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Ex-ante Impact Assessment of likely
Consequences of Graduation of
Bhutan
from the Least Developed Country Category



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Summary and conclusions

This **ex-ante impact assessment for Bhutan (see information in the sidebar)**, prepared at the request of the CDP for consideration at the 2018 triennial review, assesses the probable impact of the loss, upon graduation from the LDC category, of support measures relating to international trade; development cooperation; and general support measures.

In general, the assessment finds that, given the country's trade structure and the nature of its main cooperation partnerships, major impacts are not expected as a result of graduation. The main conclusions are summarized follows:

Trade

Market access – goods. Bhutan's graduation is expected to have no impact on market access for current exports to the main destinations such as Bangladesh, India and Nepal, because its major exports enter these main markets under bilateral and regional trade agreements rather than preferential treatment for LDCs.

Graduation is unlikely to have a big impact on the possible diversification of current exports into new markets. Most existing major exports would face the same tariff rates in the EU, Japan, Thailand and United States.

Diversification into potential export sectors and the export of those products to Bangladesh, India and Nepal would not be affected by graduation. For the EU, Japan and Thailand, it may be challenging, with a possible loss of trade preference. A significant tariff increase is expected for dairy products, vegetables and fruits in the EU, Japan and Thailand after Bhutan graduates.

WHAT ARE EX-ANTE IMPACT ASSESSMENTS IN THE CONTEXT OF GRADUATION FROM THE LDC CATEGORY?

To graduate from LDC status, a country needs to be found eligible for graduation, based on criteria determined by the UN General Assembly, in two successive triennial reviews conducted by the Committee for Development Policy (CDP).

After a country is found eligible for the first time, the CDP requests that the United Nations Department of Economic and Social Affairs (UNDESA) prepare an ex-ante assessment of the expected impacts for the country of no longer having access to international support measures for least developed countries (LDCs).

This assessment is used, along with a "vulnerability profile" prepared by the United Nations Conference on Trade and Development (UNCTAD), the views of the concerned Government and other relevant information, as an input for the CDP's decision on whether to recommend the country for graduation once it is found eligible for a second time.

Table 1. Tariffs under LDC-specific market access schemes and default schemes

Product	HS	Bangladesh	EU	India	Japan	Nepal	Thailand	USA
<i>Dairy</i>	04	15.7/15.7	0/55.3	0/0	0/73.5	12.7/12.7	22.8/39.8	11.7/18.6
<i>Apiculture</i>	0409	3/3	0/17.3	0/0	0/25.5	9/9	0/30	0/0.5
<i>Horticulture</i>	07	6.2/6.2	0/9	0/0	0/33.9	8.5/8.5	8/40.5	0.7/3
<i>Potatoes</i>	070190	0/0	0/6.1	0/0	0/4.3	9/9	125/125	0/0.9
<i>Apples</i>	0808	0/0	0/3.7	0/0	0/8.9	9/9	0/28.6	0/0.1
<i>Mandarins</i>	080510	0/0	0/12	0/0		10/10	0/88.5	2.2/2.2
Cardamom	090831	0/0	0/0	0/0	0/0	15/15	27/27	0/0
<i>Medicinal plants</i>	12	1.5/1.5	0/7	0/0	0.7/55.5	7.3/7.3	7.7/23.6	6.4/6.8
<i>Cordyceps</i>	121190	3/3	0/0	0/0	0/0.3	6/6	10.4/21.1	0/0
<i>Mineral water</i>	220110	25/25	0/0	0/0	0/0	30/30	0/19.1	0/0
<i>Animal feed</i>	23	0.2/0.2	0/26.6	0/0	0/1.6	5.9/5.9	6/11.2	6.1/7.3
Dolomite	251810	0/0	0/0	0/0	0/0	6/6	0/0	0/0
Gypsum	252010	0/0	0/0	0/0	0/0	5/5	0/0	0/0
Cement	252329	25/25	0/0	0/0	0/0	NAV*	10/10	0/0
Calcium carbide	284910	3/3	0/0	0/0	0/0	6/6	0/0	0/0
Silicon carbide	284920	3/3	0/2	0/0	0/0	6/6	0/0	0/0
<i>Plastic film/sheet</i>	392099	4/4	0/2.5	0/0	0/0	15/15	5/5	0/0
<i>Particle board</i>	4410	5/5	0/3.5	0/0	0/3.6	7.2/7.2	0/5	0/0
<i>Building stone</i>	680221	5/5	0/0	0/0	0/0	30/30	30/30	0/0
Ferro-silicon	720221	0/0	0/2.2	0/0	0/0	5/5	0/0	0/1.9
<i>Iron ingots</i>	720610	0/0	0/0	0/0	0/0	5/5	0/0	0/0
Semi-finished iron or steel products	720712	0/0	0/0	0/0	0/0	5/5	0/0	0/0
Bars and rods	721430	0/0	0/0	0/0	0/0	30/30	5/5	0/0
<i>Copper wire</i>	740819	3/3	0/1.3	0/0	0/1.2	5/5	0/0	0/0

Note: Products in **bold** are current major export products, and products in *italics* are potential export products; A shaded area indicates current main destinations of the corresponding product; First figure is the average tariff as an LDC; Second figure is the possible average tariff as a non-LDC; **Red** represents a loss in preference of more than 5 percentage points. * Non ad valorem, Rs. 4,050/MT.

Source: UNCTAD Trade Analysis Information System (TRAINS)

Market access – services. Service exports, especially professional services and tourism have been gaining in importance, and have been identified as export sectors with significant potential. Should Bhutan graduate, it might lose an opportunity to benefit from the World Trade Organisation (WTO) Service Waiver which aims to facilitate preferential market access in service sector for LDCs, but the impact is unclear at this moment. Full implementation of WTO obligations may bring additional costs for the country in terms of reduced policy space, but the impact is not quantitatively measurable at this point as Bhutan is still in the process of WTO accession.

WTO accession. Bhutan established its first working party for WTO accession discussions in 1999 and Bhutan was granted an observer status in the same year. Bhutan made a substantial progress in preparing the accession package. However, the Government deferred accession, and, as of November 2017, accession has not been completed. As an acceding country, Bhutan would need to negotiate specific transition periods to comply with WTO principles.

Aid for Trade. The main Aid for Trade instrument that is specifically geared at LDCs is the Enhanced Integrated Framework (EIF), which represents a relatively small share of Aid for Trade flows to Bhutan. The country would be eligible for support from the EIF for a period of up to five years after graduation.

Development cooperation

- Bhutan's dependence on foreign aid is significant, but most of the current support will likely remain unaffected by the country's graduation from the LDC category. Replies by major donor countries suggest that most development support to the country will not be affected by a change in Bhutan's LDC status. Bhutan benefits from development loans with concessional rates by Japan, and interest rates may increase for the projects approved after the country graduates from the LDC category.
- Financial assistance and technical support by the ADB and the World Bank, the main external financing sources for Bhutan, would not be influenced by the possible graduation.
- Graduation may have a negative impact on the country's access to LDCF from the UNFCCC. Bhutan will retain access to other funds from the GEF and the GCF, but it will be excluded from the priority group of the GCF.

General support measures

- Graduation will not impact Bhutan's contributions to the United Nations regular budget and will minimally impact its contributions to the peacekeeping budget and the budgets of a small number of UN entities.
- After a transition period of up to five years after graduation, Bhutan will no longer be eligible for funds supporting travel of representatives to the official meetings of the UN General Assembly.
- The country and its nationals may no longer benefit from other forms of support for travel to participate in international forums or from certain scholarships and fellowships. It would continue to have access to mechanisms dedicated to other developing countries.

1. Background, scope and sources

At its 2015 triennial review of the list of least developed countries (LDCs), the Committee for Development Policy (CDP) considered Bhutan eligible for graduation from the LDC category for the first time, as it met the income and human assets index criteria, while remaining vulnerable (see the box).¹ Based on the 2015 triennial review outcome, the Committee requested the Department of Economic and Social Affairs (DESA) to prepare an ex-ante impact assessment of the likely consequences of graduation for Bhutan.² The impact assessment is undertaken as an input to the triennial review in 2018 in conjunction with, and as a supplement to, the report on Bhutan's vulnerability profile which is prepared by the United Nations Conference on Trade and Development (UNCTAD).

Scope of the impact assessment. The purpose of the ex-ante impact assessment is to examine the likely consequences of graduation for countries' economic growth and development. It identifies potential risk factors or challenges that countries may face after graduating in view of the possible change in the nature of support received by development and trading partners by evaluating the direct effects of graduation on the main international support measures (ISMs) extended to LDCs. Support measures fall into three main areas: i) international trade; ii) development cooperation; and iii) other general support (related to United Nations funding, support for travel to official meetings, and scholarships and research grants).³

The analysis considers only concrete support measures that are made available to the country concerned exclusively on basis of its LDC status. In international trade, the analysis first identifies products of interest on the basis of current bilateral trade flows and relevant policy documents. Then, it assesses to which extent these products benefit from LDC-specific preferential market access and how market access conditions would change after a possible graduation. If applicable, it also considers the impact of graduation on obligations within the World Trade Organizations and regional trading arrangements as well as the impact on Aid-for-Trade support. The impact of graduation on development cooperation is assessed in two steps. First, the assessment identifies major partners on basis of current development cooperation inflows and projects. Subsequently, and on basis of development cooperation policies and country-specific information from individual development partners, it identifies whether belonging to the LDC category is likely to significantly influence cooperation programmes or limits access to specific instruments. The impact of graduation on contributions to United Nations organizations is assessed by considering the hypothetical contributions a country would have to make to the most recent budget if the country did not have LDC status.

Graduation also has potential benefits, such as a heightened sense of national progress that accompanies a move out of the official lowest rung of the development ladder; and increased political standing in regional and international institutions. It would be difficult and potentially

¹ United Nations Committee for Development Policy, Report on the seventeenth session of the Committee for Development Policy, 1823-227 March 2015 (E/2015/33, Supplement No. 13)

² See Report on the seventeenth session of the Committee for Development Policy, 23-27 March 2015 (E/2015/33, Supplement No. 13).

³ A comprehensive catalogue of LDC-specific international support measures is available at <http://www.un.org/ldcportal>.

misleading to attempt to reliably establish and quantify the significance of these factors for individual countries and their consequences for economic growth and development. Therefore, these issues are not addressed in the assessment. Graduation may potentially also affect access to and conditions in financial markets. However, there is currently no evidence from publicly available documents or empirical studies that international rating agencies, international banks or investors include LDC status per se as one of their decision criteria.

Main sources. Sources used in this assessment include official data, relevant documents and studies published by the government, regional and international organisations and other relevant institutions. Information was specifically requested from the main development and trading partners of all LDCs to be considered for graduation by the CDP in 2018 on support measures, including the amount and/or type of preferences, benefits and assistance, as well as on the likely changes in those support measures should the country's graduation be confirmed.⁴ UN DESA is very grateful to those Governments and institutions that participated and contributed to this exercise.

The draft report of the ex-ante impact assessment was circulated to the Government of Bhutan for comments before being finalized for submission to the CDP Expert Group Meeting (EGM) consultations on 1-2 February 2018. The comments are reproduced in Annex I. The final draft incorporated the comments as needed, as shown in the DESA's reply to the Government (Annex II).

