and development of industrial parks and estates for improved industrial infrastructure.

Despite these achievements, challenges remain, including the dominance of cottage and small industries, the relatively slow expansion of medium and large industries, infrastructure and operational constraints in industrial parks, limited market access, and the need for greater digital adoption. Moving forward, the Department remains committed to promoting inclusive, resilient, and sustainable industrial development through continued reforms, stronger collaboration, and improved service delivery, ensuring industries contribute meaningfully to national economic goals.

I take this opportunity to thank our industry partners, stakeholders, development partners, and the dedicated team of the Department for their continued support and contributions throughout the year.

Chhime Tshering
Director General



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ABBREVIATIONS

1. ADB TA - Asian Development Bank Technical Assistance
2. BAIL - Bhutan Agro Industries Limited
3. BIRMS - Bhutan Integrated Revenue Management System
4. BOT - Build - Operate-Transfer
5. BIE - Bjemina Industrial Estate
6. BPC - Bhutan Power Corporation
7. BTIP - Bhutan Trade Information Portal
8. BTR - Biennial Transparency Report
9. BTFN - Bhutan TradeFin Net
10. CCS - Carbon Capture and Storage
11. COTI - Countries Other Than India
12. CTH - Change in Tariff Heading
13. CSIs - Cottage and Small Industries
14. DECC - Department of Environment and Climate Change
15. DIP - Dhamdum Industrial Park
16. DoI - Department of Industry
17. DRC - Department of Revenue and Customs
18. EA Act 2000 - Environmental Assessment Act 2000
19. EC - Environment Clearance
20. EIA - Environmental Impact Assessment
21. ESP - Economic Stimulus Plan
22. FDI - Foreign Direct Investment
23. FDIRC - Foreign Direct Investment Registration Certificate
24. FY - Fiscal Year/Financial Year
25. GHG - Greenhouse Gas
26. HCMC - Ho Chi Minh City, Vietnam
27. HDPE - High-Density Polyethylene
28. IBD - Invest Bhutan Division
29. IBLS - Integrated Business Licensing Service
30. IDGS - Industrial Development Grant Scheme
31. IDGS - Industrial Development Grant Scheme
32. IDR - Industrial Development Roadmap
33. IEE - Initial Environmental Examination
34. IIS - Industry Information System
35. IP/IE - Industrial Parks/Industrial Estates
36. IPCC - Intergovernmental Panel on Climate Change
37. IPPU - Industrial Processes and Product Use
38. IPMO - Industrial Park Management Office
39. ISSD - Industry Sustainance Support Division
40. LEDSD - Low Emission Development Strategy
41. LLC - Land Lease Certificate
42. LIPD - Large Industry Promotion Division
43. MoENR - Ministry of Energy and Natural Resources
44. MoICE - Ministry of Industry, Commerce and Employment
45. NHPC - National Post Harvest Center
46. NIP - Norbugang Industrial Park
47. PIE - Pasakha Industrial Estate
48. PIP - Phuntshorabtenling Industrial Park
49. PM - Particulate Matter
50. P&M - Production and Manufacturing
51. PPP - Public-Private-Partnership
52. QA/QC - Quality Assurance/Quality Control
53. ROICE - Regional Office of Industry, Commerce and Employment
54. RMA - Royal Monetary Authority
55. SAFTA - South Asian Free Trade Area
56. SOP - Standard Operating Procedure
57. UNDP - United Nations Development Programme
58. WAIPA – World Association of Investment Promotion Agencies
59. WTO - World Trade Organization



EXECUTIVE SUMMARY

The Annual Industry Report 2025–2026 presents the key achievements, policy reforms, service delivery outcomes, and industrial developments undertaken by the Department of Industry during the fiscal year. It also provides an overview of Bhutan's industrial landscape, trends in industrial growth, investment performance, business facilitation services, industrial infrastructure, and market development initiatives.

As of 20 June 2026, Bhutan recorded 31,952 active industrial licences, with Cottage and Small Industries (CSI) comprising about 95.7% of the total. The services sector remained dominant at 79.8%, while the production and manufacturing sector increased to 13.9%, reflecting gradual progress toward industrial diversification and value addition.

The fiscal year witnessed major policy and regulatory reforms to improve the business environment. Key developments included the nationwide rollout of the Integrated Business Licensing Service (IBLS), implementation of the FDI Rules and Regulations 2025, revocation of 2004 Hard Currency rules, harmonization of the value addition formula, development of Standard Operating Procedure (SOP) for industrial landfills, completion of a study on industrial park management, and revision of the Industrial Development Grant Scheme (IDGS).

The Department continued to strengthen business development support services through capacity-building programmes, advocacy workshops, digital system enhancements, environmental reporting initiatives, and increased post-license facilitations.

Investment promotion remained a key priority during the year, with 33 FDIRCs issued and 21 FDI projects approved, totaling approximately BTN 3.45 billion. In addition, 67 domestic medium and large-scale projects were approved, reflecting sustained investor confidence in Bhutan's industrial sector.

To improve market access and infrastructure, the Department established the fourth CSI Market in Bumthang, organized the CSI Fair, facilitated participation in regional and international exhibitions, and supported business networking with institutional buyers. Industrial estates such as Bjemina and Pasakha maintained high occupancy, while infrastructure development progressed in Norbugang and Phuntsholing.

Overall, FY 2025–2026 was marked by significant institutional reform, digital transformation, and strengthened service delivery. While challenges remain in expanding medium and large-scale industries and improving industrial competitiveness, the Department remains committed to fostering a resilient and sustainable industrial sector in support of Bhutan's economic diversification and long-term development under the 13th Five Year Plan.



DEPARTMENT OF INDUSTRY

FY 2025-2026

AT A GLANCE





INTRODUCTION

The industrial sector is one of the key drivers of Bhutan's economic transformation, contributing to economic diversification, employment generation, value addition, and private sector development. Recognizing its strategic importance, the Department of Industry (DoI), under the Ministry of Industry, Commerce and Employment (MoICE), is mandated to formulate industrial policies, facilitate investment, regulate industrial activities, develop industrial infrastructure, promote market access, and create an enabling environment for sustainable industrial growth.

This Annual Industry Report for fiscal year 2025–2026 presents a comprehensive overview of Bhutan's industrial sector and the Department's performance during the fiscal year. The report consolidates key achievements, policy and regulatory reforms, industrial statistics, investment trends, business facilitation services, industrial infrastructure development, and market promotion initiatives undertaken to strengthen the country's industrial ecosystem. It serves as an important reference for policymakers, government agencies, development partners, investors, researchers, industry associations, and the general public.

The report is structured into seven chapters. Chapter 1 presents major policy, regulatory, and institutional developments during the fiscal year. Chapter 2 outlines the Department's business facilitation, environmental compliance, and post-licensing support services provided to industries. Chapter 3 focuses on initiatives undertaken to improve market access, including domestic and international promotional activities. Chapter 4 reviews the development, management, and performance of industrial parks and estates. Chapter 5 highlights initiatives to promote industrial investment and strengthen the overall industrial ecosystem. Chapter 6 presents efforts related to sustainable industrial development, while Chapter 7 highlights monitoring and compliance activities conducted during the fiscal year.

As Bhutan advances toward a more inclusive and sustainable economic pathway under the 13th Five Year Plan, this report presents an overview of the Department's strategic interventions and collaborative partnerships. These efforts are focused on strengthening industrial competitiveness, fostering innovation, and building long-term economic resilience to support sustainable national development.



INDUSTRIAL LANDSCAPE

The industrial sector in Bhutan is classified along two dimensions; scale and classification. By scale, industries are categorized into large, medium, small, and cottage-scale industries based on capital investment and the number of employees as detailed in Annexure 1.

By classification, Bhutan’s industrial sector is broadly classified into three, namely, Production and Manufacturing (P&M), Service, and Construction. The Production and Manufacturing category encompasses businesses involved in the transformation and value addition of primary raw materials into finished or semi-finished products, and is further sub-classified into agro-based, forest-based, mineral-based, and others. The Service sector includes businesses that provide services to consumers, such as consultancy, travel agencies, hotels, restaurants, automobile workshops, salons, and financial services, among others. The Construction sector refers specifically to businesses engaged in construction and related activities.

0.1 Trend of Active Industry License

For the purpose of this report, data on active industrial licenses as of 20th June 2023, 2024, 2025, and 2026, have been studied and reported. (Refer annexure 2 for detailed data set)

0.1.1. Industry Trend by Scale (2023 - 2026)

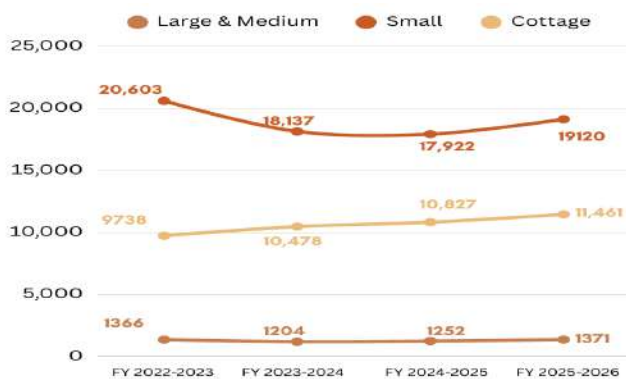


Figure 1: Industry Trend by Scale

The trend of industry by investment scale shows that small-scale industries continued to constitute the largest segment of the industrial sector, accounting for 59.8% of total industries in FY 2025–2026, although their share has declined from 64.8% in FY 2022–2023. Conversely, the share of cottage-scale industries increased steadily from 30.6% to 35.8%, reflecting the growing importance of micro and household industries in the economy. The proportion of medium and large-scale industries remained relatively stable at around 4%, indicating limited



expansion in larger industrial investments. The rising share of cottage industries suggests increasing entrepreneurial participation and self-employment opportunities, while the relatively stagnant share of larger industries highlights the need for continued efforts to attract and scale investment into medium and large-scale industrial ventures. While the number of cottage industries grew by 17.7% between FY 2022–2023 and FY 2025–2026, the share of small-scale industries declined by 5%. This suggests that industrial growth during the period was driven primarily by the expansion of micro and cottage enterprises, reinforcing their role as the foundation of Bhutan's industrial ecosystem.

0.1.2. Industry Trend by Sector (2023-2026)

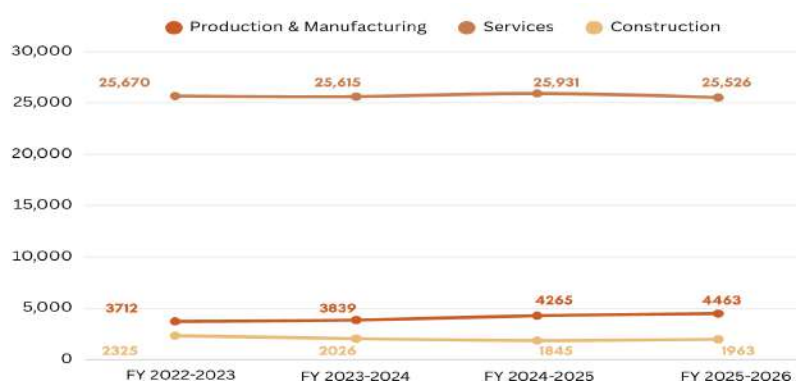


Figure 2: Industry Trend by Sector

The industrial composition remained largely dominated by the services sector, which accounted for 79.8% of all industries in FY 2025–2026, although its share has gradually declined from 80.9% in FY 2022–2023 (Annexure 2). In contrast, the share of production and manufacturing industries increased from 11.7% to 13.9% over the same period, indicating a gradual shift towards more productive and value-adding economic activities. The increase reflects growing investment in value-adding industries supported by policy reforms, fiscal incentives, and improved access to industrial infrastructure. Meanwhile, the share of construction industries declined from 7.3% to 6.1%, reflecting slower growth relative to other sectors. The increasing proportion of manufacturing industries is a positive development, aligning with national efforts to strengthen domestic production, promote industrial diversification, and enhance economic resilience.

0.2 Active Industry Licenses in FY 2025-2026

As of 20 June 2026, there were 31,952 active industrial licenses in the country (Annexure 2), including the 142 Foreign Direct Investment (FDI) licenses. However, this figure does not necessarily reflect the number of operational businesses. A portion of these licensed industries



are still in the construction phase, while others maintain valid licenses through periodic renewal despite limited or no current operations, with the intention of commencing or resuming business activities in the future.

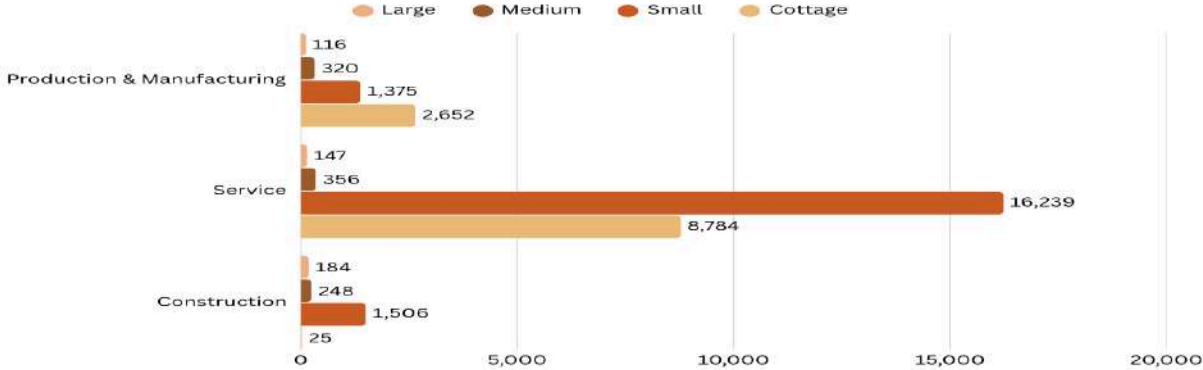


Figure 3: Industry Composition by Scale and Sector in FY 2025-2026

The industrial composition in 2026 is overwhelmingly dominated by Small and Cottage-scale industries, which together account for about 95.7% of the total industries, indicating a highly micro-enterprise-driven industrial structure. Small industries alone contribute approximately 59.8%, while Cottage industries account for about 35.7%. In contrast, Medium industries represent only around 2.9%, and Large industries contribute a marginal 1.4%, highlighting very limited industrial scaling beyond small enterprises. Sectorally, the Service sector is the largest contributor at about 79.9% of total industries, followed by Production & Manufacturing at 13.9% and Construction at 6.1%. Within each sector, Small and Cottage industries consistently dominate, particularly in the Service sector, where they make up over 98% of total service industries, reinforcing a structural pattern of a service-led economy sustained primarily by small-scale and cottage-level industries, with minimal presence of large-scale industrial operations.



