



**National workshop on Capital Market Development in Bhutan**  
*“Leveraging Private Finance for Sustainable Capital Market Development”*

**Ariya Hotel**  
**Thimphu, Bhutan**  
**18-19 December 2019**

**PROGRAMME**

**Background**

Bhutan, as both a landlocked developing (LLDC) and least developed country (LDC), is hindered by its limited capacity to mobilize resources. Several critical elements affect its ability to consolidate resources including geographical remoteness from global markets that pose development and trade constraints; weak economic infrastructure and productive capacity; and a narrow export base. Despite these inherent challenges, Bhutan has made notable progress. Its GDP has grown on average more than 7 percent and advanced from a low to medium human development index in a brief timespan. Underpinning this success are significant improvements in literacy rates and educational attainments accompanied by major gains in areas of health and sanitation.

In spite of these developments, Bhutan is increasingly facing significant resource constraints to finance its socio-economic development in the short and medium term. Resources in hydropower are facing anticipated postponement due to prolonged delays in the commissioning of its large hydropower projects, namely Punatsangchhu I (1200 MW) and II (1020 MW). The situation is exacerbated by the prospect of graduation from LDC status in FY 2024-25, which will significantly reduce the availability of concessional financing that has, thus far, been critical in addressing resource gaps for structural transformation. Moreover, development assistance from India, Bhutan’s largest partner, for the 12<sup>th</sup> plan period (2018-2023) has been maintained at the same level as during the 11<sup>th</sup> plan period. Assistance from other development partners will also likely decline as Bhutan’s per capita income and other social indicators have long-crossed thresholds of a low-income and low human development level.

At the same time, the Royal Government of Bhutan’s (RGoB) issuance of treasury bills and short-term loans from the banks have also come under recent scrutiny as the issuance of T-Bills and short-term debts heightens the related risks of constraining the development of capital markets in the country, volatility in interest rates, asset-liability mismatch, liquidity risks, and limited option to finance specific needs. To address Bhutan’s resource gaps, the RGoB has identified the need to utilize “innovative financing mechanisms.” The sovereign bond, in this

regard, should enable the government to fund public sector borrowing requirements at competitive cost in the long run. To this end, the government has requested ESCAP to provide technical assistance in developing sovereign bond market in 2017. Since then, ESCAP has been actively engaged in assisting RGoB in developing capital market through various stakeholders' consultations, capacity building workshops and research product.

As a part of ESCAP's technical assistance to Bhutan, this national workshop aims to engage with the Ministry of Finance, various Government agencies, and key stakeholders to help facilitate the issuance of Bhutan's first sovereign bonds. It will emphasize experiential learning and exchange of information with experts, institutional investors, and private sector investors.

## Objectives

The major objectives of this workshop are to discuss and assess the progress made following the 2018 Workshop on Supporting Asia-Pacific LLDCs and Bhutan in Mobilizing Resources for the SDGs with a focus on the following:

- (1) The latest trends and issue in the development of domestic capital markets.
- (2) Key progress and challenges on Bhutan's efforts towards the issuances of sovereign bonds.
- (3) Capacity building and engaging with the Ministry of Finance and various Government agencies, banks, institutional investors and key stakeholders to help facilitate an issuance of Bhutan's first sovereign bonds.
- (4) Inclusive feedback from relevant Government officials, policymakers and private sector.

## Participants

This meeting will include presentations given by government officials, experts, practitioners of Bhutan related development cooperation, along with the representatives of relevant international and/or regional organizations. Government officials and policymakers from the following institutions will be targeted: (I) Ministry of Finance, Ministry of Economic Affairs and the Gross National Happiness Commission (Planning Commission); (II) National Development Banks and financial institutions; (III) Royal Securities Exchange of Bhutan (IV) and Royal Monetary Authority of Bhutan

## Programme

Day 1	18 December 2019 (Wednesday)
9:00 - 9:30	<i>Registration</i>
9:30 - 10:00	<p><b>Opening and Introductions</b></p> <p><b>Ms. Tientip Subhanij</b>, Chief of Financing for Development, UNESCAP</p> <p><b>Mr. Dasho Nim Dorji</b>, Secretary, Ministry of Finance of Bhutan</p>

