



PPP Project Pipeline and Pilot Project Demonstration

Norbu Dendup

Chief, PPP Unit

Department of Macroeconomic Affairs

Ministry of Finance, Bhutan

Outline



- ✧ **Brief update on PPP in Bhutan**
- ✧ **Opportunities in developing a viable PPP market in Bhutan**
- ✧ **Brief on Thimphu Integrated Bus Terminal (Pilot Project)**

Bhutan - *Druk*kyul



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



PPP in Bhutan

- ✧ Bhutan will be graduating from the LDC status by 2023 –grants and concessional loan will be reducing.
- ✧ Bhutan experiencing increase in capital expenditure over the years
- ✧ Narrow tax base: **Tax to GDP ratio about 12%, fiscal Incentives erodes tax base**
- ✧ Increasing Recurrent expenditure vis-à-vis lower growth of domestic revenue;
- ✧ Rising public debt level;
- ✧



Estimated capital exp. of 12th FYP is expected to increase by 5% on an average as compared to the capital exp. of 11 FYP.

Fiscal Deficit: Nu. 29 Billion in the 12 FYP.

Innovative Financing

Supplement financing for Development.

Endowment funds

*Bhutan for life / Bhutan
Future Fund*



FDI

BESF

Public Private Partnership



- ✧ **PPP promoted** as one of the key strategy for achieving sustainable economic growth.
- ✧ ***PPP is recognized*** as an alternative strategy to attract additional financial resources.
- ✧ ***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.
- ✧ PPP Rules and Regulations 2017 adopted.
- ✧ PPP Guideline adopted in 2019



Strong political will

Proper Legislation in place

EDP, FDI Policy, FI, PPP Policy

Enabling environment

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



Land lock country

Inadequate infrastructure

High transportation cost

Small domestic market

Small financial market

Shortage of professionals

PPP Project Pipelines

PPP project long list		
#	Project Name	Implementing Agency
1	Development of Neighborhood Nodes	Thimphu Thromde (Municipal Authority)
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

A black and white photograph showing the interior of a bus. The view is from the back of the bus looking forward. Several rows of seats are visible, with passengers seated. The seats have a dark, textured surface. A vertical metal pole is visible on the right side of the frame. The background is slightly blurred, showing more of the bus interior and windows. A semi-transparent white rectangular box is overlaid in the center of the image, containing the title text.