⁴ Responses were received from Australia, Austria, Brazil, the European Union, Finland, Germany, Ireland, the Netherlands, New Zealand, Norway, Portugal and Thailand as well as from the Enhanced Integrated Framework (EIF), the Global Environment Facility (GEF), the International Labour Organization (ILO), the International Telecommunication Union (ITU), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the secretariat of the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF), UN Volunteers, the World Food Programme (WFP) and the World Trade Organization (WTO) (as of 16 January 2018).

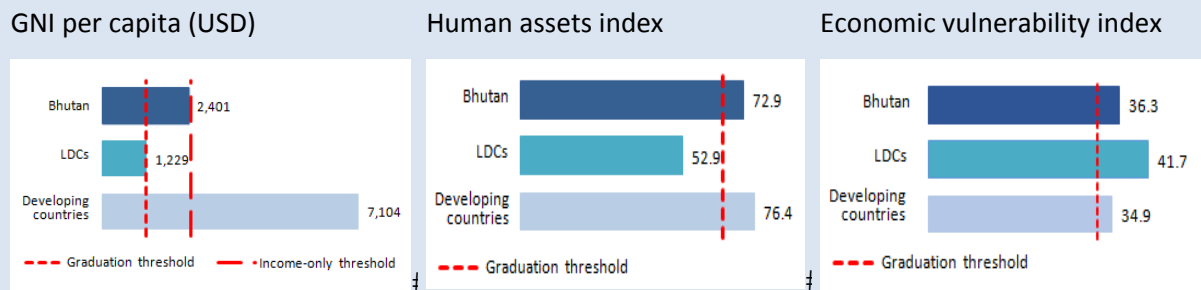
Box 1. Graduation eligibility and the process towards graduation

A country becomes **eligible** for graduation from the LDC category when it meets any **two of three criteria** in two consecutive **triennial reviews** conducted by the CDP. In the 2018 review, the criteria are as follows:

- GNI per capita of USD 1,230 or above (also referred to as the income threshold)
- Human Assets Index of 66 or above*
- Economic Vulnerability Index of 32 or below*

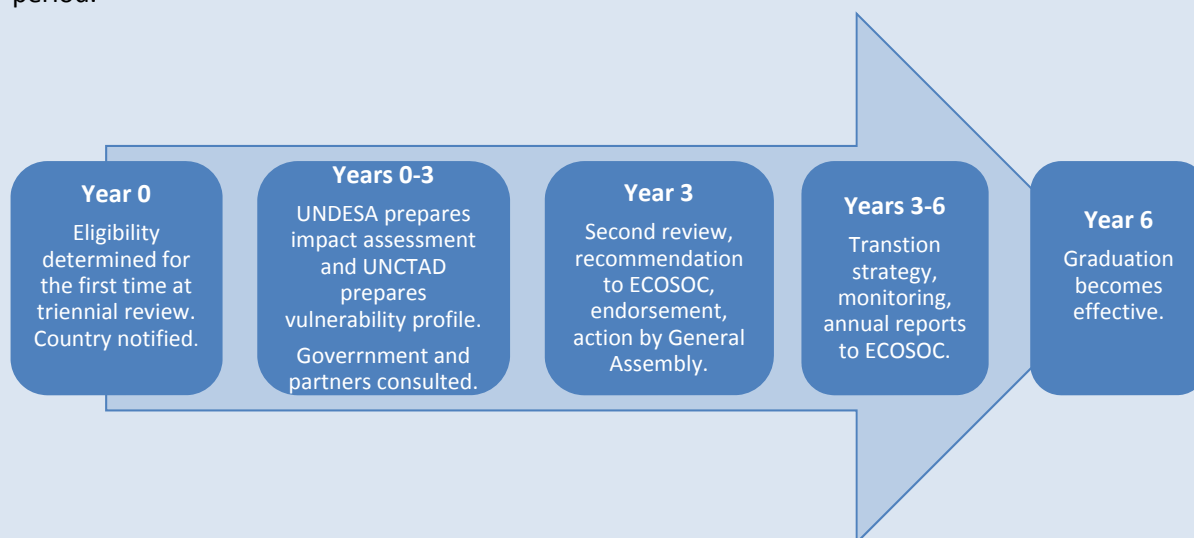
Alternatively, a country may become eligible for graduation if its GNI per capita is more than double the income threshold during two consecutive reviews.

Bhutan's eligibility. At the 2018 review, Bhutan's GNI per capita is USD 2,401, exceeding the graduation threshold of USD 1,230, and its human assets index (HAI) score is 72.9, also exceeding the graduation threshold of 66.0. Although its economic vulnerability index (EVI) score of 36.3 remains above the maximum threshold of 32.0, meeting the income and human assets index (HAI) criteria is sufficient for Bhutan to have met the eligibility criteria for the second consecutive time.



Data based on the 2018 triennial review

The process towards graduation. After the CDP recommends graduation, ECOSOC endorses and the General Assembly takes note of the recommendation. Graduation becomes effective three years after action by the General Assembly. Exceptionally, the General Assembly may decide on a longer transition period.



*For information on the composition of the indexes, see <https://www.un.org/development/desa/dpad/least-developed-country-category/lcd-criteria.html>#

2. Support measures related to trade

2.1. Bhutan export: an overview

Bhutan's economy is characterized by a substantial trade deficit and capital account surplus (table A.1). Imports steadily increased in recent years, offset in part by increasing hydro power export and grants, resulting in the current account deficit reaching almost 30 per cent of GDP in 2014/15. From 2012/13 to 2014/15, export rose from \$546 million to \$578 million, and electricity export accounted for about 30 percent of the total export. Services export show a small deficit, with tourism and IT services accounting for a significant part of the receipts, and electricity related service payment accounting for most of the debits.

Existing major export sectors

Figure 1 presents the major export commodities of Bhutan, identified by the total export values over 2013-2015. At the six digit level of the Harmonized Commodity Description and Coding Systems, electricity energy (HS 271600) is the top export, followed by ferro-silicon (HS 720221). Looking at two digit product code, mineral products (HS 25 and 27) account for a majority of the total export, followed by metals (HS 72) and chemical products (HS 28). Detailed data is presented in table A.2.

Figure 1. Top 10 commodity exports, 2013-2015 average

Source: Ministry of Finance, Bhutan Trade Statistics, various issues

India is the top destination for almost all the main exports of Bhutan. Bangladesh is a major destination for cardamom (HS 090831), and imports some cement products (HS 251810, 252010) from Bhutan. A few European countries import ferro-silicon products (HS 720221). Detailed data are presented in table A.2. In the present report, top destinations for a particular product are identified by the share of the product export that all together add up over 95 per cent.

In the case of Bhutan, trade data in the UNCTAD Comtrade database are available only up to 2012. Mirror data are not reliable, with considerable discrepancies with the original data. Therefore, the national data on trade statistics by Ministry of Finance are the main sources for the present report.⁵ We focus on the top nine exports. Electricity is excluded because the export of electricity to countries other than India does not appear to be feasible at this point due to geography and infrastructure.

Potential export sectors

Additional to the major export commodities, there are rising export sectors with potential to become major sectors to contribute to the total export in the future. Graduation and loss of access to ISMs that may support the growth of such sectors could be an additional possible cost of graduation. To identify these products, we use the development strategy papers by the Government of Bhutan, and export sector studies conducted by international organizations. The present report intends to cover substantial, but not all, potential export products, to provide an initial assessment of possible export products. Further in-depth studies that include more products would be beneficial to the country.⁶

Bhutan validated its first Diagnostic trade integration study (DTIS) and the National Export Strategy in 2012, conducted with Enhanced Integrated Framework (EIF). DTIS identified a number of potential priority products, including agricultural products (such as potatoes, apples, mandarins, cardamom, and cordyceps), ferro-silicon and iron materials, as well as services.⁷ The Government of Bhutan has implemented five year development plans since 1960s. The current Economic Development Plan identifies medicinal health food, animal feed, forest based products, dairy, apiculture and horticulture as additional priority products.⁸ These sectors, as well as other service sectors, are included in the fiscal incentives to support the national development plan.⁹

UN DESA has commissioned a number of Growth Identification and Facilitation Framework (GIFF) studies on productive capacity in LDCs, to identify potential sectors to contribute to achieving sustainable development. The GIFF study for Bhutan (2017) identifies the service sector as a particularly promising potential export sector.¹⁰ The International Trade Centre selects promising

⁵ <http://www.mof.gov.bt/publications/reports/bhutan-trade-statistics/>

⁶ In its comments to the first draft of the present report, the Government suggested to study red rice, mushroom, processed food products, fruit juices, hazelnut, lemon grass products, organic soap and related products, among others. UNDP suggested tea, textiles, bamboo products and other potential high-end exports.

⁷ Enhanced Integrated Framework and National Export Strategy, Government of Bhutan (2012)

⁸ Government of Bhutan, Economic Development Plan 2016

⁹ Government of Bhutan, Rules on the Fiscal Incentives Act of Bhutan 2017

¹⁰ UN DESA, Building productive capacity for LDC graduation in Bhutan (2017)

export products for export promotion activities, based on Export Potential Assessments (EPAs), a data-based methodology.¹¹ See table A.3 for the detailed list of reports and priority products.

From those strategies and research, 15 additional export products with high potential are identified: dairy (04), apiculture (0409), horticulture (07), potatoes (070190), apples (0808), mandarins (080510), medicinal plants (12), cordyceps (210690), mineral water (220110), animal feed (23), plastic film (392099), particle board (4410), building stone (680221), iron ingots (720610), and copper wire (740819). These product groups vary in term of the level of detail -- from two to six digit HS code -- because the reports and strategies suggest priority products in different formats. As presented in table A.2, each of these products currently accounts only for a small portion of the total export, but some show rapid progress in recent years. While India is still the major market for these products, EU, Japan, Thailand and United States are included as potential destinations.¹²

2.2 Preferential market access: goods and services

Trade in goods

WTO members grant reciprocal Most Favoured Nations (MFN) treatment to each other's exports, to ensure non-discriminatory and equal treatment among all signatories with respect to market access conditions. This notwithstanding the "Enabling Clause" was introduced in 1979, which allows developed countries to extend more favourable, non-reciprocal treatment towards the exports of developing countries in general. This is the legal basis to the Generalised System of Preferences (GSP) and deeper margins of preferences for LDCs which may or may not be WTO members. In 1999, Members of the WTO adopted a waiver that allows developing countries to extend preferential treatment to the imports from LDCs.¹³ In 2005, at the Sixth Ministerial Conference in Hong Kong, WTO members committed to further improving market access conditions for LDCs, providing Duty-Free Quota-Free (DFQF) market access.¹⁴

Bhutan established its first working party for WTO accession discussions in 1999 and Bhutan was granted an observer status in the same year. After years of negotiations on various provisions including goods and exemption lists Bhutan made a substantial progress in preparing the accession package. However, the Government deferred accession, and, as of October 2017, accession has not been completed.

Although Bhutan is not a WTO member, as an LDC it receives market access to the preferential treatment schemes of developed countries including the European Union and United States. Similar preferences have also been granted to LDCs by emerging and higher income developing

¹¹ ITC (2017), Bhutan: Export potential assessment

¹² Hong Kong and Singapore emerge as important destinations for some of the potential products, but are excluded from the analysis because the tariff rates for all imports to Hong Kong and Singapore are not affected by the LDC status of the exporting countries.

