

WAVERLEY GATEWAY GUIDE

Connecting International Capital with Emerging & Frontier Markets

BHUTAN

Asia West

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WHERE AND HOW TO ENTER

KEY INVESTMENT LOCATIONS

Location / Region	Strategic Importance	Priority Sectors
Thimphu (capital)	Political and commercial center, seat of government and most existing corporate activity	Finance, professional services, retail, government-linked contracting
Gelephu Mindfulness City (Special Administrative Region)	Flagship special administrative region in southern Bhutan bordering Assam, India (~4,046 km ² , roughly 10% of the country), established by Royal Charter in February 2024 with its own executive, legislative, and judicial authority to pilot a dramatically more open investment regime	Spiritual/wellness, health, education, agri-tech and forestry, green energy, finance and digital assets, aviation and logistics, tourism
Phuentsholing / Chukha region	Established hydropower and border-trade hub along the Indian frontier, home to major existing hydropower plants	Hydropower, border trade, light industry
Punatsangchhu river basin (Wangdue/Punakha)	Site of Bhutan's largest and most consequential hydropower developments, including the newly commissioned Punatsangchhu-II plant	Hydropower generation and related infrastructure
Paro	Site of Bhutan's main international airport and gateway for the country's high-value, low-volume tourism model	Tourism, hospitality, aviation services
Gelephu Airport corridor	New international airport under construction as part of the Gelephu Mindfulness City project, intended to open the southern region directly to international air access	Aviation, logistics, tourism infrastructure
Eastern Bhutan (Trashigang and surrounding dzongkhags)	Less-developed eastern region targeted for future infrastructure and connectivity investment to balance the country's traditionally west-centered growth	Agriculture, connectivity infrastructure, emerging tourism

INVESTOR ENTRY ROUTES

- Foreign investors outside Gelephu Mindfulness City generally register through the Department of Industry and the Foreign Direct Investment (FDI) Policy framework administered by Bhutan's Ministry of Industry, Commerce and Employment, which sets minimum investment thresholds and permitted-sector lists by activity
- Gelephu Mindfulness City operates under its own distinct Royal Charter-based legal and regulatory framework, administered by the GMC Authority (GMCA) separately from the rest of Bhutan's government, and is explicitly designed to offer a faster, more liberal entry pathway across its eight priority sectors, including for family offices and investment funds
- Hydropower-sector investment is conducted primarily through intergovernmental arrangements with India and state-owned entities such as Druk Green Power Corporation, rather than conventional open foreign-investment channels
- Druk Holding and Investments (DHI), Bhutan's sovereign holding company, is a common co-investment and joint-venture partner across strategic sectors, including the country's notable Bitcoin-mining operation powered by surplus hydropower capacity

- Tourism-sector entry for foreign operators and investors must account for Bhutan's Sustainable Development Fee (SDF) policy framework, which applies to visiting tourists and shapes the country's high-value, lower-volume tourism model
- The Royal Monetary Authority of Bhutan oversees foreign-exchange matters; the ngultrum is pegged one-to-one with the Indian rupee, and investors should confirm current repatriation procedures given Bhutan's historically tight foreign-exchange reserve management

MARKET-ENTRY OBSERVATION

Bhutan enters October 2026 pursuing what may be the most ambitious economic experiment in its history: Gelephu Mindfulness City, a roughly 4,046 square kilometer special administrative region in the country's southern plains bordering India's Assam state, established by Royal Charter in February 2024 with its own executive, legislative, and judicial authority operating separately from the rest of the Bhutanese government. The project, championed personally by His Majesty the King, targets eight priority industries spanning spiritual and wellness tourism, health, education, agri-technology and forestry, green energy, finance and digital assets, aviation and logistics, and conventional tourism, and has moved from concept to early execution in 2026, with an airfield construction contract awarded for Gelephu International Airport in October and the state holding company Druk Holding and Investments signing a partnership agreement with health-technology firm Viome in September; the GMC Authority has also formally opened the zone to family offices and investment funds. The initiative reflects a genuine strategic pivot: a country whose economic model has long rested on hydropower exports to India and tightly managed, high-value tourism is now explicitly building a parallel, far more liberal investment jurisdiction to diversify beyond both.

Bhutan's broader economy remains solid on conventional metrics, with growth estimated at a strong 8.7% in 2025, moderating to a steadier roughly 6.9% in 2026 as one-off hydropower commissioning effects fade, supported by tourist arrivals exceeding 181,500 and now above pre-pandemic levels, foreign-exchange reserves above USD 1.3 billion (about 34 months of import cover), and a notable sovereign Bitcoin-mining operation through Druk Holding and Investments that has at times been valued at several hundred million dollars, drawing on the country's abundant hydropower surplus. The more complicated story sits underneath: Bhutan's public debt, driven overwhelmingly by India-financed hydropower megaprojects that have repeatedly run years behind schedule and multiples over original budget (the newly commissioned Punatsangchhu-II plant took fifteen years and cost roughly two and a half times its original estimate, while Punatsangchhu-I remains unfinished more than a decade after its original target date), stood at roughly 100% of GDP in mid-2025 and is projected to exceed 110-114% of GDP in the 2025-26 fiscal year, with hydropower loans alone accounting for well over half of external debt. Bhutan's own Royal Audit Authority and National Council have both publicly questioned the assumption that future electricity export revenue will reliably repay this debt, making Gelephu Mindfulness City's success a matter of genuine strategic importance for the country's long-term fiscal position, not merely an experimental side project.

