

**EXPERT GROUP MEETING ON FINANCING INFRASTRUCTURE DEVELOPMENT
FOR ENHANCED INTEGRATION OF THE LLDCS INTO GLOBAL TRADE
4 to 5 October, CR 11, UN**

Draft Intervention by Counsellor Karma Choeda, Bhutan Mission on Session 2:
Enhancing of Domestic Funding for Infrastructure Development.

Thank you Mr. Moderator.

Bhutan was mentioned on two occasions. So let me offer some contributions.

But let me thank the distinguished panelists for their insightful presentations.

Mr. Sharma from DESA covered the main elements on requirement for financing options for infrastructure projects.

Let me touch on few points.

The issue of enhancing domestic funding for financing infrastructure projects is of course not any easy subject, especially given the fact that financing infrastructure to begin with is capital intensive, associated with high risk and the returns do not come quickly as one would expect.

This is especially true for a country like Bhutan, with a small economy and a weak private sector.

That being said, this is an important conversation, especially given the fact that infrastructure is one of those big ticket items that has the potential to bring about transformative change, particularly for LLDCs.

And given the fact that infrastructure investment requirement run in trillions, one cannot realistically expect that kind of funding to come from one single source or a financing mechanism.

From Bhutan's experience, traditionally, funding for infrastructure projects have come in form of grants and aid, from our development partners - both bilateral and multilateral, such as India, Japan, Austria, World Bank and the ADB.

While their support and assistance remains important, we need to also start thinking of ways to enhance our capacity to take on some of the development projects, including infrastructure, especially in light of the fact that we have been identified as a country for graduation out of the LDC category. Some of the grants and aid assistance may not be forthcoming once we graduate.

In our view, a multipronged approach to infrastructure investments, including enhancing domestic funding is required and this fits in well with Mr. Sharma's recommendation:

First, development of domestic debt and bond markets. This is one area we feel that has good potential and hence we need to work on developing this sector. A good example where we used government bonds was in the purchase of one of our aircrafts for our national airline. We feel that if we are able to develop this well, in future, we could tap into institutional investors such as Pension Funds, Government Investment Agency and the Banks.

Second, the PPP model also has good promise. Since 2009, the Government has embarked on PPP as a way to leverage private sector resources for development projects.

Using the PPP model, we have undertaken three projects:

- **A Tech Park in the capital city (Thimphu Tech Park):**
- **A Hydropower Project (Dagachhu Hydropower Power project - 126 MW):**
- **Multilevel Car Parking Facility:**

The projects do not fit strictly within the area of transport infrastructure, but I share these as examples as potential models that we could replicate in future to undertake some of the infrastructure projects, using private resources. In the case of the hydropower project, we had our Pension Funds as one of the investors.

Third, is of course, to continue pursuing the traditional methods of financing through grants and concessional loans from MDBs.

Finally, enhancing domestic funding goes back to the need to put in place a whole set of policies at the macro level geared to enhancing our productive capacities, strengthening and diversifying the economic base for development and growth so that we are able to enhance our revenue base. (Goes at what Mr. Thapar said)

These issues are captured well in the Vienna Programme of Action for Landlocked developing countries.

For countries like Bhutan and other LLDCs to be in a position to achieve transformation, the economic goals within the SDGs - SDG7 through 10 - would be critical.

I also agree with what Mr. Robin said on the need to improve efficiency in the use of available resources. Our Ministry of Works and Human Settlement receives the highest allocation of government budget.

I also agree on the need to improve the investment climate and hence we are working on improving our ranking on the ease of doing business, which ofcourse requires for a whole set of policies, legislation and regulatory frameworks to be put in place.

So, the sum and substance of what I am saying is infrastructure is important, financing is a challenge, but enhancing domestic financing, especially when you are small landlocked and least developed country is not easy. But we continue to make efforts and need to access all sources of financing mechanisms that are out there, including looking at some of the opportunities at the domestic level.
