

# Private sector participation in pharmacy services in Bhutan for better consumer service

by  
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## Introduction

Bhutan's healthcare system is publicly funded and provides free medical services to its citizens. However, private retail pharmacies complement the public system by ensuring the availability and accessibility of essential medicines, particularly over-the-counter medications. Private pharmacies offer convenience, brand choice and flexibility in service hours, which are critical in improving consumer access to healthcare.

Despite their role, the private pharmacy sector in Bhutan remains small, comprising only 83 registered retail and 35 wholesale pharmacies. The Bhutan Food and Drug Authority (BFDA) regulates pharmaceutical products, including pricing and distribution.

A significant concern is the absence or limited presence of pharmacies in remote Dzongkhags such as Zhemgang, Gasa and Samdrup Jongkhar. This scarcity restricts access to over-the-counter (OTC) and prescription medicines, often compelling residents to procure drugs from across the border—where pharmaceutical standards may not align with Bhutan's regulations. Limited competition in towns with only one pharmacy further constrains consumer choices.

This study examines the distribution and accessibility of private pharmacies across Bhutan, the reasons for the uneven spread, and the impact on consumer welfare. It also explores potential government interventions to encourage greater private sector participation in this essential service.

## Methods and Materials

A mixed-methods approach was used, integrating both qualitative and quantitative data. Information was collected from three key stakeholder groups: wholesalers, retailers, and consumers in Dzongkhag towns with only one or no pharmacy. Information was collected from 10 wholesalers, 20 retail pharmacies and 10 residents each from 7 Dzongkhags with low pharmacy presence (either no pharmacy or only one) using structured questionnaires to gather data regarding operational challenges, pricing perceptions, expansion barriers and consumer experiences with medicine access.

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## Findings and Discussions

### *~ Pricing structure of OTC medicines*

Medicines in Bhutan are price-regulated to ensure affordability. Section 5.6 of the Medicines Act of the Kingdom of Bhutan (2003) mandates that all medicinal products, health supplements, and feed supplements be sold at or below the approved prices submitted during registration. The pricing system accounts for manufacturer, wholesaler and retailer markups (Tab. I).

While 80 percent of wholesalers expressed satisfaction with the pricing system, a minority advocated for a deregulated structure to enable higher profits, although none found the current model unviable

*Table I: Example of price mark-up from wholesaler to final retail (Source: BFDA, MOH)*

Product	Price to Wholesaler (INR)	% Profit	Price to Retailer (INR)	% Profit	Maximum Retail Price (INR)
A	31	8.86%	35	8.33%	42
B	113	8.83%	128	8.37%	153
C	293	8.85%	331	8.36%	396

### *~ Wholesale pharmacy*

Only registered wholesale pharmacies are authorized to import medicines approved by the Bhutan Food and Drug Authority (BFDA). This regulatory measure ensures strict control over the quality of pharmaceuticals, prevents unauthorized distribution, and safeguards public health by restricting the importation of medicines to qualified and vetted entities.

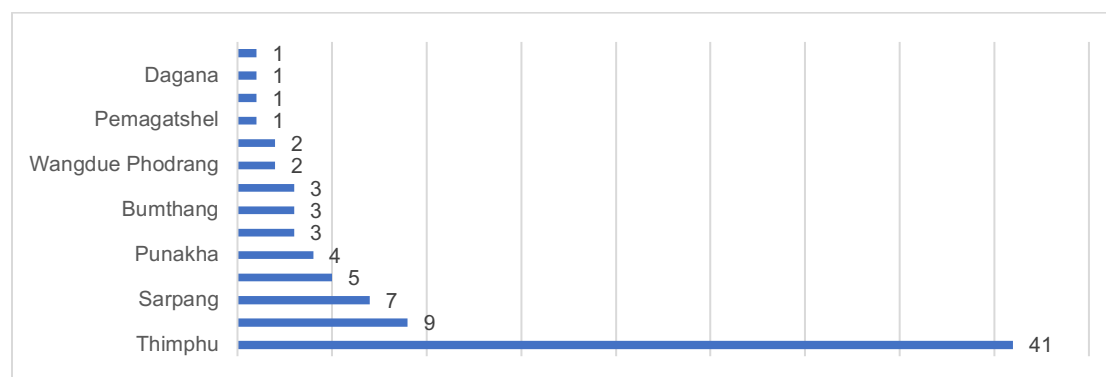
Approximately 80 percent of wholesalers identify high transportation costs as their most pressing business challenge. This is closely followed by low market demand, reported by 70 percent of respondents. Additionally, 30 percent of wholesalers face difficulties in recruiting Certified Pharmacist (CPs), despite the availability of around 162 certified professionals nationwide. This issue largely stems from a general reluctance among qualified individuals to enter or remain in the pharmaceutical sector. Consequently, expanding wholesale operations to rural Dzongkhags remains a significant challenge.

Nevertheless, 30 percent of wholesalers expressed willingness to expand if fiscal incentives (e.g., tax breaks or subsidized loans) were made available.

### *~ Retail pharmacy*

Retail pharmacies are heavily concentrated in Thimphu, which hosts around 50 percent of all outlets. Four Dzongkhags have only one pharmacy each while six have none at all (Fig. I).

*Figure I: Dzongkhag wise retail pharmacy distribution*



Where pharmacies are absent, residents rely on cross-border sources or distant pharmacies when BHUs and hospitals are out of stock.