INVESTOR RISK & MARKET ACCESS

KEY ENTRY BARRIERS

Issue	Potential Impact	Possible Mitigation
Elevated hydropower-linked public debt	Public debt, driven overwhelmingly by India-financed hydropower megaprojects, stood at roughly 100% of GDP in mid-2025 and is projected to exceed 110-114% of GDP in fiscal 2025-26, with Bhutan's own auditors questioning whether future electricity-export revenue will reliably cover these obligations	Treat government fiscal capacity and co-financing availability as a genuine medium-term constraint; favor investments with independent revenue streams, particularly within Gelephu Mindfulness City's more liberal framework
History of major project delays and cost overruns	Bhutan's largest hydropower projects have a long track record of running years to over a decade behind schedule and multiples over original budget, reflecting genuine execution-capacity constraints on large infrastructure	Build conservative, well-padded timeline and budget assumptions into any large-scale infrastructure-linked investment case in Bhutan
Gelephu Mindfulness City remains early-stage and unproven	Despite its ambitious scope and royal backing, GMC is still in early implementation (airport construction just awarded, limited named investors to date), and its distinct legal and regulatory framework, while promising, lacks a long operating track record	Engage directly with the GMC Authority to confirm current, rather than aspirational, regulatory and incentive specifics before committing capital
Youth emigration and workforce constraints	Bhutan faces a well-documented wave of youth emigration, particularly to Australia, driven by limited domestic opportunity, which constrains the skilled domestic labor pool even as youth unemployment remains a concurrent concern	Build workforce-development and retention strategies into labor-dependent investment planning; consider GMC's international-talent-oriented framework as a potential partial offset
Very small market size and landlocked geography	Bhutan's population of under 800,000 and landlocked Himalayan geography, with all land	Favor export-oriented, niche, or GMC-linked investment models over domestic mass-market

Issue	Potential Impact	Possible Mitigation
	trade routed through India, constrain domestic market scale and logistics flexibility	consumer plays; plan logistics around India-routed trade corridors
Currency peg and foreign-exchange reserve sensitivity	The ngultrum's one-to-one peg to the Indian rupee ties Bhutan's monetary conditions closely to India's, and the country has experienced foreign-exchange reserve pressure in the past despite current reserves standing at a healthier level	Confirm current repatriation procedures with the Royal Monetary Authority of Bhutan and monitor reserve-adequacy trends as a standing risk indicator
Conservative cultural and environmental policy constraints	Bhutan's long-standing Gross National Happiness development philosophy and strict environmental protections (including a constitutional requirement to maintain forest cover above 60%) shape and in some cases limit the pace and type of permissible development outside GMC	Confirm environmental and cultural-policy compliance requirements early for any investment outside the Gelephu Mindfulness City framework

INVESTOR RISK NOTE

Bhutan is a stable constitutional monarchy with no meaningful political-violence, expropriation, or institutional-breakdown risk, and its core risk profile for investors is fiscal and execution-related rather than political: a heavy and growing hydropower-linked debt burden, a track record of major-project delays, and the genuine uncertainty of whether the ambitious Gelephu Mindfulness City experiment will achieve the scale needed to meaningfully diversify the economy. Investors should treat Bhutan as a serious, well-governed jurisdiction undergoing a consequential economic transition, rather than as carrying any material security or governance risk comparable to many other frontier markets in this series.

MARKET ACCESS

Bhutan maintains a close, preferential economic relationship with India, including free trade in most goods and a shared currency peg, and is a member of the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Gelephu Mindfulness City's location directly on the Assam border is explicitly designed to leverage proximity to India's northeastern market and broader South and Southeast Asian connectivity, positioning the zone as a potential bridge between Indian, South Asian, and wider regional commercial networks.

WHO SHOULD THE INVESTOR MEET?