¹³ WTO, WT/L/304/17, 17 June 1999. See also LDC Portal at <https://www.un.org/ldcportal/preferential-treatment-to-merchandise-exports/>

¹⁴ WTO, WT/MIN(05)/DEC.

countries such as Thailand, and duty-free imports to these countries have been increasing in recent years.¹⁵

Bhutan also receives market access concessions to LDCs through the regional trade agreement, the South Asian Association for Regional Cooperation (SAARC) Agreement on a South Asian Free Trade Area (SAFTA), which entered into force in 1995.¹⁶ Under SAFTA, the eight SAARC nations (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka) have pledged to cut tariff rates on a product by product basis. The three LDC members, Bangladesh, Bhutan and Nepal, and one former LDC, Maldives, are granted additional market access preferences.¹⁷ However, the preference margin is not significant, due to the large number of goods excluded from duty-free treatment.

Independent of its LDC status, Bhutan can access markets on a preferential basis due to its participation in bilateral and regional trade agreements. Bhutan has signed a bilateral trade agreement in 1972 with India, the top destination market for most of Bhutan's exports. The agreement has been renewed five times, latest renewal in 2016.¹⁸ In 2014, Bhutan and Bangladesh renewed a bilateral trade agreement which originally signed in 1980. As part of the Agreement, Bhutan receives duty free access on eighteen products.¹⁹

Bhutan and Thailand signed a trade and economic cooperation agreement, exempting duties for temporary importation of a few products for non-commercial purposes.²⁰ Negotiations for the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area have also been initiated.²¹

For the products which have been identified in the previous section, an analysis is made of the tariffs that are affected or not affected by the possible graduation from the list of LDCs. Bhutan has been exporting to its main destination markets through various preferential tariff regimes (table A.4). Should Bhutan graduate, it may lose access to some of the LDC preferential schemes and become eligible for other tariff regimes (regular GSP, MFN, etc) immediately or with some transition period. Bhutan will maintain access to existing bilateral and regional schemes, independent of its LDC status.

Table 1 summarizes the lowest-possible average tariffs on Bhutan exports, to be imposed by major and potential trading partners for the above-mentioned top 9 exports (excluding electricity) and 15 potential exports, pre-, and post-graduation. Major trading partners, shown in the shaded cells, are the large importers which, cumulatively, account for more than 95 per cent of the total export of the particular product. Simple averages of all applicable tariff lines are presented as the main result. For the cases where tariff rates vary at a more detailed product level pre- and post-graduation, further discussion using detailed product codes, for example, at the six-digit, is presented in the text. The first number in a cell represents the best possible tariff for Bhutan as

¹⁵ See WTO, List of Preferential Trade Arrangements, <http://ptadb.wto.org/ptaList.aspx>

¹⁶ <http://commerce.nic.in/trade/safta.pdf>

¹⁷ Asian Development Bank, <https://aric.adb.org/fta/indo-Bhutan-treaty-of-trade>

¹⁸ Based on the comments from the Government of Bhutan.

¹⁹ <http://www.moea.gov.bt/wp-content/uploads/2017/07/pub6j2987xg.pdf>

²⁰ <http://www.moea.gov.bt/wp-content/uploads/2017/07/Trade-Economic-Coperation-Agreement-between-Bhutan-Thailand-1.pdf>

²¹ <http://bimstec.org/>

an LDC. The second figure is the best possible tariff for Bhutan as a non-LDC. Red figures present possibly large tariff margin losses (five percentage point changes) for export products due to graduation. Thus, red figures in a shaded area for products in bold would represent a significant impact expected from graduation on the current major export sector in main destinations.

Table 1. Import tariffs on products exported by Bhutan, with and without LDC preferential treatment, 2015

Product	HS	Bangladesh	EU	India	Japan	Nepal	Thailand	USA
<i>Dairy</i>	04	15.7/15.7	0/55.3	0/0	0/73.5	12.7/12.7	22.8/39.8	11.7/18.6
<i>Apiculture</i>	0409	3/3	0/17.3	0/0	0/25.5	9/9	0/30	0/0.5
<i>Horticulture</i>	07	6.2/6.2	0/9	0/0	0/33.9	8.5/8.5	8/40.5	0.7/3
<i>Potatoes</i>	070190	0/0	0/6.1	0/0	0/4.3	9/9	125/125	0/0.9
<i>Apples</i>	0808	0/0	0/3.7	0/0	0/8.9	9/9	0/28.6	0/0.1
<i>Mandarins</i>	080510	0/0	0/12	0/0		10/10	0/88.5	2.2/2.2
Cardamom	090831	0/0	0/0	0/0	0/0	15/15	27/27	0/0
<i>Medicinal plants</i>	12	1.5/1.5	0/7	0/0	0.7/55.5	7.3/7.3	7.7/23.6	6.4/6.8
<i>Cordyceps</i>	121190	3/3	0/0	0/0	0/0.3	6/6	10.4/21.1	0/0
<i>Mineral water</i>	220110	25/25	0/0	0/0	0/0	30/30	0/19.1	0/0
<i>Animal feed</i>	23	0.2/0.2	0/26.6	0/0	0/1.6	5.9/5.9	6/11.2	6.1/7.3
Dolomite	251810	0/0	0/0	0/0	0/0	6/6	0/0	0/0
Gypsum	252010	0/0	0/0	0/0	0/0	5/5	0/0	0/0
Cement	252329	25/25	0/0	0/0	0/0	NAV*	10/10	0/0
Calcium carbide	284910	3/3	0/0	0/0	0/0	6/6	0/0	0/0
Silicon carbide	284920	3/3	0/2	0/0	0/0	6/6	0/0	0/0
<i>Plastic film/sheet</i>	392099	4/4	0/2.5	0/0	0/0	15/15	5/5	0/0
<i>Particle board</i>	4410	5/5	0/3.5	0/0	0/3.6	7.2/7.2	0/5	0/0
<i>Building stone</i>	680221	5/5	0/0	0/0	0/0	30/30	30/30	0/0
Ferro-silicon	720221	0/0	0/2.2	0/0	0/0	5/5	0/0	0/1.9
<i>Iron ingots</i>	720610	0/0	0/0	0/0	0/0	5/5	0/0	0/0
Semi-finished iron or steel products	720712	0/0	0/0	0/0	0/0	5/5	0/0	0/0
Bars and rods	721430	0/0	0/0	0/0	0/0	30/30	5/5	0/0
<i>Copper wire</i>	740819	3/3	0/1.3	0/0	0/1.2	5/5	0/0	0/0

Note: Products in **bold** are current major export products, and products in *italics* are potential export products; A shaded area indicates current main destinations of the corresponding product; First figure is the average tariff as an LDC; Second figure is the possible average tariff as a non-LDC; **Red** represents a loss in preference of more than 5 percentage points. * Non ad valorem, Rs. 4,050/MT.

Source: TRAINS, accessed 15 October 2017

Potential impact of graduation on tariff preferences on major products in main markets

- Bangladesh is one of the main destinations for cardamom (HS 090831), dolomite (251810) and gypsum (252010). They face zero tariffs under the bilateral agreement, and thus will not be affected by graduation.
- Ferro-silicon exports (720221) to EU are not likely to experience a substantial change in tariff after graduation. The average tariff would increase slightly from zero to 2.2 per cent, without much variation within that product group.
- In the case of India, tariffs based on the Agreement on Trade, Commerce and Transit are applied to all exports from Bhutan, regardless of Bhutan's LDC status. Graduation will have no impact on most of Bhutan's major export products, such as cardamom, cement, silicon, ferro-alloy products.
- Nepal is among the main destinations for gypsum (252010), which is not covered by SAFTA-LDC or SAFTA. The tariff rate on gypsum will remain at 5 per cent, the MFN rate, regardless of Bhutan's LDC status.

In sum, for the existing major products and main destinations, no product group will face significant tariff changes after graduation (no bold red numbers in shaded cells in table 1).

Potential impact of graduation on diversification

- For current major export products, diversifying into other markets is not likely to be affected by a possible loss of preferential tariffs (no bold red numbers in non-shaded cells in table 1). In the EU, tariff rates under GSP would still be zero for cardamom and cement products, for instance. In the case of Thailand, the tariff rates are either not covered by GSP-LDC (cardamom and cement), or zero under MFN regime (dolomite, gypsum, and silicon).
- On the other hand, Bhutan's efforts to diversify may be limited by the possible increase in duties after graduation (see italic red numbers in table 1). For example, should Bhutan graduate, it will lose eligibility for the EBA (GSP-LDC) of EU after a transition period, and become eligible for regular GSP (see table A.4 for additional information).²² The average tariff rate would jump from zero per cent under EBA to 55.3 per cent after graduation, when Bhutan is applied with regular GSP or MFN by the EU, depending on products. Changes in tariff rates on specific products within the dairy product group vary a lot, for instance, 2.4 per cent for bird's eggs (GSP), 141 per cent for some types of buttermilk (GSP), 202 per cent for whey protein product (MFN, not covered by GSP). EU tariff changes after Bhutan's graduation are generally high for agricultural products.
- MFN tariff rates imposed by Japan and Thailand on many agricultural products are significantly higher than those under GSP-LDC scheme. Bhutan may find difficulties in

²² United Kingdom's exit from EU does not seem to have a significant potential impact, as UK will establish unilateral trade preferences scheme to support economic and sustainable development in developing countries, including beneficiaries of the EBA, standard GSP and GSP+ tiers.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/654714/Preparing_for_our_future_UK_trade_policy_Report_Web_Accessible.pdf

exporting dairy, honey, vegetables and fruits to Japan and Thailand, if it loses trade preference after graduation.

To summarize, for existing major exports such as cement and steel, diversifying into new markets, e.g., EU, Japan, Thailand, and United States is not likely to be affected by graduation, because tariff rates will remain around the same level. Diversifying to potential export products, such as dairy, vegetables, and fruits, would not be affected by graduation for main destinations, including Bangladesh, India and Nepal. But potential export products may face higher tariffs in new markets, such as EU, Japan and Thailand, after graduation.

Many of the preferential market access destinations do not have provisions for smooth transition, while some have ad-hoc arrangements after countries graduated. The only GSP scheme for LDCs that has a pre-determined transition period is the EU's EBA programme which grants a transitional period of at least three years, while actual application of this provision varies country by country (see details in table A.4).

Trade in services

In 2011, Members of the WTO adopted the decision on preferential treatment to services and services suppliers of LDCs. The decision exempts WTO members from the obligation of treating all members equally and allows them to grant market access preferences in services for LDCs. At the Nairobi Ministerial Conference in December 2015, the waiver was extended to December 2030.²³

Trade in services can be categorized into four different modes: 1) Cross Border, supplied from a country into another (e.g., software services); 2) Consumption Abroad, supplied in a country to the consumer of another (e.g., example: tourism, education, health, aircraft repair); 3) Commercial Presence, supplied through any type of business or professional establishment of a country in another (e.g., branch of a foreign bank); 4) Presence of Natural Persons, supplied by national of a country in another. LDCs and trading partners have been working on identifying the constraints in those modes. In 2015, LDCs made requests to remove restrictions in diverse sectors and modes, and in response to that, 25 developed and developing countries identified sectors and modes where they intend to provide preferential treatment to LDCs.²⁴

It is difficult to identify specific impacts of LDC graduation on the service waiver, as the implementation of the waiver has just begun. Preliminary assessments indicate that it is difficult to assess the true effectiveness of the preferential market access in services, and that many commitments focus on Mode 2 where there are few barriers anyway, with some potentially valuable preferences in Mode 4.²⁵ Moreover, since the waiver became effective in practice in 2015, it is too early to find any changes in the service trade data in any countries.