### *~ Operational challenges for retail pharmacy businesses*

Around 85 per cent of Bhutan's retail pharmacies report limited supplier availability due to the extended time required for medicines to reach remote Dzongkhags. Like wholesalers, most retailers (75%) find high costs of transporting medicines as the major limiting factor. This challenge is compounded by the difficulty in recruiting qualified and willing competent persons, as reported by 55 percent of pharmacies, which undermines consistent and efficient pharmacy service delivery nationwide. Despite these challenges, 85 percent of retailers are satisfied with the current pricing structure, reflecting acceptance of regulated profit margins.

When asked about their interest to expand and establish businesses in other locations, 69 percent consider getting CPs as the constraint. The low demand for medicines, considering the population, is also a major limiting factor for almost half (46%) of the retailers. Retailers also find other operation costs such as high rental (23%) and lack of easy access to finance for inventory management (15%) as significant challenges.

### *~ Consumer perspective*

In the absence of private pharmacies, consumers primarily depend on BHUs and hospitals. When these facilities run out of stock, consumers resort to traveling to other Dzongkhags or purchasing from neighboring countries—often raising safety and regulatory concerns.

However, 28 percent of consumers from Dzongkhags with only one pharmacy expressed concerns about monopolistic pricing practices and frequent stock shortages. While 55 percent of these consumers reported receiving satisfactory service, yet the majority (80 %) expressed the need for additional pharmacies for better price and access.

All (100%) consumers from Dzongkhags with no pharmacy strongly felt the need for private retail pharmacies for better access.

## Recommendations

To promote equitable access to pharmacy services by encouraging greater private sector participation, the following steps are recommended:

### *~ Financial and regulatory incentives*

To promote the establishment of wholesale pharmacies in regions beyond urban centers and expand retail pharmacy services in underserved areas, the government could introduce targeted financial incentives. One approach could be to offer low-interest loans under initiatives such as the Economic Stimulus Plan (ESP), with the Ministry of Health playing a central coordinating role.

Additionally, the Ministry of Health could consider supporting CPs in setting up rural outlets through small grants. This approach could be modeled on successful examples from countries like Thailand, where financial backing has helped expand pharmaceutical access in remote regions.

To further encourage private sector participation in remote Dzongkhags, the government could introduce location-specific tax holidays for a defined period. Such regulatory incentives would help offset the higher costs and operational challenges typically associated with rural service delivery.

### *~ Infrastructure support*

Dzongkhag Administrations in areas lacking pharmacy services or where the number of pharmacies is insufficient could help address the gap by repurposing underutilized government spaces for pharmacy outlets. Offering these spaces at subsidized rental rates would help reduce operational costs, especially in regions with low population density and limited market demand.

This intervention would be particularly relevant in Dzongkhags such as Trongsa and Samdrup Jongkhar, where the lack of accessible and affordable shop spaces has been a significant barrier to establishing pharmacies.

### *~ Expand CP pool*

A persistent challenge for both wholesale and retail pharmacies is the shortage of CPs. To address this constraint while minimizing the financial burden on the government, a collaborative sponsorship program could be established. Under this initiative, interested pharmacy firms would sponsor candidates to pursue the pharmacy certificate course at subsidized costs.

Simultaneously, the Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB) could consider expanding its intake capacity to accommodate increased demand for CPs. This public-private partnership approach would help align the supply of certified pharmacists with market needs and ensure employment opportunities for graduates upon completion of the program.

In the interim period for interested investors, genuinely impeded by lack of CPs, the MOH and the Department of Labour (DOL) could consider time-bound employment of qualified expatriates in some critical locations.

### *~ Enable e-pharmacy services*

There is a need to pilot e-pharmacies. This will enable licensed urban pharmacies to deliver medicines to rural consumers through e-platforms under BFDA oversight. E-pharmacy in other countries such as India and Kenya can

offer useful benchmarks. The BFDA will need to ensure authentication, privacy and delivery standards for e-pharmacies through robust digital governance.

~ Explore drone-based medicine delivery services in underserved areas

To improve access to medicines in remote and underserved Dzongkhags, the MOH could explore the use of drone technology for pharmaceutical product deliveries. Drones offer a fast and efficient alternative to traditional transport methods, particularly in areas with challenging terrain and limited road infrastructure.

Several countries across Africa have successfully implemented drone-based delivery systems for essential medical supplies. Bhutan could draw from these models to assess the feasibility of adopting a similar system, with a focus on enhancing access to medicines in hard-to-reach communities.

## **Conclusion**

While Bhutan's public health system strives to ensure free and equitable healthcare access, the private pharmacy sector plays a vital complementary role. Yet, private sector growth remains uneven, particularly in rural and remote Dzongkhags. Structural barriers—ranging from operational constraints and workforce shortages to low market incentives—have stifled pharmacy expansion in some of the dzongkhags.

The study finds that both wholesalers and retailers are generally supportive of the current pricing structure but are constrained by operational bottlenecks. Consumers in underserved areas remain vulnerable, often resorting to unregulated sources that may pose safety risks.

To address these gaps, a balanced public-private partnership is crucial. The government can spur private sector involvement through targeted fiscal incentives, regulatory reform, infrastructure support, and workforce development. With innovative approaches like e-pharmacies and rural infrastructure support, Bhutan can enhance medicine accessibility while maintaining regulatory safeguards and quality assurance.

Ultimately, improving private sector participation in pharmacy services will not only expand consumer choice and convenience but also strengthen the resilience and inclusivity of the national healthcare system.