

I. Introduction

Bhutan is a small Himalayan land locked least developed country with a population of 768,000. In 1962, Bhutan embarked on the path of modern development . Since then Bhutan has registered an array of development outcomes bolstered by its people centred approach to development, emphasizing on inclusiveness and sustainability. To highlight a few notable achievements, Bhutan is now connected to all its 20 districts through motorable road, net primary enrolment rate has increased from 62 percent in 2000 to 95 percent in 2014 and life expectancy has also increased from 48 years in 1980s to 68 years in 2013. According to the Bhutan Living Standards Survey, poverty in Bhutan stands at 12 percent in 2012.

The governance structure in Bhutan underwent major transformation in 2008, when the first parliamentary democracy form of government was introduced. This is the second five year development plan under a democratic government.

II. The national development planning process, including key economic, social, political and environmental trends

Bhutan's socio-economic development has been guided by the philosophy of Gross National Happiness (GNH), a multidimensional development framework that places people at the centre of development. It encompasses four pillars namely: sustainable and equitable socio-economic development; preservation and promotion of culture; conservation and sustainable utilization and management of environment; and promotion of good governance. GNH is based on four dimensions namely economic, social, environment and culture. The underlying principle behind the development philosophy is increasingly being recognised internationally as an alternate development model that offers a paradigm shift from the conventional development models.

Bhutan follows a five year development planning cycle. The current 11th Five Year Plan (2013-2018) aims to achieve 'Economic Self-Reliance and Inclusive Green Socio-Economic Development'. Self-reliance in Bhutan's context is being in a position to meet its socio-economic development financing needs from domestic revenue and reducing dependence on aid. A particular significance of the Eleventh Plan is that it serves as a vital platform for achieving three key and related national

milestones by the year 2020, one amongst which is graduating from the list of least developed countries (LDCs). Additionally, clear strategies and programmes aimed at helping Bhutan graduate from the Least Developed Countries (LDCs) status by 2020 have also been outlined in the plan. The Istanbul Programme of Action (IPOA) and its eight priority areas are fully integrated in the 11th Five Year Plan and its National Key Result Areas (NKRAs).

Furthermore, the Economic Development Policy of Bhutan of 2010 focuses on enhancing productive capacity of the economy and to provide strategic direction for economic development up to 2020. It creates an enabling environment for private sector engagement and provides fiscal incentives to stimulate private sector growth and employment generation. Unemployment in Bhutan currently stands at 2.9 percent although unemployment rate for youths is comparatively higher at 9.6 percent in 2013.

In addition, there are targeted poverty reduction interventions that seek to target the most vulnerable groups living below the poverty line. Rural Economy Advancement Programme (REAP), Targeted Household Poverty Programme (THPP) and National Rehabilitation Programme (NRP) are three such interventions that not only endeavours to reduce income poverty but reduce poverty at its multi dimensional level (measured in terms of health, education and living standards). The Eleventh Plan target is to reduce multidimensional poverty from 25.8 percent in 2010 to less than 10 percent by 2018, in 2014, the MDP rate stood at 12 percent.

III. Assessment of progress and challenges in the implementation of the Istanbul Programme of Action for the Decade 2011-2020

The average economic growth rate in the last five years (2010-2014) was 6.46 percent, which stands below the IPOA target of 7 percent. Growth was reported at an all time low of 2.14 percent in constant prices in 2013 mainly due to low government consumption. However in 2014 GDP per capita was reported at USD 2611.74 in 2014 (NSB, 2015). The Bhutanese economy is mainly driven by the secondary sector, in particular hydropower. Bhutan has an estimated hydropower potential of 30000 MW of which 23760 MW is techno-economically feasible. On average from 2011-2014 primary sector accounted for 16.29 percent of GDP, while the secondary and tertiary

sector contributed to 41.38 percent and 42.34 percent respectively. The major drivers to growth in 2014 were wholesale and retail trade that contributed 18.06 percent, construction sector contributing 17.02 percent and transport sector contributing 15.06 percent to GDP.

