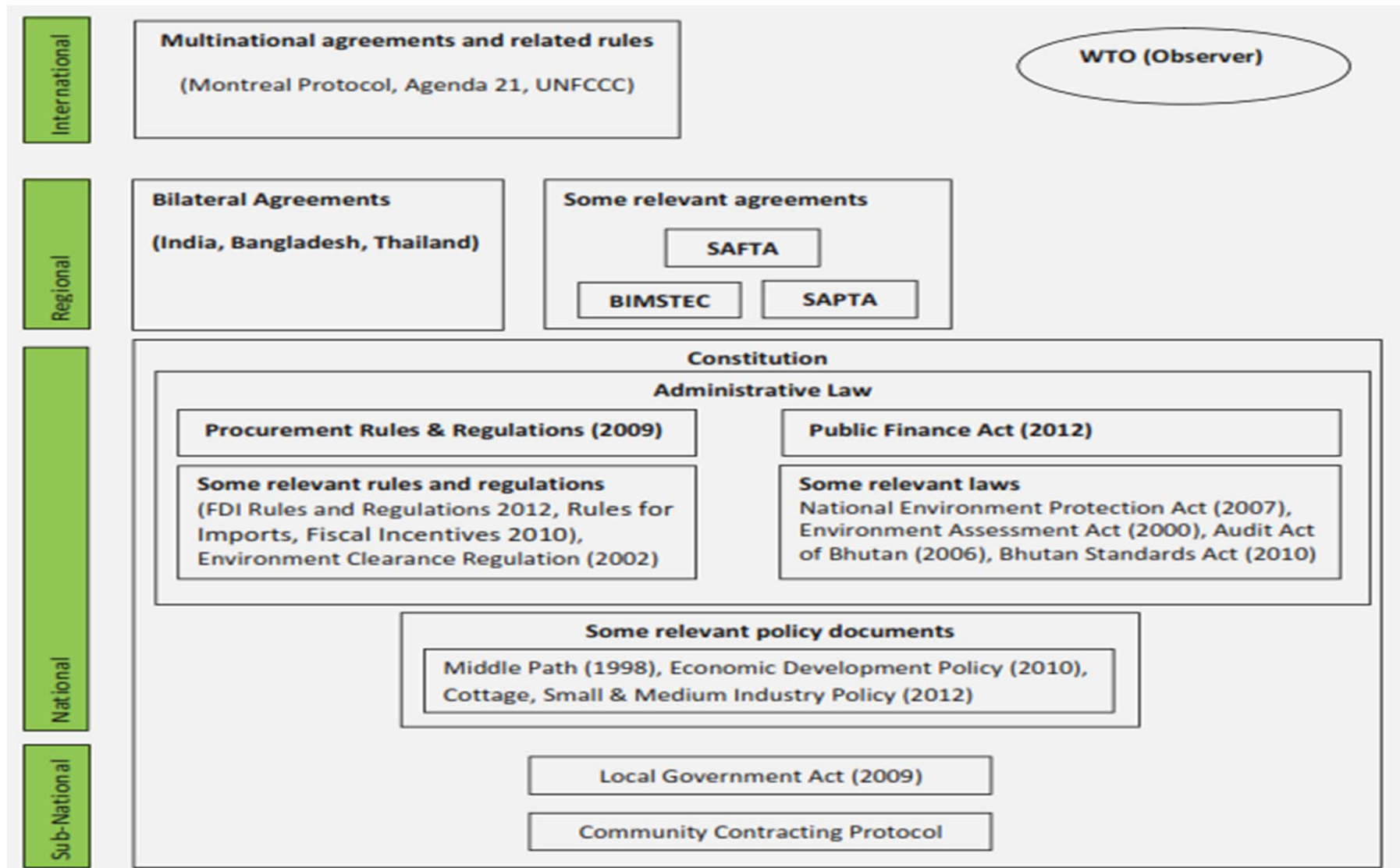


# GPP Principles

- Value-for-money across the lifecycle
- Transparency
- Non-discrimination and fairness



# Laws, regulations, policies



**Slide 2**

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**NS1**

Need to update the laws and policy

lenovo, 19-Apr-17

# International, Regional Treaties

- ☛ Multilateral Environment Agreements;
  - UN Framework Convention on Climate Change (UNFCCC),
  - Convention on Biological Diversity (CBD),
  - Convention on Combating Desertification (CCD).
- ☛ SDG 2030
- ☛ Brazil, Russia, India, China and South Africa (BRICS)
- ☛ Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)
- ☛ **South Asian Free Trade Area (SAFTA)**
- ☛ [South Asia Co-operative Environment Programme \(SACEP\)](#)