²³ WTO, T/MIN(15)/48.

²⁴ WTO, S/C/W/356, S/C/M/121.

²⁵ [http://www.unescap.org/sites/default/files/Trade Insights - Services LDC - Issue No. 13 REVISED.pdf](http://www.unescap.org/sites/default/files/Trade%20Insights%20-%20Services%20LDC%20-%20Issue%20No.%2013%20REVISED.pdf)
<http://unctad.org/meetings/en/SessionalDocuments/ditc-05072016-LDCWaiver-AssessmentPaper.pdf>

Research focusing on the constraints in service export of LDCs suggests that the impact of the service waiver, by itself, is not likely to be large. For professional services in Mode 1, for example, most of the constraints in LDCs, including Bhutan, are supply side problems – physical infrastructure such as transportation, IT connectivity, and soft infrastructure such as institutions, law, etc.²⁶ Obstacles relating to restrictions in supply side are unlikely to be remedied through a demand side policy -- the application of preferences via the service waiver.²⁷

It is also not clear how the service waiver can be implemented if Bhutan accedes to the WTO before or after graduation. Some of the countries grants the preference based on the service waiver only to the WTO members, while others do not specify the issue. Further studies are required to clarify how the preference on the service trade will pan out.

2.3. Trade-related capacity building

LDCs have access to the EIF to receive financial and technical assistance on removing obstacles to trade development. Under the EIF, Tier 1 funds can be used to fund the preparation of DTIS and to provide support to National Implementation Units. Tier 2 funds are available to finance priority small-scale projects to build up trade-related and supply-side capacities. Bhutan conducted DTIS supported by EIF in 2012, and currently implementing two projects on institutional support (Tier 1, \$900,000), and E-infrastructure (Tier 2, \$967,000).²⁸

Graduation of Bhutan from the LDC category will not immediately affect the current programme in effect or under consideration. The EIF provides transitional support to the graduated countries for a period of up to five years to help them to ensure a smooth transition after graduation from LDC status.²⁹

Specialized training and technical assistance in trade can continue to be provided to Bhutan under the framework of Aid for Trade, which is available for all developing countries, if the country graduates from the LDC category. According to the WTO, total Aid for Trade amounted to \$10.6 billion for LDCs, accounting for 26 per cent of the total in 2015.³⁰ Bhutan received \$57.9 million in Aid for Trade in 2015, equivalent to about 60 per cent of the total ODA received.

2.4. Special and differential treatment regarding WTO obligations

LDC members of the WTO may benefit from special considerations in the implementation of the organization's agreements. For example LDCs are exempted from certain disciplines such as the prohibition on export subsidies, and granted longer implementation periods, reduced reporting obligations under the trade policy review system, and so on. Such special and differential

²⁶ UNCTAD (2011) Services Policy Reviews: Bhutan; UNCTAD (2011) Services Policy Reviews: Uganda; UNCTAD (2013) Services Policy Reviews: Rwanda.

²⁷ Pierre Sauve and Natasha Ward (2016) A trade in service waiver for least developed countries: towards workable proposals, in Pierre Sauve and Martin Roy ed., Research Handbook on Trade in Services.

²⁸ <http://www.enhancedif.org/en/country-profile/bhutan>

²⁹ Based on input by EIF, October 2017.

³⁰ https://www.wto.org/english/res_e/booksp_e/aid4trade17_e.pdf

treatments (SDTs) fall into five categories: (i) increased market access; (ii) safeguarding of the interests of LDCs; (iii) increased flexibility for LDCs in rules and disciplines governing trade measures; (iv) extension of longer transitional periods to LDCs; and (v) provision of technical assistance. SDTs cover various areas, such as agriculture, investment, intellectual property rights, trade facilitation, rules of origin and so on. Graduation from LDC status implies that differential treatment in the observance of WTO disciplines will not be allowed after graduation. WTO confirms that it would depend on Members' decisions whether to extend some of the LDC-specific provisions to graduated LDCs for a specified transition period.³¹

As a country acceding to WTO, the transition period for Bhutan to comply with the WTO obligations would depend on the accession negotiations and the timing of the LDC graduation. For instance, Bhutan requested for a transition period until the end of 2010 to fully implement the TRIPS Agreement. Notably, the requested transition period by Bhutan expired at the end of 2010, and it is likely that Bhutan would have to fully comply with the TRIPS Agreement upon accession as is the case with Liberia, which acceded in 2016. Nevertheless, to the extent more time is needed to bring its IP laws into conformity with the TRIPS Agreement, Bhutan may request a short transition period as is the case with recently acceded LDCs Lao PDR and Nepal. Bhutan may benefit from the pharmaceutical-specific transition period and its extension, if it explicitly states so in its Accession Protocol or Report of the Working Party, but would need to include the pharmaceutical sector into its WTO-compliant IPR regime after graduation.

3. Development Cooperation

ODA flows from the Organisation for Economic Development (OECD) Development Assistance Committee (DAC) countries to Bhutan are significant. Net ODA has been over 120 million per year for 2013-2015, with the ODA/GNI ratio of almost 7 per cent on average.³² Per capita ODA of Bhutan was close to \$130 in 2015.³³ About 36 per cent of the net total ODA inflow was from bilateral partners (table A.5). Counting India's cooperation, Bhutan is even more dependent on aid. External grants accounts for 34 per cent of the total government resources, and about 70 per cent of the external grants are from India during 2015-2018.³⁴

3.1 Official Bilateral Flows

India has been the most important bilateral donor for Bhutan. According to the Government of Bhutan, India's aid to Bhutan accounted for 75 per cent of total external grants in fiscal year 2015-16.³⁵ Among the DAC countries, Australia, Austria, Japan, Norway and Switzerland are the major bilateral donors during the period 2006-2015 (figure 2). Over time, the focus of the ODA has gradually shifted from social expenditure to economic infrastructure, particularly the transportation and communication sector (table A.6).

³¹ Based on input by WTO, October 2017.

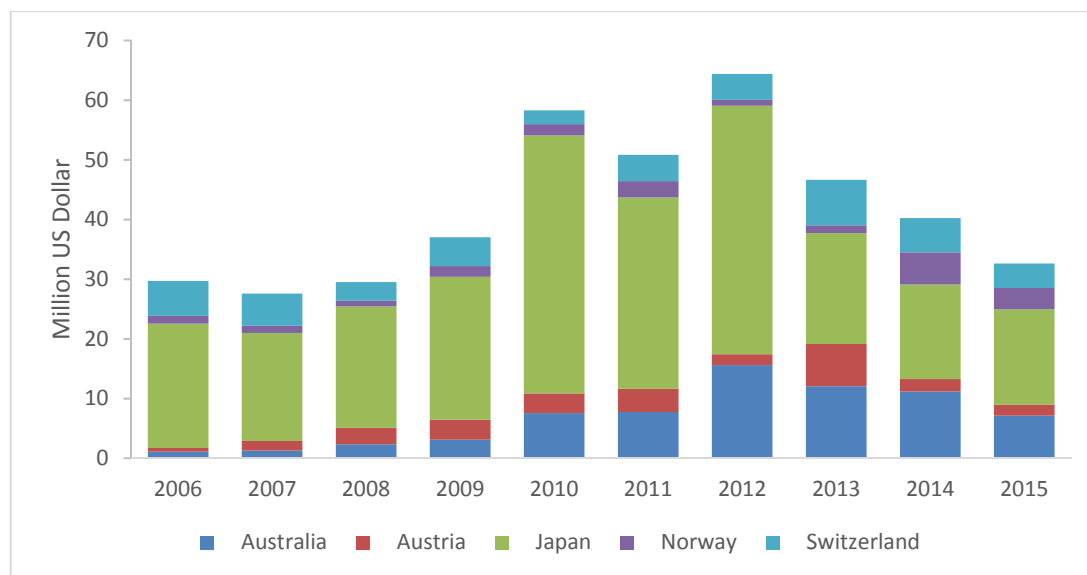
³² OECD/DAC, Aid at a glance: Bhutan

³³ Calculated from OECDstat and UN Population database.

³⁴ Ministry of Finance, National Budget, financial year 2015-16, 2016-17, 2017-18.

³⁵ Ministry of Finance, National Budget, financial year 2015-16.

Figure 2. Bilateral ODA disbursements to Bhutan by major DAC donors, 2006-2015



Source: OECDstat, accessed 9 October 2017, based on total net ODA

Most bilateral donors have confirmed that there would be no abrupt changes in development cooperation with Bhutan after graduation, or their development assistance plans and strategies in place seem to have been established regardless of Bhutan’s status as an LDC. Therefore, the impact of graduation on development cooperation would be minimal. However, terms of Japan’s development loans may become less favorable. Table 2 summarizes the post-graduation perspectives for major development partners.

Table 2. Summary of post-graduation perspectives for major development partners of Bhutan

Partner	Post-graduation perspective	Source
Bilateral		
Australia	Bhutan’s graduation from LDC status is not likely to have significant implications for ODA. To achieve sustainable, inclusive development and a smooth transition, Australia’s assistance to Bhutan focuses on finding ways to broaden its economic base, develop stronger regional connectivity and address gender and unemployment issues.	Response to DESA
Austria	The aid policy will not jeopardize the development progress achieved by Bhutan so far. Austria is currently undertaking an internal review process about its country strategy for Bhutan which will be finished by the end of 2017.	Response to DESA
India	India does not appear to associate its development cooperation with Bhutan’s LDC status.	Development cooperation strategy ³⁶ ;

³⁶ <http://www.mea.gov.in/development-partnership-administration.htm>

		Ministry of Finance ³⁷
Japan	The terms of Japanese ODA Yen loan will change depending on the country's income level and the projects, after graduation. For instance, the interest rate may increase from 0.01 per cent to 0.25 per cent for medical care projects, if the country graduates from LDCs and categorized as a low income country.	Development cooperation strategy ³⁸
Norway	Norway's aid to Bhutan does not appear to be dependent on Bhutan's LDC status.	Development cooperation strategy ³⁹
Switzerland	Aid by Switzerland is not likely to be affected by Bhutan's graduation.	Development cooperation strategy ⁴⁰
Multilateral		
ADB	Bhutan's access to funds provided by the ADB is not contingent on its status as LDC	ADF ⁴¹
European Union	No details available yet. Specific situations and vulnerabilities of Bhutan are expected to be considered for the development cooperation between the EU and Bhutan.	Response to DESA
IFAD	LDC status is not part of the allocation formula of IFAD. Graduation would have no impact on aid from IFAD.	Input to the previous DESA survey for UNDS
UNCDF	UNCDF has a programme helping local authorities channel global climate adaptation financing to the local level, to cope with the increased cost of building resilience against climate change and natural disasters. UNCDF would continue to implement its operational activities until the completion and phase out its support gradually if development progress is sustained.	Response to DESA
UNDP	The percentage allocation of UNDP's core resources to LDCs has been established at a minimum of 60 per cent of the core budget. Bhutan will be out of this focus group but the impact is not measurable. A number of programmatic interventions of UNDP are either in place or anticipated to support Bhutan's smooth transition, including around building productive capacities. The focus areas will be coordinating support for a smooth transition, localizing the SDG achievement as a framework for LDC graduation, increasing resilience to shocks, post-graduation financing mechanisms, and trade facilitation.	Response to DESA

<https://www.itecgoi.in/index.php>

³⁷ Ministry of Finance, National Budget, financial year 2017-18.