Bhutan has also made significant progress in human development and poverty reduction since the initiation of its Five Year Plans in 1960s. Income poverty has been reduced from 23 per cent in 2007 to 12 per cent in 2012 and multidimensional poverty inclusive of education and health outcomes besides standard of living has been reduced to 12.7 percent in 2012 with rural and urban poverty rates at 17.8 percent and 1.3 percent (NSB,2014) .

The 2014 Flagship report of OHRLLS further highlights that the exceptional poverty reduction in Bhutan was driven by a number of factors: effective five-year plans; decentralization, and improved political and administrative capacities; and enhanced public service delivery. Furthermore achieving gender parity in primary and secondary education and providing economic opportunities for women, especially those in rural areas, through enhanced access to credit facilities, markets and social services contributed significantly to poverty reduction.

Recent statistics tracking Bhutan's progress towards the MDGs highlight that Bhutan has achieved many of the targets and is on track to achieve most by 2015. For example, targets related to Goal 2 has been achieved with Gross Primary enrolment ratio at 113 percent, Net Primary Enrolment ratio at 95 percent and 109 per cent on primary completion rate in 2014 (AES, 2014). Bhutan has also achieved gender parity in both primary and secondary education. However, there are some MDGs falling behind such as ratio of female to male in tertiary institutions, maternal mortality rate, growing youth unemployment and more. Thus, the Eleventh Plan's objective is to strive for MDG Plus Targets.

Bhutan has been found eligible for graduation away from LDC status and this is a testimony to the immense socio-economic progress that has been made so far as a nation that entered late into modern development. LDC graduation is an important effort towards the pursuit of this overarching goal and is a key milestone for the 11th Five Year Plan, which places unparalleled emphasis on the achievement of self-

reliance. Emphasizing its commitment to graduating from the LDCs status, Bhutan has consistently mainstreamed IPoA's eight principles and eight priority areas in past as well as in the current Five Year Plan (2013-2018), which falls within the IPoA decade 2011 to 2022.

Despite the multiple development challenges, Bhutan has been making steady progress towards meeting the graduation thresholds of GNI per capita, Human Asset Index, and Economic Vulnerability Index, over the last decade. . During the triennial review of the list of LDCs undertaken by CDP in March 2015, Bhutan was found eligible for graduation from the LDC category for the **first** time, as it met the income and human asset criteria. According to the 2015 triennial review, Bhutan's GNI per capita was US \$2277, Human Assets index at 67.9, and Economic Vulnerability Index at 40.2.¹ In 2013 Bhutan's GNI per capita (based on World Banks Atlas method) stood at US\$ 2,330 from US\$ 539 in 1995. Bhutan also made substantial progress towards meeting the Human Asset Index (HAI) which increased from about 40 in 2000 to 59 in 2012 against the graduation threshold of 66 points for HAI. Meeting the Economic Vulnerability Index in the very near future will pose a major challenge to the country..

There are multiple development challenges that Bhutan faces in terms of effectively implementing the IPOA and these challenges are presented below under each of the programmes eight priority areas:

a. Productive Capacity

- One of the National Key Result Area in the Eleventh Plan is sustainable use and management of natural resources, where the main objectives are to enhance economic expansion and diversification, promote export, develop cottage and small industries, accelerate hydropower development and promote alternate renewable energy.
- In order to ensure energy security, development of 10,000 MW of hydropower, construction of transmission lines and substations and expansion of rural

¹ [Handbook on the Least Developed Country Category: Inclusion, Graduation, and Special Support Measures, Second Edition, Committee for Development Policy, United Nations](#)

electrification are being implemented. The constructions of three new hydropower projects are ongoing and seven more projects are in the pipeline.