# Bilateral Agreements

- 🍃 **India-Bhutan energy cooperation agreement**
- 🍃 **India-Bhutan Trade Agreement Free Trade Agreement**
- 🍃 **Agreement on Trade Between Bhutan & Bangladesh**
- 🍃 **AGREEMENT ON TRADE, COMMERCE AND TRANSIT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF INDIA AND THE ROYAL GOVERNMENT OF BHUTAN (29<sup>th</sup> July 2006)**
- 🍃 *Thailand and Bhutan Bilateral Trade and Economic Cooperation Pact (Nov 14, 2013)*

# Bhutan's External Trade Statistics

## OEC, 2015 (1980 – 2014)

- Export: \$214M (175TH OF 221)
- **Imports:** \$465M (181ST OF 221)
- **GDP:** \$8.37K
- **GDP PER CAPITA** (111TH OF 184)
- During the last five years the imports of Bhutan have decreased at an annualized rate of -9.5%, from \$787M in 2010 to \$465M in 2015.

# Bhutan's Import Statistics

- The most recent imports are led by;
  - [Refined Petroleum](#) which represent 15.5% of the total imports of Bhutan,
  - followed by [Planes, Helicopters, and/or Spacecraft](#), which account for 12.3%.
  - Pig Iron, Iron Reductions Hot-Rolled Iron Bars Raw...Other Steel Bars Iron Pipe...2.7% Iron Structures, Other Iron Products Aluminium...Washing and Bottling Machines 1.3% to 4.7%
  - Forging Machines 1.0% to 1.2%
  - Computers, Stone...Machinery Having Individual Functions 1.0% to 2.2%
  - Broadcasting Accessories 1.3%,
  - [Buses 9.1%](#)
  - [Cars 12%](#)

# National Policies

- ☛ 11<sup>th</sup> Five Year Plan – “self-reliance and inclusive green socio-economic development”
- ☛ Economic Stimulus Plan – “Import substitution and export orientation to address negative balance of payments”
- ☛ Cottage, Small & Medium Industry Policy 2012
- ☛ Economic Development Policy 2010 – “green development”
- ☛ DHI-Private Sector Partnership Framework
- ☛ Foreign Direct Investment Policy, 2010
- ☛ Framework for Private Participation in Infrastructure, 2010
- ☛ ...



# National Laws benefiting GPP

- ☛ The Constitution
- ☛ Bhutan 2020
- ☛ National Environment Strategy – The Middle Path
- ☛ National Environment Protection Act
- ☛ Environment Assessment Act
- ☛ Waste Prevention and Management Act
- ☛ Water Act
- ☛ Land Act
- ☛ Forest and Nature Conservation Act
- ☛ Mines and Mineral Management Act
- ☛ Disaster Management Act



# National Policies & Laws calling for GPP

- Sales Tax, Customs and Excise Act
  - Rules and Regulations on Fiscal Incentives (2010)
- 🍃 **Standardisation Laws & Regulations**
  - 🍃 Bhutan Standards Act (2010)
  - 🍃 Food Act of Bhutan (2005)
  - 🍃 Consumer Protection Act(2012)
- 🍃 **Other Laws and Regulations**
  - 🍃 Audit Act of Bhutan (2006)
  - 🍃 Anti-Corruption Act(2011)
  - 🍃 Local Government Act (2009)



# National Procurement Laws & Regulations

- Public Finance Act (2007)
- Procurement Rules & Regulations (2009, revised 2014)
- Standard Bidding Documents



# Constitution of Bhutan

- Article 5 – Environment; Section 4:  
Parliament may enact environmental legislation to ensure sustainable use of natural resources and maintain intergenerational equity, and reaffirm the sovereign rights of the State over its own biological resources.
- *Article 8 – Fundamental Duties; Section 2:*  
*A Bhutanese citizen shall have the duty to preserve, protect and respect the environment, culture and heritage of the nation.*
- *Article 14 – Finance, Trade and Commerce; Section 15:*  
*Trade and Commerce with foreign nations shall be regulated by law.*

## **National Environment Protection Act, 2007**

- Section 53 to 59 establishes the NEC as the environmental custodian agency to frame measures to prevent environmental harm, handling of hazardous wastes, regulating discharge of environmental pollutants, setting environmental standards for products, technologies and management practices.

*E.g.; Section 59, The Commission may issue regulations, guidelines or codes concerning;*

*c) Environmental labelling in order to encourage production and marketing of environmentally friendly products or services, or to promote environmentally friendly and energy efficiency technologies.*

# Environment Assessment Act, 2000

Chapter III, Section 18.3, The project, alone or in connection with other programs or activities, contributes to the sustainable development of the Kingdom and the conservation of its natural and cultural heritage;



# Waste Prevention and Management Act, 2000

Chapter VII, Section 30, The Implementing Agencies may:

c) Provide tax incentives for environmental services and/or manufacture of environmentally friendly products;

e) Reduction in custom and other duties for the **import** plants and equipment for sound waste management and **environmentally friendly products resulting in minimal waste.**

# Public Finance Act

- Section 104 establishes the MOF as the authority to frame the rules and regulations for procurement to be implemented by government agencies.
- The PFA provides space for GPP practices in public sector corporations. It entrusts the RGOB to establish state enterprises to carry out significant commercial activities; and according to Article 81, the state enterprises in addition to its objectives of operating as a “successful business”, may also strive for social mandates that produce or deliver goods and services regardless of their profitability.