0.2.1 Distribution of Industries by Dzongkhag and Scale in FY 2025-2026

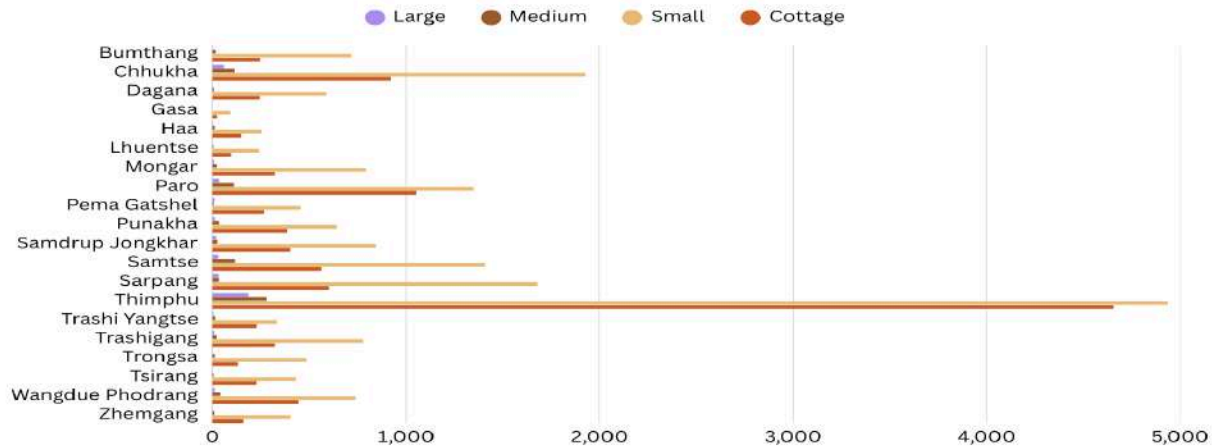


Figure 4: Distribution of industries by Dzongkhag and scale in FY 2025-2026

As dzongkhag-wise distribution of industries in 2026 is highly concentrated in a few major economic centers, particularly Thimphu, which alone accounts for approximately 31.5% of the total industries, driven mainly by CSI. Chhukha follows with about 9.5%, Paro contributes almost 8%, and Sarpang contributes almost 7.4%, indicating that over 56% of the industries are concentrated in just these four dzongkhags (Annexure 3). In contrast, smaller dzongkhags such as Gasa and Zhemgang each contribute around 0.4% and 1.8% respectively, reflecting limited industrial penetration. Across all dzongkhags, CSIs dominate overwhelmingly, jointly representing about 95.7% of total industries, while Medium and Large industries together account for only around 4.3%, highlighting a strong skew toward cottage and small-scale industrial activity nationwide.

0.2.2 Industries by Dzongkhag and Sector in FY 2025-2026

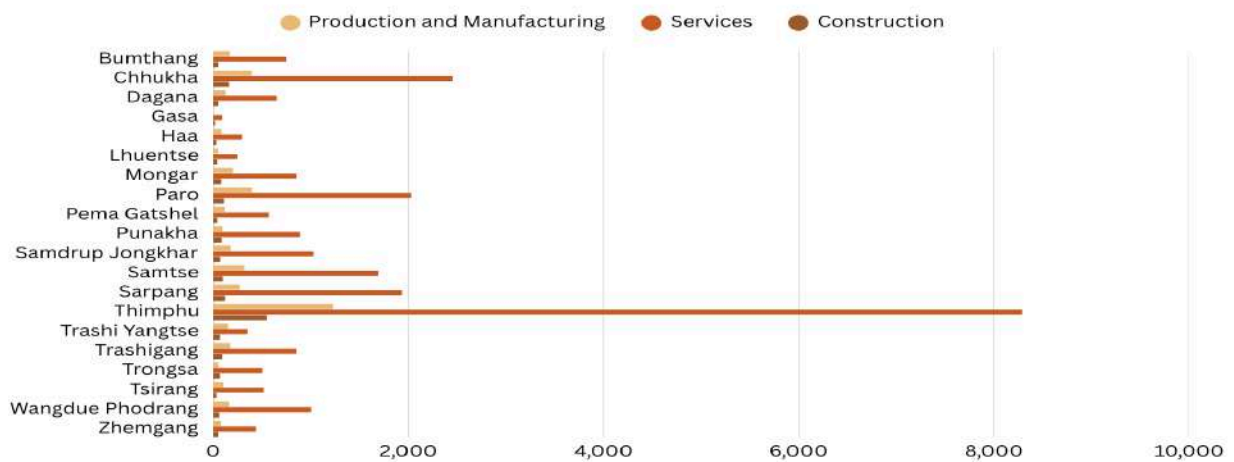


Figure 5: Distribution of industries by Dzongkhag and Sector in FY 2025-2026



The dzongkhag-wise industrial distribution in 2026 is overwhelmingly dominated by the Service sector, which accounts for approximately 79.8% of total industries, indicating a strongly service-led industrial structure across the country. Production & Manufacturing contributes about 14%, while Construction represents around 6.1%, making it the smallest sector overall (Annexure 4). Thimphu alone contributes roughly 30% of all Service industries, reinforcing its position as the primary economic hub, followed by Chhukha and Sarpang with 7.7% and 6.1% respectively, reflecting a service-oriented and geographically concentrated industrial landscape.

0.2.3. Industry by Legal Status (Ownership Type) in FY 2025-2026

Industries are categorized based on legal status under sole proprietorship, partnership, company, and others (which include Groups, Cooperatives, Government-owned, Dratshang-owned, etc.). About 95% of the total active industries are owned by sole proprietors, 3.5% by incorporated companies, about 1% by partnerships, and 0.5% by other types of ownership, as depicted in the figure below.

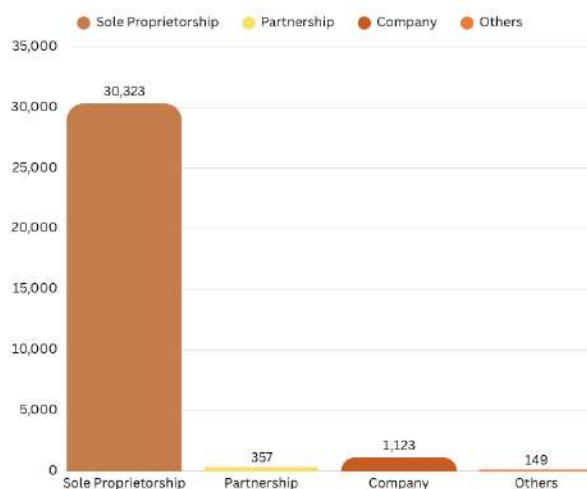


Figure 6: Industries by Legal Status (Ownership Type) in FY 2025-2026



CHAPTER 1

POLICY AND REGULATORY REFORMS

1.1. Integrated Business Licensing Service (IBLS) System

The Integrated Business Licensing Service (IBLS) system has been fully implemented for all online business licensing services. Following the successful stabilization and operationalization of licensing services for medium and large-scale industries, including the registration and approval of Foreign Direct Investment (FDI) projects, all services related to the issuance, renewal, modification, and cancellation of business licenses and certificates are now being delivered through the IBLS platform at <http://www.ibls.systems.gov.bt>

With the full transition to IBLS, all business licensing services previously accessed through the G2C system have been discontinued with effect from 3 June 2026. Accordingly, stakeholders are required to utilize the IBLS system for all business license and certificate-related services. Furthermore, all licensing applications must be submitted exclusively through the online IBLS platform, and submission of manual or paper-based applications is no longer accepted.

1.2. FDI Rules and Regulations 2025

The FDI Rules and Regulations 2025 was launched on 8th August 2025. Key changes in the Rules and Regulations include relaxed provisions regarding access to foreign currency, minimum foreign investor shareholding, and the removal of the lock-in period. Additionally, there are eased provisions for FDI in existing entities and downstream businesses, streamlined processes with defined turnaround times (TATs), clearer provisions on investor cards, improved access to expatriate work permits. Furthermore, the priority list of activities along with the minimum project cost have been reviewed to make it practical and relevant.

1.3. World Association of Investment Promotion Agency (WAIPA)

Pursuant to cabinet approval C-3/12(7)/2024/101 dated May 15, 2024, Bhutan became a member of WAIPA in 2024 along with 11 other members. Since its membership, Bhutan has attended the 28th World Investment Conference and five masterclass sessions (virtual).

As part of the WAIPA's initiative, for fiscal year 2025-26 Bhutan attended two masterclass sessions aimed at strengthening investment promotion capabilities. The session on "Streamlining Processes through Effective One Stop Shops" explored the role of one stop shop services into a seamless, efficient gateway that boosts investor satisfaction and accelerates



project implementation. The second session, "Renewable Energy Frontiers - Advancing Solar & Wind Investment" highlighted cutting-edge investment strategies in the solar and wind energy sectors, offering insights into emerging opportunities and case studies of successful initiatives.

1.4. Standard Operating Procedure for Operation and Management of Landfill at Industrial Estates and Parks

The Standard Operating Procedure (SOP) for the Operation and Management of Landfill at Industrial Estates and Parks 2026 establishes a standardized and environmentally responsible framework for managing industrial waste disposal across industrial parks under the Department of Industry. It supplements the existing land lease SOP by defining clear procedures for waste acceptance, transportation, weighing, disposal, billing, monitoring, and reporting, while strengthening accountability through CCTV surveillance, digital record-keeping, and clearly assigned responsibilities for industries, landfill operators, and Industrial Park Management Offices (IPMOs).

The SOP prescribes a systematic waste disposal process, beginning with authorization for disposal, followed by waste verification, CCTV-monitored weighbridge measurement, and disposal in designated landfill areas. Disposal charges are set at BTN 1,240 per metric ton, payable through the Bhutan Integrated Revenue Management System (BIRMS), with penalties for delayed payments, including suspension of landfill services until outstanding dues are settled.

The SOP clearly defines the roles and responsibilities of all stakeholders to ensure effective implementation and compliance with operational and environmental requirements. It provides for continuous monitoring through CCTV surveillance, maintenance of physical and electronic records, regular reporting, and periodic review to enhance operational efficiency. The landfill will operate from 9:00 AM to 5:00 PM, Monday to Friday.

1.5. Revocation of Rules and Procedure for Approval of Industrial Projects Requiring Hard Currency for Import of Raw Materials, 2004

In its efforts to pursue the ease of doing business, the Department initiated an internal review to identify key challenges faced by industrialists in Bhutan. One of the major issues identified was the limited access to foreign currency for industrial operations under the *Rules and Procedure for Approval of Industrial Projects Requiring Hard Currency for Import of Raw*



Materials, 2004. As per the 2004 rules, Cottage and Small Industries (CSIs) were permitted an annual foreign currency limit of 50,000 USD for the import of raw materials. For domestic medium and large industries, the rules required them to earn foreign currency through exports. Additionally, the rules included provisions for start-ups, allowing them access to hard currency for up to six months following the commencement of commercial operations.

Given that these provisions were introduced more than two decades ago, they no longer reflected the realities of Bhutan's evolving industrial and business landscape. Recognizing the need for reform, the Ministry, in close coordination with the Ministry of Finance (MoF) and the Royal Monetary Authority (RMA), formally revoked the *Rules and Procedure for Approval of Industrial Projects Requiring Hard Currency for Import of Raw Materials, 2004* through a notification issued on 10 March 2026.

As a result, all production and manufacturing industries now have equal access to foreign currency for the import of raw materials. However, should the country's foreign exchange reserves fall below the minimum threshold of one month of essential import coverage and buffer, access to convertible currency for manufacturing industries will be regulated in accordance with the RMA's net balancing principle, with any such measures communicated accordingly.

1.6. Harmonization of Value Addition Formula

The Department assesses value addition at three stages; project approval, raw material import facilitation, and tax exemption recommendations, but an inconsistency had existed in the formula applied in these three stages. The Large Industry Promotion Division (LIPD) and Invest Bhutan Division (IBD) followed one formula for pre-license approvals, while the Industry Sustenance Support Division (ISSD) applied a separate formula for post-license decisions, one that traced back to a set of Rules and Procedures dating from 2004 that have since been revoked. To address this inconsistency, the Department undertook a structured review drawing on the department's own application practice, the SAFTA Rules of Origin, comparable free trade agreement provisions, and the WTO framework on substantial transformation, to adopt a harmonized framework .

The department adopted the build-down formula $\text{Value Addition (\%)} = \frac{[(\text{Ex-factory price} - \text{Value of non-originating raw materials}) \div \text{Ex-factory price}] \times 100$ preferred because its inputs are verifiable through customs records and invoices rather than internal cost allocations. Change in Tariff Heading (CTH) at the 4-digit HS level was adopted as a complementary criterion to confirm substantial transformation, aligned with the SAFTA Rules of Origin. The minimum value addition threshold was also revised from 40% to 30%, in line with the FDI



Rules and Regulations 2025. The updated formula has been included in the online license application form for medium and large-scale industries in the Integrated Business Licensing Service (IBLS) system.

1.7. Study on Industrial Park Management and Sustenance

Industrial estates and parks have been central to Bhutan's industrial development strategy, supporting private sector growth, regional economic activity, and economic diversification. Developed through public investment, the study was commissioned to assess whether the current government-led management model remains financially and operationally sustainable in the long term. The study evaluated six government developed and managed industrial parks and estates by assessing revenue generation, operating expenditure, infrastructure utilization, management practices, and financial performance.

The findings reveal significant variations across parks, with Pasakha Industrial Estate demonstrating strong financial performance, while several others exhibit weak cost recovery due to heavy reliance on lease rentals, rising operating costs, and operational inefficiencies such as idle plots, delayed industrial commencement, and late lease payments. To improve long-term sustainability, the study recommends diversifying revenue sources, optimizing operating costs, strengthening lease compliance and payment enforcement, and promoting industrial symbiosis. It also proposes piloting Public–Private Partnership (PPP) or outsourced service models for selected parks and adopting demand-driven planning, sector-specific clustering, and greater private-sector participation for future industrial park development.

Overall, the study concludes that while Bhutan's industrial parks continue to deliver important economic benefits, the existing management model requires reform. It recommends a phased transition from the current government-managed approach toward revenue retention, PPP, and, where appropriate, private-sector-led models to enhance the sustainability and efficiency of both existing and future industrial parks.

1.8. Revision of Guidelines for Industrial Development Grant Scheme (IDGS)

The Industrial Development Grant Scheme (IDGS) is a grant provided for the procurement of equipment or machinery to eligible CSIs on a cost-sharing basis. The guideline for the scheme was revised in August 2025 to resume the scheme after being halted for the past few years. The major revision in the guideline was increasing the ceiling of the grant to BTN 0.5 million from BTN 0.3 million.



1.9. CSI Forum

As an effort to strengthen the business ecosystem, particularly for the cottage and small industries (CSIs), the Department organizes the CSI Forum every year – an open dialogue platform to provide CSI entrepreneurs an opportunity to raise their issues and challenges. This year, such a forum was conducted on 26th February 2026, in Thimphu and it was attended by around 40 CSI entrepreneurs. As a follow-up action to the forum, the Department corresponded with Food Corporation of Bhutan Limited requesting them to include CSI products in their goods supply chain and with Royal Monetary Authority of Bhutan highlighting the challenges faced by CSIs in accessing finance and the limited digital payment gateways and e-commerce platforms.



CHAPTER 2

BUSINESS DEVELOPMENT SUPPORT SERVICES

2.1. Capacity building

2.1.1. Capacity Building for CSIs

The Department conducts various capacity building programs to strengthen the capabilities of the CSI sector. Such programs are designed to equip CSIs with both technical (hard) and managerial (soft) skills essential for their business performance and competitiveness.

The training programs are provided based on the demand and focus on areas with strong economic impacts. For the Fiscal Year (FY) 2025-2026, the department conducted an advanced food processing training for CSIs engaged in Noodle and Pickle productions in collaboration with the National Post Harvest Center (NHPC) under the Ministry of Agriculture and Livestock and Bhutan Agro Industries Limited (BAIL) respectively. A total of 33 CSIs (19 in Pickle Processing training and 14 in Noodle Processing) were trained.