- 82,270 households have been electrified since 2011 resulting in 92.82 percent coverage. The installed capacity from renewable energy technologies is about 9481 KW as of 2015. The domestic electricity tariff was also revised in 2013 and the domestic electricity tariff policy is currently being formulated. The revised tariff is pro-poor and it provides rural consumers with free electricity for the first 100 units and this is mainly to encourage rural communities from cutting down on the use of firewood for sustainable use of natural resources.
- To promote other alternative renewable energy, Alternative Renewable Energy Policy 2013 has been instituted. So far 900 biogas plants and 10 solar heating systems were implemented through financing schemes of Bhutan Development Bank Limited (BDBL).
- To achieve universal connectivity, surface transport focuses on vertical and lateral connectivity through construction of national highways, farm roads in villages, upgrading and construction of bridges and connecting to Asian highways.
- For communications infrastructure, the focus is on strengthening ICT infrastructures such as fibre optic connectivity, government intranet system and national data centres. Critical infrastructures such as optical ground wire (OPGW), fibre optics and internet connectivity are already laid out in all the 20 districts. Bhutan has also developed its first IT Park with support from multilateral donors and FDI with the objective of employment generation and promoting knowledge based society. Bhutan also has extensive mobile connectivity with all the 20 Districts and 205 blocks connected to the mobile services through B-mobile and T-cell, the only two-telecommunication service providers
- Economic infrastructures such as dry ports in southern Bhutan and maritime gateways from Bangladesh are being explored to facilitate private sector development. Development of Special Economic Zones (SEZs) / industrial parks shall also be implemented.
- One stop community service centres have been put in place in all the 20 Districts with the aim of operating through Public Private Partnerships.
- In order to support the growth of creative enterprises, spur latent talents and enhance innovation, the government has tabled the Draft National Intellectual

Property Policy for endorsement to the GNHC. The overall objective of the Policy is to set out a framework for the development of a balanced and accessible IP regulatory system and to facilitate and promote the use of the IP system towards attaining the aspirations of the GNH, Vision 2020 and the EDP 2010.

- Bhutan still being a landlocked LDC, is still faced with huge challenges such as raising financing for the hydropower projects as it requires high upfront investment costs. Capacity constraints and negligible investment in the area of science, technology and innovation are a major constraint facing the Bhutanese economy.

b. Agriculture, food security and rural development

- About 69 per cent of Bhutanese population is rural based and dependent on agriculture. It is an extremely important sector both in terms of employment generation and rural income.
- Poverty is a rural phenomenon in Bhutan with 16.7 percent of the population in rural areas living below the poverty line, thus the agriculture sector has one of the highest capital outlays in the 11th FYP budget with Nu. 3966.04 millions equivalent to US \$ 66.2 million.
- RNR sectors contribution to GDP has been increasing year on year in absolute terms and RNR still stands out to be the second largest contributor to national GDP.
- Food security is also one of the NKRA's with a target of achieving about 70-75 percent self-sufficiency in cereals and 100 per cent self-sufficiency in milk
- Reduction in poverty is attributed to provision of infrastructure facilities such as roads, electricity, telecommunication, water and sanitation and thus in the eleventh plan, more than 283 km of farm road has been constructed and 380 km of farm roads has been maintained across all 20 districts. About 630 acres of land has been brought under organic cultivation to improve the earning capabilities of rural farmers.
- To increase community participation in forest management and conservation, and generate employment in non-wood based forest product based enterprises, interventions such as community forests are established and handed over to the

communities. Currently there are 125 NWFP management groups formed and this has generated employment opportunities to 415 households.

- Targeted poverty reduction interventions such as REAP has been targeted towards the most vulnerable sections of the society and this programme has helped these groups increase their household income through building skills and knowledge, providing them agricultural inputs and materials for basic infrastructures.
- One of the most important policy instruments put in place under this area is the Food and Nutrition Security Policy of Bhutan, 2014 which is aimed at creating a healthy and active population through physical, economic and social access to safe and adequate nutritious food to the population at all times. In addition, FDI Policy also promotes private sector participation in the RNR sector to enhance investment, production, value addition and marketing. The agriculture subsidy policy is being drafted which is directly linked to poverty alleviation, income generation and environment sustainability in Bhutan.
- Irrigation is another area of focus for the government since the 10th FYP and is given continued support and resources in the 11th FYP with budget of Nu. 1.6 billion, equivalent to US \$ 27.6 million.
- A total of 1,006 acres of fallow land has been brought under re-cultivation. About 1,100 acres of land has been brought under winter vegetable with a production of 3,500 MT. Overall; the total vegetable production in 2013 was estimated at 49,739 MT with 2822 MT of vegetables exported
- Agricultural diversification is a new trend in Bhutan and more farmers are shifting their cultivation towards high yield crops.
- Bhutan has recently been promoting mitigation and adaptation measures for crop and livestock production through the national strategy on climate adaptation of the Sectoral Adaptation Plan of Action (SAPA).
- Some of the challenges faced in the RNR sector are decreasing public investment, loss of agricultural land for other development works, lack of infrastructure such as post harvest storage, labour shortage, rural urban migration, human wildlife conflicts and lack of access to credit. Other crucial challenges related to increasing environmental issues, climate change due to global warming, natural calamities and disasters are also encountered.