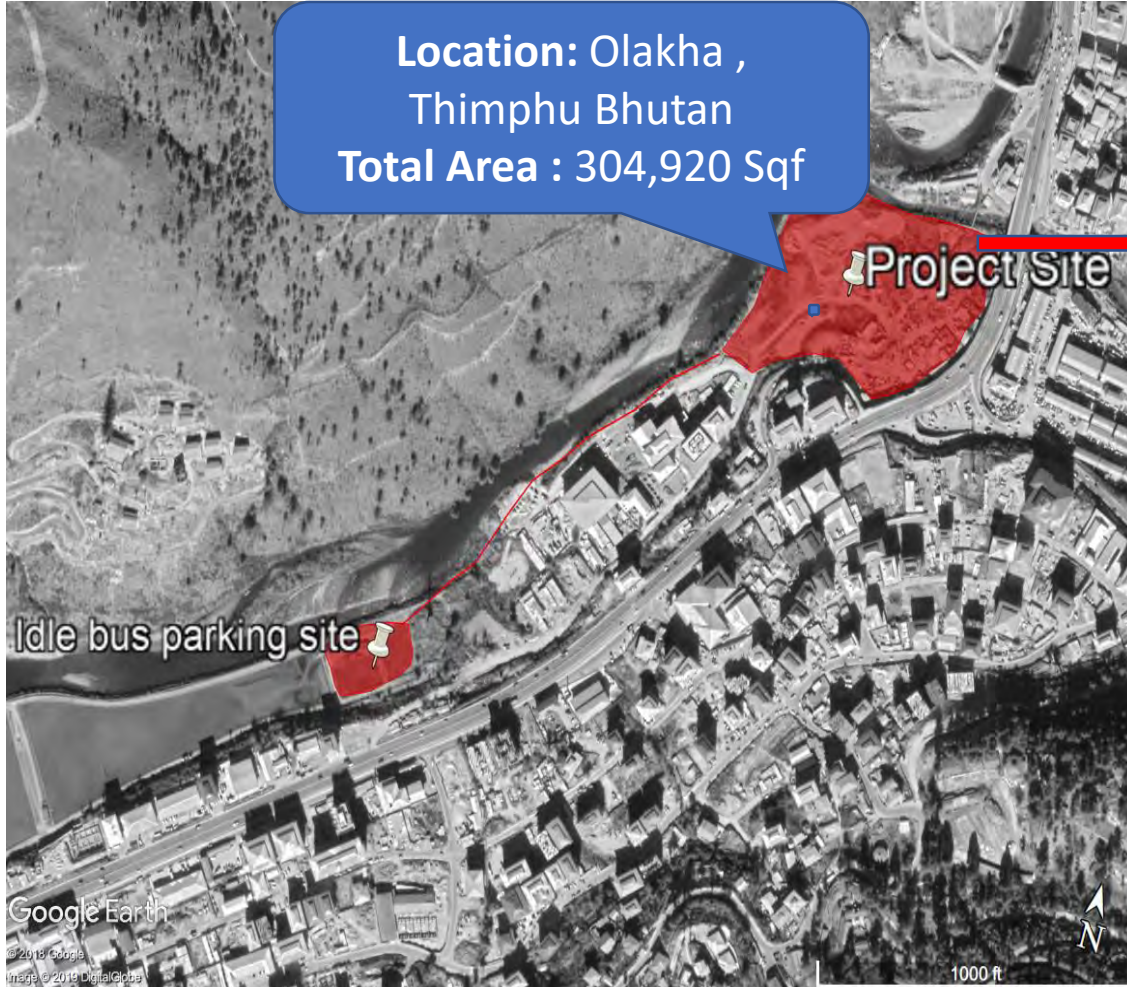
Thimphu Integrated Bus Terminal

PPP Unit, DMEA, MoF
7th August 2019



Thimphu Municipality

Project Details



Component	Area (in square feet)	% of total area
Total plot area	304,920	100%
Environmental buffer	78,408	25.7%
Developable land	226,512	74.3%
Building footprint/ plinth area	90,605	29.7%
Bus bays	29,063	9.5%
Taxi parking/ passenger drop zone	11,141	3.7%
Private car park (commercial)	35,523	11.6%
Circulation area	60,181	19.7%