³⁸ https://www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/standard/2015_2.html

³⁹ <http://udtilskudd.regjeringen.no/#/en/sector?country=45&year=2017>

⁴⁰ <https://www.eda.admin.ch/countries/bhutan/en/home/switzerland-and/bilateral-relations.html>

⁴¹ <https://www.adb.org/site/funds/adf>

UNFCCC	The project approved and funded by LDCF will continue to completion. Bhutan will remain eligible to access other financing sources of UNFCCC, such as the GEF Trust Fund, the Special Climate Change Fund, the Adaptation Fund, and the Green Climate Fund (GCF). For the GCF, however, Bhutan would be excluded from the priority group, such as LDCs, SIDS and African States.	Development cooperation strategy, Response to DESA
UNFPA	UNFPA's Country Classification System includes some LDC criteria, such as GNI, Maternal Mortality Ratio, humanitarian risk and population size. As LDC status per se is not a UNFPA Country Classification indicator a shift in LDC status will not automatically trigger changes to UNFPA assistance.	Input to the previous DESA survey for UNDS
UNICEF	UNICEF has a 60% minimum arrangement for its programme budget allocation to LDCs. Bhutan may lose this priority upon its graduation, but the impact is not currently quantifiable because the budget allocation targets are set for LDCs as a group, not for each LDC.	Input to the previous DESA survey for UNDS
WHO	The operation of WHO is not associated with Bhutan's LDC status, and thus graduation would not affect WHO aid.	Development cooperation strategy ⁴²
World Bank	Bhutan's access to funds provided by the World Bank is not contingent on its status as LDC	IDA ⁴³

3.2 Multilateral Flows

Table 2 summarizes the perspectives of multilateral development partners in the event of Bhutan's graduation. The Asian Development Bank (ADB) and the World Bank play the most important role for Bhutan in financing for development (see table A.5). Bhutan's access to funds provided by the ADB and the World Bank is not contingent on its status as LDC.

The European Union's next Multiannual Financial Framework post-2020 is expected to be adopted in May 2018. Therefore, specific details on the practice that will be applied post-2020 in terms of eligibility and allocations for Bhutan are not yet available. However, as Bhutan is unlikely to be on a sustained growth path and able to generate enough resources for development immediately after graduation, the EU confirmed that specific situations and vulnerabilities are expected to be considered.

The EU's Global Climate Change Alliance Fund (GCCA+) initiative puts the priority on SIDS and LDCs, but supports projects in non-SIDS / non-LDCs. The EU confirmed that ongoing activities in Bhutan will continue as foreseen, and graduation from the LDC category would not impact Bhutan's future eligibility for funding from the GCCA+ initiative.

⁴² <http://apps.who.int/iris/bitstream/10665/161163/1/B5096.pdf?ua=1>

⁴³ <http://ida.worldbank.org/about/what-ida>

The UN system as a whole is the third largest multilateral partner for Bhutan. IFAD, UNDP, UNICEF, UNFPA and WHO are the major contributors. Some UN agencies give priority to LDCs in providing funding and capacity building support, as a part of their corporate strategies. For example, UNDP and UNICEF have an arrangement for its programme budget allocation to LDCs. Bhutan may lose this priority assigned by UN agencies on LDCs upon its graduation, but the impact is not currently quantifiable because the budget allocation targets are set for LDCs as a group, not for each LDC.⁴⁴ Other UN partners for Bhutan, including IFAD, UNFPA and WHO, have the operation plans not directly associated with the recipient country's LDC status.

Graduation would affect only the financing sources of the UN system that are exclusively available for LDCs. Under the UNFCCC, special funds have been created to address the special needs of developing countries for climate change mitigation and adaptation. In 2001, UNFCCC parties established the Least Developed Countries Fund (LDCF) under the Global Environment Facility (GEF) to support LDCs in carrying out the preparation and implementation of National Adaptation Programmes of Action (NAPAs). Bhutan prepared the NAPA in 2006, and two projects have been approved and financed by the LDCF: one on glacial lake outbursts (\$3.4 million grant) completed in 2013. The other, on enhancing national and local capacity (\$11.5 million grant), is being implemented.⁴⁵ The project approved and funded by LDCF will continue to completion, regardless of the country's LDC status. Should Bhutan graduate, however, new projects may not be eligible to be funded by the LDCF.

On the other hand, Bhutan will remain eligible to access funds available at other financing sources of UNFCCC, such as the GEF Trust Fund, the Special Climate Change Fund, the Adaptation Fund, and the Green Climate Fund (GCF). For the GCF, however, Bhutan would be excluded from the priority group, as the GCF Board takes into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States, using minimum allocation floors for these countries as appropriate.

A number of UN entities and international organizations are also implementing or preparing operations to support Bhutan to move toward smooth transitions. In particular, the OHRLS, UNCTAD, UNESCAP, and WFP confirmed that they will continue their support to Bhutan after graduation, and assist the country to transit smoothly from the LDC category. UNCDF will continue to support Bhutan after graduation, and gradually reduce the operations over a few years.

In sum, aid from most multilateral partners is not associated with Bhutan's LDC status, and therefore graduation would have minimal impact on the development cooperation for Bhutan. Bhutan will lose access to the LDCF upon graduation, but remain eligible for other climate-related

⁴⁴ For more details on the support for LDCs by UN Development System entities, see "Recognition and Application of the Least Developed Country Category by UN Development System Organizations," CDP Policy Review No. 6. <https://www.un.org/development/desa/dpad/publication/recognition-and-application-of-the-least-developed-country-category-by-un-development-system-organizations/>

⁴⁵ <https://www.thegef.org/projects>

financing sources. Several UN entities and international organizations plan to initiate and implement operations to support Bhutan's smooth transition.

3.3 Private flows

While private flows, such as Foreign Direct Investment (FDI), are not directly associated with the recipient country's LDC status in general, FDI can be negatively influenced by graduation if the investment was made in the expectation of benefiting from trade preferences provided to LDCs. However, LDC status is only one of many factors affecting such flows, and thus it is difficult to measure the impact of graduation on FDI. The evidence from graduated countries, on the other hand, suggests that FDI flows in fact increased after graduation: FDI as a share of GDP increased in Cabo Verde (5.5% to 8.0%), Maldives (5.8% to 12.9%), and Samoa (2.8% to 3.3%) after graduation, although it is difficult to identify a causal relationship.⁴⁶

4. General support measures

4.1 Ceiling and discounts on the contribution to the United Nations system budgets

All Member States of UN have to contribute to the budgets of UN system, at least 0.001 per cent, so-called "floor", and LDCs receive support on their contribution assessment, capped by 0.01 per cent, so-called "ceiling". The possible changes for Bhutan's contribution to these UN entities budgets are summarized in table 3. Most of the UN entities consider the LDC status, income level and other factors for assessing the contribution rate. Due to the relatively low income level, Bhutan's contribution rate is not expected to increase much after graduation. The only immediate change would be an increase in the contribution to the UN Peace Keeping budget (\$6,800), and to WIPO (about \$1,452), based on the current budget and assessment rate. The assessment systems for ITU are based on classes of contributions, with LDCs contributing at the lowest levels. Graduation would mean the country would no longer be entitled to contribute at these lowest classes, which would imply an increase in contributions. The ITU Council can authorize an LDC graduate to continue to contribute at the lowest classes, and all LDCs that have graduated since 2007 continue to do so. Therefore, the contribution to ITU budget is possibly increased after graduation, but not likely, based on the other cases of graduation.

⁴⁶ UNCTAD (2016), The Least Developed Countries Report 2016.

Table 3. Bhutan's contribution to UN entities budgets

UN entity	Methodology	LDC provisions	Rate with LDC status	Rate without LDC status	Impact of loss of LDC status
UN regular budget	UN scale of assessments	Ceiling of 0.01%	0.001%	0.001%	No impact
Peace-keeping	Based on UN scale of assessments with discount according to income level	Discount level J (90% discount)	0.0001%	0.0002%	Contribution increase for 2017/2018 budget: USD 6,803
Criminal Tribunals	Calculated as 50% UN regular budget and 50% Peacekeeping budget	Peacekeeping discount level J applies to 50% of the budget	0.00055%	0.0006%	Contribution increase for 2017 budget: USD 33.5
FAO	Based on UN scale of assessments adjusted to entity membership	Ceiling of 0.01%	0.001%	0.001%	No impact
ITU	Voluntary selection of class of contribution	Special class of 1/8 or 1/16 units	1/16 units	1/4 units	Contribution increase for 2017 budget: CHF 39,750 (possible but not likely. See text above)
OPCW	Based on UN scale of assessments adjusted to entity membership	Ceiling of 0.01%	0.001%	0.001%	No impact
UNESCO	Based on UN scale of assessments adjusted to entity membership	Ceiling of 0.01%	0.001%	0.001%	No impact
UNIDO	Based on UN scale of assessments adjusted to entity membership	Ceiling of 0.01%	0.001%	0.001%	No impact
WHO	Based on UN scale of assessments adjusted to entity membership	Ceiling of 0.01%	0.001%	0.001%	No Impact
WIPO	Assessment based on 14 different classes of contribution	<i>STer</i> class	1/32 units	1/16 units	Contribution increase for 2017 budget: CHF 1,424 (USD 1,452)

4.2 Travel supports and scholarships

The United Nations offers travel support for up to five representatives of each Member State designated as a LDC to attend the regular sessions of the General Assembly.⁴⁷ For graduated countries, the travel support can be extended, with some conditions, to a maximum of three years after graduation.⁴⁸ Bhutan received this support for five representatives every year for 2012-2017, with the total amount of \$166,500.⁴⁹

Other UN entities also support travel of LDC representatives participating international conferences.⁵⁰ But other than UN GA, no other organization has indicated that they have a smooth transition arrangement for countries graduating from the LDC category. If Bhutan becomes a non-LDC, travel supports for Bhutan are likely to discontinue.

Researchers from LDCs are eligible for scholarship and research grants provided by international organizations and private institutions.⁵¹ For instance, UNITAR provided a course fee waiver for Bhutanese applicants in 2014 and 2017.⁵² These grants and supports do not have smooth transition arrangements. However, most of the research grants and scholarships allow applications from non-LDCs, and thus Bhutanese researchers are likely to remain eligible for some of the research grants.

5. Conclusions

On the basis of available information, the graduation of Bhutan from the LDC category is likely to have a limited impact. The expected impacts of possible graduation of Bhutan are summarized in table 4.

⁴⁷ United Nations (1991), Rules governing payment of travel expenses and subsistence allowances in respect of members of organs or subsidiary organs of the United Nations (ST/SGB/107/Rev.6). Available from <http://documents-dds-ny.un.org/doc/UNDOC/GEN/NS0/000/21/img/NS000021.pdf?OpenElement>

⁴⁸ United Nations (2011), Implementing the smooth transition strategy for countries graduating from the list of least developed countries (A/RES/65/286)

⁴⁹ The information is obtained from the travel support unit of the United Nations.