c. Trade and Commodities

- Bhutan's economy continues to be driven by hydropower and construction sector, which have limited potential for employment generation, thus economic diversification is a critical strategy under the 11th FYP to enhance Bhutan's trade balance.
- The Economic Development Policy, 2010 was a concerted effort towards diversifying the Bhutanese economy. The policy targets 'high value and low volume green services and products'. Likewise in the Eleventh Plan, a clear strategy aimed towards accelerating growth and achieving self reliance is the Rapid Investment in Selective Enterprises (RISE). This programme identifies strategic areas where there is potential for improving productivity and enhancing competitiveness. The priority sectors identified are: i) Tourism ii) Agro processing, iii) Construction, iv) Small and Cottage industries (cultural industries) and v) Manufacturing (few large scale hydro power intensive industries).
- Private sectors are the engine of growth in an economy and to facilitate private sector development in the country, industrial estates and dry ports are being developed and established through PPP model. Four industrial estates are currently under construction.
- Royal Government will continue improving trade relations with the countries in the region and particularly with India. Many negotiations pertaining to facilitating trade and commerce between India and Bhutan will be taken up in the 11th Plan.
- Trade and Economic Cooperation Agreement between the RGoB and Government of Kingdom of Thailand was signed on 11th November 2013 to promote, facilitate and develop trade and economic cooperation between the two countries.
- The finalization of Brand Bhutan is under way by the Futurebrand, Singapore in consultation with the various stakeholders.
- Foreign trade in Bhutan is dominated by few products like electricity, mineral products and base metals. The export earnings from these products are highly vulnerable with these products being mainly dependent on hydropower and cheap electricity. Agricultural product only accounts for 5 percent of our total exports. Thus product diversification is a major challenge in Bhutan.
- Industrial development in Bhutan is constrained by lack of access to capital, technology, markets and labour shortage.

- Due to supply side constraints such as low economies of scale and mass production, it becomes a huge challenge for a small economy like Bhutan to market their products into the global market

d. Private Sector Development

- The government recognizes the importance of private sector development as driver of growth, employment generation and sustaining the economic development.
- The biggest policy enabler that the government has instituted is the implementation of Economic Development Policy (EDP), which lays out clear strategies ranging from incentives to policies and financing to enable private sector growth in sectors of high potential.
- Policy instruments to facilitate private sector development in Bhutan have been put in place such as the public private partnership policy, the licensing policy.
- Formation of better business council (BBC) as an umbrella organization to use public-private dialogue as a catalyst for private sector development. The council is tasked with the objective of encouraging entrepreneurship; remove hurdles such as access to finance and skilled labour, FDI and reducing government processes for ease of doing business. Further, to improve Bhutan's rank in ease of doing business to top 100 from the current rank of 141, 10 ministers are entrusted with 1 indicator each of ease of doing business indicators.
- An Economic Stimulus Plan (ESP) with a budget of Nu. 5 billion equivalent to US \$ 86.2 million has been instituted to stimulate investment and promote priority sector lending to enhance production, generate employment, increase exports and substitute imports.
- To boost private sector growth, the government continues to grant tax holidays and tax exemption on selected commodities.
- Shortage of professionals, lack of skills and low productivity of labour is also a very significant constraint for growth of businesses and private sector.
- Access to and cost of finance is also a critical constraint to private sector development in Bhutan. The cost of borrowing is higher compared to its neighbours in South Asia.