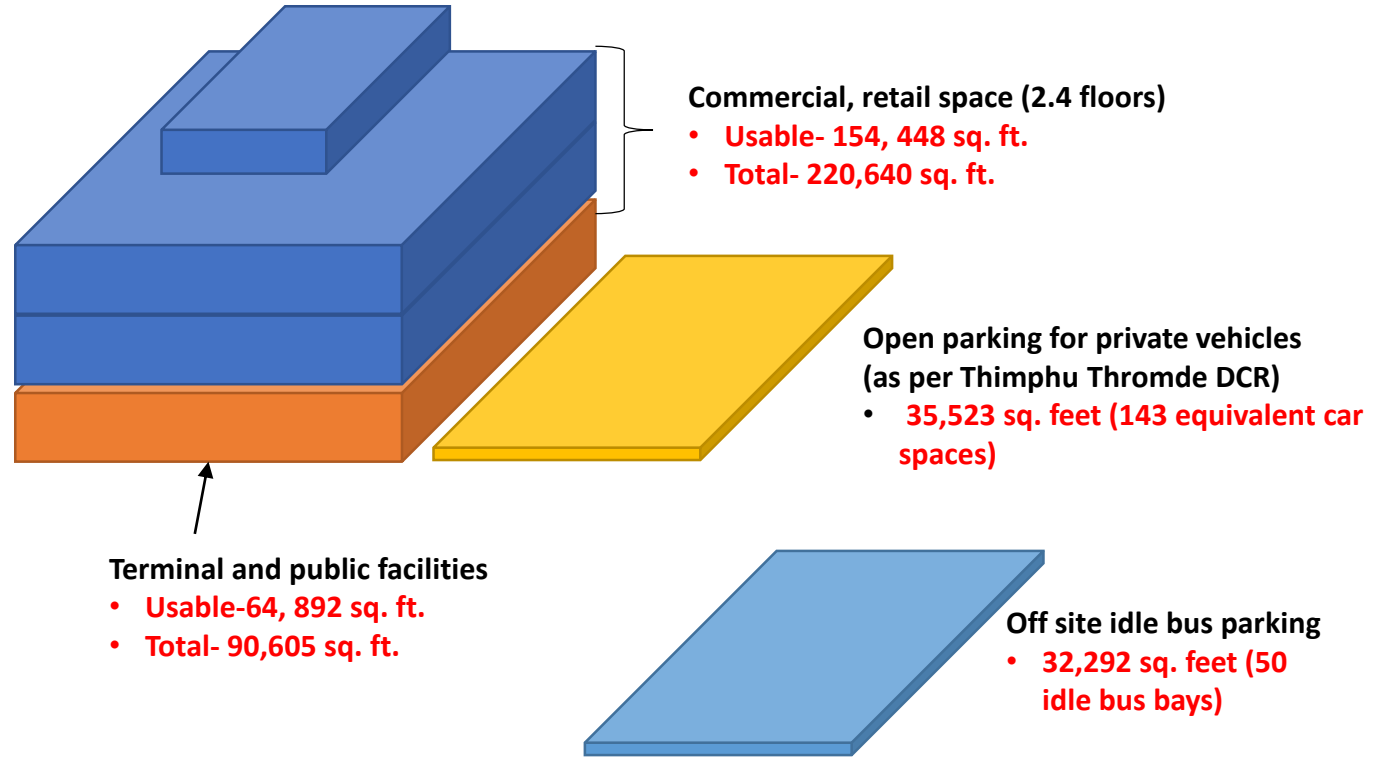
Approximate project cost: Nu. 2 Billion
PPP Model: DBFOM
Concession period: 30 Years

