



# Bhutan's Public Private Partnership (PPP) Law ,Regulations and Market

**PPP Unit**  
**DMEA, MoF**

# Outline

- I. Brief Introduction on Bhutan
- II. Brief update on PPP in Bhutan
- III. Macroeconomic outlook of Bhutan
- IV. Brief on PPP Policy and Rule
- V. Investment Climate in Bhutan
- VI. PPP market in Bhutan
- VII. Way forward





## i. Brief Introduction on Bhutan

- ❖ Bhutan is a land locked country
- ❖ Location: between China and India
- ❖ Total population 700,000 plus
- ❖ Country's Development Philosophy : Gross National Happiness (GNH)
- ❖ Domestic Revenue – Current Expenditure
- ❖ Capital Expenditure – Surplus domestic revenue + Grants+ Concessional loans
- ❖ Bhutan will graduate LDC status by 2023



# His Majesty the Fourth King of Bhutan

- "It is important for us to understand that too much dependency on outside aid will only defeat our national goals and aspirations" - His Majesty the King of Bhutan 1980



## ii. PPP in Bhutan

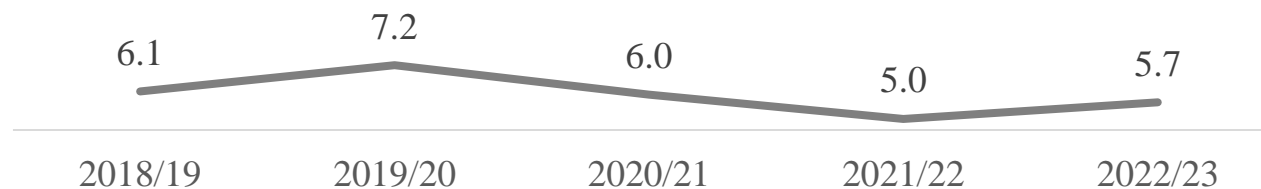


- ✧ Bhutan's graduation from the least developed country status – **will loose grants and concessional loan.**
- ✧ Bhutan experiencing an increase in capital expenditure over the year.
- ✧ Globally : Annual infrastructure gap of \$1 trillion to \$1.5 trillion in developing countries.
- ✧ Investment in Infrastructure development is one of the driving force for economic development and achieving SDGs.

### iii. Bhutan Macroeconomic Outlook

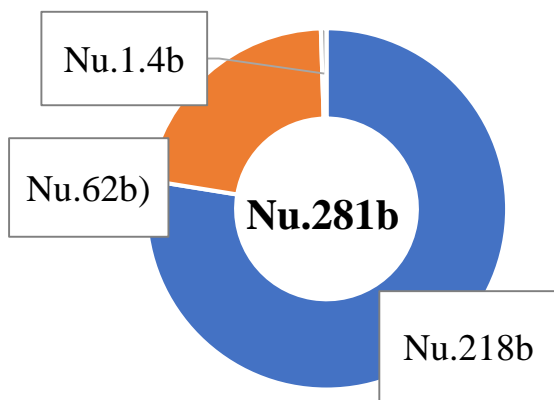


*Economy projected to growth at 6% on average in 12<sup>th</sup> FYP*

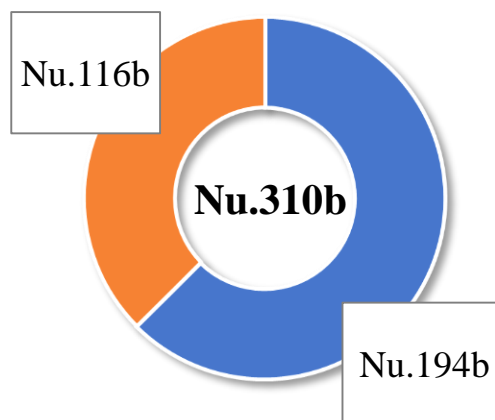


*Fiscal Deficit of Nu. 29.243b in the 12<sup>th</sup> FYP...*

#### Revenue & Grants



#### Outlay



**Fiscal deficit**

**Nu. 29.243b**

- Domestic Revenue ■ External Grants
- Internal Grants

- Current expenditure
- Capital expenditure

# Innovative Financing



## *Supplement financing for Development.*

*Endowment funds*

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*Bhutan for life / Bhutan  
Future Fund*

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*FDI*

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*BESF*

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*Public Private Partnership*

## Brief on PPP cont...



- ❖ *PPP promoted* as one of the key strategy for achieving sustainable economic growth.
- ❖ *PPP is recognized* as an alternative strategy to harness pvt. sector resources and expertise.
- ❖ *PPP Policy adopted in 2016 to promote* a sustainable PPP market in Bhutan.
- ❖ *PPP Unit* created under the MoF (2016) :  
to facilitate the effective implementation of PPP Policy, PPP Rules and Regulations and PPP projects.