⁵⁰ For more information, see <https://www.un.org/ldcportal/category/general-support-isms/>

⁵¹ A comprehensive list of grants and scholarships are available at <https://www.un.org/ldcportal/category/general-support-isms/>

⁵² Based on correspondence with UNITAR, 25 July 2017.

Table 4. Summary of impact of Bhutan’s graduation from LDC category

Category	Transmission channel	Possible change	Possible result
Trade	Export of major products to main destinations	No or minor changes in Bangladesh, India, and Nepal.	Tariff rates remains the same due to the duty-free access to India, the bilateral agreement with Bangladesh, and SAFTA.
	Diversification of major products to new markets	No or minor change in EU, Japan, Thailand and United States.	Tariff rates remains the same due to the coverage of GSP-LDC and low MFN rates.
	Diversification to other products	No tariff increase in Bangladesh, India and Nepal. Significant increase in tariff rates in EU, Japan and Thailand for dairy, vegetable and fruits.	Difficulties in diversifying into dairy, vegetable, and fruit to export to EU, Japan and Thailand due to higher tariffs.
	Export of service	Service Waiver no longer applied.	Unclear
	Trade related capacity building	Losing eligibility for EIF, and not counted in Aft for LDCs.	5 years of transition for EIF
	WTO obligations	TFA, TRIPS and others	Unclear. Will be determined in the accession process.
Development Cooperation	Bilateral flows	Reduced ODA associated with LDC status	No indication of abrupt changes following graduation. Possible changes in the terms for the loans of Japan.
	Multilateral flows	Reduced budget associated with LDC status	Most entities indicate that no change is expected. Lose access to LDCF. Retain access GEF. Retain access to GCF (but not in the priority group). Lose access to UNCDF after a transition period.
	Private flows	FDI attracted by trade preference can decrease after a loss of preference. FDI can increase, as credit rating improves and risk is reduced.	Unclear. FDI increased in graduated countries.
General support	Contribution to UN system budgets	Contribution ceiling for LDCs is removed, but current rate is 0.001%, the floor.	Peace keeping budget up by \$6,800. WIPO budget up by \$1,452.
	Travel support	No longer eligible for support.	UN GA 3 years of smooth transition. Self-financed travel, or no representation.

	Scholarship and research	Not eligible for grants for applications from LDCs	Not significant. Most allow non-LDC applications
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Bhutan’s graduation is unlikely to have any impact on market access for current exports to major destinations such as Bangladesh, India and Nepal. Most major exports enter the main markets via bilateral and regional trade agreements rather than from preferential treatment for LDCs.

Graduation is unlikely to have a big impact on the possible diversification of current exports into new markets. Most of the existing major exports would face the same tariff rates in EU, Japan, Thailand and United States.

Diversification into potential export sectors to potential markets, however, may be a little challenging, with a possible loss of trade preferences. While tariff rates for export to Bangladesh, India and Nepal are expected to remain the same, a significant tariff increase is expected for dairy, vegetables and fruits in EU, Japan and Thailand after Bhutan graduates.

Service export, especially professional services and tourism, has been gaining its importance in Bhutanese economy, and identified as export sectors with huge potential. Impact of graduation on the Service Waiver is not clear at this moment.

Bhutan’s dependence on foreign aid is significant, but most of the current support will likely remain unaffected by the country’s graduation from the LDC category. Replies by major donor countries suggest that most development support to the country will not be affected by a change in Bhutan’s LDC status, although the terms of such assistance may change as donors have no specific commitments regarding tied aid and deeper concessionality targets for non-LDC developing countries. Financial assistance and technical support by the ADB, IMF, and the World Bank, the main external financing sources for Bhutan, would not be influenced by graduation. Interest rates of Japanese development loans may increase for projects approved after the country graduates.

On the climate financing, Bhutan will lose access to LDCF from the UNFCCC after graduation, but it remains eligible for funds from the GEF. Bhutan will retain access to the GCF, although it will be excluded from the priority group of the GCF.

Regarding general support measures, no significant impact is expected. Contribution to UN system budgets will not be affected much, because Bhutan’s current assessment rate is below the ceiling for LDCs, and because Bhutan’s income level is low. Travel support will be discontinued after graduation, while support for research is likely to be available post-graduation.

Annex I: Response by the Government of Bhutan

COMMENTS ON DRAFT EX-ANTE IMPACT ASSESSMENT PREPARED BY UNDESA ON BHUTAN'S LDC GRADUATION

A. OFFICIAL DEVELOPMENT ASSISTANCE

1. Bilateral Assistance

- Include Denmark as one of the major bilateral donors from 2006 to 2015
- Page 19 - Australia's support to Bhutan is only limited to Human Resource Development and not for economic development and regional connectivity.

2. Multilateral Assistance

- Major impact of graduation would be on the loss of climate related funding windows. For example, Bhutan has accessed funds amounting to US \$ 29 million for NAPA I, II and III as an LDC which will not be eligible upon graduation.
- Reflect the loss of EU's Global Climate Change Alliance Fund

B. TRADE

1. General Comments

- The study was found informative and provides good understanding of potential implications of graduation on existing major exports as well as potential exports. This is viewed important for Bhutan in light of growing concerns with the sustained trade deficit, which is exerting immense pressure on the hard currency reserves and posing enormous risk to the overall macroeconomic stability.
- It was observed that the exhaustive list of nine major export commodities and fifteen potential export commodities have been identified based on earlier studies and export strategy papers. While the studies cited serve as a good basis for product identification, it was noted that the list does not include number of products, such as red rice, mushroom (matsutake), processed food products, fruit juices, mineral water, hazelnut, lemon grass products, organic soap and related products, etc., whose export value may not be substantial at the moment but it would have huge export potential.

- In order to ensure that the study does not mislead in terms of product coverage, it would be important to include a disclaimer, specifically mentioning that the study is intended to cover substantial, but not all, export products.
- Although the study has included major export markets, whose cumulative value of import from Bhutan for particular product accounts more than 95%, the value-based selection of export markets may have ignored other potential export markets like Japan and the U.S. In fact, Japan has consistently been key market for niche agriculture products like Matsutake and Herbal products that are currently exported under GSP scheme. Japan also offers DFQF on 408 agriculture and 3151 industrial products, which include many potential export products from Bhutan. In case of the US, it provides preferential duty-free treatment for approximately 3500 products. Therefore, these two export destinations are proposed for inclusion in the study.
- While the study provides good analysis on the potential implications in terms of preferential duty concessions linked to LDC status, the study seems silent on how market access would be affected by non-tariff measures. In fact, it is partly on the account of restrictive SPS requirements for agriculture products that have not translated the preferential market access through EBA and DFQF facilities provided by the EU and Thailand, respectively, into tangible benefits as far as agriculture products are concerned. Therefore, the degree of impact on the potential agriculture exports in these markets, as indicted by the study, may not be that severe.

2. Specific Comments

- Table1 on page 13 provides a good overview of the potential implications of graduation in terms of market access to major export destinations. However, it was observed that the information provided in the table is not complete and clear in some areas. Perhaps the information could be re-arranged so as to give better picture of the implication under bilateral and regional trading arrangements. For instance, the pre and post-graduation tariff for Bangladesh (3rd column) is the regional tariff rates under SAFTA, whereas the tariff rates for India in 6th column is the bilateral tariff. Therefore, if the Table could be rearranged segregating SAFTA and Bilateral duty rates for clarity. Under SAFTA, Bangladesh and Nepal could be included since trade with India is completely duty free and may not bring any value addition by including under regional trade.
- A clerical error was observed in the text on page 9, wherein, the HS Code for Ferro-silicon at six digit level is given as 284910 instead of 720221. Further, it was noted that the HS code for Cordyceps provided in Table1 on page 13 has been wrongly reflected as 210690. It needs to be replaced by 121190. This has perhaps led to discrepancy in tariff rates for Cordyceps when compared to country specific tariff schedule.

- The information on the bilateral trade with India and Bangladesh on page 12 need to be corrected. Bhutan signed first formal agreement on Trade and Commerce with India in 1972 and subsequently the Agreement was renewed five times. The Agreement was last renewed in 2016 and came into force with effect from July 2017. In case of Bangladesh, the two countries signed first bilateral Trade Agreement in 1980, which was last renewed in 2014. As part of the Agreement, Bhutan receives duty free access into Bangladesh on eighteen (18) products.
- In relation to the information provided on page 12 on bilateral trade with Thailand, the report mentions that the existing Trade and Economic Cooperation Agreement exempts duties for repairs and building materials. This sounds a little misleading because the Article IV of the Agreement allows exemption on duties and taxes only for temporary importation of following products for non-commercial purposes.
 - a. Samples of merchandise, fit only to be used as such and with no commercial value
 - b. Articles imported for repair purposes
 - c. Tools and equipment for building and construction
 - d. Articles temporarily imported intended for public exhibition
- It was observed that the author has sourced data from UNCTAD TRAINS database for 2015. To add more meaning to the information provided, it is suggested if latest tariff schedule of the major export markets could be used, wherever possible. A country-wise observations and comments are provided below:
 - **Bangladesh**
Under the existing bilateral Trade Agreement, Bhutan receives duty access on 18 export products into Bangladesh market. It was noted that currently five products (Apples, Mandarins, Cardamom, Dolomite and Gypsum) out of total twenty four listed products are exported to Bangladesh at zero duty and the remaining products face MFN duty. However, under SAFTA, Bangladesh offers preferential tariff rates on selected items. The latest rates as per 2016 tariff schedule for products not covered by the bilateral trade agreement are provided below. It is, however, subject to further validation if the author decides to update.
 1. Poultry – 5% on an average for products covered under HS 0207
 2. Dairy – 4.75% on an average for products covered under HS 04
 3. Apiculture - -3% on an average for products covered under HS 0409
 4. Horticulture – The maximum duty is 5% for products covered under HS 02
 5. Potatoes – 25% for HS 070190 (not covered under SATFA)
 6. Medicinal plants – 2.5% on an average for products under HS 12
 7. Cordyceps – Could not be verified
 8. Animal feed – 0.23% on an average for products under HS23
 9. Plastic films – 4% on an average for products under HS392099
 10. Particle board – 5% on an average for products under HS 4410
 11. Building stone – 5% (HS 680221)

12. Ferro silicon – 0% (HS720221)
13. Iron ingots – 0% (HS720610)
14. Semi-Finished iron or steel products) – 0% (720712)
15. Bars and Rods – 0% (721430)
16. Copper wire – 3% (HS 740819)

Source: <http://www.bangladeshcustoms.gov.bd/>

○ **Nepal**

Some minor discrepancies were observed in the tariff rates when compared to the Nepal Tariff schedule 2014/15 available at [http://www.customs.gov.np/upload/documents/HS%202072_20150915105900.73\(2015](http://www.customs.gov.np/upload/documents/HS%202072_20150915105900.73(2015)

1. Cordyceps – The tariff rate under SAFTA is 6% and not 14%.
2. Cement – The tariff schedule mentions Specific rate of Rs. 4,050/MT instead of 49.9% ad valorem duty.