Use mix of the terminal building

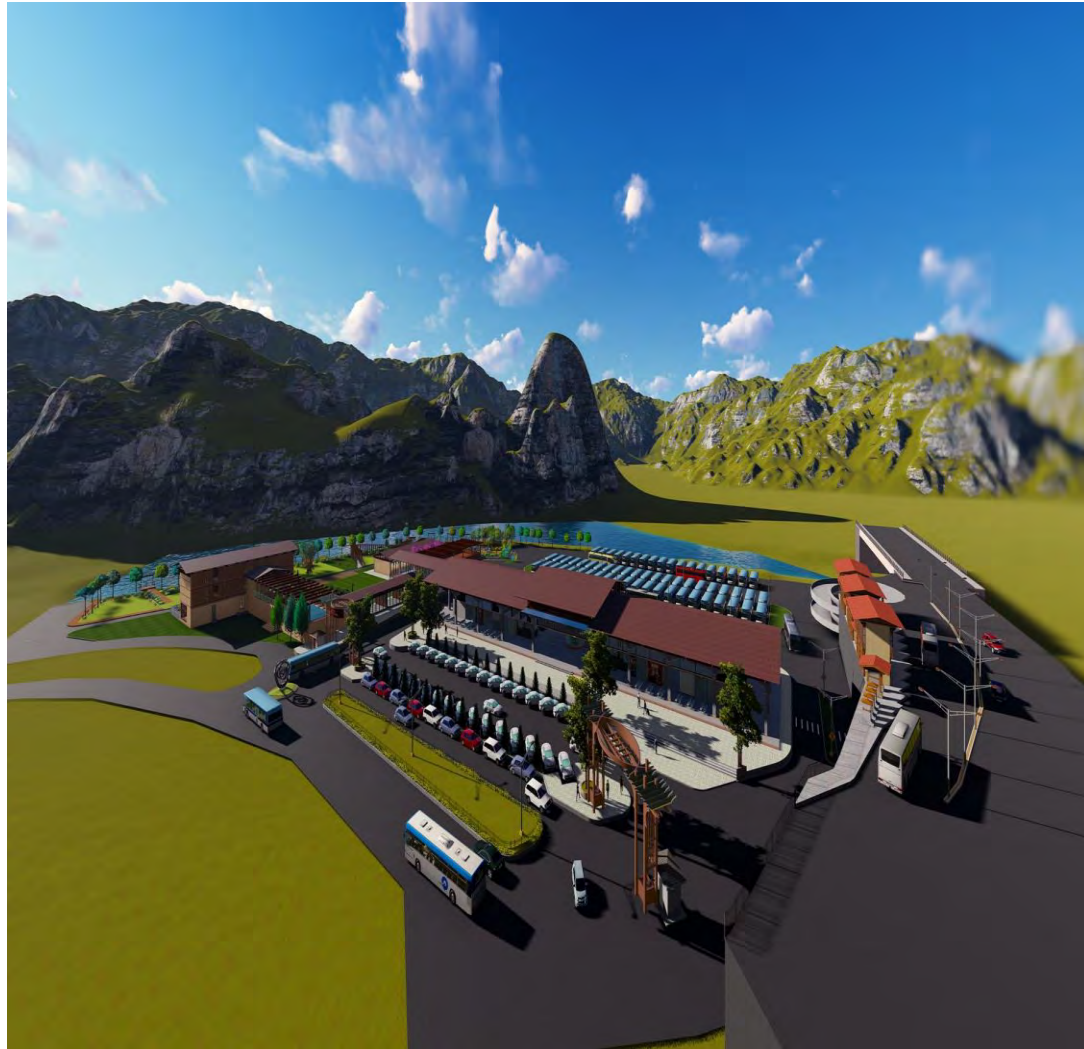


- Terminal and administrative facilities occupy usable carpet area of 1 floor
- Commercial and retail development occupy usable carpet area equivalent to 2.4 floors
 - Offices
 - Shops, food courts & restaurants
 - Multiplex, exhibition space
 - Convention centre, etc.