## Brief on PPP cont....



### Initiatives after the establishment of PPP unit:

- ❖ Published PPP Policy 2016
- ❖ Published PPP Rules & Regulation 2017
- ❖ Published PPP Guideline 2019
- ❖ Formulated PPP standard bidding documents (EOI,RFQ,RFP)
- ❖ Formulated standard PPP agreement (User fee & Availability payment)
- ❖ Developed PPP Screening tool
- ❖ Conducted advocacy on PPP Policy & Rules –Districts, Local Governments, Municipal Offices and Pvt sectors.



**PUBLIC PRIVATE PARTNERSHIP POLICY**  
**MARCH, 2016**

**ROYAL GOVERNMENT OF BHUTAN**

## iv. Overview of the Policy



- ❖ Provides a comprehensive over-arching framework for PPPs.
- ❖ It clarifies the Government's functions, the institutional structure for implementation and the process to follow.
- ❖ Provides PPP project life cycle

*Main objective: to build sustainable PPP market in Bhutan*

## Over view of PPP Policy cont....



➤ *It specifically aims to:*

- i. Facilitate and promote a structured, institutionalized and uniform procedures for PPPs.
- ii. Ensure fair and transparency in the structuring, procurement and implementation of PPP projects .
- iii. Promote priority projects that are affordable to the Government and end-users and represent Value for Money.
- iv. Encourage innovation in the provision of infrastructure and related service delivery.
- v. Support the development of viable and feasible projects as PPPs that offer reasonable returns to the private sector, while protecting the Government from fiscal risks.