e. Human and Social Development

- Population and Primary Health
 - The governments commitment in providing free and quality universal healthcare is translated through Article 9 of the Constitution of Bhutan where it states that “the state shall provide free access to basic public health services in both modern and traditional medicines” and “the state shall endeavor to provide security in the event of sickness and disability or lack of adequate means of livelihood for reasons beyond one’s control”.
 - In the area of health, Bhutan has met all health related MDG targets to reduce by two thirds the infant mortality rate, under five mortality rate, maternal mortality rates, incidence of tuberculosis and malaria and improved coverage of clean drinking water and improved sanitation. Infant mortality rate stands at 30 per 1000 live births as of 2012. Likewise the under five mortality and maternal mortality rate was 37.3 per 1000 live births and 86 per 100,000 live births respectively.
 - The proportion of population with access to safe drinking water has reached 97.7 percent as of 2012, while 67.7 percent of households have access to improved sanitation facilities (AHB, 2012).
 - MDG target related to eliminating percentage of underweight under five children at 19 percent was achieved in 2010 at 12.7 percent (BMIS, 2010)
 - The progress in reversing the incidence of malaria and other major diseases is on track with malaria recorded at 6.1 per 100,000 and tuberculosis cases at 225 per 100,000 cases (AHB, 2014)
 - However progress in reversing the spread of HIV-AIDS is of concern as the number of people detected with HIV increased from 38 in 2000 to 380 in 2014.
 - National Health Policy, 2012 has also been approved to build a healthy and happy nation through a dynamic health system.
 - National Population Policy 2013 has been drafted to strengthen the positive synergies amongst the key related sectors and address emerging population and development challenges in the country.

- Education

- Like under health, Article 9, section 16 states that ‘The State shall provide free education to all children of school going age up to tenth standard and ensure that technical and professional education is made generally available and that higher education is equally accessible to all on the basis of merit’. This reflects the support at the national level to every section of the society.
- To sustain the MDG achievements and achieve the remaining goals, the government has invested heavily in both education and health sectors, which has the highest share of the 11th FYP budget allocated to the sectors.
- Thus MDG targets related to achieving universal primary education has been achieved with Gross Primary Enrolment rate and Net Primary Enrolment rate at 113% and 95% respectively.
- Gender Equality and empowerment of women
 - Gender equality and empowerment of women is another NKRA in the 11th FYP to achieve gender parity in secondary and tertiary education sectors and encourage women’s participation in political office.
 - A legislation to ensure quota for women in elected offices including the parliament and local government bodies has been drafted and being discussed for approval.
 - In 2013 elections, women representation in politics decreased from 13.9 percent to 6.9 percent. However 169 women contested for various posts
- Social Protection
 - While there is a strong social protection programmes in the form of free health, education and land grant, Bhutan is committed to further address the needs of vulnerable groups through the institution of Social Protection Policy, 2013 which is still under discussion.
 - Although 85 percent of rural households live in proper housing shelter, three fourths of urban households live in either part of a house or in an apartment. Having access to affordable houses largely for low and middle-income group is a challenge faced by the government.
- Youth Development

- The government is committed to providing full employment to job seekers in particular reduction of youth unemployment. This is going to be achieved through the implementation of special support schemes in the Economic Stimulus Plan with an allocated budget of Nu. 1 billion equivalent to US \$17.2 million. The fund will provide education support schemes to pursue higher studies, pre-employment support scheme for youth and senior citizens support scheme.

f. Multiple crises and other emerging challenges

- The government in the 11th FYP (2013-2018) has committed to achieve growth rate of 10 per cent over the five years. This shall be achieved through economic diversification initiatives such as Rapid Investment in Selective Enterprises (RISE) that will provide end-to-end support to five high potential sectors (Manufacturing, Tourism, Construction, Agro based sectors and CSMI) that has the potential to generate employment, revenue and profit to the government.
- Another strategy to address economic shocks such as overheating of economy shall be the institution of a stabilization fund to sterilize inflows from hydropower exports and related loans and grants, reduce volatility in liquidity and credits, and enable government to support counter-cyclical interventions to sustain the desired level of growth in the economy.
- Conservation and sustainable utilization of the environment is an important pillar of GNH and an NKRA of the 11th FYP. Controlling of green house gas emissions, increasing the proportion of forest area under sustainable forest management and sustaining ecological footprint are few strategies under implementation.
- National Adaption Program of Action and Nationally Appropriate Mitigation Action are under implementation. Early Warning Systems (EWS), disaster relief fund and awareness programmes are being implemented to improve disaster resilience and management.
- The electric vehicle initiative is also under implementation to fulfil our commitment towards Zero emission.

