

Public-Private Partnership Stories

Bhutan: Thimphu Parking



Thimphu City, the capital of the Kingdom of Bhutan, is growing fast. With one in every seven Bhutanese living in the city, Thimphu faces severe congestion. To address the challenges and prepare for future growth, the Royal Government of Bhutan (RGoB) developed a 'Bhutan Transport 2040 Integrated Strategic Vision'. The vision includes improving parking services in order to alleviate traffic congestion and facilitate mass urban transportation. The RGoB, through Thimphu Thromde (Thimphu City Municipality), envisioned the creation of off-street parking facilities in the city center and partnered with IFC to develop multi-level off-street parking facilities.

KCR 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) was selected to execute the project, which will create an additional inventory of at least 550 parking spaces in Thimphu City via the city's first multi-level cars parks (MCLP). Through this project, vital road space will be opened up, being a critical enabler for future improvements in urban transportation. The project will mobilize about \$8 million of private sector investment and will have a positive fiscal impact for the City through an annual revenue share of \$230,000.

This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.

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The project was implemented with the financial support of DevCo, a multi-donor facility affiliated with the Private Infrastructure Development Group. DevCo provides critical financial support for important infrastructure transactions in the poorest countries, helping boost economic growth and combat poverty. DevCo was co-founded by IFC and the UK's Department for International Development (DFID), and is funded by DFID, the Austrian Development Agency, the Dutch Ministry of Foreign Affairs, and the Swedish International Development Agency.

BACKGROUND

Thimphu is witnessing rapid growth; the existing population is expected to double by 2020. This growth, combined with economic growth and a poor mass transit system, has led to a steady increase in the number of cars and traffic congestion. As part of the ‘Bhutan Transport 2040 Integrated Strategic Vision’, the RGoB aims to create an efficient, safe, and equitable urban transport system to encourage use of public transportation. One critical enabler is off-street parking facilities, which will allow removal of on-street parking and create road space for deploying mass transportation. In addition, the city intends to transform Norzin Lam, the major shopping and entertainment street, into a pedestrian-only thoroughfare. In order to do this, on-street parking from this street will need to be relocated to alternate off-street locations.

The RGoB, through the Thimphu Thromde, is developing two off-street MLCP facilities. The project entails developing 550 parking spaces on two sites within the city center. In addition, an inventory of almost 1,000 public parking spaces will be managed under the PPP contract. The project will augment off-street parking supply and enable deployment of urban transportation services in the city center in the future.

IFC'S ROLE

IFC was appointed as Advisor to execute the Thimphu Parking project by the Thimphu Thromde, RGoB. IFC developed a larger, city-wide Parking Plan for Thimphu with the aim to steer the city towards a tariff policy as well as long-term sustainable parking demand management.

IFC undertook technical and commercial due diligence to assess potential parking sites and identify two suitable parking locations in the city center, assess parking demand, select a suitable parking system configuration, and determine an optimal system capacity for development capacity.

IFC analyzed social, environmental, legal, and commercial issues related to the parking project and assisted Thimphu Thromde in resolving such issues in preparation of the PPP tendering. IFC managed the bidding process, including preparation of bidding documents and evaluation of bids.

TRANSACTION STRUCTURE

IFC recommended a 22-year design, build, finance, operate, and transfer (DBFOT) concession.

The private Concessionaire is responsible for the design, development, finance, operation and maintenance of the two MLCP facilities in which at least 550 parking spaces have to be provided. The multi-level car parks may also include commercial areas, developed per the stipulations of the Concession Agreement. In addition, the Concessionaire will be responsible for refurbishing, operating and maintaining about 1,000 existing off-street and on-street public parking inventory in the city center. The cost of the project is estimated to be approximately \$8 million, which will be borne entirely by the

private Concessionaire. In lieu of the development and O&M rights, which entail collection of revenue from the users of the parking spaces and commercial area, the private Concessionaire has agreed to pay a minimum annual Concession fee of about \$230,000 to the Thromde, to be escalated through the project life.

The Concessionaire will be responsible for getting all requisite approvals for the development of the project. The Thimphu Thromde will facilitate this process and hand over the two sites for the proposed MLCPs and existing parking sites.

BIDDING

For a medium size project in a frontier region like Bhutan, the project invited interest of construction companies and parking operators from various countries in the region. The winning bidder was selected on basis of the higher “per parking space annual concession fee” offered to the Thromde. The winning consortium offered a concession which is approximately 70 percent higher than what the Thromde is receiving from the previous operator.

The concession for the project was signed in September 2014.

EXPECTED POST-TENDER RESULTS

- 550 new off-street multi-level parking spaces created and existing parking spaces refurbished. In addition, there will be improved parking operations and management over the next 22 years.
- Improved traffic conditions achieved, facilitating the development of mass public transportation which is vital for the growing city.
- Mobilization of \$8 million in private investment and a positive fiscal impact for the City through an annual revenue share of \$230,000.
- The project is the first PPP in the urban infrastructure spaces closed in the entire country and is also the first PPP successfully closed by the Thimphu Thromde. The project has led the way in establishing technical, commercial, and regulatory processes in development of similar projects and has replication potential in other parts of the country.