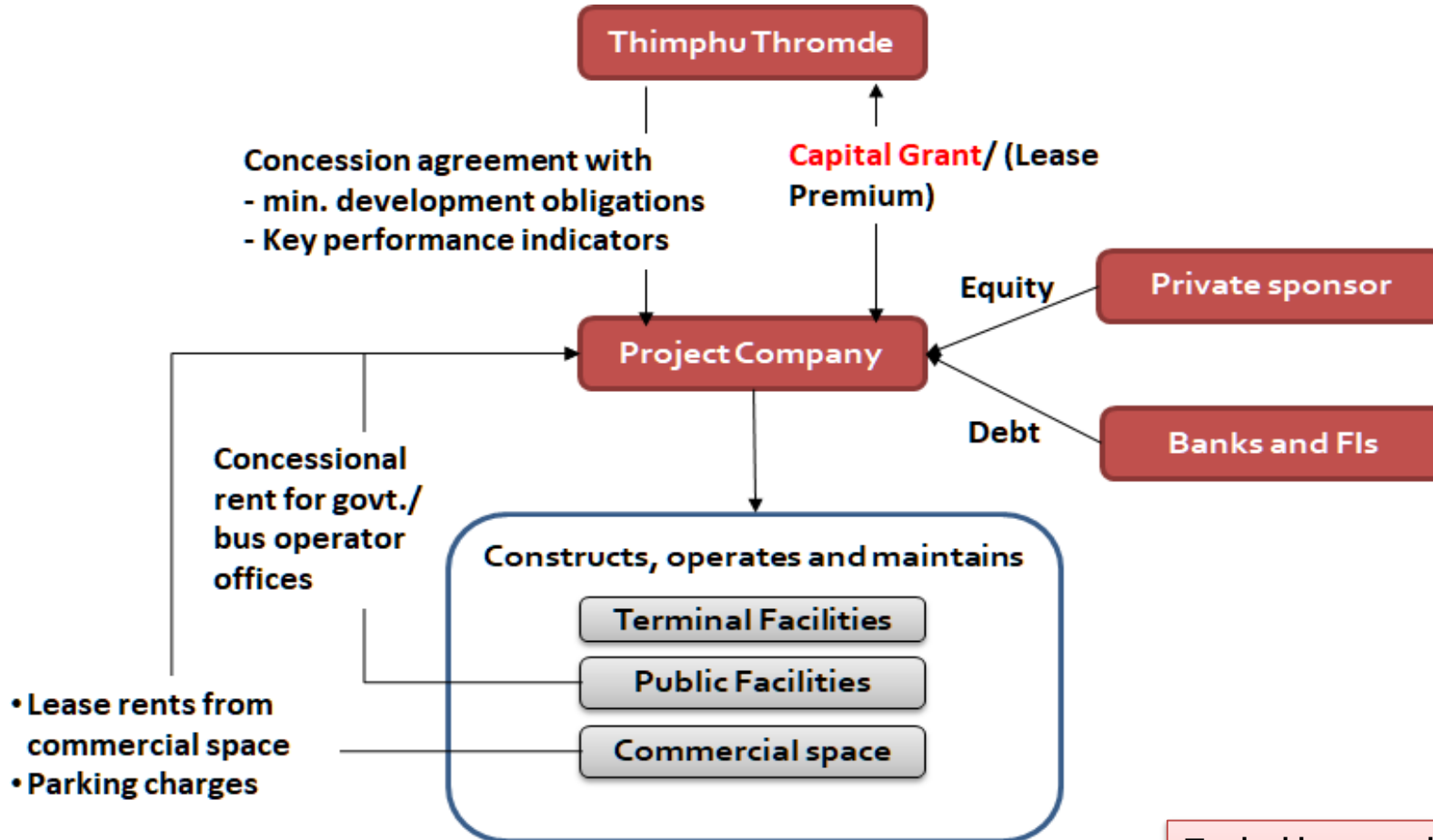
Commercial space calculated based on available parking area



Conceptual Design of the Bus Terminal



Conceptual PPP Structure



Cash flows for SPC

- | Inflows ☺ | Outflows ☹ |
|---|--|
| <ul style="list-style-type: none"> • VGF Capital Grant • Lease rentals from retail/ commercial space • Lease from offices • Parking charges | <ul style="list-style-type: none"> • Construction cost • Utility costs • Land lease • O&M costs • Taxes • Interest |

Cash flows for TT

- | Inflows ☺ | Outflows ☹ |
|---|---|
| <ul style="list-style-type: none"> • Land lease (concessional) | <ul style="list-style-type: none"> • VGF Capital Grant |