2.1.2. Capacity Building Training on the Greenhouse Gas Inventory of Industries to industry focal person and other stakeholders

A five-day Capacity-Building Training on Greenhouse Gas (GHG) Inventory for the Industrial Processes and Product Use (IPPU) and Waste Sectors was conducted from 16–20 March 2026 in Phuentsholing. Jointly organized by the Department of Environment and Climate Change (DECC) and the Department of Industry (DoI), the training brought together 46 industry focal persons and 17 government officials to address key challenges in GHG inventory development, including data gaps, methodological limitations, and technical capacity constraints. Aligned with Bhutan's commitments under the United Nations Framework Convention on Climate Change and the Paris Agreement, the programme enhanced participants' knowledge of the 2006 IPCC Guidelines, emission estimation methodologies, data collection and validation processes, and Quality Assurance/Quality Control (QA/QC) procedures.

The training significantly strengthened technical capacities, improved understanding of industry reporting responsibilities, and fostered collaboration between government agencies and private-sector stakeholders. Key recommendations included providing continuous advanced training, integrating GHG reporting into industrial licensing frameworks, mainstreaming Low Emission Development Strategies (LEDS), promoting energy efficiency, establishing targeted financing mechanisms, exploring carbon market opportunities, and implementing pilot projects. These measures are expected to further strengthen Bhutan's



national GHG inventory system and support evidence-based climate policy and planning.

2.1.3. Advocacy on FDI Rules and Regulations 2025

A series of five advocacy workshops were conducted between August 22 and September 19, 2025, to support the effective implementation and dissemination of the new provisions. These workshops engaged over 150 participants overall across five advocacy workshops. Of the three sessions, two in-person workshops were designed for potential investors, service providers, and established FDIs, and one was conducted virtually to allow broader access. The other two



were focused on officials from MoICE, MoENR, and MoAL. The 5 workshops reached over 150 stakeholders and contributed to improved awareness of the new FDI Rules, enabling smoother implementation.

2.1.4. Sensitization Workshop on IBLS, BTFN, and Business Guest Visa

In collaboration with the Department of Trade, the Department participated and contributed to the sensitization workshop on key trade facilitation systems and procedures, conducted in Phuntsholing (126), Punakha (127), Paro (20), and Thimphu (16) to a total of 289 participants. The workshop was organized with support from the Regional Offices in Phuentsholing and Thimphu, which facilitated participant mobilisation.

The objective of the workshop was to enhance awareness and build capacity among business stakeholders on trade-related services and regulatory frameworks. Key areas covered included the IBLS system, Bhutan Trade FinNet (BTFN) system, Business Guest Visa procedures, Brand Bhutan and Bhutan Seal initiatives, Bhutan Trade Information Portal (BTIP), export procedures, customs documentation, and foreign remittances. Post-session feedback indicated that participants gained improved understanding of procedures and regulatory frameworks across relevant agencies, supported by interactive sessions and live system demonstrations, which were particularly well received.

2.1.5. Sensitization on Industry Information System (IIS)

The Department is mandated to regularly compile industrial information on operations, performance, and related parameters to support planning and decision-making. To streamline this process, the Industry Information System (IIS) was developed to enable industries to electronically submit updated information, thereby improving data accuracy and ease of doing



business. In order to reduce administrative burden, the submission frequency has been revised from biannual submissions to an annual requirement starting from FY 2025-2026.

Since its launch in June 2023, the Department has conducted multiple user trainings, including 54 participants in 2023 and 420 participants in 2024. However, awareness and uptake remained limited, with many industries yet to adopt the system despite repeated calls for submission. In FY 2025–2026, targeted IIS end-user training was conducted across three industrial estates; Pasakha (11 industries), Dhamdum (11 industries), and Norbugang (13 industries), resulting in successful registration of all 35 participating industries on the IIS platform.

2.1.6. Industrial Development Roadmap (IDR) and Post-License Services Sensitization

Following the publication of the Industrial Development Roadmap (IDR), the Department initiated sensitization and advocacy activities aimed at translating the roadmap's priorities into the day-to-day work of industries, regional offices, and partner agencies. Led by the Director General, Department of Industry (DoI), the advocacy was conducted at four industrial parks focusing on the IDR and post-licence services facilitation, including IBLS (licensing procedure). The discussions mainly focused on the implications of the IDR for medium and large industries, the priority sectors identified for promotion, the criteria that will inform fiscal and non-fiscal support, and the practical steps an industry can take to align its expansion plans with the Roadmap.

2.2. Licensing and Facilitation for FDI

2.2.1. FDI Registration Certificate

The Department of Industry facilitates the issuance of FDI Registration Certificates within three working days after receiving a complete registration application. The FDIRC is valid for a period of one year from the date of issue and the investor shall submit the documents for project approval within the FDIRC validity period.

FDIRC shows a fluctuating but overall improving trend over the period. It increased from 25 in 2023–2024 to 62 in 2024–2025, reflecting a strong year-on-year growth of 148% from the previous year. However, in 2025–2026, the figure declined to 33, representing a 46.8% decrease compared to the previous year. Overall FDIRC issuance has maintained a net upward trajectory. The significant hike in FDIRC issuance in FY 2024-2025 could be attributed to the change in policy which mandated branch offices of commercial banks to obtain separate licenses.

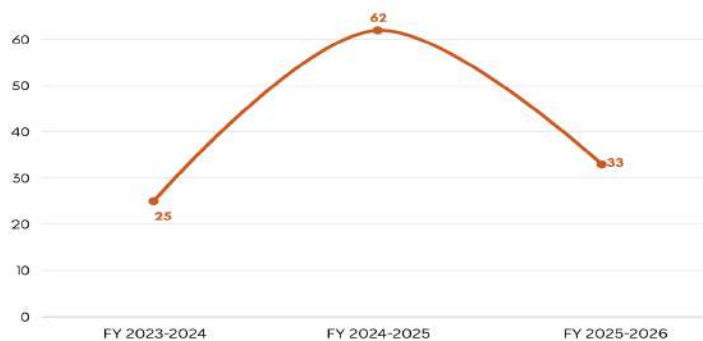


Figure 7: Trend of FDIRC issuance

2.2.2. FDI Project Approval

The Department appraises and reviews FDI projects for approval and issuance of business licenses.

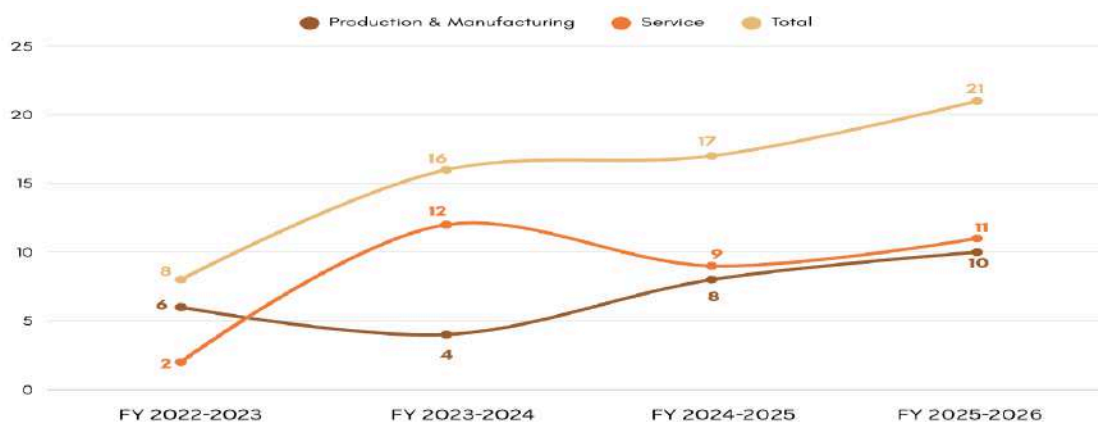


Figure 8: Trend of FDI Project Approval

Total FDI project approvals show a generally positive upward trend, increasing from 8 in 2022–2023 to 16 in 2023–2024, reflecting a significant 100% growth, followed by a modest 6.25% increase to 17 in 2024–2025, and a further 23.5% rise to 21 in 2025–2026. Sector-wise, approvals in Production & Manufacturing fluctuated but strengthened overall, moving from 6 to 4 (33% decrease), then rising to 8 (100% growth) and 10 (25% growth), indicating recovery and sustained growth momentum in recent years. The Services sector showed sharper variation, surging from 2 to 12 (500% growth) in 2023–2024, before declining by 25% to 9 in 2024–2025 and rebounding by 22% to 11 in 2025–2026. Overall, the data reflects expanding investor interest with increasing diversification between manufacturing and service-oriented projects over the period.



Furthermore, in the fiscal year 2025-2026, a total of 21 new projects worth BTN 165.60 billion (of which two projects were into hydropower worth BTN 162.5 billion) were approved for licensing, creating indicative employment opportunities for 704 Bhutanese. Additionally, three existing projects were approved for project enhancement worth BTN 1.15 billion.

2.2.3. Other Post-License Facilitations for FDI

The Department facilitates the change in project cost, transfer of shares, approval for additional location, recommendation for work permits and multiple entry visas and approval for additional foreign investors. The Department also facilitates the issuance of recommendations for the Investor Card and its renewal for Investors/Promoters of FDI companies. An investor card allows an investor of the FDI company multiple entries and exits in the country. The card is issued for a period of three years and renewal thereafter. FDI companies must apply for a recommendation letter with a copy of their passports to the Department of Industry. The particular investor must be physically present at the Department of Immigration to get his/her investor card. Additionally, the Department facilitates the processing of clearances required for the issuance and renewal of work permits, along with multiple-entry visas. The Department of Labour and the Department of Immigration are responsible for assessing the applications and issuing the respective permits.

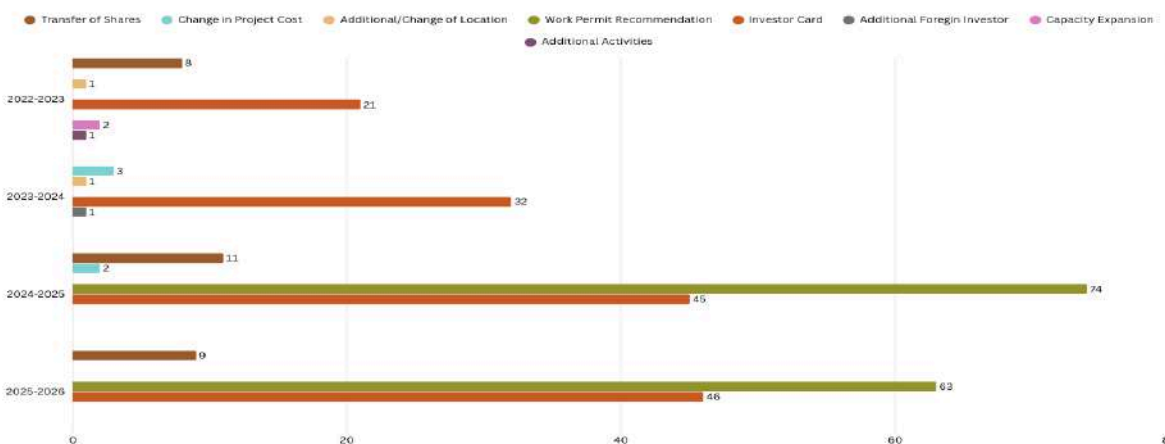


Figure 9: Trend of Post-License Facilitations for FDI

The data shows significant fluctuations across categories, with overall facilitation peaking in 2024–2025 before stabilizing in 2025–2026. Investor Card services consistently increased from 21 to 46, reflecting a 119% rise from 2022–2023 to 2025–2026, indicating sustained growth in investor facilitation demand. Work Permit Recommendations recorded a sharp surge from 0 in 2022–2023 and 2023–2024 to 74 in 2024–2025, followed by a slight decline of 14.9% to 63 in 2025–2026. Transfer of Shares showed variability, dropping 100% in



2023–2024, then rebounding to 11 in 2024–2025 before slightly decreasing by 18.2% to 9 in 2025–2026. Other services such as Change in Project Cost, Additional/Change of Location, Capacity Expansion, and Additional Activities remained relatively low, while Additional Foreign Investor service was facilitated only in 2023–2024 with minimal activity thereafter. Overall, the trend highlights a strong expansion in core facilitation services, particularly work permits and investor cards, alongside episodic use of other regulatory services

2.3. New Licensing and Change of Licenses for Domestic Medium and Large Industries

During the fiscal year 2025–2026, the Department processed the approval, upgradation, and post-license facilitation of medium and large domestic industries under the procedures laid down in the Trade and Industry Rules 2023.

2.3.1. Approval of New Industrial Projects

The approval of new industrial projects shows significant growth over the four-year period, increasing from 45 projects in 2022–2023 to a peak of 109 projects in 2024–2025, before moderating to 67 projects in 2025–2026, reflecting a 38.5% decrease compared to the previous year. In 2025–2026, 55 accounted for medium-scale industries at 83.6%, while 12 were large-scale industries, representing 16.4% of the total approved projects, indicating that investment activity was primarily driven by medium-scale enterprises. Sector-wise, in 2025-2026, Service industries comprised 58.2% of total approvals, surpassing Production & Manufacturing, which accounted for 41.8%. The overall trend suggests growing investor interest for medium-scale investments, particularly in the service sector, while approvals for large-scale projects remained relatively limited throughout the period.

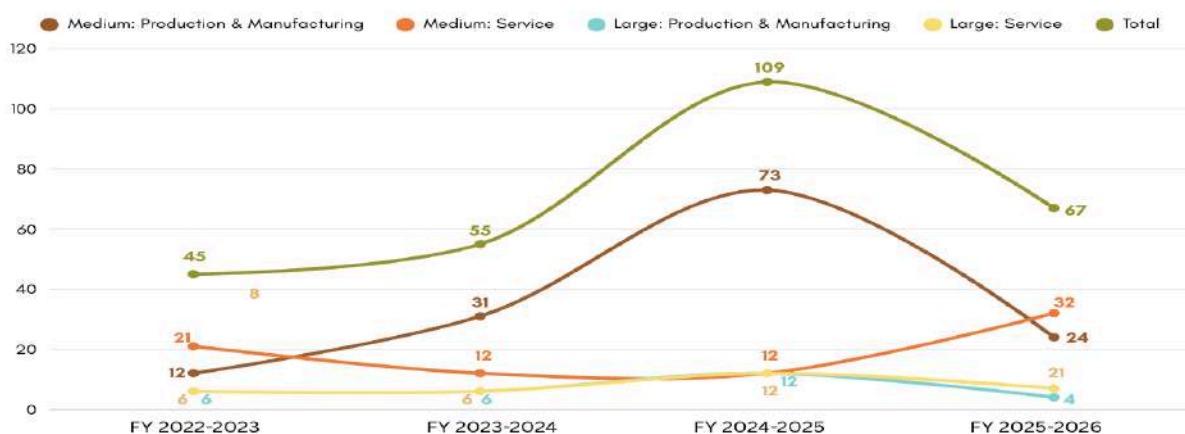


Figure 10: Trend of Domestic Medium and Large Project Approvals



2.3.2. Upgradation of Industries

The upgradation of industrial projects demonstrated a generally positive trend over the four-year period, increasing from 9 projects in 2022–2023 to 10 projects in 2023–2024 (11.1% growth), surging to 47 projects in 2024–2025, before declining to 32 projects in 2025–2026, a 31.9% decrease from the previous year. In 2025-2026, majority of the upgradation was to medium scale at 59.4%, while large industries contributed 40.6%. By classification, service industries accounted for 53.1% of the upgradation in 2025-2026, marginally surpassing production & manufacturing, which accounted for 46.9%. The trend suggests a growing emphasis on industrial expansion and capacity enhancement, particularly among medium-scale enterprises, alongside increasing diversification into service-sector investments.