g. Mobilizing financial resources for development and capacity building

- Domestic resource mobilization is given the highest priority manifested through the 11th FYP (2013-2018)'s objective of self-reliance. Self reliance is interpreted as 'the ability to meet all our national development needs as articulated through five year plans by 2020'.
- Some of the efforts put in place to mobilize resources from domestic sources are broadening the tax base including green tax and sales tax on vehicles and fuels, containing the effective use of recurrent expenditure, enhancing efficiency of state owned enterprises and exploring other financial instruments such as bonds.
- Bhutan has been found eligible for graduation from the LDC status during the 2015 triennial review by the Committee for Development Policy (CDP), thus efforts are continuously being made to reduce our dependence on Official Development Assistance (ODA) by exploring different modes of domestic resource mobilization. Currently ODA and grants funds about 34 per cent of our development programs.
- To improve aid transparency, detailed reports are submitted to the public accounts committee and the parliament.
- Final consumption expenditure as a percent of GDP (government and private consumption) grew by 13.38 percent in 2014 mainly due to increased private consumption.
- In 2014, the overall capital formation increased by 38.33 percent as compared to negative growth of 35.69 percent in 2013
- External debt increased from 71.7 percent of GDP to 97.39 percent. Bhutan's debt has been increasing substantially and is expected to increase to 121 percent of GDP by the end of the 11th Plan. On the other hand the governments ability to repay its debt obligation has also been improving (GNHC, 2013)
- Bhutan's debt stock is classified as sustainable since 80 percent of the debt are self-liquidating hydro-power projects.
- The FDI policy of 2002 was revised in 2010 and a total of 18 projects have been approved since then. The FDIs are mainly in hotel, mineral and metal-based industries, agro and diary products and ICT.
- Remittances are negligible source of resources in Bhutan. Outflows of remittances are estimated at Nu. 1.3 billion for 2014, while inward inflow of remittances

recorded through formal channels increased by 45.4 percent to Nu. 1.1 billion in the same year (RMA, 2015).

h. Good governance at all levels

- Good governance is one of the four pillars of GNH and good governance in Bhutan's context is focused on improved public service delivery, strengthened democracy and governance; and reduction in corruption.
- Bhutan is committed to upholding its citizen's fundamental and basic human rights. Bhutan is signatory to Convention on the Elimination of all forms of Discrimination against Women (CEDAW) and United Nations Human Rights Convention among few.
- The government performance management system (GPMS) has been instituted to provide clarity to agencies, enhance accountability & performance, and optimal utilization of resources/budget.
- To translate the five-year development plans into proper implementation plans and to ensure effective public service delivery, a new system called the Annual Performance Agreement is signed between the Prime Minister and the respective agencies.
- Government to citizen services (G2C) was initiated to increase efficiency and transparency of public service delivery through the use of ICT. 136 most availed services are streamlined and automated to reduce the turnaround time.
- Bhutan also has an independent judiciary committed to upholding the rule of law and dispensing justice to all its citizens.
- Independence of media and freedom of speech are enshrined through our Constitution adopted in 2008.
- The anti-corruption commission (ACC) has been instituted to eliminate corruption through mainstreaming anti-corruption strategies in all national plan and policies. To this end, the ACC launched the national integrity and anti-corruption strategy to propel Bhutan's rank into the top 20 of corruption perceptions index of Transparency International from the current rank of 31.

IV. Coherence and linkages with the Post-2015 Development Agenda and other global processes

As a constructive member of the international community and Asia Pacific Group's representative at the Open Working Group on Sustainable Development Goals, Bhutan contributed to the integration of IPOA's priorities into the SDG and Agenda 2030, and Addis Ababa Action Agenda. In view of the multiple intergovernmental processes leading to a path of sustainable development, there is a need to ensure coherence and synergy between the priorities of LDCs, and Agenda 2030, the AAAAA, and Paris 2015 Climate Summit. Of equal importance is the need to ensure that commitments in these outcomes are translated into concrete international support measures for least developed countries.