○ **Thailand**

If the study could consider looking into following few issues related to product coverage under DFQF that Thailand currently offers to LDCs.

1. Dairy – Except for milk and cream not concentrated nor containing added sugar, or other sweetening matter, other dairy products are eligible for DFQF.
2. Medicinal plants – This heading is too broad. If it could be narrowed to four digit level. The products of interest to Bhutan mainly covered under HS 1211. Since the DFQF is provided at eight digit level, plants of medicinal value like Pipla, Cherauta, Cordycep Sinesis are not included in the DFQF list.

Source

http://ptadb.wto.org/docs/Thailand_LDC/Regulations/2.%20WTO_DFQF%20Tariff%20Annexed.pdf

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Annex II: DESA's reply to the Government of Bhutan

A. OFFICIAL DEVELOPMENT ASSISTANCE

1. Bilateral Assistance

- Denmark has been an important partner until 2012, and then the ODA decreased to zero by 2015. Denmark was not included in the analysis because the impact of graduation is not expected to be significant.
- The response by the Government of Australia has been included, not the current status of their development assistance.

2. Multilateral Assistance

- Bhutan will lose access only to LDCF upon graduation. It retains access to other climate related funding windows, such as the GEF and the GCF.
- EU confirmed that ongoing activities of GCCA in Bhutan will continue as foreseen. Graduation from the LDC category would not impact Bhutan's future eligibility for funding from the GCCA+ initiative. The updated information has been added.

B. TRADE

3. General Comments

- Added mineral water (220110) in table 1. The potential export products in the present report are to highlight some possible impacts, selected based on the existing national development strategies and other studies. Added a disclaimer that the current study intends to cover substantial, but not all, potential export products. Other potential products are good subjects to be analyzed in a follow up in-depth study by the Government.
- Added Japan and United States as potential destinations in table 1. Hong Kong and Singapore are mentioned only in the footnote.
- Non-tariff barriers are beyond the scope of the current report, as they are not associated with LDC-specific benefits or constraints. The technical supports for LDCs on addressing non-tariff barriers, such as the assistance by STDF, are included in the financial flows analysed in the current report. The implication of graduation on non-tariff barriers will be excellent topic for a follow up study.

4. Specific Comments

- The information contained in table 1 can be used by Bhutan in its engagement with trading partners regarding the preferential market access after graduation, and thus the presentation of the result by destination would be more helpful rather than that by tariff regimes. Bangladesh would impose bilateral tariffs, SAFTA-LDC and SAFTA tariffs after graduation, and thus it is difficult to see the changes before/after graduation when only SAFTA tariffs are presented after graduation. Other destinations are of the same cases. Table 1 can be rearranged by tariff regimes, or any other break down, depending on the objective of the study.
- No impact is expected on exports to India, but India is included in table 1 to highlight the main destinations of the export products.
- Errors in the HS codes have been corrected.
- The information on the bilateral agreement with Bangladesh has been corrected.
- The information on the bilateral agreement with Thailand has been corrected.
- The information on the tariff schedule of Bangladesh and Nepal has been corrected.

Annex III: Statistics

Table A.1. Bhutan: balance of payments, 2009-2015 (current prices, million US Dollar)

	2009	2010	2011	2012	2013	2014	2015
Current account	-65.9	-323.1	-526.2	-377.0	-472.2	-483.5	-517.7
Trade balance	-107.9	-344.8	-559.0	-478.8	-433.0	-459.2	-496.5
Exports, f.o.b.	574.3	590.5	745.6	729.0	667.8	659.2	706.9
Imports, f.o.b.	682.2	935.2	1,304.6	1,207.7	1,100.8	1,118.3	1,203.3
Services (net)	-42.4	-71.4	-94.7	-93.3	-54.0	-65.0	-69.4
Receipts	56.3	68.8	81.9	102.2	123.3	124.5	125.3
Payments	98.7	140.2	176.6	195.4	177.4	189.5	194.8
Income	-31.7	-72.1	-104.2	-113.5	-165.7	-121.3	-156.7
Credit	21.1	16.4	16.7	17.4	17.6	19.4	26.6
Debit	52.5	88.5	120.8	130.9	183.3	140.7	183.3
Current transfers	73.6	93.8	137.0	215.3	126.7	97.0	81.5
Credit, of which:	109.4	138.3	188.9	257.8	157.3	120.2	111.0
General government	103.6	123.5	172.6	227.0	139.6	96.8	84.6
Debit	35.8	44.5	52.0	42.5	30.7	23.1	29.5
Capital account	68.0	149.7	167.5	94.7	262.6	276.3	226.3
Financial account	51.7	-105.2	-402.6	-455.2	-148.0	-172.4	-367.1
Direct investment	-18.3	-75.3	-31.1	-24.4	-20.4	-29.0	10.8
Portfolio investment	142.0	89.9	14.1	-159.4	168.0	70.5	-4.7
Other investment (net)	-72.0	-119.8	-385.5	-271.4	-295.5	-214.0	-351.7

Source: IMF Data, Balance of Payments Statistics (BOPS), accessed 2 Oct 2017

Table A.2. Bhutan major export commodities and main destinations and potential export commodities, 2013-2015 average, current thousand US Dollar, excluding electricity

Product	HS code	Value (thousand USD)	Share (%)	Destinations (share %)
<i>Dairy</i>	<i>04</i>	67.5	0.02	India (93), Singapore (6)
<i>Apiculture</i>	<i>0409</i>	4.7	0	Singapore (92)
<i>Horticulture</i>	<i>07</i>	8,917.2	2.39	India (98)
<i>Potatoes</i>	<i>070190</i>	7,736.9	2.07	India (99)
<i>Apples</i>	<i>0808</i>	1,850.7	0.5	Bangladesh (50), India (50)
<i>Mandarins</i>	<i>080510</i>	8,346.2	2.23	Bangladesh (95), India (5)
Cardamom	090831	12,931.4	3.46	Bangladesh (57), India (43)
<i>Medicinal plants</i>	<i>12</i>	4,553.0	1.22	Hong Kong (68), Singapore (14), Thailand (10)
<i>Cordyceps</i>	<i>121190</i>	4,536.2	1.21	Hong Kong (68), Singapore (14), Thailand (10), Malaysia (4)
<i>Mineral water</i>	<i>220110</i>	111.3	0.03	India (97)
<i>Animal feed</i>	<i>23</i>	892.6	0.24	Bangladesh (53), India (47)
Dolomite	251810	21,838.8	5.84	India (88), Bangladesh (11)
Gypsum	252010	10,262.4	2.75	India (84), Nepal (11), Bangladesh (5)
Cement	252329	32,813.8	8.78	India (100)
Calcium carbide	284910	16,399.3	4.39	India (100)
Silicon carbide	284920	12,297.7	3.29	India (99)
<i>Plastic film/sheet</i>	<i>392099</i>	7,503.6	2.01	India (100)
<i>Particle board</i>	<i>4410</i>	2,606.1	0.7	India (100)
<i>Building stone</i>	<i>680221</i>	2,559.2	0.68	India (100)
Ferro-silicon	720221	126,357.5	33.82	India (88), Germany (4), Italy (4)
<i>Iron ingots</i>	<i>720610</i>	1,894.3	0.51	India (100)
Semi-finished iron or steel products	720712	32,647.9	8.74	India (99)
Bars and rods	721430	12,864.3	3.44	India (100)
<i>Copper wire</i>	<i>740819</i>	4,031.8	1.08	India (100)

Note: Products in **bold** are current major export products, and products in *italic* are potential export products.

Source: Ministry of Finance, Bhutan Trade Statistics, various issues.

Table A.3. Catalogue of priority exports in Bhutan

Product or service	HS code	Source				
		DTIS/NES	DESA/GIFF	EDP	FIA	ITC
Dairy	04			X	X	
Apiculture	0409			X	X	
Horticulture	07			X	X	
Potatoes	0701	X				
Apples	0808	X				
Mandarins	080520	X				
Cardamom	0908	X				X
Medicinal plants	12			X	X	
Cordyceps	210690	X				
Mineral water	220110					
Animal feed	23			X	X	
Electrical energy	271600	X		X		
Calcium carbide	284910					X
Silicon carbide	284920					X
Plastic film and sheet	392099					X
Particle board	4410			X		X
Building stone	680221					X
Ferro-silicone	720221	X				X
Iron ingots	720610	X				X
Semi-finished iron or steel products	720719	X				X
Bars and rods	721430	X				X
Copper wire	740819					X
Service						
Business Process		X	X		X	
Data entry		X	X		X	
Billing			X		X	
Payroll			X		X	
Tourism		X	X	X	X	
Biotechnology				X	X	

Source: DTIS/NES: Government of Bhutan and Enhanced Integrated Framework (2012), Diagnostic Trade Integration Study (DTIS) and National Export Strategy; DESA-GIFF: UN DESA, Building productive capacity for LDC graduation in Bhutan (2017); EDP: Government of Bhutan, Economic Development Plan 2016; FIA: Rules on the Fiscal Incentives Act of Bhutan 2017; ITC: International Trade Center (2017), Bhutan: Export potential assessment. Poultry (0207) is included in EDP and FIA but excluded from the list because it is to replace import, not to promote export (comments from ESCAP). Mineral water is included as suggested by the comments from the Government and UNDP.

Table A.4. Trade preferences for Bhutan

Importer	Trade regimes before graduation	Coverage	Effective dates of latest renewal	Trade regimes after graduation	Smooth transition
Bangladesh	SAFTA-LDC PTRB	SAFTA-LDC (All except 1,259 tariff lines) PTRB (18 products)	SAFTA-LDC (1/1/2006-) PBT (2017-)	SAFTA (all except 1,254 tariff lines) PTRB (18 products)	Unclear. The former LDC Maldives still eligible for LDC treatment due to a special provision.
EU	EBA	6,964 tariff lines (99%)	25/10/2012-	GSP (6,179 tariff lines), GSP+ (6,238 tariff lines), or MFN	At least 3 years for EBA. Cabo Verde EBA (2007-2012), and GSP+ (2012-). Maldives EBA (2011-2013), and GSP (2014). Samoa to be removed from EBA in 2019.
Japan	LDC-GSP	9,068 tariff lines	1/4/2011-31/3/2021	GSP (3,559 tariff lines) or MFN	No smooth transition provision. Cabo Verde, Maldives and Samoa have access to GSP as of 4/2017.
India	Agreement on Trade, Commerce and Transit	All tariff lines	7/2006-	Agreement on Trade, Commerce and Transit	Not applicable
Nepal	SAFTA-LDC	All except 1,259 tariff lines	1/1/2006-	SAFTA (all except 1,254 tariff lines)	Unclear. Maldives still eligible for LDC treatment due to a special provision.
Thailand	Duty-free treatment for LDCs	4,177 tariff lines (44%)	4/2015-12/2020	MFN	No transition period
United States	GSP-LDC	5,000 tariff lines	29/1/2015-31/12/2017	GSP (3,500 tariff lines), or MFN	No explicit smooth transition provision.