# Revised Rules & Regulations on Fiscal Incentives 2010

## 1. General Incentives

1.1 Sales Tax (ST) & Customs Duty (CD) exemption on import of Plant and machinery,

1.2 (a) ST exemption on import of permissible raw materials,

1.2 (b) ST/CD exemption on primary packaging materials for manufacturing industry,

1.3 CD exemption on import of permissible raw materials,

1.4 ST & CD exemption to financial institutions for purchase of software/hardware for credit/debit cards or for electronic payment use.

.....so on

# Revised Rules & Regulations on Fiscal Incentives 2010

## 2. Special Incentives

### 2.1 Cottage and Small Industries (CSI) and Co-operatives,

2.1.1 A 10-year income tax holiday for new CSIs and Co-operatives,

2.1.1 Additional 10-year income tax holiday to CSIs and Co-operatives  
located in the interior areas,

.....etc.

2.2 For waste management and recycling industry (15-year income tax  
holiday),

## 3. Sector-specific incentives;

3.1 Agriculture, 3.2 ICT, 3.3 Tourism, 3.4 Film and media, 3.5  
Construction, 3.6 Transport, 3.7 Education, & 3.8 Health.

# PRR

- Article 2.1.3.4: Evidence of the party's technical ability may be furnished by any of the following;
  - a. The educational and professional qualifications of the managerial and supervisory staff....
  - b. In the case of works – a list of all works carried out over the last (3-5) years...
  - c. In case of goods or services – a list of principal deliveries effected or services provided in the past 3 years ...  
(enables procurers to assess the technical facilities and capabilities of the supplier)

# PRR

- 5.2.2.4: The methods and factors or criteria for evaluating and comparing bids shall be indicated in the bidding documents... The factor and methods of giving preferential treatment to national bidders shall be explained, especially in international bidding;
- 5.2.2.11: ....The specifications or scope of works shall include all essential features or components desired in accordance to the specifications for building & road works issued by the MoWHS or as specified by the Procuring Agency;
- 5.2.2.12: In both cases of goods and works, care shall be taken not to use any particular brand name or catalogue number that would tend to restrict competition or to favour any particular supplier.

# PRR

## Article 5.4.3:

- 5.4.3.1: The price offered by a bidder shall be only one of the criteria for evaluation of bids;
- 5.4.3.2: In addition to the price, the evaluation criteria shall include criteria from the following non-exhaustive list, as appropriate and if laid down in the SBD;
  - a. Preferential treatment for goods of Bhutanese origin,
  - b. ....

(procuring agency is given the opportunity to set technical criteria for evaluation and select bidders beyond the lowest financial bidder)

# SBD

- SBD on Goods, *Section 1, Clause 39.5* states that the evaluation of a bid may consider other factors besides the bid price such as the characteristics, performance and terms and conditions of purchase of goods and services.
- Section III.2 allows the purchaser to consider costs of major replacement components, mandatory spare parts and service as well as operating and maintenance costs, performance and productivity of the equipment. This consideration allows procurers to make better life cycle analysis of the products.

# SBD

- SBDs for Works in Section V, Clause 10.2(“General Conditions of Contract”), mention social and environmental requirements, considering, among other things, compliance with labour laws, respecting health standards and environmental protection arising as a consequence of the contractors’ methods of operation.
- The SBD for Works in Section V, Clause 19.2 states that “[The contractor] shall take steps to protect the environment and to minimize noise, pollution or other undesirable effects resulting from his method of operation”.

# What does it mean?

- A careful review and interpretation of Bhutan's legislations, regulations and policies reveals that they are, in fact, supportive of incorporating environmental and social considerations. In other words, GPP is viable under the existing legislative and policy framework of the nation.
- **The main leverage points for practicing GPP lie in four stages of the procurement cycle:** *1) pre-qualification and qualification criteria for bidders, 2) technical specifications /scope of work, 3) evaluation of bids and 4) establishment of contract conditions.*



# Infusing GPP

- ☛ Identifying, assessing and defining the need
- ☛ Conducting market consultations
- ☛ Integrating environmental and social performance into supplier pre-qualification
- ☛ Integrating environmental and social performance into technical specifications
- ☛ Evaluating tenders and awarding contracts
- ☛ Designing contract conditions

# GPP Pre-requisites

- Legal and policy space
  - Laws and policies could refer to “value-for-money across the lifecycle” or suggest that public procurement is conducted in a manner that yields “whole-life value” or is based on the “total cost of ownership”.
- Visible political commitment
- Economic commitment
- Institutional supporting structure and responsibilities
  - Environmental management systems