	<b>Mr. Gerald Daly</b> , Resident Coordinator of the United Nations and Resident Representative for UNDP
10:00 – 10:30	<i>Group photo and coffee break</i>
10:30 – 12:30	<p><b>Session 1: The State of Capital Market Development in Bhutan</b></p> <p>This panel will initiate the conference by discussing the state of capital markets in Bhutan among the attending delegates. An evidence-based reflection related to bond and stock trading in general, headlining key facts and figures related to trading on the local securities market. The profile of investors' will be discussed from at least three aspects: how much trade is conducted by institutional versus retail investors respectively; the balance of investment activity aimed at short-term versus long-term investments; and the strength of demand for investment choices by domestic and international investors.</p> <p><i>Moderator</i></p> <p><b>Mr. Masato Abe</b>, Economic Affairs Officer, UNESCAP</p> <p><i>Speakers</i></p> <p><b>Mr. Gopal Giri</b>, Director, Department of Macroeconomic Research &amp; Statistics, Royal Monetary Authority of Bhutan.</p> <p><b>Mr. Promod Chhetri</b>, General Manager, Royal Securities Exchange of Bhutan (RSEB)</p>
12:30 - 13:30	<i>Luncheon</i>
13:30 - 15:00	<p><b>Session 2: Institutional Framework &amp; Regulatory Aspects of Capital Market Development</b></p> <p>To improve the sophistication of the capital market and allow stronger participation from both domestic and international investors for raising capital and investments in Bhutan, this panel serves to explore the challenges facing the current regulatory frameworks and institutional capacity of Bhutan. It also serves to discuss possible solutions to better identify the priorities needed to improve the capital market of Bhutan.</p> <p><i>Moderator</i></p> <p><b>Mr. Louis T.W. Cheng</b>, Professor of Finance and Director of Centre for Economic Sustainability and Entrepreneurial Finance (CESEF), The Hong Kong Polytechnic University</p> <p><i>Speakers:</i></p> <p><b>Mr. Sonam Penjor</b>, Chief Program Officer, Fiscal Division, Dept. of Macroeconomic Affairs, Ministry of Finance</p>

	<p><b>Mr. Gopal Giri</b>, Director, Department of Macroeconomic Research &amp; Statistics, Royal Monetary Authority of Bhutan.</p> <p><b>Mr. Karma Yeshey</b>, Registrar of Companies, Dept. of Industry, Ministry of Economic Affairs</p> <p><b>Mr. Dorji Phuntsho</b>, CEO, Royal Securities Exchange of Bhutan Limited</p>
15:00 - 15:30	<i>Coffee break</i>
15:30 – 17:30	<p><b>Session 3: Desirable Policy Framework to Facilitate the Development of Capital Markets</b></p> <p>What are the suitable benchmarks for Bhutan to aspire to? Are there existing success stories of advanced financial market development in regions with similar economic fundamentals to Bhutan and what lessons can we garner from them? Building on the issues introduced in session 2, this session deepens the discussion on the necessary policy and regulations needed to enhance the development of capital markets from both domestic and international perspectives. Among other things, this discussion will contest the view that an ‘ideal’ indicator for the performance of a transparent and well-functioning financial system is the extent and quality of proper financial information disclosure, especially among listed entities, as these promote sound governance and efficient investment decisions.</p> <p><b>Moderator</b></p> <p><b>Mr. Louis T.W. Cheng</b>, Professor of Finance and Director of Centre for Economic Sustainability and Entrepreneurial Finance (CESEF), The Hong Kong Polytechnic University</p> <p><b>Speakers</b></p> <p><b>Ms. C.S Agnes Cheng</b>, Chair Professor of Accounting and Head, School of Accounting and Finance, The Hong Kong Polytechnic University</p> <p><b>Mr. Hau-Man Yeung</b>, Director of Corporate Advisory, Ascent Partners Group Limited</p> <p><b>Mr. Tempa Gyeltshen</b>, Research Fellow, Department of Macroeconomic Research &amp; Statistics, Royal Monetary Authority of Bhutan.</p> <p><b>Mr. Karma Yeshey</b>, Registrar of Companies, Department of Industry, Ministry of Economic Affairs.</p> <p><b>Mr. Dorji Phuntsho</b>, CEO, Royal Securities Exchange of Bhutan Limited</p>
	<i>End of Session</i>

## *Day 2 Program*

<b>Day 2</b>	<b>19 December 2019 (Thursday)</b>
08:30 - 09:00	<i>Registration</i>
09:00 - 10:30	<p><b>Session 4: Green Bond Market Development and Issuance</b></p> <p>This session aims to understand the international standard and certification processes behind green bond issuance. While Bhutan may not immediately follow the international approach on issuing a green bond, it will be beneficial to understand the pros and cons of such practices in relation to the domestic conditions of Bhutan’s long-term objectives in future bond issues.</p> <p><b>Moderator</b></p> <p><b>Ms. Tientip Subhanij</b>, Chief of Financing for Development, UNESCAP</p> <p><b>Speakers</b></p> <p><b>Mr. Louis T.W. Cheng</b>, Professor of Finance and Director of Centre for Economic Sustainability and Entrepreneurial Finance (CESEF), Tshe Hong Kong Polytechnic University</p> <p><b>Mr. Hau-Man Yeung</b>, Director of Corporate Advisory, Ascent Partners Group Limited</p> <p><b>Mr. Dorji Phuntsho</b>, Chief Executive Officer, Royal Securities Exchange of Bhutan Limited.</p>
10:30 - 11:00	<i>Coffee break</i>
11:00 - 12:00	<p><b>Session 5: Review of Progress on Sovereign Bond Market Development in Bhutan.</b></p> <p>To underpin the effective creation of a sovereign (green) bond issuance in Bhutan, this panel aims to achieve mutual understanding on the readiness and the maturity of the bond market in Bhutan. Similar to discussions from session 1, this includes detailing the current status of: domestic and international trading of bonds; and understanding of investors’ profile e.g. the number and trade activity of (i) institutional versus retail investors and (ii) short-term versus long-term investors. In this context, this session will discuss the experiences, challenges, and priorities for re-shaping the bond market to deliver the primary demand and secondary liquidity requirements to support advanced green financial solutions such as green bonds.</p> <p><b>Moderator</b></p> <p><b>Mr. Masato Abe</b>, Economic Affairs Officer, UNESCAP</p>

