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Statement by the International Finance Corporation (IFC)
Bhutan's 14th Round Table Meeting with its Development Partners
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Delivered by:

1. Mr. Om Bhandari, Country Coordinator, International Finance Corporation

Your Excellencies:

The International Finance Corporation (IFC) continues to assist the Royal Government to engage the private sector in addressing key development gaps of Bhutan. The Government has rightly identified the need to diversify its economy away from hydropower while recognizing the importance and continuing to develop its power sector. We believe this approach is well placed and shall aid the nation in achieving the 12th five-year plan which is carefully crafted using GNH principles and aligned to the sustainable development goals (SDGs). The continued efforts in developing Bhutan's health, education, agriculture, tourism, mining, IT, financial and other infrastructure and services, coupled with concerted efforts to develop its small and cottage industries (CSIs) will only help strengthen the kingdom's economic resilience and create the much-needed jobs. In all the aforementioned areas the IFC will remain a long-term partner by providing advisory assistance, policy support and non-sovereign financing for the private sector.

We have been working in Bhutan since 2003. IFC has financed private companies that are financially and environmentally sustainable. We continue to provide advisory services on private sector development. We have helped enhance financial inclusion by supporting financial infrastructure development with the

Royal Monetary Authority and by working with local commercial banks by enhancing their risk management capabilities. Our investments in the tourism sector have supported Bhutan's policy of high value – low impact tourism. We helped promote the quality of Bhutan's tourism services with local and international operators. We also supported the largest private agribusiness company in the country. This project is showing initial results and will ultimately help increase the incomes of 15,000 mostly rural, mostly poor smallholder farmer families. The initiative has introduced modern agricultural and farming practices along with a high value niche product. We are glad to see one of the country's first major public private partnership (PPP) projects being rolled out and are delighted to have served as transaction advisor. Further, we are pleased to learn that the model is being replicated for other projects.

We welcome and encourage the steps Bhutan is taking to make the most out of the private sector: these are improving the business support environment, using more public-private partnership (PPP) instruments, attracting foreign direct investments (FDIs), developing the market for equity and outsourcing certain public services. Here, we would like to highlight the importance of developing the capabilities of the various regulatory bodies concurrently. This will be an important precursor as the new Government's revisits the role and operations of state-owned companies which have the potential to be leveraged to enhance Bhutan's competitiveness.

Your excellencies,

We all recognize and celebrate the admirable socio-economic progress Bhutan has made in a short span of time by prudently making the best use of development assistance. As we discuss Bhutan's graduation from the least developed countries (LDC) category, private financing, blended finance and other financing instruments will remain important complements to public loans and grants to help Bhutan avoid falling into the "lower middle-income trap". The 2030 Agenda for Sustainable Development clearly spells out the need for the private sector to engage

responsibly to meet the SDGs. With experience of channeling new financing mechanisms to tackle complex public issues such as food security and climate change in other countries, we see an opportunity for Bhutan to do so as well. This becomes important as the Royal Government decides to shift its responsibility from being a provider to an enabler of inclusive growth. To support this, our upcoming country partnership strategy for Bhutan, being developed together with our sister agencies, the World Bank and the Multilateral Investment Guarantee Agency (MIGA) will ensure to have broad consultations with various stakeholders.

The International Finance Corporation, is here to stay for the long term and back Bhutan up in this new journey. We extend our sincere thanks to the various agencies of the Royal Government of Bhutan and all other developmental partners for their continued support to us and to Bhutan's private sector. The informative presentations and rich dialogues we are having are indicative of the commitment of the Royal Government to achieving its development agenda to increase Gross National Happiness for the people of Bhutan. We reiterate our steadfast support to the Royal Government of Bhutan in its economic development strategy.

Tashi Delek.