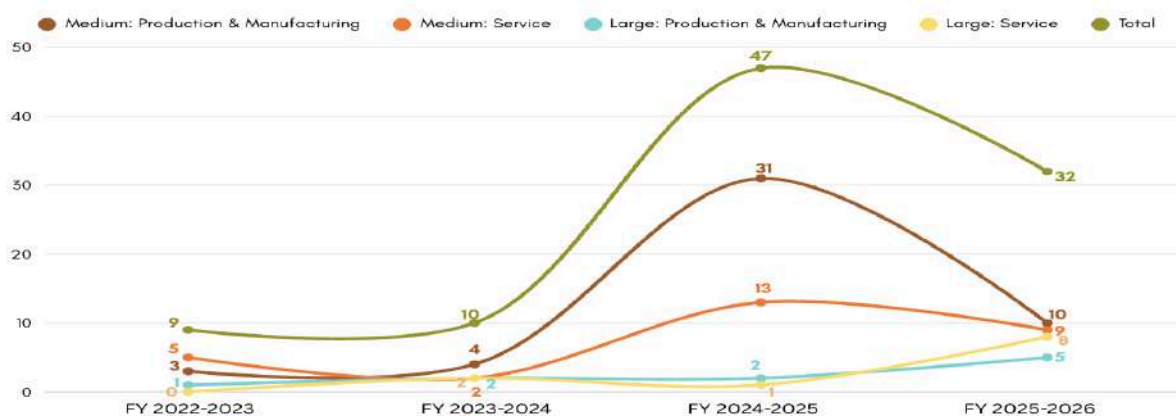


Figure 11: Trend of Upgradation of Domestic Industries

2.3.3. Modification of Industrial Licenses

Beyond new approval and upgradation, the Department provided a range of license modification services such as change of ownership, name, location and activity.

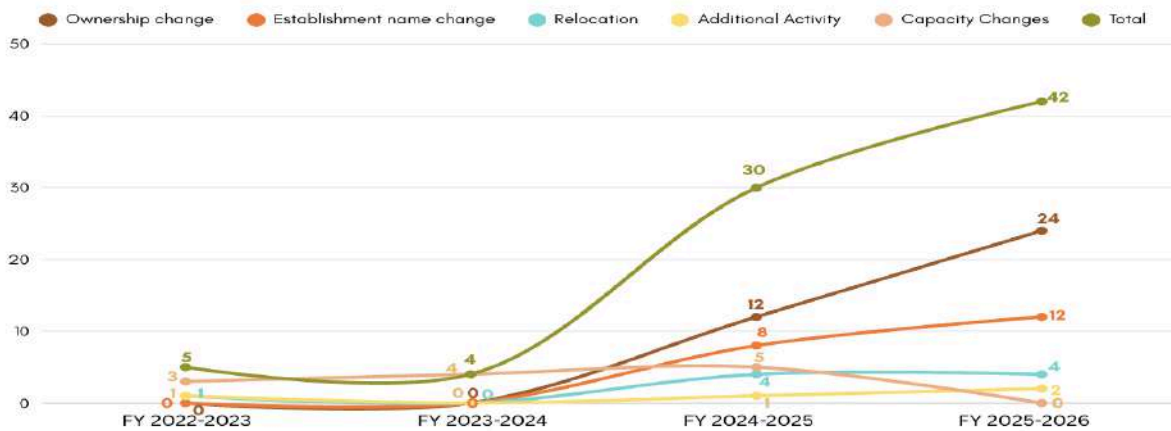


Figure 12: Trend of Industrial License Modification



The number of industrial license modifications showed a strong upward trend over the four-year period, increasing from 5 in 2022–2023 to 4 in 2023–2024, before rising sharply to 30 in 2024–2025 and further to 42 in 2025–2026, representing a 40% increase over the previous year. In 2025–2026, ownership changes accounted for 57.1% of all license modifications, making it the most common type of license modification, followed by establishment name changes at 28.6% (12 cases). Relocations and additional activities contributed 9.5% and 4.8%, respectively, while no capacity changes were recorded during the year. The increasing number of license modifications indicates a growing dynamism within the industrial sector, with businesses actively restructuring ownership arrangements, rebranding, and adapting their operations to evolving market and business requirements.

2.4. Post License Facilitation of Industries

The Department facilitates several post-license support services for the sustained growth of Bhutanese industries, such as the facilitation of import licenses, fiscal incentives, clearance and approval for business guest visas & permits and dissemination of industrial data.

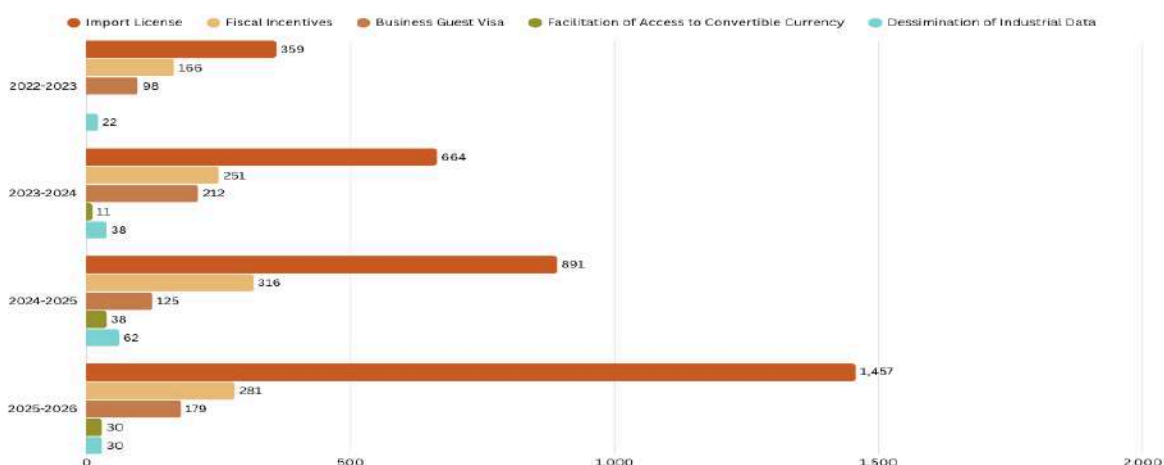


Figure 13: Trend of post-license services facilitated for all industries

The provision of post-license services increased significantly over the four-year period, rising from 645 services in 2022–2023 to 1,766 services in 2023–2024 (82.3% growth), and further to 1,432 services in 2024–2025 (21.8% growth), before reaching a peak of 1,977 services in 2025–2026, representing a 38.1% increase over the previous year. This consistent expansion reflects a steadily increasing demand for post-license facilitation services alongside growing industrial activity. Across all years, import license services dominated the overall portfolio, rising sharply from 359 in 2022–2023 to 1,457 in 2025–2026, indicating a strong and continuous increase in trade facilitation requirements. Fiscal Incentives and Business Guest



Visas also showed an overall upward trajectory, though with some fluctuations in later years, while Facilitation of Access to Convertible Currency and Dissemination of Industrial Data remained comparatively limited but gradually increased over time. Overall, the trend highlights a steadily expanding and increasingly service-intensive industrial ecosystem, with import-related facilitation driving the majority of growth in post-license services.

2.4.1. Import License

The Department facilitates the import of machinery/equipment, raw materials (including packaging materials), spare parts, and accessories from Countries other than India (COTI). The Department also facilitates the import of lubricants, temporary import of machines, and import of second-hand raw materials (HDPE bags), import of secondhand glass bottles, and import or iron scrap, required for the smooth functioning of all industries, irrespective of the scale of business. Under the Import License service, the Department facilitates new import licenses, import amendments, import cancellations, and import extensions, which are all facilitated online through the Bhutan TradeFin Net (BTFN) system. The Department also facilitates the import of lubricants, import of second-hand raw materials (HDPE bags), import of second-hand bottles, import of iron scrap, and temporary import applications, which are facilitated manually (offline). Since November 2024, the Department has decentralised the facilitation of the import of lubricants, the import of second-hand raw materials (HDPE bags), and temporary import to the six ROICEs of the Ministry, however, the Department continues to facilitate those applications submitted directly to the Department.

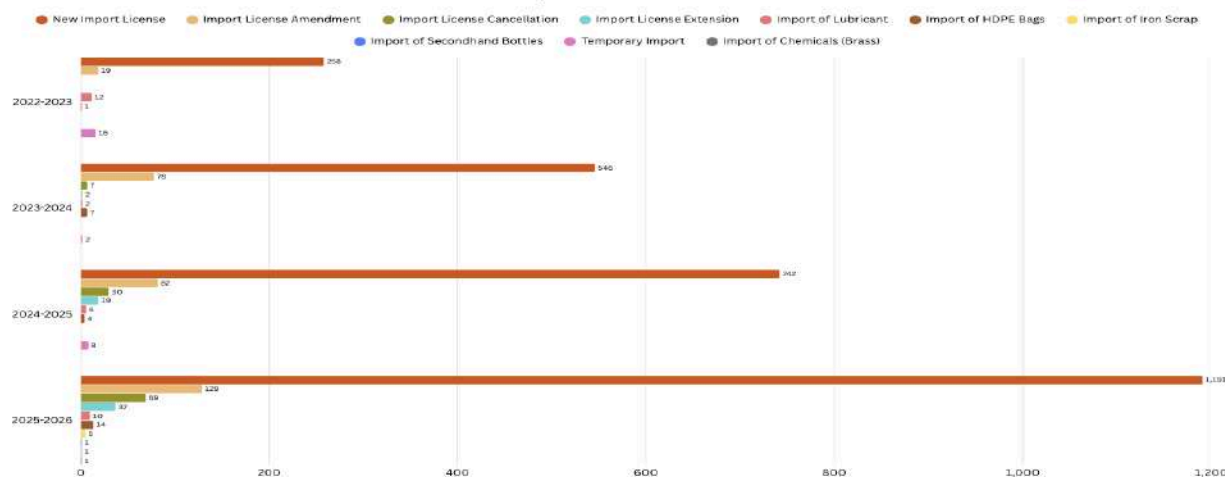


Figure 14: Trend of import license services facilitated for all industries

Import-related activities show a strong and sustained upward trend over the four-year period, with total import service cases increasing from 306 in 2022–2023 to 635 in 2023–2024 (107.5% growth), further rising to 891 in 2024–2025 (40.3% growth), and reaching 1,458 in



2025–2026 (63.6% growth). This consistent expansion reflects growing import dependency and increasing administrative facilitation requirements. Across all years, recommendations for new import licenses dominated the category, rising sharply to 1,191 and accounting for approximately 81.7% of total import-related services in 2025-2026. Import license amendments also increased steadily, contributing to a growing share of regulatory adjustments, while import license cancellations and extensions emerged more prominently in later years, making up about 4.7% and 2.5% of total import-related services respectively, in 2025-2026. Other import-related services such as recommendation and approval for import of lubricants, HDPE bags, iron scrap, secondhand bottles, and chemicals remained relatively minor, collectively contributing about 2.2% of total import services in 2025-2026, though showing gradual diversification in import requirements over time. Overall, the trend indicates a rapidly expanding import facilitation system.

2.4.2 Business Guest Visa

The Department facilitates the issuance of recommendations for business guest visas as per the requirements of the Department of Immigration, Ministry of Home Affairs. All industries inviting business guests and investors must submit an application with other required documents to avail recommendations for business guest visas from the Department of Industry. The detailed Standard Operating Procedure for this is available on the Ministry and Department website for information.

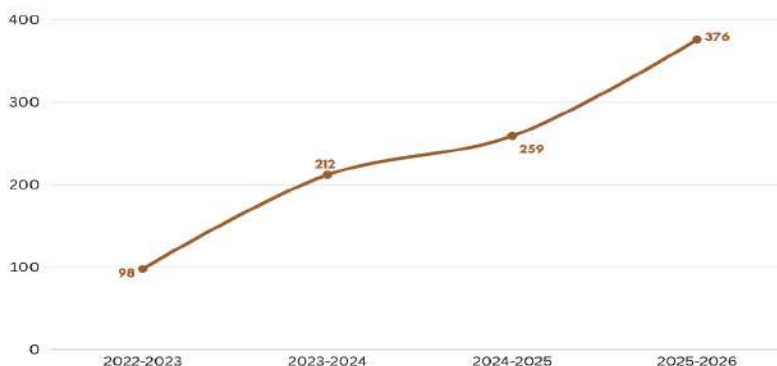


Figure 15: Trend of business guest visa approvals for all industries

Business Guest Visa approvals show a strong and consistent upward trend over the four-year period, increasing from 98 in 2022–2023 to 212 in 2023–2024, representing a significant 116.3% growth, followed by a further rise to 259 in 2024–2025 (22.2% growth) and reaching 376 in 2025–2026 (45.2% growth). This steady growth indicates a rising inflow of business-related visits and strengthening external business engagement. Of the total 376 approvals in 2025-2026, 203 were for FDI companies.



2.4.3 Fiscal Incentives

The Department provides services that facilitate and support all industries in availing different types of fiscal incentives as per the Fiscal Incentives Act of Bhutan 2021, such as fiscal incentives for the import of capital goods, import of primary raw materials and packaging materials, investment allowance, and recommendation for concessionary tax rate incentives. Recommendation for investment allowance, recommendation for concessionary tax rate incentives, and certificate for local manufacturers of construction materials & packaging materials are a few direct tax incentives that require the Department's recommendation (sectoral clearance required for DRC's approval). Meanwhile, a value-added certificate and recommendation for the tax exemption on the import of capital goods are the indirect tax incentives that require the department's recommendation (sectoral clearance required for DRC's approval). The definition of the fiscal incentive instruments are provided in Annexure 5.

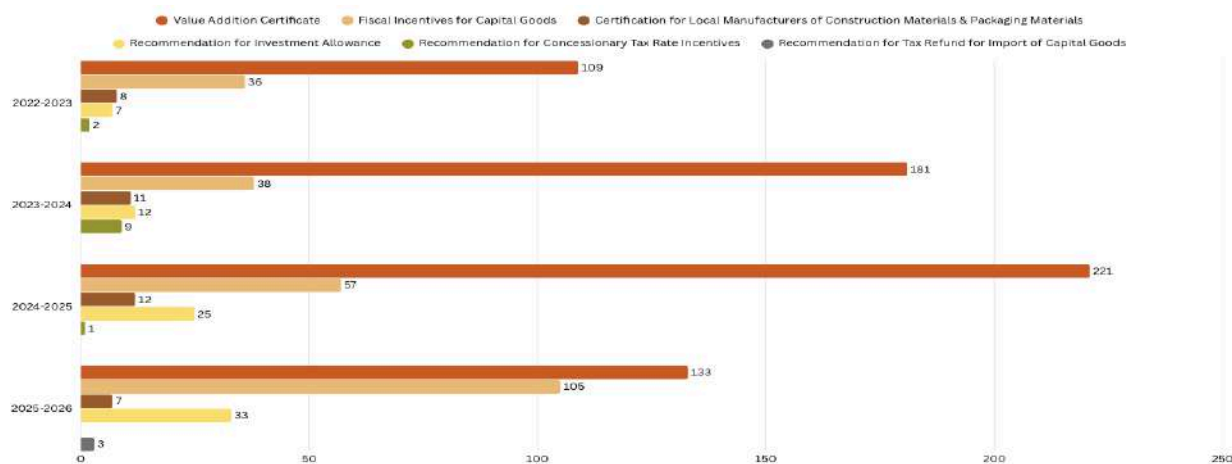


Figure 16: Trend of fiscal incentives services facilitated for all industries

Fiscal incentives show an overall increasing but fluctuating trend over the four-year period, rising from a total of 162 incentives in 2022–2023 to 251 in 2023–2024 (54.9% growth), further increasing to 316 in 2024–2025 (25.9% growth), before declining slightly to 281 in 2025–2026 (11.1% decline). Across all years, Value Addition Certificates consistently dominated the incentive portfolio, though their share declined over time from about 67.3% in 2022–2023 to 47.3% in 2025–2026, which could indicate gradual diversification in incentive types due to nearing of the expiration of the Fiscal Incentives Act of Bhutan 2021. In contrast, Fiscal Incentives for Capital Goods showed strong growth, increasing from 22.2% in 2022-2023 to 37.4% in 2025-2026, reflecting rising emphasis on industrial investment support. Recommendations for Investment Allowance also expanded steadily, while Concessionary Tax Rate Incentives fluctuated and declined to zero in 2025-2026, and recommendation for Tax Refund for Capital Goods emerged only in 2025–2026. Overall, the



trend indicates a broadening and restructuring of fiscal support mechanisms, with a gradual shift away from traditional incentives toward more investment and capital-oriented support measures.

2.4.4. Facilitation of Access to Convertible Currency Clearance

The Department facilitates industrial access to convertible currency for industrial operations although the final approval lies with the Royal Monetary Authority (RMA). However, this service has ceased to exist since the implementation of the revocation of the *Rules and Procedure for Approval of Industrial Projects Requiring Hard Currency for Import of Raw Materials, 2004*.

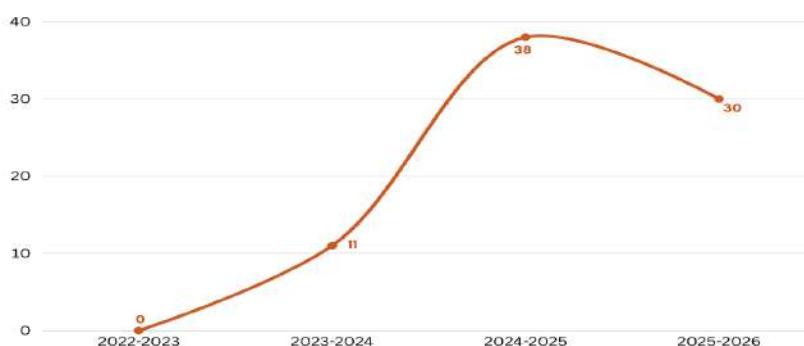


Figure 17: Trend of access to convertible currency facilitated for all industries

Facilitation of access to convertible currency shows a clear upward trend over the period, increasing from 0 in 2022–2023 to 11 in 2023–2024, and then rising sharply to 38 in 2024–2025, reflecting a 245.5% increase, before slightly declining to 30 cases in 2025–2026 (21.1% decrease). The overall trend indicates substantial growth of demand for foreign currency facilitation services.

2.4.5. Dissemination of Industrial Data

The Department compiles industrial data generated from the business licensing system and disseminates this information to relevant agencies and individuals, including researchers and academicians. The agencies or individuals must formally write the request to the Department to access the data.

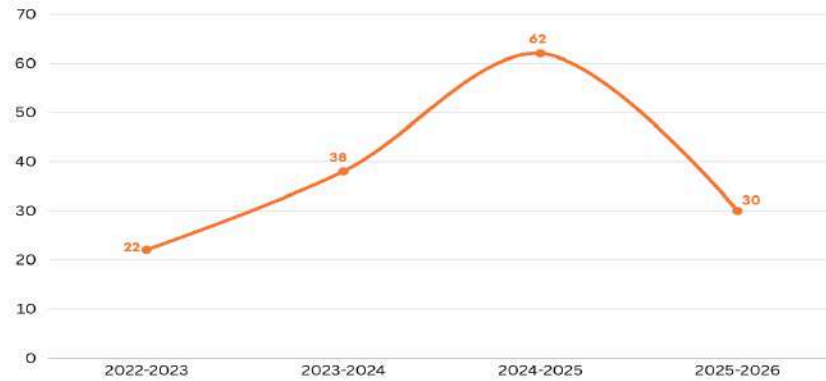


Figure 18: Trend of industrial information disseminated

The dissemination of industrial data shows an overall increasing trend over the period, rising from 22 in 2022–2023 to 38 in 2023–2024, representing a 72.7% increase, followed by a further rise to 62 in 2024–2025 (63.2% growth). However, the number declined to 30 in 2025–2026, reflecting a 51.6% decrease from the previous year. Despite this fluctuation, the overall trajectory indicates growing utilization of industrial data services over time.

2.5. Environment Services

2.5.1. Environment Clearance Related Services

The Department provides services related to Environmental Clearance (EC), including verification of documents and the issuance of new ECs, renewal of ECs, transfer of ownership, name changes, location changes, and scale upgrades for delegated activities. These services are delivered within two working days.

An EC is a prerequisite for the issuance of Development Consent for activities requiring an Initial Environmental Examination (IEE) or an Environmental Impact Assessment (EIA), which fall under the Blue and Red Category Lists, respectively (refer *A Guide to Environmental Clearance Application Procedure, May 2022*). In addition, the Department guides applicants in applying for new ECs and assists them in understanding the procedures and documentation requirements necessary prior to obtaining a business license.

Annexure 6 presents the list of delegated activities (Blue Category) under the Department's mandate, extracted from *A Guide to Environmental Clearance Application Procedure, May 2022*.

Additionally, the Department forwards projects that fall under the jurisdiction of the DECC, along with the complete set of required documents, for further review and subsequent



facilitation of Environmental Clearance (EC). Likewise, applications delegated to other competent authorities are forwarded to the respective agencies for necessary action and processing.

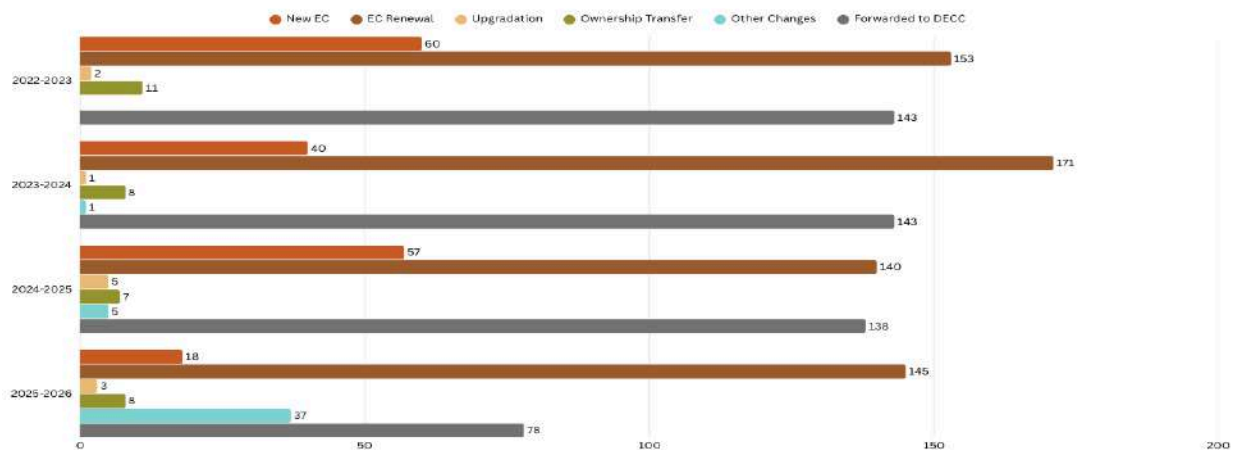


Figure 19: Trend of EC services facilitated

The EC services show an overall declining trend over the four-year period, decreasing from 369 services in 2022–2023 to 364 in 2023–2024 (1.4% decrease), followed by a further decline to 352 in 2024–2025 (3.3% decrease), and reaching 289 in 2025–2026 (17.9% decrease), reflecting a gradual reduction demand for EC-related services over time due to reduced investment appetite, market saturation in certain sectors, economic uncertainties, and a slowdown in new project proposals. Over the years, EC Renewals consistently dominated, accounting for approximately 44.3% of total EC services (609 out of 1,374), indicating that most activity is driven by compliance continuation rather than new approvals. New ECs contributed about 12.7% (175 out of 1,374), while clearances forwarded to DECC represented 36.5% (502 out of 1,374). However, the trend shows that clearances forwarded to DECC declined in recent years, suggesting fewer complex projects requiring higher-level review and improved processing efficiency through streamlined services and enhanced coordination. Other service types such as Upgradation, Ownership Transfer, and Other Changes collectively accounted for about 6.4%. Overall, the trend suggests a contracting EC service volume, with a structural concentration on renewals and a high proportion of cases requiring further review or forwarding.

2.5.2. Annual Report Submission to the Department of Environment and Climate Change

The Department, as the competent authority, submitted its first annual report on Environmental Clearance (EC)-related services to the Department of Environment and Climate



Change (DECC), in compliance with the Environment Assessment Act, 2000, as well as the directive from the Ministry requiring periodic (quarterly) submission of annual reports.

The report provides a comprehensive overview of EC-related services delivered for delegated activities, including the number of services processed, the implementation status of approved activities, and their compliance with EC terms and conditions. The submission reflects the Department's adherence to regulatory requirements and its continued commitment to transparent and effective environmental governance.

2.7. One-Stop Business Support Services Provided

The Department also provides one-stop business support services in the form of information dissemination, one-to-one training, and business advisory services.

The data shows a strong reliance on digital and remote communication channels, with a total of 3,297 service interactions recorded. Phone calls account for the largest share at 37.8%, followed closely by WhatsApp at 35.5%, indicating that over 73% of all services are delivered through instant or direct telecommunication channels (Annexure 7). Email contributes 22.1%, reflecting continued use of formal written communication, while walk-in clients represent only 4.7%, highlighting a minimal dependence on physical visits. Overall, the distribution demonstrates a clear shift toward remote service delivery, with users predominantly preferring fast, accessible, and mobile-based communication channels over in-person interactions.

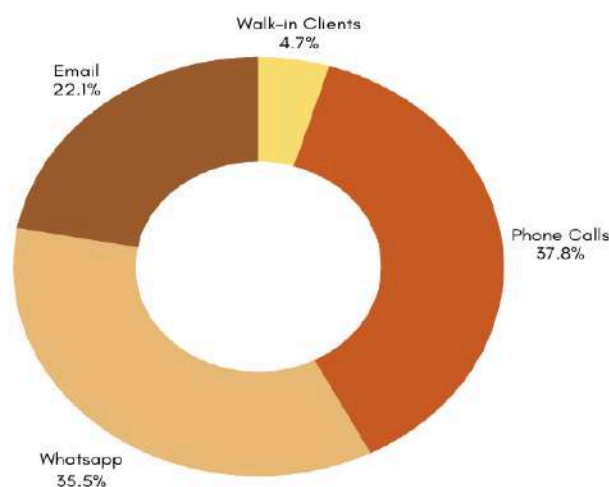


Figure 20: One-Stop business support services provided in the fiscal year 2025-2026



CHAPTER 3

ACCESS TO MARKET

3.1. CSI Markets

Access to markets remains one of the major challenges for entrepreneurs in Bhutan, particularly for cottage and small-scale industries (CSIs). To address this constraint, CSI Markets have been established as dedicated platforms to showcase and facilitate the sale of CSI products. These markets function as aggregation hubs, where small quantities of products from individual producers are consolidated to achieve economies of scale and improve market reach.

Beyond serving domestic consumers, CSI Markets also aim to enhance access to international markets by improving product packaging, labeling, and compliance with export standards. This strengthens the visibility and competitiveness of Bhutanese products in both regional and global markets, while also adding value to locally produced goods.

In 2025–2026, the Department in partnership with operator Mr. Sonam Dendup, established a new CSI Market in Bumthang, inaugurated on 29 May 2026, making it the fourth CSI Market in Bhutan. The first was launched in Thimphu in 2020, followed by Paro in 2023 and Samdrup Jongkhar in 2024, with additional markets also established internationally in New York, USA, and Perth, Australia. These markets operate under a Public-Private Partnership model, where the government supports initial setup while private operators manage day-to-day operations.

3.2. CSI Fair

The limited market access for cottage and small-scale industries (CSIs) is largely attributed to inadequate knowledge and financial resources for marketing and promotional activities, compounded by the high logistical costs associated with small-scale production. While a few CSIs have managed to establish market linkages both domestically and internationally, the majority, particularly newly established enterprises, continue to face challenges in promoting and selling their products, resulting in a high level of dependence on government support.





In response to this constraint, the Department undertakes annual initiatives to strengthen market linkages for CSIs in both domestic and international markets. A key intervention is the CSI Fair, which provides a dedicated platform for entrepreneurs to showcase their products and engage in business-to-business (B2B) and business-to-consumer (B2C) interactions, thereby enhancing visibility, networking, and sales opportunities.

For the fiscal year 2025–2026, the CSI Fair was organized at Thangzona, Punakha, from 23rd to 28th February 2026, coinciding with the Punakha Dromchoe and Tshechu celebrations. The event brought together 15 CSIs from across the country, featuring a diverse range of products including textiles, handicrafts, value-added agricultural products, incense, and rhododendron wine, reflecting the creativity and entrepreneurial capacity of CSIs. The Fair was supported through funding from the Economic Stimulus Programme.

3.3. CSI Exhibition outside Bhutan

Another key initiative to strengthen market linkages for CSIs is the facilitation of their participation in international fairs and exhibitions. This support is aimed at enabling CSIs to explore overseas markets by showcasing their products and engaging in business-to-business (B2B) networking, sales, and partnership opportunities.



In the fiscal year 2025–2026, the Department supported CSIs to participate in two regional and international trade fairs. These platforms provided important exposure for Bhutanese products and allowed participating enterprises to connect directly with international buyers, distributors, and retail networks.

In particular, eight CSIs engaged in food and beverage production participated in the Ho Chi Minh City International Exhibition of Food and Beverages (HCMC FoodEx) 2026 in Vietnam, held from 15 to 18 April 2026. The participants showcased a range of Bhutanese natural products, including herbal tea, noodles, spices, pickles, semi-candies, sea buckthorn juice, raw honey, coffee, and shilajit. They actively engaged in B2B networking sessions organized by the event, interacting with supermarkets, retailers, and other exhibitors, while also gaining valuable market insights and exposure to support future entry into the Vietnamese market.

Likewise, 14 CSIs were supported to participate in the 2nd South Asia Trade Fair held at the Bhrikutimandap Exhibition Center in Kathmandu, Nepal, from 7–11 May 2026, organized by Introduction Trade Shows Nepal Pvt. Ltd. The event brought together over 150 exhibitors from



Bhutan, Nepal, Bangladesh, and India, showcasing a wide range of products including food items, garments and textiles, jewellery, live plants, electronics, EV scooters, furniture, toys, paintings, and household goods. Bhutanese participants exhibited products such as health and wellness goods, agro-based products, herbal tea, incense, paintings, textiles, and fashion wear.



The Bhutanese CSIs were able to actively showcase and sell their products during the fair, while also establishing valuable business connections. Several participants secured potential distributor and agent linkages in Nepal, while others connected with Bhutanese business operators based near the Boudha pilgrimage site who have networks extending to Lhasa, China, thereby enhancing prospects for broader regional market access.

3.4. Networking Event for CSI/Medium and Large Industries

The Department conducted a Networking Event for CSI, medium, and large industries on 5th December 2025 at Punakha to address persistent market access challenges that limit growth, competitiveness, and overall contribution to the national economy. Many enterprises continue to face constraints such as limited visibility, weak business networks, and insufficient information on market opportunities. In this context, the Department emphasized the need to identify local women entrepreneurs and potential buyers, and to facilitate structured business-to-business (B2B) linkages through targeted networking platforms.



Accordingly, the event was organized with key objectives to identify industries facing market constraints, map potential buyers including wholesalers, retailers, and large enterprises, facilitate B2B networking, and promote long-term business partnerships. The platform was specifically designed to connect high-end hotels seeking unique and authentic products with local women entrepreneurs aiming to expand their market reach. The event brought together



25 representatives from 21 hotels, including six FDI hotels, along with 20 women entrepreneurs from diverse sectors.

The event provided a valuable platform for entrepreneurs to showcase their products, share business stories, and directly engage with potential buyers and partners. Participating hoteliers expressed strong interest in the quality and diversity of locally produced goods, noting new product discoveries and untapped sourcing opportunities. As a direct outcome, seven women entrepreneurs established supply arrangements with hotels, while the event also strengthened networks, enhanced market visibility, and fostered greater awareness of local products. The positive response from both sides highlighted the importance of such platforms, with many participants advocating for its regular institutionalization to further strengthen linkages between the hospitality sector and local enterprises.





CHAPTER 4

ACCESS TO INDUSTRIAL INFRASTRUCTURE

4.1. Industrial Park/Estate

Industrial parks and Estates are developed by the government through public investment and they play a critical role in Bhutan's economic development strategy. They serve as the primary vehicle for attracting domestic investment and foreign direct investment (FDI), generating employment, and diversifying the industrial base beyond hydropower. By offering ready-to-use plots with roads, power, water, and waste management facilities, parks reduce entry barriers and create a competitive environment for industrial growth.

The Department of Industry develops and maintains two Industrial Estates (IE) that are Bjemina and Pasakha, and four Industrial Parks (IP) that are Dhamdum, Phuntshorabtenling, Norbugang, and Changchey. Together, these six facilities span over 915 acres and host 178 allotted industries across all investment scales and sectors.

4.1.1 Bjemina Industrial Estate

Strategically located at Bjemina under Thimphu Dzongkhag, Bjemina Industrial Estate (BIE) spans 32.75 acres with an allocable area of 26.14 acres with fully allotted at a 100% occupancy rate. As of June 2026, it accommodates 32 industries across six sub-sectors. The estate primarily serves small and cottage-scale enterprises in wood products, construction materials, and fabrication, and is the only industrial estate in the capital district.





4.1.2 Pasakha Industrial Estate

Located at Pasakha under Chhukha Dzongkhag near the Indian border, Pasakha Industrial Estate (PIE) spans 188 acres. It is Bhutan's largest and most productive industrial facility. As of June 2026, PIE accommodates 37 industries including 6 FDIs across seven sub-sectors dominated by metal and chemical processing, plastics, consumer goods, and construction materials. The estate sustains 2,852 employees, making it the largest employer across all facilities.



4.1.3 Dhamdum Industrial Park

Spread across 349 acres, 3 km from Samtse town, Dhamdum Industrial Park (DIP) is Bhutan's largest industrial park by area, with a 77.5% occupancy rate across its 96.06 allocable acres. Dedicated exclusively to clean-tech and low-polluting industries, it accommodates 68 allotted industries as of June 2026 with 24 operational and a large pipeline of industries in construction and licensing stages. The park accommodates green, low polluting and clean tech industries.



4.1.4 Norbugang Industrial Park

Located in Samtse Dzongkhag along the Samtse–Sipsu highway, Norbugang Industrial Park (NIP) covers 183.86 acres with a 74.96% occupancy rate across 138.87 allocable acres. The park is developed simultaneously with the plot allotment and industrial development. It hosts 10 industries, predominantly large-scale ferro-alloy units with 4 now operational and 6 under construction. Key infrastructure including internal roads, boundary walls, and the estate management office have been completed, positioning the park for full activation.



4.1.5 Phuntshorabtenling Industrial Park

Phuntshorabtenling Industrial Park (PIP) is located near the Indian border in Samdrup Jongkhar Dzongkhag, covering 159 acres at a 95.66% occupancy rate. As of June 2026, it hosts 26 industries across five sub-sectors, with 14 (53.8%) fully operational. The park benefits from significant ongoing infrastructure development through DANTAK with Government of India support, including completed road, gabion wall, and staff quarters works.



4.1.6 Changchey CSI Park

Located in Semjong Gewog, Tsirang Dzongkhag, Changchey CSI Park is dedicated to Cottage and Small Industries. It spans 2.45 acres with 9 plots. As of June 2026, two industries are being allotted: an Agri-Livestock Hub supported by the BRECSA project and the World Food Programme, and a dairy facility by Serkha Dairy Private Limited. Both are processing business licences. Additionally, the park's Common Facility Centre provides shared drying and packaging machinery to support emerging enterprises.



4.2. Summary Profile of Industrial Parks and Estates

Table 1: Summary Profile of Industrial Parks and Estates in FY 2025-2026

Industrial Park & Location	Total Area	Occupancy Rate & Allocated Area	Industries Allotted	Type of Investment	Industry Scale	Industry Sub-Classification	Operational Status of Industries
Pasakha IE, Chhukha	188 acres	99.25%(119.65 acres out of 120.55 acres)	37	31 Domestic 6 FDI	- Large: 14 - Medium: 17 - Small: 6	- Metal & Chemical: 13 - Consumer Goods: 7 - Plastics: 5 - Agro: 3 - Fabrication: 3 - Construction: 4 - Others: 1	- Operational: 29 - Non- Operational: 7 - Drawings/Shutdown: 1
Bjemina IE, Thimphu	32.75 acres (Only pocket A&C is developed)	100% (26.14 acres)	32	32 Domestic Industries	- Medium: 7 - Small: 14 - Cottage: 7	- Wood & Forest: 8 - Mineral & Chemicals: 6 - Fabrication: 6 - Service: 2 - Agro: 2 - Others: 8	- Operational: 26 - Under-Construction: 2 - Non- Operational: 4
Dhamdhum IP, Samtse	349 acres	77.5% (77.46 acres out of 96.06 acres)	68	61 Domestic 3 FDI	- Large: 8 - Medium: 35 - Small: 22 - Cottage: 3	- Agro: 17 - Wood & Forest: 11 - Mineral & Chemicals: 10 - Fabrication: 9 - Service: 8 - Others: 14	- Operational: 24 - Under-Construction: 19 - License Processing: 7 - Processing LLC and drawing approval: 9



Norbugang IP, Samtse	183.86 acres	74.96% (104.1 acres out of 138.87 acres)	10	6 Domestic 4 FDI	- Large: 9 - Medium: 1	- Mineral & Chemicals: 9 - Wood & Forest: 1	- Operational: 4 - Under-Construction: 6
Phuntshorabtenling IP, Samdrupjongkhar	159 acres	95.66%(91.05 acres out of 95.19 acres)	26	23 Domestic 5 FDI	- Large: 10 - Medium: 5 - Small: 11	- Agro: 6 - Mineral & Chemicals: 10 Wood & Forest: 3 - Service: 4 Fabrication: 3	- Operational: 14 - Under-Construction: 8 - License Processing: 2 - Non- Operational: 2
Changchay CSI Park, Tsirang	2.45 acres	0%	2	2 Domestic	- Small: 2	- Agro: 2	- License Processing: 2

The two established industrial estates record the highest occupancy rates with Bjemina IE at 100% and Pasakha IE at 99.25%, reflecting strong investor demand and mature estate management. Among the industrial parks, Phuntshorabtenling IP leads at 95.66%, benefitting from its strategic border location and diverse industry mix. Dhamdum IP (77.5%) and Norbugang IP (74.96%) show solid occupancy for relatively newer parks, with large pipelines of industries in construction. Changchey CSI Park, while not yet recording land allotments, has two industries processing for business licences, marking the beginning of its activation.

4.3. Performance Indicators

Industrial parks and estates are globally assessed based on their ability to attract investment, facilitate industrial operations, optimize land utilization, generate employment, and provide quality infrastructure and services. In line with international practices, this report assesses performance using four key indicators:

Industrial parks and estates are globally assessed on their ability to attract investment, facilitate industrial operations, optimise land utilisation, generate employment, and provide quality infrastructure and services. In line with international practices, this report assesses performance using four key indicators:

- **Occupancy Rate:** Allocated land from which lease rent is being collected, expressed as a percentage of total allocable land.
- **Operational Industries (%):** Operational industries as a percentage of total allotted industries, not plots. For instance, BPC is allotted land for the installation of a substation and rent is collected, but it is not counted as an industry.
- **Employment Generation:** Total employment generated within the park.
- **Revenue Generation:** Revenue from lease rentals, LLC fees, and other service charges such as waste disposal fees.

Together, these indicators provide a concise overview of how effectively each park is contributing to industrial growth, employment, and economic development.

4.4. Key Performance Indicators of Industrial Parks and Estates

Table 2: Key Performance Indicators of Industrial Parks and Estates in FY 2025-2026

IP/IE	Industries Allotted	Occupancy Rate	Operational Industries (%)	Revenue in FY 2025-26 (Nu. Million)	Employment Generated		
					Nationals	Non-Nationals	Total
Pasakha IE	37	99.25%	78.4% (29/37)	56.98	1645	866	2511
Bjemina IE	32	100%	81.3% (26/32)	3.52	237	47	284
Dhamdhum IP	68	77.5%	35.3% (24/68)	5.81	73	118	195
Norbugang IP	10	74.96%	40% (4/10)	19.34	1,208	226	1434
Phuntshorabtenling IP	26	95.66%	53.8% (14/26)	12.81	653	361	1014
Changchay CSI Park	2	0%	0% (0/2)	-	-	-	-



Based on the selected performance indicators, BIE (81.3%) and PIE (78.4%) recorded the highest operational rates among all industrial parks and estates. Both estates also achieved full or near-full occupancy, collectively generated employment for 2,795 workers, and Pasakha IE recorded the highest revenue of BTN 56.98 million during FY 2025–26.

PIP recorded an operational rate of 53.8%, up from 50% in the previous financial year, generating BTN 12.81 million in revenue and employment for 1,014 workers. NIP achieved an operational rate of 40%, with four operational industries generating BTN 19.34 million in revenue and employing 1,434 workers. DIP recorded an operational rate of 35.3%, generating BTN 5.81 million in revenue and employment for 195 workers, while many allotted industries remained under construction or in the process of obtaining operational clearances. Changchay CSI Park had not commenced industrial operations and therefore recorded no occupancy, revenue, or employment during the reporting period.

The employment figures presented include only regular employees and exclude casual and contract workers engaged by the industries.

4.4. Major Infrastructure Developments FY 2025-2026

Table 3: Major Infrastructure Developments of Industrial Parks and Estates in FY 2025-2026

IP/IE	Development Activities — FY 2025-26	Budget Utilised	Work Status
Pasakha IE	1. Re-electrification and plumbing works of the office.	2.815 Million	Completed
	2. Rehabilitation of two watchtowers.		Completed
	3. Maintenance of existing internal roads, storm water drains, cleaning of water tanks, water treatment plants, clearing of grass and drains	0.801 Million	Completed
	4. Construction of Water supply system	13.161 Million	Completed
	5. Hiring of excavator and tipper for levelling and compaction of waste.	2.385 Million	Completed
	6. Construction of landfill.	2.26 Million	Design finalized and construction to commence next FY Completed.
Bjemina IE	1. Clearing of grass and earth debris from storm water drain and road surface.	0.055 Million	Completed



Bjemina IE	2. Re-electrification and plumbing works.(All work completed)	1.316 Million	Completed
Dhamdum IP	1. Maintenance of existing internal roads, storm water drains, cleaning of water tanks, water treatment plants, clearing of grass and cleaning of drains.	0.886 Million	Completed
Norbugang IP	1. Construction of landfill:	2.4 Million	Design finalized and construction to commence next FY Completed.
	2. Roads, side drain, storm water drain, cable duct, street lights and water distribution network:	221.953 Million	Completed.
	3. Construction of water supply scheme:	65.106 Million	Under construction
	4. Construction of boundary wall:	51.443	Completed.
	5. Construction of estate management office, watchtowers and barracks	13.115 Million	Completed
Phuntshorabtenling IP	DANTAK / Government of India projects:		
	1. Road to landfill: Completed.		
	2. River training works (gabion wall): Completed.		
	3. Staff quarters: Completed.		
	4. Public toilet: Under construction.		
	5. Two watchtowers: Under construction.		
	6. Associated structures at landfill: Under construction.		
	7. Street lights: Under construction.		
	8. Landscaping works: Under construction.		
	9. Bazam: Under construction.		
10. Integrated Check Post: Under construction.			
	1. Maintenance of internal roads, drains, water tanks, water treatment plants, clearing of grass: Completed.	0.455 Million	Completed
	2. Re-electrification of park management office: Completed.	2.642 Million	Completed
Changchey CSI Park	No maintenance and development works carried out.	-	-

In FY 2025–26, several infrastructure development and maintenance activities were undertaken across the industrial parks and estates. PIE carried out both maintenance and capital works, including the construction of a water supply system, office rehabilitation works, and preparatory works for the landfill. At PIP, several DANTAK-funded projects, including the



road to the landfill, river training works, and staff quarters, were completed, while construction of other supporting infrastructure remained ongoing. NIP is operational with the completion of its core infrastructure, including internal roads, drainage networks, the boundary wall, and the estate management office, but the water supply scheme remains under construction. At DIP, routine maintenance of roads, drains, and clearing of grass was undertaken, while BIE completed office re-electrification, plumbing, and routine clearing of grass.

Beyond the infrastructure development and maintenance, to ensure the safety and security of the industrial parks and estates, the Department deployed professional security services across DIP, PIP, PIE, and BIE at a cost of BTN 7.47 million during the financial year. With Norbugang IP now operational and industries commencing commercial production, professional security services will be deployed in the next financial year.



CHAPTER 5

PROMOTION OF INDUSTRIES

5.1. Economic Development Board

The Government through executive order C-2/2024/4 dated 29th January 2024 announced the establishment of the Economic Development Board (EDB) chaired by Hon'ble Prime Minister with members from government and private representatives and the Department of Industry as the Secretariat to EDB. The primary mandate of the EDB is to attract and promote Foreign Direct Investments (FDI) in the country. With the institution of EDB, 17 meetings have been held so far with 5 meetings being held during fiscal year 2025-26. The meetings discussed issues faced by the private sector, in particular FDIs in the country, discussed the investment opportunities and promotions in the country.

5.2. Investment Roadshows

The Department organized two Investment Roadshows in Bangkok, Thailand, and Hanoi, Vietnam funded by the Royal Government of Bhutan. The roadshow was led by the Hon'ble Minister, MoICE and comprised a delegation of 10 government officials and 34 private sector participants. The roadshows featured 17 curated, investment-ready projects selected from over 60 plus submissions based on sector priority, scalability, capacity and commercial viability. The delegation engaged with government agencies, institutional investors, business leaders and industry stakeholders to showcase Bhutan's expanding investment opportunities. The roadshow achieved significant engagement across both Southeast Asian capital cities:

- Bangkok (June 22, 2026) attracted 77 representatives from diverse industry sectors.
- Hanoi (June 25, 2026) attracted 60 participants and received extensive coverage from prominent Vietnamese media outlets.

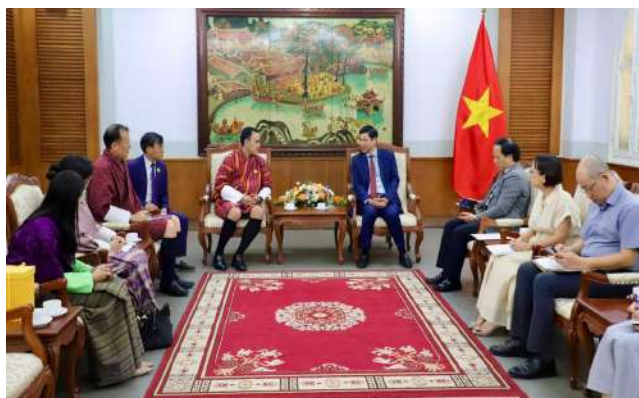
The programme successfully achieved its objectives of promoting Bhutan as an attractive investment destination, strengthening networks and enhancing awareness of the country's investment climate and ongoing economic initiatives. An immediate outcome of the roadshow was the signing of the MoU between Gerab Nyed-Yon Limited and Vietnam Cultural Industry Development Association to establish a framework for collaboration in areas of mutual interest. Additionally, multiple projects advanced through high-level discussions regarding direct investment, market penetration, and technical assistance.



To deepen business linkages, few of the participants also visited the manufacturing facilities of participating companies and took part in extended B2B meetings on the following days. The event in Hanoi received extensive media coverage, with prominent Vietnamese media covering the event, further enhancing the country's visibility among the Vietnamese business community and the wider public.



In addition to private sector engagement, the delegation held a series of high-level bilateral meetings with government agencies in Thailand and Vietnam to explore new avenues for economic cooperation and strengthen institutional partnerships, particularly in the areas of trade and tourism. The delegation also visited a leading company in the food sector in Bangkok and industrial park in Vietnam to gain first-hand insights into industry developments, technological innovations, international best practices in industrial park planning, development, management and investor facilitation.



These engagements provided valuable opportunities to explore partnerships aligned with the Government's economic transformation agenda. Throughout the roadshow, there was encouraging interest from prospective investors, with discussions covering opportunities in sectors such as Tourism and Wellness, Agri-Business, IT/ITES, Culture, Renewable Energy Sector.

The Roadshow underscores the Government's continued commitment to promoting investments in the country, enhancing investor confidence, and creating new opportunities that contribute to inclusive and sustainable national development.

5.3. Invest Bhutan Summit

The Department hosted the Invest Bhutan Summit from 12-13 February, 2026 at Le Meridien, Thimphu, funded through the Economic Stimulus Programme (ESP) supported by the Government of India. The Summit brought together 250+ participants which included foreign investors, Bhutanese entrepreneurs and government agencies on a single platform to unlock high-potential investment opportunities in Bhutan. The Summit was formally inaugurated by the Hon'ble Prime Minister, Lyonchhen Tshering Tobgay, reflecting the Government's commitment to advancing economic diversification through private sector-led investment.

The Summit featured 26 curated, investment-ready projects selected from over 72 submissions based on sector priority, scalability, capacity and commercial viability with a total of BTN 55 billion sought in capital. Out of these, 20 projects include Information Technology and digital infrastructure, agro-based industries, tourism and wellness ventures and solar technologies. Six projects from Druk Holdings and Investments and Druk Green Power Corporation presented strategic opportunities in hydropower and renewable energy featuring opportunities for grid-scale batteries, green hydrogen and township development. The two day summit brought together over 250 participants of which 71 potential foreign investors from India, Australia, Belgium, Russia, Germany, France, Thailand, Singapore, Indonesia, Malaysia, Japan,



Kuwait and Nepal joined the summit. The investor cohort included venture capital and private equity funds, impact investors, renewable energy developers, agribusiness and technology firms, as well as family offices and high-net-worth individuals. This mix of capital aligned closely with Bhutan's emphasis on responsible and sustainable investment. The summit saw a total of 10 Memorandum of Understanding (MoUs) signed and also facilitated 125 meetings (B2B - 80 and B2G - 45).

The Invest Bhutan Summit marked a strategic step in connecting local enterprise with regional and global capital. This initiative converted opportunity into implementation and strengthened Bhutan's position as a credible investment destination. Since the summit was a successful event the Department has planned to make it an annual event for next three years.



5.4. Enhancement of Invest Bhutan Portal

The Invest Bhutan Portal (www.investbhutan.gov.bt) was developed with Technical Assistance from Asian Development Bank (ADB) and was officially launched in August 2024. To improve and enhance user experience the enhancement of the portal was carried out during the fiscal year 2025-2026 with added features to make it more dynamic and interactive. Some key areas of enhancements include provisions for providing post licensing services such as visa, investor card, renewal of registration certificates, etc. through the portal, submission of FDI Annual Survey, information on investment promotion events, etc. through the portal. The enhancement work also includes integration with the Integrated Business Licensing System (IBLS) for fetching information such as license & registration number including its validity date, location, year of establishment, etc.



5.5. Support to Local Chain link Manufacturing Industries

Recognizing the capacity and potential of local chainlink manufacturers, the Ministry of Finance approved limiting the procurement of chain-link fencing through competitive tendering exclusively to domestic manufacturers. To promote and support domestic industries, the department had been working closely with the Ministry of Agriculture and Livestock (MoAL) with regard to the procurement of chain-link fencing and its associated materials from local manufacturers. Following this approval, the MoAL procured chain-link fencing and barbed wire components from local manufacturers for the nationwide chain-link fencing project aimed at mitigating human–wildlife conflict. During FY 2025-2026, 12 local chainlink manufacturers participated in the tender, out of which 6 manufacturers got an opportunity to supply chain link mesh, barbed wire and other associated components. It was observed that the chain-link fencing supplied by local manufacturers was not only of higher quality but also more cost-effective than similar materials procured in previous years.

5.6. Informal Sector Support

Considering the significant role of informal sectors in employment generation, livelihood creation and economic activities, the Department of Industry has been providing support in the form of core machine/equipment as full grants to informal business entities. The objective of the informal sector support is to provide strategic interventions to enhance their contribution to economic development and transit to the formal sector. The support amount as per the Guidelines for Informal Sector Support, 2024 will be up to BTN 300,000 (Three Hundred Thousands).

For the purpose of the support, the guideline defines informal sector/activities as: those businesses undertaken by an individual, group and households without the business license/registration certificate from relevant authorities.

In the fiscal year 2025-2026, the Department supported a total of 20 beneficiaries under this support scheme. The support covered business areas such as wood furniture making, production of bamboo products, yogurt processing unit and agro-based processing units such as pickle and candy making, local honey production, sugar-cane extraction, mustard oil extraction, potato chips production and mushroom production, drying and packaging.

5.7. Industrial Development Grant Scheme (IDGS)

The Department of Industry provides support to CSIs engaged in production and manufacturing activities that require genuine support to upscale their operation and improve



the quality of products. The support is provided in the form of core equipment and machinery with the government covering 70% of the total cost, up to a maximum of BTN 500,000. The remaining cost of 30% or more will have to be borne by the applicant.

For the fiscal year 2025-26, a total 10 CSIs were supported under the scheme. The machine/equipment provided were for agro-based processing to four CSIs, wood-based manufacturing to six CSIs and construction materials manufacturing to one CSI.

5.8. Study on the Revival of Non-Performing Industries

In line with the 13th Five Year Plan, the Department has initiated a study to identify and revive non-performing industries with the potential to contribute meaningfully to national economic growth. The initiative aims to address industrial units that are inactive or underperforming. As of March 31, 2025, Bhutan's industrial ecosystem comprises a significant number of active industrial licenses, 30,739. However, a considerable portion of these, particularly in the dominant services sector (which accounts for 80% of licensed units) and the crucial manufacturing sector (14%), are either non-operational or struggling, as highlighted in the Bhutan Industrial Census 2024.

For the purpose of this study, a sick industry is defined as one that has either failed to pay loan installments for six consecutive months or incurred cash losses for at least two consecutive years. The study focuses on industries that have been in commercial operation for at least two years. The primary objective is to identify sick but viable industries, detect early signs of sickness, and recommend targeted revival strategies.

A concept note for this initiative was approved in the previous year. In line with the concept note, in this FY, an initial study (Desk Review) was conducted, laying the foundations for comprehensive assessments and targeted interventions in the coming years.

5.9. Feasibility Study of Bokajuli Industrial Park, Samdrup Jongkhar

The Feasibility Report for the Proposed Bokajuli Industrial Park assesses the technical, economic, financial, environmental, and social viability of establishing a new industrial park at Bokajuli, Samdrup Jongkhar. The proposed development is intended to support Bhutan's industrialization agenda by creating additional industrial space, promoting regional economic growth, attracting domestic and foreign investment, and strengthening cross-border trade with



India. The study was initiated in response to the near-full occupancy of existing industrial parks and the need for a strategically located industrial estate in eastern Bhutan.

The report identifies Bokajuli as a highly suitable location due to its strategic proximity to the Assam border, existing transport networks, and its close proximity to the Phuntsho Rabtenling Industrial Park with opportunities to create operational synergies between the two industrial parks. The proposed site covers approximately 180 acres, with potential for shared infrastructure and industrial synergies. The study draws on field investigations, stakeholder consultations, market assessments, engineering studies, and environmental and social analyses to develop a conceptual master plan and implementation strategy. Market analysis further indicates strong long-term demand for industrial space driven by national policies and regional growth in neighbouring Indian states.

Overall, the report concludes that the proposed Bokajuli Industrial Park has strong potential to become a future-ready, environmentally sustainable, and economically competitive industrial hub in eastern Bhutan. By aligning with the 13th Five-Year Plan, the 21st Century Economic Roadmap, and the Industrial Development Roadmap, the project is expected to enhance industrial diversification, generate employment, promote exports, strengthen regional connectivity, and contribute to Bhutan's long-term vision of achieving sustainable and inclusive economic growth.

5.10. Study on the Market Potential of Engineered Wood Products in the Construction Sector

The Department conducted a preliminary study on the market potential of Engineered Wood Products (EWPs) in Bhutan's construction sector by evaluating the demand for integrating EWPs in construction, identifying the constraints hindering the adoption of EWPs and proposing a strategic framework of industrial support.

The study combined a desk review with primary surveys of construction contractors and wood-based industries. The findings indicate a positive market signal as 79.6% of surveyed contractors saw a viable domestic market for EWPs, but very few had practical experience with their use in structural applications, with most current usage limited to doors, frames, and flooring. However, the supply side is not yet ready as most wood-based industries in Bhutan do not have the specialized machinery or technical know-how to produce structural EWPs at the quality and dimensional consistency required. There is also a regulatory gap as national building codes do not yet contain specific approvals for EWP structural use, creating a confidence gap that deters both contractors and financiers.



The study recommends a dedicated, phased development programme. This strategy leverages public sector market creation through government infrastructure projects and regulatory reforms to establish certified national building standards. Key industrial barriers will be addressed by providing concessional financing to anchor industries, optimizing timber supply chain efficiency for cost competitiveness, and deploying targeted capacity-building initiatives to bridge technical skill gaps.

5.11. Study on the Market Feasibility of Ferro-Alloy Industries

The Department conducted a 10-year trend analysis (2015–2024) evaluating the market feasibility, sustainability, and global competitiveness of Bhutan's ferroalloy industry. The study found that the sector is a massive economic driver, generating BTN 128.84 billion in cumulative export earnings and accounting for over 40% of the country's total exports. Annual earnings grew from BTN 7.06 billion to BTN 18.58 billion over the decade. While ferrosilicon remains the principal product, rising volumes of ferro-silico-manganese and inoculants indicate a gradual product diversification. However, pricing remained highly volatile.

Despite this strong performance, the industry faces two major structural vulnerabilities: heavy market concentration, with over 90% of exports reliant on India's steel sector cycles, and an input dependence on imported raw materials like quartz and charcoal. Conversely, two key growth opportunities exist. India's expanding steel sector with favourable policies will sustain strong regional demand. Concurrently, European and Asian markets are showing increased interest in low-emission "green" alloys, offering Bhutan a high-value diversification route that leverages its domestic hydropower.

The study concludes that while Bhutan's ferroalloy industry is highly competitive in the medium term, long-term sustainability hinges on three vital shifts. The sector must diversify its export destinations to mitigate regional market risks, broaden its product mix beyond standard ferrosilicon, and adopt energy-efficient, environmentally responsible production practices.



CHAPTER 6

SUSTAINABLE INDUSTRIALIZATION

6.1. Low Emission Development for Industries

As the focal agency driving sustainable industrial growth, the DoI is currently undertaking the 2026 Second Update of the Low Emission Development Strategy (LEDS) for Bhutan's industrial sector, building upon the initial 2021 framework. Coordinated by the United Nations Development Programme (UNDP) with technical guidance from the Climate Change Division of the DECC, this update addresses a critical national priority, as the First Biennial Transparency Report (BTR) identifies the industrial sector as a leading contributor to national greenhouse gas (GHG) emissions. To formulate a robust and highly technical decarbonization action plan, specialized third-party consultants were engaged to prepare the report, while the DoI facilitated essential private-sector coordination, activity data collection, and monitoring of baseline actions.

The strategy recognizes that several Bhutanese industries have already proactively implemented self-funded decarbonization and energy-efficiency measures. In the ferro-silicon industry, the adoption of charcoal as a biofuel reductant in place of fossil fuels has directly lowered process emissions, while cement manufacturers have successfully reduced their clinker ratios and associated emissions by integrating fly ash into blended cement production. Furthermore, significant energy-sector mitigation has been achieved through electrification, particularly within the brewery sector, where industries have transitioned from conventional diesel boilers to electric boilers to eliminate localized fossil fuel consumption.

Looking forward, the 2026 LEDS update identifies advanced pathways to scale up these mitigation efforts across both process and energy applications. Strategic priorities include the exploration of emerging carbon capture and storage (CCS) technologies and active participation in international carbon markets, where Bhutan holds substantial potential. Through continued institutional coordination, standardized data management, and the mainstreaming of low-emission practices, these combined efforts remain central to securing Bhutan's long-term objectives of sustainable industrial development and permanent carbon neutrality.

6.2. Tree Plantation Activity at Norbugang Industrial Park (NIP)

The plantation initiative at Norbugang Industrial Park (NIP) was successfully implemented with



active participation from industries operating within the zone, which committed to the long-term care and maintenance of trees within their premises. Field operations were carried out systematically over six days from 19 to 24 April 2026, beginning with topsoil preparation, followed by pit excavation, tree planting, and completion of site restoration activities. To ensure sustainability, the NIP Environment Technician conducts daily monitoring of tree growth and condition, while participating industries continue to provide close oversight and maintenance support despite challenges such as theft of protective fencing and damage caused by stray livestock, thereby reinforcing collective responsibility for environmental stewardship within the industrial park.



6.3. Enhancement of Industry Information System (IIS)

Furthermore, the Department has completed the enhancement of the Industry Information System (IIS) during FY 2025–2026. The enhancement was undertaken to integrate greenhouse gas (GHG) inventory data collection directly from industries through the IIS platform, thereby strengthening environmental data reporting and system functionality.

With the successful completion of the enhancement, the Department plans to conduct sensitization and awareness programmes in the next financial year to familiarize industries with the new features and ensure effective utilization of the upgraded system.



CHAPTER 7 MONITORING

7.1. Industry Visit to Update Operational Status

In the fiscal year 2025-2026, the Department undertook a structured industry visit to 20 domestic industries, 10 each in Samtse and Chhukha Dzongkhags. The visit included the industries engaged in manufacturing of concrete brick and blocks, galvanized steel chain-link fence and its components, ERW steel hollow section pipes, fabricated metal structures, gabion mesh, beverage production, and areca nut processing units.

The objectives of the visit were to update the operational status of the newly approved industries, review the implementation of the government notification mandating the use of locally manufactured concrete bricks in public infrastructure projects, and verify the employment generation by chain-link manufacturers.

Table 4: Operational Status of Industries monitored in Samtse and Chhukha, FY 2025-2026

Operational Status	Samtse	Chhukha	Total
<i>Operational</i>	4	7	11
<i>Non-operational</i>	3	1	4
<i>Under construction</i>	3	2	5
Total	10	10	20

During the visit, it was observed that the government notification mandating use of locally manufactured concrete bricks was not strictly enforced. The concrete brick manufacturers indicated that the demand for their products had not increased significantly, while the import and use of red bricks had continued, despite the notification.

In terms of the verification of employment generation by chain-link manufacturing industries, it revealed that the workforce composition was almost evenly distributed between national and non-national workers. The chain-link industries have collectively employed 54 nationals and 50 non-nationals.



7.2. Environmental Compliance Monitoring of Projects

The Department monitors industrial compliance in accordance with Clause 39.3 of the Environment Assessment (EA) Act, 2000, which mandates monitoring, enforcement, and control of Environmental Clearance terms and conditions, including sanctions and compensation for environmental damage. In FY 2025–2026, a total of 154 delegated activities were monitored, comprising 41 in Thimphu and 113 in other regions. Regional monitoring covered 87 activities across Trongsa, Bumthang, Mongar, Trashigang, and Pemagatshel, while 26 industries in Phuentshorabtenling, Dhamdum, and Norbugang Industrial Parks were also monitored to ensure compliance with EC terms and reinforce environmental regulatory enforcement.

Table 5 : Number of industries inspected/monitored.

Sl. No.	Location/(s)	Number of industries
1	Thimphu	41
2	Central and Eastern Region (Trongsa, Bumthang, Mongar, Trashigang, Pemagatshel)	87
3	Industrial Parks	26

7.2.1. Trend in compliance monitoring

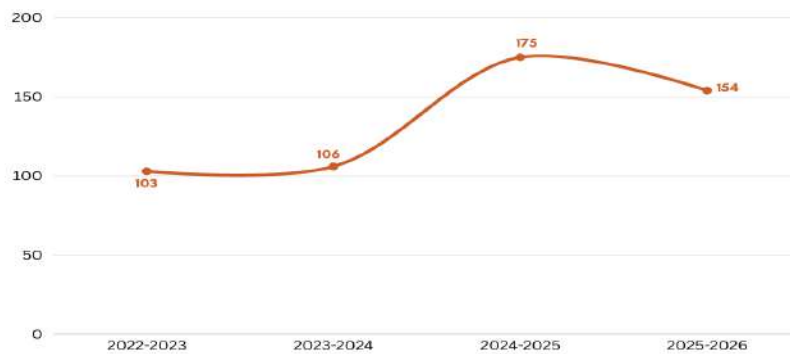


Figure 21: Trend in compliance monitoring of industries

The four-year compliance monitoring data shows strengthened environmental oversight within the industrial parks, rising from 103 in 2022–2023 to 106 in 2023–2024 (2.9% increase), followed by a sharp rise to 175 in 2024–2025 (65.1% increase), before declining to 154 in 2025–2026, reflecting a 12% decrease from the previous year, though still significantly higher



than the initial years. Overall, the trend indicates strengthened compliance monitoring efforts over time, reflecting sustained regulatory oversight and compliance monitoring.

Furthermore, the Environment Technicians at Pasakha Industrial Estate and Norbugang Industrial Park continue to carry out daily compliance monitoring to ensure industries strictly adhere to Environmental Clearance (EC) conditions. In FY 2025–2026, BTN 340,000 in fines was collected from non-compliant activities in PIE. Besides financial penalties, violators are required to rectify shortcomings within the stipulated timeline and operate at reduced capacity under monitoring to minimize risks to public health and the environment. A significant portion of enforcement actions involved issuing non-compliance memoranda to industries for excess emission of fugitive emissions. This monitoring framework is pivotal amid industrial expansion, specifically at the newly established Norbugang Industrial Park. No non-compliance fines were imposed to NIP to date, as operating industries have proactively implemented corrective measures in line with directives provided in the memoranda.

Further, to evaluate ambient air quality within the PIE and NIP, scientific monitoring of particulate matter PM10 and PM2.5 concentrations was systematically conducted using specialized measuring instruments.

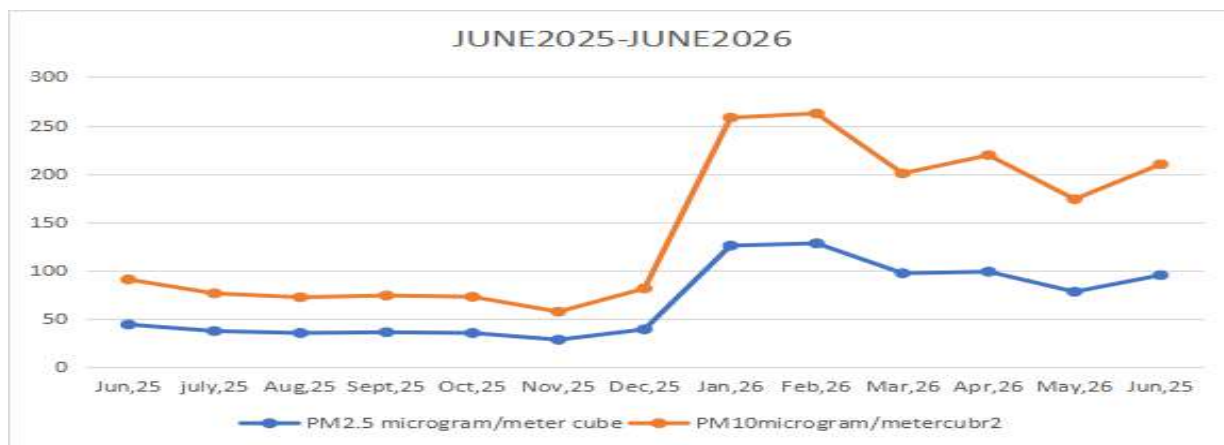


Figure 22: Trend in ambient air quality at PIE

The graph shows that ambient particulate matter concentrations during FY 2025–2026 peaked in winter, reaching 252 mg/m³ for PM10 and 140 mg/m³ for PM2.5, primarily due to emissions from the Pasakha Industrial Estate (PIE), heavy-duty truck traffic, and low precipitation. Concentrations declined significantly during the summer and monsoon seasons as rainfall suppressed dust and facilitated pollutant removal through wet deposition. Despite this seasonal reduction, particulate levels periodically exceeded the national 24-hour ambient air quality standards, indicating a persistent air pollution concern despite strict monitoring carried out by the Department.

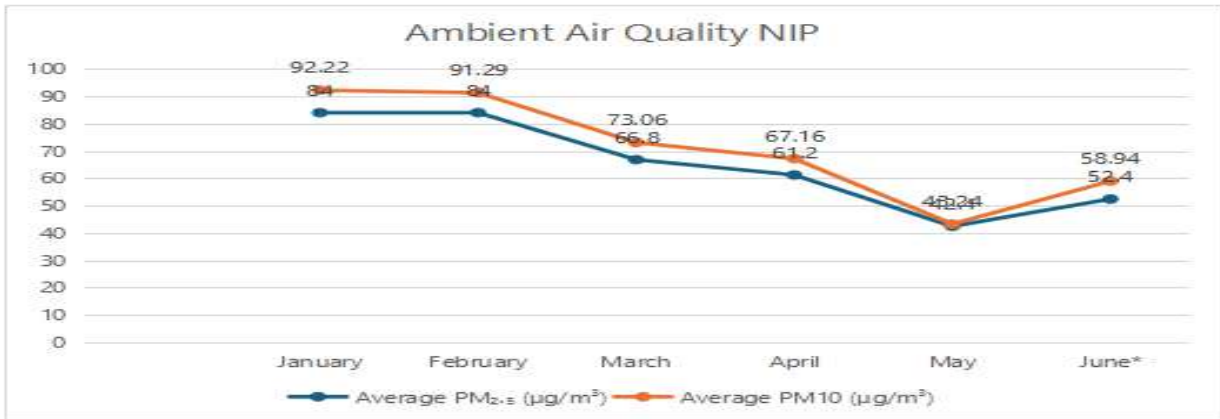


Figure 23: Ambient Air Quality at NIP

As the NIP officially commenced during this fiscal year, during the winter, the PM10 and PM2.5 Within the newly commenced Norbugang Industrial Park (NIP), ambient particulate concentrations reached peaks of 84mg/m³ for PM10 and 92.22 mg/m³ for PM2.5 with five ferroalloy industries currently in operation. As the season transitions toward the monsoon, a distinct downward trend in both PM10 and PM2.5 levels is observed, despite these industrial facilities remaining fully operational. This baseline pollution profile is significantly influenced by fugitive dust originating from unpaved, un-blacktopped internal roadways, as the industrial park is still in its initial commissioning phase and such developments are still underway.



Annexure 1

Categorization of Industries in Bhutan

Scale	Investment	Employment
Large industries	> Nu. 100 million	100+
Medium industries	Nu. 10 million - Nu. 100 million	20 to 99
Small industries	Nu. 1 million - Nu. 10 million	5 to 19
Cottage industries	< Nu. 1 million	1 to 4

Note: Investment and employment will apply; where there is a conflict, investment will take precedence.

Annexure 2

Trend of Industry by sector and scale as of 20th June, FY 2022-2023 to FY 2025-2026

Industry by Sector	Large & Medium Industries				Small Industries				Cottage Industries			
	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2022- 2023	2023- 2024	2024- 2025	2025- 2026
Production & Manufacturing	346	325	387	436	1,153	1120	1333	1375	2,213	2394	2545	2652
Services	563	459	485	503	17,601	15438	15153	16239	7,506	8057	8253	8784
Construction	457	420	380	432	1,849	1579	1436	1506	19	27	29	25
TOTAL	1,366	1,204	1252	1238	20,603	18,137	17922	35386	9,738	10,478	10827	11244

Note: Construction: Only W-2: Registration for Traditional Painting and Specialist Firms are eligible under CRC



Annexure 3

Distribution of Industries by Dzongkhag and Scale, FY 2025-2026

Note: As of 20 June 2026, the country had 31,952 active industrial licenses, of which 142 were FDI licenses.

Dzongkhag	Cottage	Small	Medium	Large	Total	%
Bumthang	246	717	19	4	986	3.1
Chhukha	923	1927	115	59	3024	9.5
Dagana	245	590	8	3	846	2.6
Gasa	26	93			119	0.4
Haa	149	254	13	5	421	1.3
Lhuentse	97	240	6	3	346	1.1
Mongar	324	796	25	10	1155	3.6
Paro	1054	1350	111	36	2551	7.9
Pema Gatshel	267	456	8	12	743	2.3
Punakha	385	644	36	14	1079	3.4
Samdrup Jongkhar	402	844	27	21	1294	4
Samtse	563	1411	117	32	2123	6.6
Sarpang	603	1680	35	34	2352	7.4
Thimphu	4660	4939	281	188	10068	31.5
Trashigang	228	335	16	6	585	1.8
Trongsa	324	780	23	10	1137	3.6
Tsirang	132	487	13	4	636	1.9
Wangdue Phodrang	227	432	7	1	667	2.1
Zhemgang	445	741	43	13	1242	3.9
	161	404	11	2	578	1.8
Total	11461	19120	914	457	31952	
%	35.9	59.8	2.9	1.4		



Annexure 4

Distribution of industries by Dzongkhag and Classification, FY 2025-2026

Dzongkhag	Production and Manufacturing	Services	Construction	Grand Total	%
Bumthang	178	753	55	986	3.1
Chhukha	401	2455	168	3024	9.5
Dagana	132	659	55	846	2.6
Gasa	3	96	20	119	0.4
Haa	87	300	34	421	1.3
Lhuentse	53	249	44	346	1.1
Mongar	209	861	85	1155	3.6
Paro	405	2032	114	2551	7.9
Pema Gatshel	124	575	44	743	2.3
Punakha	99	890	90	1079	3.4
Samdrup Jongkha	185	1033	76	1294	4
Samtse	324	1696	103	2123	6.6
Sarpang	275	1941	126	2342	7.3
Thimphu	1232	8293	553	10078	31.5
Trashi Yangtse	157	356	72	585	1.8
Trashigang	182	858	97	1137	3.6
Trongsa	57	507	72	636	1.9
Tsirang	109	521	37	667	2.1
Wangdue Phodran	168	1009	65	1242	3.9
Zhemgang	83	442	53	578	1.8
Grand Total	4463	25526	1963	31952	
%	13.9	79.9	6.1		



Annexure 5

Definition of Fiscal Incentive Instruments

Sl. No.	Fiscal Incentive	Definition
1	Fiscal Incentives for Capital Goods	Import of capital goods (machinery and equipment) from India and third countries is subject to Goods and Services Tax (GST) and Customs Duty (CD); however, these may be exempted for eligible industries upon recommendation from the Department under the Fiscal Incentives Act of Bhutan 2021.
2	Value Addition Certificate	All traders importing raw materials, including packaging materials, from India and third countries are subject to sales tax and customs duty as per government rules; however, these may be exempted for eligible industries upon issuance of a Value Addition Certificate by the Department under the Fiscal Incentives Act of Bhutan 2021.
3	Investment Allowance	The Department facilitates industries to avail Investment Allowance through issuance of a recommendation letter in accordance with the Fiscal Incentives Act of Bhutan 2021.
4	Certificate for Local Manufacturers of Construction Materials & Packaging Materials	The Department issues a certificate to local manufacturers of construction materials, excluding timber, cement, sand, and stone chips and aggregates, to enable their customers to claim a 30% additional tax deduction on the use of locally produced materials, as per the Fiscal Incentives Act of Bhutan 2021.
5	Recommendation for Concessionary Tax Rate Incentives	The Department facilitates eligible industries in availing concessionary tax rate incentives in accordance with the requirements of the Rules on the Fiscal Incentives Act of Bhutan 2021.
6	Recommendation for Tax Refund for Capital Goods	The Department issues a recommendation letter to facilitate tax refunds on the import of capital goods, subject to eligibility as determined by the Department of Revenue and Customs (DRC), in accordance with applicable government regulations.



Annexure 6

List of EC Delegated Activities of the Department

Sl. no.	Activity	Scale
1.	Manufacturing of dairy products	Cottage and small
2.	Manufacturing of Micro Brewery	Cottage and small
3.	Hollow Blocks manufacturing	All scale
4.	Establishment/setting of printing press	All scale
5.	Setting up of Bakery/ Confectioneries	Medium and Large scale
6.	Oil mill, Flour mill, Rice mill	Medium and Large scale
7.	Establishment of Digital Photo Studio	Medium and Large scale
8.	Carpet and textile production using dyes	All scale
9.	Making of paper and cardboard packaging products	Cottage and Small
10.	Establishment and operation of Fuel Depot/ Fuel Station	All scale
11.	Tyre rethreading activities	All scale
12.	Fabrication activities	All scale



Annexure 7

One-Stop Business Support Services Provided in FY 2025-2026

Sl. No.	One-Stop Business Support Services Provided	Total no. of Services Rendered
1	Walk-in Clients	92
2	Phone Call	1245
3	WhatsApp/Telegram	960
4	Email	671
Grand Total		2968