	<p><i>Speakers</i></p> <p><b>Mr Tshering Dorji</b>, Director, Department of Public Accounts, Ministry of Finance</p>
12:00 - 13:30	<i>Luncheon</i>
13:30 - 14:30	<p><b>Session 6: Institutional Investors Perspective and Engagement</b></p> <p>Attention in this session will turn explicitly towards understanding the requirements of institutional investors, who are known to be very active in the international green bond market. In order to achieve a successful green bond issue, a healthy secondary market to support green bond and securities trading is important. Therefore, panel discussion focuses on the current status and future development of institutional (both government and private sector) and private investors (mostly retail or small investors). One expected outcome of this discussion is an improved understanding of the main KPIs needed for post-issue evaluation purposes.</p> <p><i>Moderator</i></p> <p><b>Ms. C.S Agnes Cheng</b>, Chair Professor of Accounting and Head, School of Accounting and Finance, The Hong Kong Polytechnic University</p> <p><i>Speakers</i></p> <p><b>Mr. Chencho T Namgay</b>, Director, Dept of Investment, DHI</p> <p><b>Ms. Leki Wangmo</b>, Director of Investment, National Pension and Provident Fund (NPPF)</p> <p><b>Mr. Pema Thinley</b>, Company Secretary, RICBL</p>
14:30 -15:30	<p><b>Session 7: Private Sector Perspective and Engagement</b></p> <p>In order to achieve a successful green bond issue, a healthy secondary market is critical to support green bond and securities trading, and thereby deliver efficient and accurate asset pricing. Therefore, the focus discussion within this panel is to review the current status and future development of the market from the lens of private investors. In so doing, this panel will complement the insights drawn from earlier sessions and allow discussion of performance/success indicators uniquely relevant to smaller/retail investors.</p> <p><i>Moderator</i></p> <p><b>Mr. Dorji Phuntsho</b>, Chief Executive Officer, Royal Securities Exchange of Bhutan Limited.</p> <p><i>Speakers</i></p> <p><b>Mr. Jurmay Chopel</b>, CEO, Sherza Ventures Limited</p>

	<p><b>Mr. Singye N Dorji</b>, Joint Managing Director, RSA Pvt Limited.</p> <p><b>Mr. Rinchen Dorji</b>, Senior Program Officer, Investment &amp; Corporate Governance Division, Dept of Macroeconomic Affairs, MoF</p>
15:30 - 16:00	<i>Coffee break</i>
16:00 - 17:00	<p><b>Session 8: Way Forward</b></p> <p>This panel will conclude the conference by summarizing insights on key findings from all sessions. Some research comparison for green bond issues related to Bhutan will be presented. Discussions here will focus on concrete steps to be taken to achieve a successful sovereign (green) bond issue for Bhutan, taking into consideration bond-size, structural aspects, and use-of-proceeds criteria that need addressing to ensure demand and encourage investors to take up trading. The opportunities and priorities for delivering a liquid market will be highlighted in order to inform the development of measurable and informative performance indicators. This final session will address policies to further develop domestic bond markets with the aim to strengthen fiscal resource and boost private investment.</p> <p><i>Moderator</i></p> <p><b>Ms. Tientip Subhanij</b>, Chief of Financing for Development, UNESCAP</p> <p><i>Speakers</i></p> <p><b>Mr. Dasho Nim Dorji</b>, Secretary, Ministry of Finance of Bhutan.</p> <p><b>Mr. Karma</b>, CEO, Royal Insurance Corporation Bhutan Limited</p> <p><b>Mr. David Broadstock</b>, Deputy Director of Centre for Economic Sustainability and Entrepreneurial Finance (CESEF), The Hong Kong Polytechnic University</p> <p><b>Mr. Dorji Phuntsho</b>, CEO, Royal Securities Exchange of Bhutan Limited</p>
17:00 – 17:15	<p><b>Closing Remarks</b></p> <p><b>Ms. Tientip Subhanij</b>, Chief of Financing for Development, UNESCAP</p> <p><b>Mr. Dasho Nim Dorji</b>, Secretary, Ministry of Finance of Bhutan.</p>
	<i>End of Conference</i>