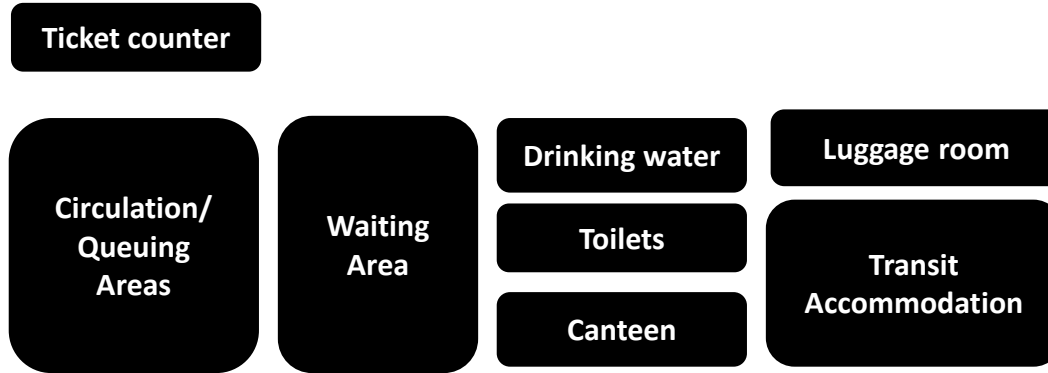
Typical bus terminal revenue streams, excluded by policy choices

- Terminal fee
- Bus parking fee
- Advertising revenue
- Market-linked rents for govt. offices/ bus operator offices

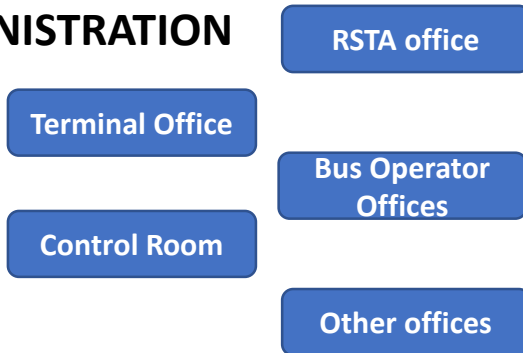


Public facilities inside the terminal building

PASSENGERS



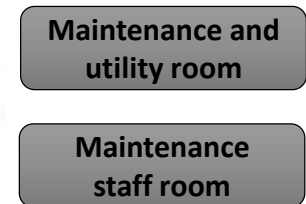
ADMINISTRATION



BUS STAFF



SUPPORT



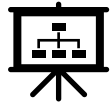
Responsibilities of the parties in the PPP project



PRIVATE PARTNER



Finance



Design



Construct



Operate and maintain



Market commercial space & collect rent



Handback after 30years



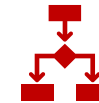
THIMPHU MUNICIPALITY (Implementing Institution)



Make site available



Pay VGF



Supervise the performance of the private partner



Continued regulation of bus service by RSTA

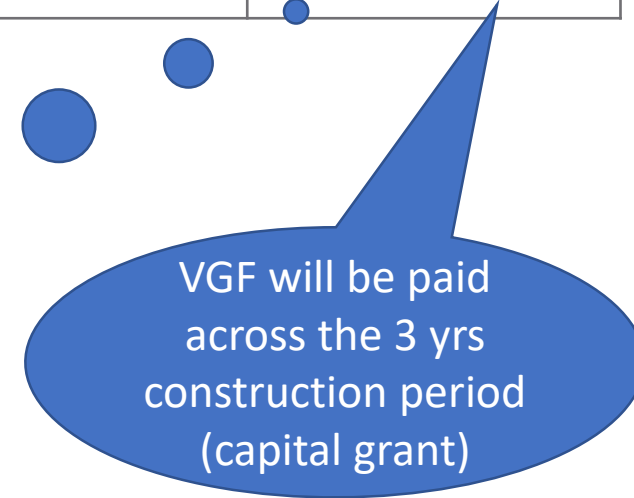


Protect the public interest

Summary PPP Pilot project

Component	Preferred option
Contract period	30 yrs (3 + 27)
Capital cost of the project (Nu. 1,277 m)	USD 18.5 m @69/USD
Debt (Nu. 688.6 m)	USD 9.98 m (54%)
Equity (Nu. 295.16 m)	USD 4.28 m (23%)
VGF (Nu. 293.3 m) Nominal	USD 4.2 m (23%)
VGF (NPV to Government) Nu. 263.5 m	USD 3.82 m
VGF (as % of public facilities)	84.3%
VGF (as % of total capex)	23.0%
<u>Project IRR</u>	15.8%
Equity IRR	20.0%
Min DSCR	1.27 x
LLCR	4.26x