## Over view of PPP Policy cont....

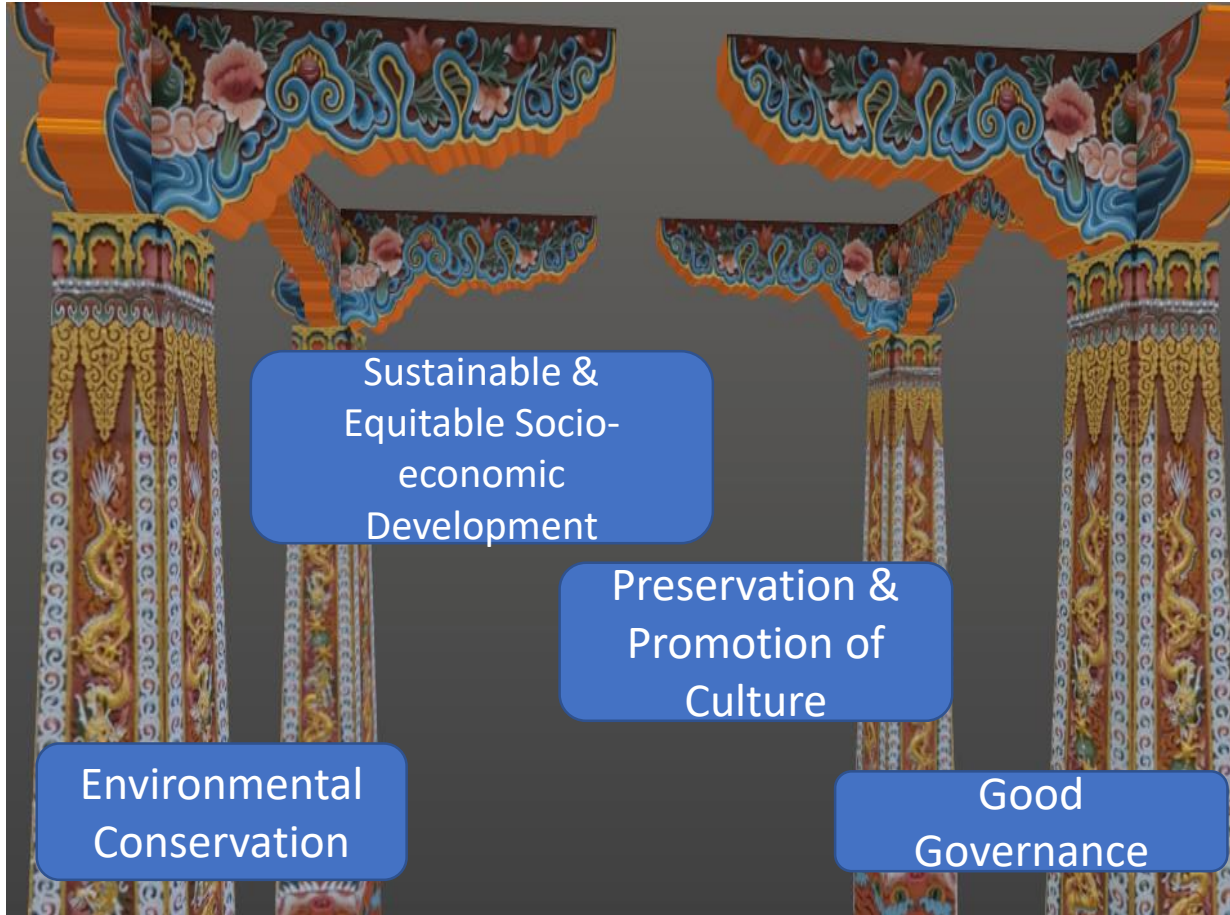


### **Goals:**

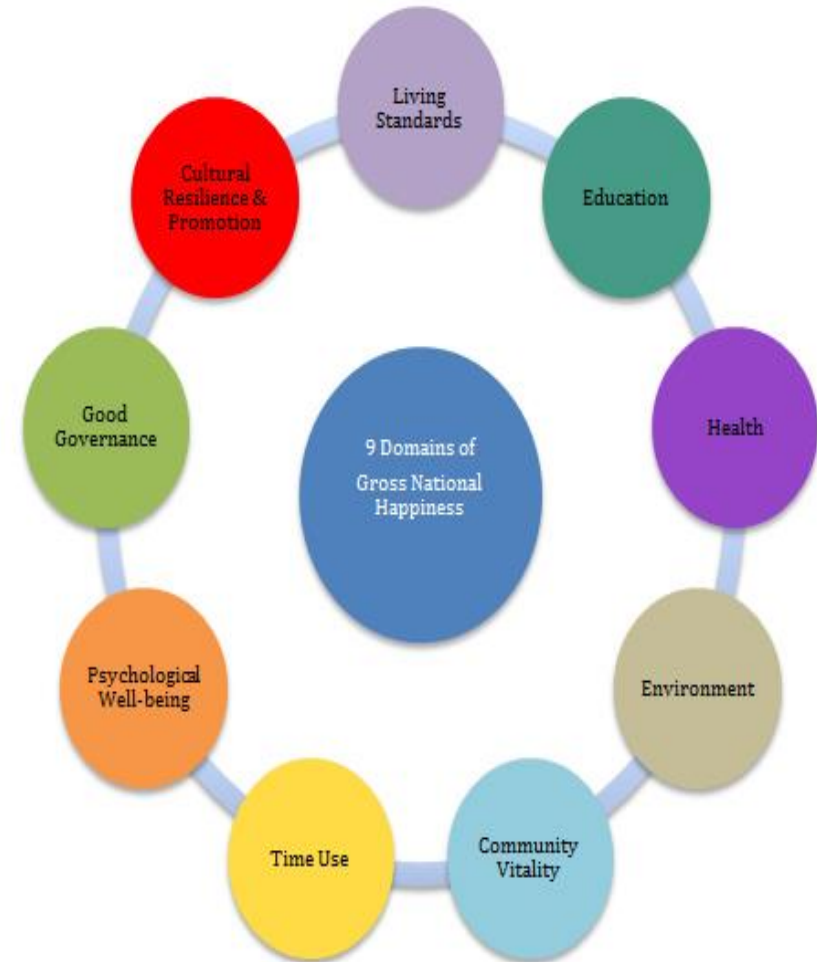
- ❖ All PPP projects must be in line with the principles of Gross National Happiness (GNH).
- ❖ PPP projects must benefit :
  - The users of the services – more accessible ,affordable, reliable, quality and safe services
  - The society,- by supporting the furtherance of important societal/GNH goals , such as , employment, environment, and social equity.
  - The Private parties- receive financially viable and bankable investment opportunities.
- ❖ Benefits will be achieved through:
  - Providing stronger governance and improved public sector management skills
  - Providing clearly defined and transparent procedures supported by a robust institutional framework
  - Enhance accountability in project delivery based on firm contractual arrangements
  - Compliance with all rules and regulations as may be laid down by RGoB from time to time

