Let me thank OHRLLS for organizing this important event.

I wish to thank SG Umberto for giving us this analogy of developed landlocked countries of Switzerland and Austria.

The aspiration of LLDCs is to reach the stage where these countries are and one of the ways to get there is to enhance the role of private sector and invest in areas like infrastructure.

And at the bilateral we have good cooperation with Austria.

In the SDG era, when we are seeking for transformative change, the private sector has a vitally important role to play in terms of building productive capacities and creating gainful employment, especially to our youth.

In our view, economic goals in the SDGs and priority areas of VPOA such as on structural transformation and infrastructure development are extremely important, which also calls for governments to enhance the role of private sector.

At the national level, we have placed tremendous importance to the development of private sector as the engine of growth and source of employment.

Creating an enabling policy framework for private sector development is important.

Towards this end, we have put in place an Economic Development and FDI policies to encourage development of the private sector on important areas, such as agro industries and also to attract FDI.

For small economies like ours, growth of Small and Medium Enterprise are important. The government continues to place tremendous important to this sector. We have set up a Rural Development Bank to encourage and promote small and cottage industries in rural areas. The bank also has low lending rates to encourage and support individuals to take up private enterprise.

Ease of doing business is another important area and although much needs to be done, we are making good progress.
The government has also announced fiscal incentives in 2016 to promote the growth of private sector on a sustainable basis, such as tax exemption on import of raw materials and tax holidays to sustain the operations of the private enterprises in the manufacturing and service industry.

We are also experience good success in the PPD mode of financing, which holds tremendous potential and promise. The Government has issued a PPP Framework in 2010, which provided a regulatory framework for private participation in infrastructure through PPPs.

Since 2009 the Government has embarked on PPP as a way to leverage private sector resources for sustainable infrastructure development. Some of the projects that were initiated on a PPP model are:

- **Thimphu Tech Park**: Bhutan’s first IT Park developed by Thimphu Tech Park Limited as joint venture between Assetz Property Group of Singapore and Druk Holding Investments (DHI), Bhutan (70:30). It was built at a cost of Nu. 260 million on DBFOT model. The IT park is functional to its full capacity. The World Bank supported the formulation and implementation.

- **Dagachhu Hydropower Power project (126 MW)**: The Dagachhu project was established as a cross boarder PPP (DBFOT) model with Druk Green Power Corporation, Tata Power Company and NPPF with. Total cost of the project is Nu 12 billion (US$ 180 m) The ADB supported the formulation and implementation.

- **Multilevel Car Parking Facility**: The RGoB, through Thimphu Thromde in partnership with KRC Private Limited, an SPV set up by the winning consortium of CE Construction Private Limited (Nepal), KNG Private Limited (Bhutan), and Rinson Construction Private Limited (Bhutan) is building multilevel car parking in Thimphu, on 22-years design, build, finance, operate, and transfer (DBFOT) concession. The total cost of the project is Nu. 481.90 million and the project is expected to be complete by November 2017. IFC was the transaction advisor.

In terms of institutional arrangement for PPP in Bhutan, a PPP unit has been established under the Ministry of Finance, which will be set up as an autonomous agency in the future.

PPP Rules and Regulations has been developed and is currently being reviewed by various stakeholders, which will lay down the criteria for eligibility to receive funding and the procedure for applying, approving, disbursing and monitoring the use of funding.

Under the PPP model, the Government is to provide support for project development fund to finance transaction advisor and viability gap funding for PPP projects that are economically and socially justified but fall short of financial viability. This would be an
explicit subsidy that is performance driven (based on private party achieving measurable outputs).

I wanted to also touch on the role of Development partners

For countries like Bhutan, that are small and challenged with resources, development partners play a very important role in the design and financial closure. For instance, ADB, WB and IFC were involved in the three successful projects implemented under PPP model.

The role of development partners is double fold: firstly to attract private sector investment and secondly to close the financing gap. Therefore, continued support of the development partners will be critical.

Thank you!