Pursuant to the adoption of the Agenda 2030 at the UN 2015 Summit in September 2015, Bhutan was selected as one of the five Asia Pacific countries for SDG localisation by United Nations Development Programme. The SDG Rapid Intergrated Policy Assessment conducted by UNDP found 134 SDG targets (of the 143 targets relevant to Bhutan), fully aligned with the 11th Five Year Plan's National Key Result Areas. As an early mover country in the region, the process of SDG localisation and integration into national development plans was initiated through a high level sensitization workshop on the SDGs, convened in Thimphu, 30th October 2015.

In March 2015, Bhutan achieved a milestone in the implementation of the 11 FYP and the IPOA by becoming eligible for graduation from the LDC category for the first time, having met the income and human assets criteria. The Royal Government in partnership with UN Country Team with support from UNCTAD, UN-DESA, UNDP BRH, UNESCAP and UN-OHRLLS, organised the first national workshop on LDC graduation: processes and implication for Bhutan, 17 to 18 November 2015, Thimphu. The workshop highlighted that graduation is not an end in itself, but as a means to achieve structural change, poverty eradication, and economic diversification, leading to self-reliance, inclusive, and green socio-economic development. Efforts towards graduation should be aimed at making transformative changes in Bhutan's economy to improve the lives of people and ensuring sustainability of socio economic development process.

Graduation is to be approached in the context of achieving the IPOA, the VPoA and the ambitious 2030 Agenda and SDGs. At the global level, development partners' commitments must be translated into concrete international support measures. Predictability in international support measures needs to be based on country specific-situations and vulnerabilities, and should be the basis in the preparation of frameworks for graduation and smooth transition, and sustainability after graduation. At the national level, Bhutan must provide strong national leadership and ownership of the graduation process. It must part and parcel of national development strategy, and identify key drivers of graduation, and design comprehensive and coherent support framework.

The workshop sensitized key senior government officials on graduation process and criteria, tabled the experiences of graduating and graduated countries, implications of graduation on Bhutan's development landscape, and articulated on international support for smooth transition. It also deliberated on options and solutions on implementation of Agenda 2030 and the SDGs, enhancing financing for development, and reducing vulnerabilities and enhancing resilience. The workshop brought together important actors and stakeholders of Bhutan's socio-economic development, who are also important stakeholders of the Istanbul and Vienna Programmes of Action, and Agenda 2030.

V. Conclusion and Way Forward

Bhutan has significantly progressed in implementing the IPOA by achieving an average growth rate of 8.4 percent in 2013, which is above the 7 percent target. Bhutan has also achieved most of the MDGs except for three targets related to gender equality at tertiary education, the high HIV cases detected and the percentage of population with access to improved sanitation facilities. However, there are numerous macro challenges facing Bhutan such as poverty, narrow private sector base, high transportation cost, limited economic diversification and high dependence on ODA. At the micro level, lack of human and financial resources, lack of data, limited access to markets and services due to narrow export products and lack of access to micro-finance for small and medium term enterprises are some of the challenges faced by the economy.

To ensure that these developmental challenges are addressed, the midterm review of the 11th plan, which is ongoing will explore areas where the global agenda can be further integrated. Furthermore, Bhutan is currently working on developing the guidelines for the 12th Plan preparation (2019-2024). This provides a good opportunity and a platform to integrate our national priorities and international development goals into our national development planning framework. The outcome of the High Level Mid Term Review of the IPOA will serve as a guiding document for the formulation of the 12 FYP and integration of international development goals into Bhutan national development plans and programmes. In this context, the High Level Comprehensive Mid Term Review of IPOA should review and assess the progress made and lessons learned in the implementation of IPoA, and reaffirm global commitments and strengthen the global partnership for implementation of the IPoA. The MTR must produce a strong set of deliverables that reaffirms the commitments in IPoA, 2030 Agenda, AAAA and 2015 Paris Climate Summit, and build on the measures and mechanism identified in these outcome documents that will contribute to achievement of the IPOA objectives and Agenda 2030.

Achieving the SDGs and the IPoA requires productive capacity building and true economic transformation. Additional investments will be necessary to sustain the progress by building productive capacity for structural economic transformation. All commitments made to LDCs in the 2030 Agenda, AAAA and IPOA must be operationalized.

The MTR should accord special emphasis and support towards meeting the graduation criteria and challenges related to graduation and smooth transition.