Source and Note:

Bangladesh: South Asian Free Trade Area (SAFTA); <http://commerce.nic.in/trade/safta.pdf>
 Preferential Tariff Rates For Bhutan (PTRB) [Amended In June 2017] http://www.bangladeshcustoms.gov.bd/sro/2_SRO56-Law-2013-2423-Customs_2013_PreferentialTariffRatesForBhutanAmendedInJune2017_.pdf
http://www.bangladeshcustoms.gov.bd/sro/24_SRO149-Law-2017-35-Customs_2017_AmendmentOfPreferentialTariffRatesForBhutan_.pdf

EU: Everything but Arms (EBA); Generalized System of Preference (GSP); Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+); Most Favoured Nation (MFN);
<http://ptadb.wto.org/ptaHistoryExplorer.aspx>

European Union, COUNCIL REGULATION (EC) No 416/2001 of 28 February 2001. WT/COMTD/N/4/Add.2, Add.4 and Add. 5, and WT/TPR/S/214/Rev.1

Council regulation no 978/2012, Article 18, paragraph 1. <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32012R0978>
<https://www.un.org/ldcportal/preferential-market-access-european-union-everything-but-arms-initiative/>
Kim, Namsuk (2015). Review of preferential market access schemes for LDCs.
http://trade.ec.europa.eu/doclib/docs/2016/march/tradoc_154350.pdf
India: <http://commerce.nic.in/trade/Bhutan.pdf>
Japan: Generalized System of Preference (GSP); Most Favoured Nation (MFN);
http://ptadb.wto.org/docs/Japan_GSP/2016/Rev.%20Japan%20GSP%20guide%202016%20En.pdf
<http://www.mofa.go.jp/policy/economy/gsp/benef.pdf>
Nepal: South Asian Free Trade Area (SAFTA); <http://commerce.nic.in/trade/safta.pdf>
Thailand: http://ptadb.wto.org/docs/Thailand_LDC/Regulations/1.%20DFQF_Unofficial%20Translation.pdf
United States: Generalized System of Preference (GSP); Most Favoured Nation (MFN);
http://ptadb.wto.org/docs/US_GSP/2016/US%20GSP%20guide%202016%20FINAL%20EN%2021%20September%202016.pdf

Table A.5. Bhutan: composition and distribution of ODA flows by selected donors, 2006-2015
(net disbursements in current prices, million US Dollar)

Donor	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average (2006-2015)	Share (%)
All Donors, Total	95.72	103.05	85.08	127.3	131.38	141.22	161.65	136.8	130.64	97.28	121.01	
DAC Countries, Total	51.33	43.7	49.06	55.27	75.59	71.74	80.43	59.29	48.82	37.17	57.24	100.00
Australia	1.1	1.27	2.32	3.11	7.55	7.75	15.6	12.06	11.18	7.12	6.91	12.06
Austria	0.6	1.63	2.76	3.35	3.31	3.88	1.81	7.06	2.08	1.82	2.83	4.94
Canada	1.75	1.48	0.82	0.22	0.25	0.91	0.09	0.23	1.5	1.45	0.87	1.52
Denmark	13.78	12.55	13.77	12.23	13.08	12.66	11.8	10.14	4.2	-0.04	10.42	18.20
Finland	..	0.04	0.08	0.17	0.26	0.26	0.39	0.5	0.56	0.36	0.29	0.51
France	0.28	0.2	0.23	0.17	0.18	0.22	0.11	0.12	0.03	0.02	0.16	0.27
Germany	0.48	0.2	0.08	0.7	0.38	0.58	0.37	0.44	0.63	0.8	0.47	0.81
Japan	20.84	18.07	20.34	23.92	43.23	32.06	41.64	18.58	15.85	16	25.05	43.77
Korea	0.29	0.32	0.4	0.38	0.35	0.84	0.41	0.63	1.12	0.72	0.55	0.95
Netherlands	4.69	0.31	3.09	3.78	2.66	2.78	2.57	..	..	..	2.84	4.96
New Zealand	0.18	0.22	0.04	0.06	0.04	..	..	..	..	..	0.11	0.19
Norway	1.32	1.23	0.95	1.82	1.88	2.74	0.98	1.33	5.39	3.57	2.12	3.71
Sweden	0.1	0.74	0.79	0.33	..	..	..	..	0.09	0.06	0.35	0.61
Switzerland	5.83	5.37	3.15	4.81	2.31	4.39	4.36	7.6	5.74	4.11	4.77	8.33
United Kingdom	..	..	..	..	..	..	0.01	0	..	0.12	0.04	0.08
United States	0.08	..	0.24	0.01	0.11	2.66	0.3	0.57	0.32	1	0.59	1.03
Multilaterals, Total	44.44	59.26	35.66	71.05	55.07	69.06	80.17	76.15	80.86	59.16	63.09	100.00
EU Institutions	2.84	3.59	7.84	2.92	1.79	1.01	5.28	5.53	4.74	1.84	3.74	5.93
Asian Development Bank	3.3	7.41	6.06	25.93	34.14	22.57	28.82	55.71	60.83	24.27	26.90	42.65
AsDB Special Funds	3.3	7.41	6.06	25.93	34.14	22.57	28.82	55.71	60.83	24.27	26.90	42.65
United Nations, Total	9.68	9.18	6.66	6.38	7.86	8.61	5.83	8.23	6.16	5.21	7.38	11.70
FAO	..	..	..	..	..	..	..	0.12	..	..	0.12	0.19
IFAD	2.11	0.99	1.43	1.56	4.04	2.5	0.53	2.3	1.13	0.86	1.75	2.77
UNAIDS	0.05	0.01	..	..	..	0.06	0.01	..	..	..	0.03	0.05
UNDP	2.31	1.99	1.68	1.66	1.45	1.33	1.28	1.15	1.23	0.69	1.48	2.34
UNFPA	1.36	1.11	1.07	0.96	1	1.27	1.53	1.22	1	0.94	1.15	1.82
UNHCR	..	..	..	..	..	..	..	..	..	..	..	..
UNICEF	0.98	0.95	0.8	1.55	1.01	1.38	0.96	1.36	0.86	1.35	1.12	1.78
UNTA	1.61	1.82	0.03	..	..	..	..	..	..	..	1.15	1.83
WFP	1.26	2.31	1.65	0.65	0.36	0.52	0.12	0.74	0.23	0.2	0.80	1.27
WHO	..	..	..	..	..	1.55	1.4	1.34	1.71	1.18	1.44	2.28
World Bank, Total	25.77	35.99	10.43	31.11	7.19	34.21	36.99	1.83	4.56	21.29	20.94	33.19
IDA	25.77	35.99	10.43	31.11	7.19	34.21	36.99	1.83	4.56	21.29	20.94	33.19
Other Multilateral, Total	2.85	3.09	4.67	4.72	4.09	2.66	3.25	4.85	4.57	6.53	4.13	6.54
GAVI	..	0.2	0.04	0.3	0.04	0.19	0.17	0.05	0.14	0.33	0.16	0.26
GEF	2.14	2.03	2.88	2.97	2.67	1.39	2.03	3.6	3.84	3.79	2.73	4.33
Global Fund	0.71	0.86	1.75	1.45	1.38	1.08	1.06	1.19	0.59	2.41	1.25	1.98
Non-DAC Countries, Total	-0.05	0.09	0.36	0.98	0.72	0.41	1.04	1.36	0.96	0.95	0.68	100.00
Kuwait (KFAED)	-0.43	-0.44	-0.46	..	..	0.01	0.05	0.02	0.05	0.03	-0.15	-21.44
Thailand	0.38	0.53	0.59	0.87	0.72	0.39	0.98	1.33	0.89	0.84	0.75	110.26
Turkey	..	..	0.23	0.11	..	..	0.01	0.01	0.01	0.08	0.08	11.00
United Arab Emirates	..	..	..	..	..	..	..	..	0.01	..	0.01	1.47
<i>Memo: Private Donors, Total</i>	..	..	..	2.21	0.97	1.51	1.15	1.17	0.27	1.15		
<i>Bill & Melinda Gates Foundation</i>	..	..	..	2.21	0.97	1.51	1.15	1.17	0.27	1.15		

Source: OECDstat, accessed 12 June 2017

Table A.6. Bhutan: bilateral ODA by sector, 2006-2015 (commitments in current prices, million US Dollar)

Sector	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bilateral ODA Commitments by Purpose (CRS)	20.64	80.53	74.02	72.67	28.2	78.97	40.08	51.86	39.58	43.14
Social infrastructure and services	10.45	14.22	24.64	15.16	12.11	18.9	11.18	18.05	12.43	9.11
Education	6.06	7.18	13.58	2.77	7.46	4.84	2.88	2.81	1.44	1.13
Water supply and sanitation	0.12	0	0.08	0.11	1.23	0.38	1.2	1.73	2.6	0.69
Economic infrastructure and services	4.81	35.21	15.84	33.1	9.12	42.34	6.96	3.12	11.26	20.52
Transport and Communications	4.18	3.59	7.73	28.53	7.88	13.67	0.38	0.85	1.79	18.51
Energy	0.56	31.6	8.11	4.26	1.22	28.64	6.44	0.75	9.08	0.44
Production sectors	2.93	9.59	10.31	4.61	2.53	3.94	3.73	16.22	2.47	2.45
Agriculture, forestry and fishing	1.78	8.87	2.94	4.25	1.75	2.33	3.1	15.03	1.93	1.9
Industry, mining and construction	0.8	0.36	0.52	0.33	0.76	0.92	0.37	0.12	0.23	0.19
Multisector	0.35	0.36	6.86	0.03	0.03	0.68	0.26	1.06	0.31	0.36
Programme assistance	1.68	0.66	7.79	15.61	2.97	7.8	16.89	12.58	12.1	8.23
Food Aid	..	19.68	14.42	2.64	0.46	4.14	0	1.13	1.04	0
Action relating to debt	..	0.02	..	0.5	0.46	..	..	..	..	0
Humanitarian aid	..	..	..	..	..	..	..	..	..	..
Unallocated/unspecified	..	0.04	0.41	0.83	0.76	1.49	1.14	0.06	0.29	2.84
Bilateral ODA Commitments by Purpose (CRS)	0.78	1.12	0.6	0.71	0.25	0.37	0.19	0.7	0	0

Source: OECDstat, accessed 21 June 2017

List of abbreviations

CDP	Committee for Development Policy
CTBTO	Comprehensive Nuclear-Test-Ban Treaty
DAC	Development Assistance Committee
DESA	Department of Economic and Social Affairs
DFQF	Duty-free, quota-free
EIF	Enhanced Integrated Framework
EU	European Union
EVI	Economic vulnerability index
ECOSOC	Economic and Social Council
FAO	Food and Agriculture Organization
GATT	Global Agreement on Tariffs and Trade
GAVI	Global Alliance for Vaccines and Immunization
GEF	Global Environment Facility
GNI	Gross national income
GSP	Generalised System of Preferences
HAI	Human assets index
HS	Harmonized Commodity Description and Coding System (Harmonized System)
IAEA	International Atomic Energy Agency
ICC	International Criminal Court
IDA	International Development Association
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
ISBA	International Seabed Authority
ISM	International support measures
ITLOS	International Tribunal for the Law of the Sea
ITU	International Telecommunication Union
LDC	Least developed country
MFN	Most favoured nation
OECD	Organization for Economic Co-operation and Development
ODA	Official development assistance
OHRLLS	Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
OPCW	Organization for the Prohibition of Chemical weapons
SIDS	Small Island Developing States
UNCTAD	United Nations Conference on Trade and Development
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Fund
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNTA	United Nations Regular Programme for Technical Assistance
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization