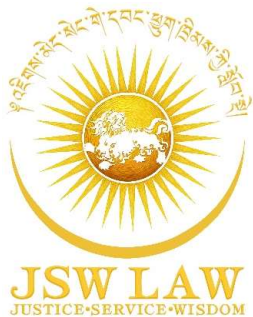


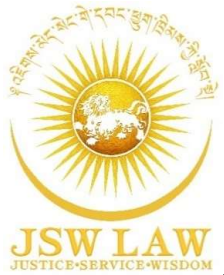
Regulatory and legal aspects of doing business in Bhutan

Adrian von Bernstorff, Director of the Entrepreneurialism Clinic



JIGME SINGYE WANGCHUCK SCHOOL OF LAW

། འཛིགས་མེད་སེཁྱེ་དབང་ཕྱུག་ཁྲིམས་ཀྱི་སློབ་མེ།

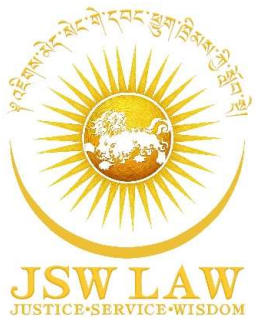


Personal Introduction

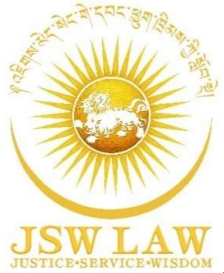
- German Lawyer in the field of renewable energies and food business
- Came to Bhutan in 2013 to help his wife produce a 25-episode series for the Bhutanese TV channel BBS
- Consultant to one of the first agricultural cooperatives in the country
- Managing Director of an agricultural FDI Business
- Since September 2017 Director of the Entrepreneurialism Clinic at the Jigme Singye Wangchuck School of Law



JIGME SINGYE WANGCHUCK SCHOOL OF LAW



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Jigme Singye Wangchuck School of Law

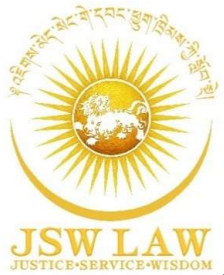
- Announced by His Majesty Jigme Khesar Namgyel Wangchuck in 2009, one year after Bhutan became a constitutional democracy
- Reflecting the King's recognition that an educated and dedicated legal profession is essential to a democratic society
- Named for his father, His Majesty Jigme Singye Wangchuck
- Free education to students from all over Bhutan
- First two classes have joined JSW Law in 2017 and 2018



Jigme Singye Wangchuck School of Law

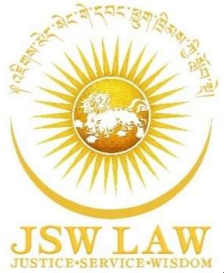


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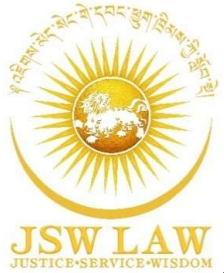
The Entrepreneurialism Clinic

- In the last year 5-years masters program students join one of three Clinics for experiential learning
- Clients of the EC are Bhutanese Cottage, Small and Medium Industries (CSMIs) and Cooperatives
- Works for free and for clients who cannot afford these services on the open market
- Currently pioneering several projects with a focus on agricultural and agro-processing businesses



Bhutan from the Rule of Law perspective

- Gross National Happiness provides a superordinate guideline for legislation and measure of progress
- Long history of good governance, political stability and remarkably progressive legislation
- Best among the least developed countries world-wide in terms of popular perceptions of corruption by significant margin



Overview

Regulations and Procedures regarding production and trade of goods

1. Import of Goods into Bhutan
2. Production in Bhutan, local market sales and export out of Bhutan
 - ❖ Foreign Direct Investment
 - ❖ Partnerships between foreign and Bhutanese companies

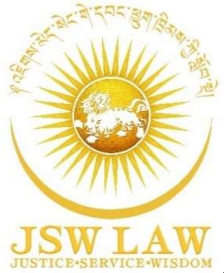
Regulations and Procedures regarding Service Sector

- ❖ Foreign Direct Investment
- ❖ Focus Construction Sector



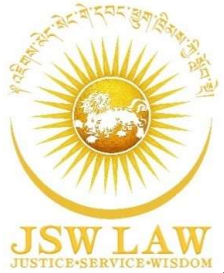
Regulations and Procedures regarding production and trade of goods

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Requirements for import of goods into Bhutan

- On the Bhutanese side an import house with trade license
- Each consignment requires an “Import License”, which will be issued to the Bhutanese Import House
- Declaration of goods at the customs checkpoint



Production in Bhutan, local market sales and export out of Bhutan

1. Foreign Direct Investment

- FDI Policy 2010 and FDI Rules and Regulations 2012
- Priority List of Activities vs. Negative List
- Sector specific minimum total investment
- For most sectors definition of maximum foreign / minimum Bhutanese Shareholding

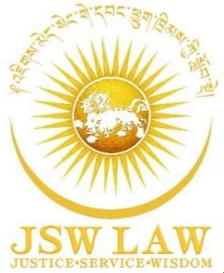


Personal experiences and challenges



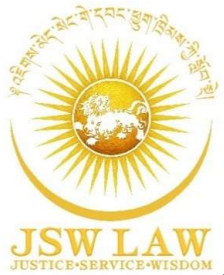
HAPPY  Chips Chips

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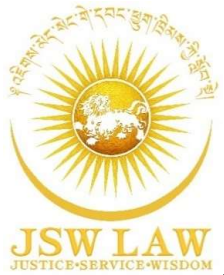
Personal experiences and challenges

- Partnership with a FDI business to raise further capital
- Arising Conflicts
 - Complex contracts, which did not reflect the different levels of legal understanding
 - Differing views regarding question how social vs. how profitable the business should be operated



Personal experiences and challenges

- Conflict escalated
- Cooperative sold its shareholding to remaining investors
 - Company stopped operations in 2017 and has recently been taken over by the local investor with hope of future development
 - Cooperative invested capital in different projects



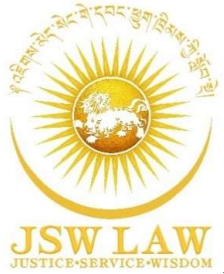
Learnings

- While opening up to „modern“ development, Bhutan has remained unique, because of its very own vision and path towards progression of the society
- Embracing the perspective that Bhutan has to offer is key to thriving in Bhutan
- Important to understand cultural values and social environment as well as the legal system



Partnerships between foreign companies and Bhutanese companies/cooperatives

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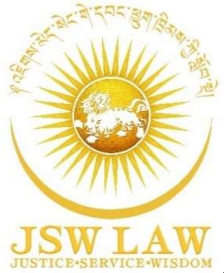


Example Cosmetics

Primavera and Bio Bhutan



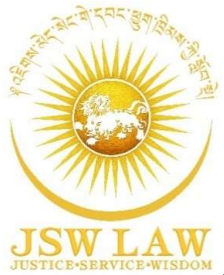
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Example Cosmetics

Primavera and Bio Bhutan

- 25 years of successful partnership in sourcing of essential lemongrass oil
- Bio Bhutan has established several cosmetics products in the local market



Example Agriculture

Swiss Alpine Herbs and Druk Metho



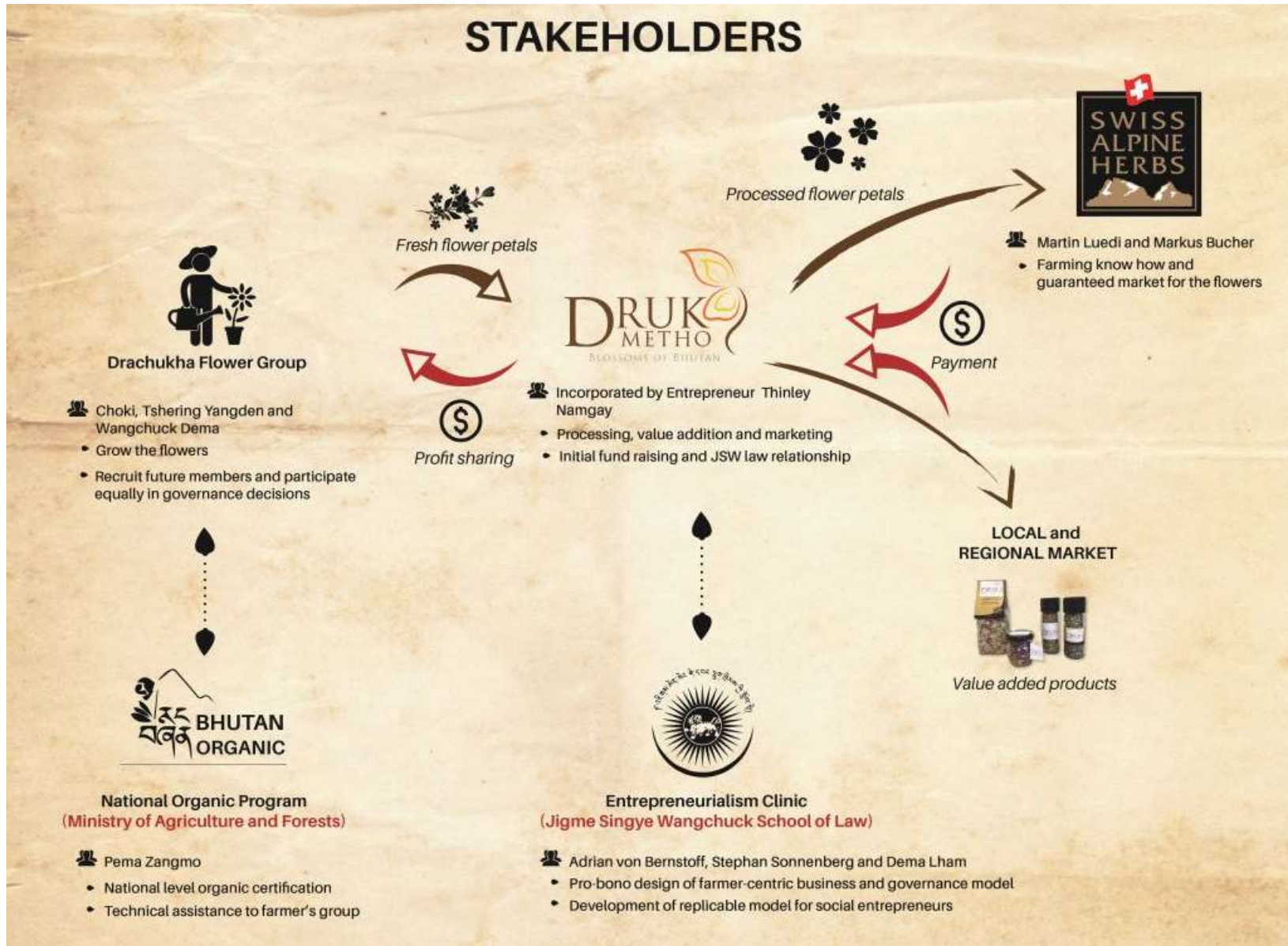
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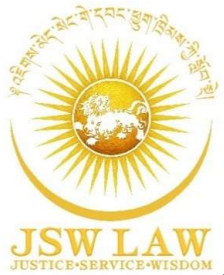


Druk Metho

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STAKEHOLDERS





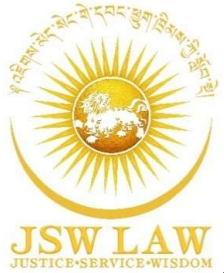
Druk Metho

- Mutual benefits for both parties
- Swiss Alpine Herbs is satisfying its demand for organic edible flowers
- High global marketing potential through „Brand Bhutan“
- Druk Metho and Drachukha Flower Group are building know-how and can start tapping into regional market opportunities



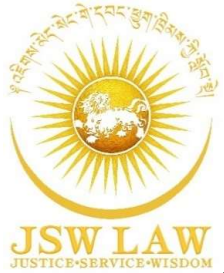
Regulations and Procedures in the Service Sector

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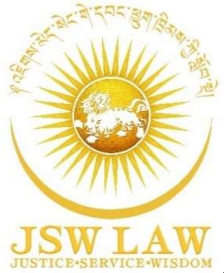
Foreign Direct Investment in the Service Sector

- A variety of sectors are open for FDI, for example Vocational Training, Construction, Infrastructure Facilities, IT, Hotels and others
- Government encourages Public Private Partnerships with the Bhutanese Government based on



Focus Sector “Construction Services”

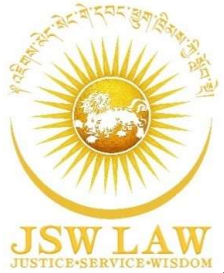
- Construction Development Board regulatory body in Bhutan
- Construction Association of Bhutan main forum for the construction industry in Bhutan
- **Both organisation have expressed great interest to develop partnerships with Swiss Construction Companies**



Focus Sector „Construction Services“

International Competitive Bidding

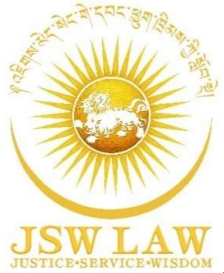
- Mostly donor funded projects
- Direct Bidding by foreign construction companies
- Project based registration with CDB



Focus Sector „Construction Services“

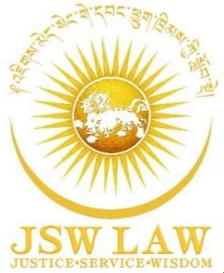
National Competitive Bidding

- Joint Venture with a Bhutanese construction company
- Construction Association of Bhutan offering to make contacts
 - ❖ Ugyen Penjor, Senior Planning Officer at CAB, ugyenpenjor.cab.org.bt@gmail.com
- All tenders published on “Electronic Government Procurement”



Résumé

- ❖ **Bhutan is a country with huge opportunities across various sectors**
- ❖ **Swiss – Bhutan partnerships have proven to be very successful**
- ❖ **JSW Law thrives to become an enabling factor in the emerging private sector**



Thank you for your interest

Please feel free to contact me:

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- ❖ + 975 17937481