INSTITUTIONAL LANDSCAPE

Actor	Why It Matters	Waverley Engagement Angle
Gelephu Mindfulness City Authority (GMCA)	Administers the GMC special administrative region's distinct legal, regulatory, and investment-incentive framework	Primary gateway for any investment within the GMC zone and its eight priority sectors
Department of Industry / Ministry of Industry, Commerce and Employment	Administers standard FDI policy, registration, and sector permitted-activity lists outside GMC	Primary gateway for conventional foreign investment elsewhere in Bhutan
Druk Holding and Investments (DHI)	Bhutan's sovereign holding company and a common co-investment partner across strategic sectors, including hydropower and Bitcoin mining	Potential joint-venture or co-investment counterpart for large-scale or strategically aligned projects
Royal Monetary Authority of Bhutan	Central bank overseeing monetary policy, the rupee-pegged ngultrum, and foreign-exchange administration	Key relationship for understanding current FX and repatriation procedures
Druk Green Power Corporation	State-owned entity overseeing hydropower generation and India-linked power-export arrangements	Essential counterpart for any hydropower-sector investment or supply-chain participation
Government of India (bilateral hydropower financing)	Primary financier of Bhutan's major hydropower projects and a dominant force in the country's external debt profile	Relevant context for understanding the financing structure and fiscal exposure behind any hydropower-linked investment
Office of the Prime Minister (Tshering Tobgay, PDP, since January 2024)	Sets overall national economic policy direction alongside the Palace's championing of the GMC initiative	Relevant for understanding the broader policy environment supporting the current diversification push

CURRENT INTERNATIONAL BUSINESS CHANNELS

Foreign investors commonly engage through the Bhutan Chamber of Commerce and Industry and, increasingly, through direct outreach to the GMC Authority, which has signaled active interest in engaging family offices, investment funds, and strategic corporate partners directly. Development-partner-organized investor briefings, particularly those linked to Indian government and multilateral hydropower financing programs, provide an additional channel for infrastructure-focused investors.

INVESTOR PROFILE BEST SUITED

Bhutan suits investors drawn to a genuinely novel, high-concept special jurisdiction with strong royal and governmental backing, particularly in wellness, health, education, green energy, digital assets, and aviation sectors through Gelephu Mindfulness City, as well as patient infrastructure investors comfortable with India-linked hydropower financing structures and long project timelines. It is a weaker fit for investors seeking a large standalone domestic consumer market, rapid-turnaround returns, or complete avoidance of exposure to Bhutan's elevated public-debt position, and conventional investment outside GMC should account for the country's conservative, environmentally-constrained development philosophy.

FROM INTELLIGENCE TO ENGAGEMENT

STEP 1: Confirm GMC fit versus conventional FDI pathway

Determine whether the proposed investment fits within Gelephu Mindfulness City's eight priority sectors and more liberal framework, or should proceed through the Department of Industry's standard FDI Policy process.

STEP 2: Engage the relevant authority early

Approach the GMC Authority directly for GMC-zone investment, including as a family office or investment fund, or the Department of Industry for conventional nationwide investment.

STEP 3: Assess fiscal and sector-specific exposure

For hydropower or government co-financed investment, evaluate exposure to Bhutan's elevated public-debt position and historical project-timeline risk.

STEP 4: Confirm FX and repatriation mechanics

Engage the Royal Monetary Authority of Bhutan to confirm current foreign-exchange and capital-repatriation procedures under the rupee-pegged ngultrum regime.

STEP 5: Finalize structure and complete registration

Complete registration with the GMC Authority or Department of Industry as applicable, confirm any required environmental or cultural-policy compliance, and finalize the investment structure.

WAVERLEY'S ROLE

- Independent assessment of GMC Authority and Department of Industry registration pathways for specific transactions
- Coordination with Druk Holding and Investments and Druk Green Power Corporation on strategic co-investment and hydropower-linked opportunities
- Ongoing monitoring of Bhutan's public-debt trajectory and Gelephu Mindfulness City's implementation progress relevant to investment timing
- Introductions to the Bhutan Chamber of Commerce and Industry and GMC-linked family-office and investment-fund networks

INVESTOR CALL TO ACTION

Engage Waverley for a structured Gelephu Mindfulness City entry assessment before committing capital to Bhutan.

Contact Waverley for an independent fiscal-sustainability briefing on Bhutan's hydropower-linked public debt ahead of any infrastructure-linked investment.

WAVERLEY INVESTOR INTELLIGENCE & OPPORTUNITY PIPELINE

Waverley is tracking opportunities across three tiers: (1) early-stage investment within Gelephu Mindfulness City's eight priority sectors, particularly wellness, health, education, green energy, and finance and digital assets, benefiting from the zone's liberal charter-based framework and direct royal backing; (2) hydropower-linked infrastructure investment for investors comfortable with India-financed project structures and realistic, conservative timelines; and (3) tourism investment supporting Bhutan's high-value, Sustainable Development Fee-anchored visitor model, now recovering above pre-pandemic arrival levels.

POSITIONING

Waverley views Bhutan as a genuinely distinctive opportunity in this series: a small, well-governed, debt-constrained hydropower economy making an ambitious, royally-backed bet on an entirely new special jurisdiction, Gelephu Mindfulness City, to diversify its economic base.

Waverley's approach is to help clients evaluate Gelephu Mindfulness City's early-stage opportunities on their own distinct merits while maintaining clear-eyed, continuously updated monitoring of Bhutan's broader hydropower-debt trajectory, so that investment decisions reflect the country's genuine fiscal position rather than either the appeal of its novel special-zone concept alone or an overly cautious reading of its conventional economy.

SELECTED SOURCES

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