Year	VGF Paid
Construction Year 1 (2020)	USD 1.37 million
Construction Year 2 (2021)	USD 1.41 million
Construction Year 3 (2022)	USD 1.46 million
Total	USD 4.25 million



Actual requirement of VGF will be determined during bid phase

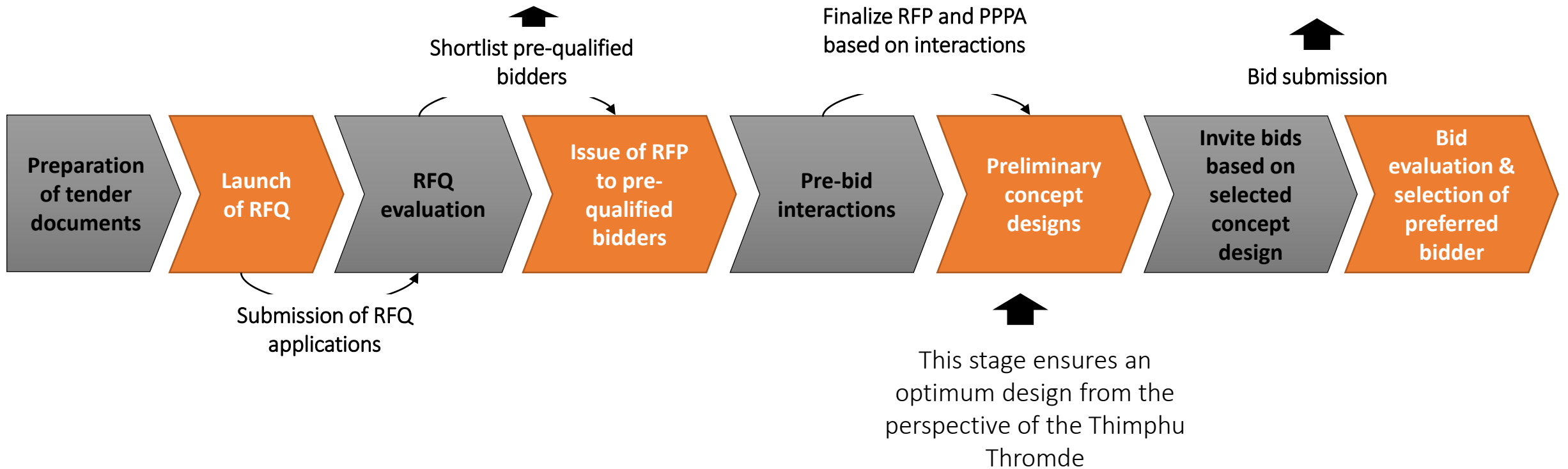
Benefits of the project

- Thimphu gets real value in exchange for VGF:
 - **Modern integrated bus terminal**
 - Operated & maintained for **33 years**
 - **Handback** of bus terminal & commercial space after 33 years
- Wider project benefits includes:
 - **Unlock high-value land** where existing bus terminal is
 - **Ease traffic congestion** of buses through the city center
 - New source of **long term property tax** income
 - Revitalize / redevelopment of the **wider Olakha area**
 - **Iconic / landmark building** and modern facility for Thimphu
 - Build capacity in **PPP market** in Bhutan

Overview of the procurement process

- Financially strong firms
- With experience in similar projects (on their own, or through consortium partners)
- Participation of Bhutanese firms

- The bid parameter may be
- Least VGF required
 - Highest lease offered (subject to a fixed VGF)





Tashi Delek