# Over view of the PPP policy cont....

## The 4 Pillars of GNH



## The 9 Domains of GNH





**PUBLIC PRIVATE PARTNERSHIP  
RULES AND REGULATIONS, 2017**



**ROYAL GOVERNMENT OF BHUTAN**

# PPP Rules and Regulation 2017

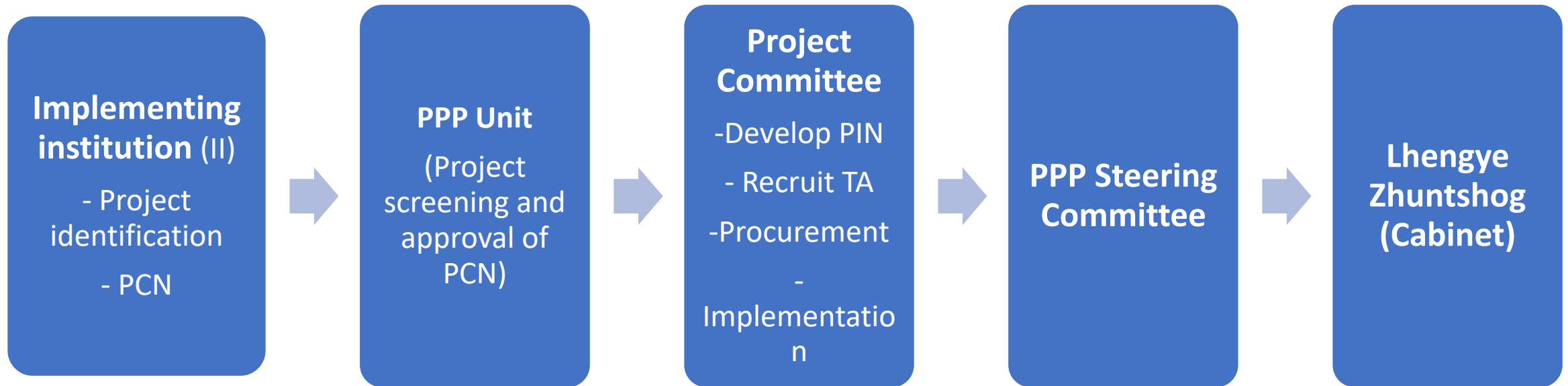
## PPP project life cycle



# PPP Rules and Regulation 2017 cont...



## Process for PPP project



## V. Investment Climate in Bhutan

- ❖ Political stability with no internal strife and external threats
- ❖ According to Transparency International gauging the Corruption Perceptions Index, Bhutan stands at 25 out of 180 countries
- ❖ Under the Ease of Doing Business Bhutan ranks 89 in the world
- ❖ Ranks 82<sup>nd</sup> in the Global Competitive Index of WEO
- ❖ GNH pillars: Good Governance, Sustainable Socio-economic Development, Preservation and Promotion of Culture, and Environmental Conservation.
- ❖ Legal standings in place (Sound policies, rules and regulations and guidelines established for PPP, FDI etc.)



**Favorable and  
Suitable**

## **VI.PPP Market in Bhutan**

# PPP Project pipeline



PPP project long list		
#	Project Name	Implementing Agency
1	Development of Neighborhood Nodes	Thimphu Thromde (Municipal Corporation)
2	Thimphu Integrated Bus Terminal	
3	Stock exchange cum intra-city bus terminal at Jongshina	
4	Paper Recycling Project	
5	Bio- Compact Natural Gas (CNG)	
6	Norzin Lam pedestranization and beautification	
7	Chhukha-Damchu By-Pass Toll Operations & Maintenance	Ministry of Work and Human Settlement
8	Integrated Solid Waste Management (generation, segregation, transfer, sorting, treatment, recovery and disposal)	
9	Drinking water supply in Thimphu	
10	Developing cottage and small industry infrastructure	Department of Cottage & Small Industry
11	Construction and operation of cinema theatre in 5 Dzongkhags	Ministry of Information and communication
12	Medical oxygen plant	JDWNRH

Projects with potential to serve as PPP project and TA pilot project		
#	Project Name	Implementing Institutions
1	Thimphu Integrated Bus Terminal.	Thimphu Thormde
2	Drinking water supply in Thimphu	MOWHS
3	Chhukha-Damchu By-Pass Toll Road Operations & Maintenance	MOWHS
4	Government office building construction (12 FYP)	Government Agencies
5	Medical oxygen plant	JDWNRH, Thimphu

**Pilot project**  
Thimphu Integrated Bus Terminal  
Location : Olakha



**Strong political will**

**Proper Legislation in place**

EDP, FDI Policy, FI, PPP Policy

**Enabling environment**

*Stable govt. skilled labour market, peace  
& security, reliable/cheap energy*



Land lock country

Inadequate infrastructure

Small domestic market

Small financial market

Shortage of professionals

Limited data

Limited capacity on PPP

## Vii. Way Forward



- ❖ Initiate PPP as an innovative financing mechanism by leveraging pvt. Sector resources and expertise to finance the public infrastructure and services development.
- ❖ Initiate PPP in capital works under 12 FYP
- ❖ Enhance capacity of the public and private sectors on PPP
- ❖ Advocate on PPP Policy and PPP Rules and Regulations

Thank you