

**Key Note Address by Hon'ble Tengye Lyonpo at the Session on Structural Transformation and Resilient Infrastructure for Sustained Economic Growth, Poverty Alleviation and Decent Work for All**

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**Your Excellencies,  
Distinguished Delegates,  
Ladies and Gentlemen.**

- At the outset, let me express my appreciation for being invited as one of the speakers at the “Session on Transformation and Resilient Infrastructure for Sustained Growth, Poverty Alleviation and Decent Work for All” as part of the High-level Asia-Pacific Regional Review Meeting on the Istanbul Programme of Action in preparation for the Fifth United Nations Conference on the Least Developed Countries (LDCs).
- I am also honored to be amongst many distinguished speakers from the region and around the world and bring the warm greetings of the Royal Government and people of Bhutan.

## **Your Excellencies, Ladies and Gentlemen,**

- As we know, the ongoing economic difficulties around the world due to COVID-19 pandemic have impacted the livelihood of many due to contraction of economic activities, resulting in unemployment and deprivation of daily needs of people. To overcome these challenges, LDCs should focus on post-pandemic economic recovery plans and programs that will help to build back the economy and normalize the current situation.
- The situation is more demanding and our weak economic structure is hit hard and low. Let me not go into detail that if we do not make fast moves, poverty level might go back to decades, including unemployment rates and value for work. It will be almost impossible to have a decent living in the immediate future.
- LDCs need to focus on structural transformation for inclusive and sustained growth. This will help to scale up and diversify products and participate in global value chains. In order to realize this goal, least developed countries should explore strategic approaches to link up to global value chains to upgrade the region's productive capacities through the development of our private sector. Private sector, Public private participation, FDI, skilling and reskilling and resource mapping might help to attain economic diversification.
- Bhutan is facing this challenge as well. The resources of each country differ and we might have to focus on competitive advantage, country's location, and nearby regional markets and demand. For Bhutan besides hydropower, we are focusing on mineral based industries, agriculture value addition, and other high value small volume products.
- One of the many challenges that LDCs face is the shortage of human capital at the different skill levels. And to overcome this challenge, what we need is the increasing investment in human

capital particularly, to increase productivity, innovation and competitiveness in the least developed countries. Education mode, modal and style need to be reflective of the 21st century.

- There is a digital global revolution underway and LDCs must catch-up with the rest of the world through accepting and using the emerging technologies in doing business. ICT allows LDCs with limited productive capacity to be drivers or suppliers in a global economy and not mere consumers. As we know, landlocked countries must use ICT and avoid being digitally locked out.
- However, technologies are an equally costly process for LDCs both from an investment angle as well as leveraging it to its full potential. Nonetheless, having right policies in support of ICT use, affordable internet access, education modalities, and shared technology among the LDCs or seeking support in the form of FDI are some areas promising.
- E-commerce has become essential in this current pandemic situation where physical conduct of business is not possible and entrepreneurs/businesses must be encouraged to leverage ICT to be part of the global economy. For this, least developed countries should focus on creating an enabling environment to provide a clear direction for e-commerce activities in the LDCs.
- Trade related **Physical Infrastructure** such as good transport links, storage facilities, communication and energy infrastructure require sustained long-term commitment of the international community and are a must for LDCs for improving productive capacity and promoting growth. We must ensure there is increased public expenditure, Private Public partnership and attractive FDI investment climate among others. Infrastructure is also key to

support the manufacturing sector. However, Infrastructure has low-return financially but long economic benefit.

- Support is required for **Soft Infrastructure** as well ranging from international marketing and trade, market information systems, trade advocacy and promotion institutions for innovation and technology.
- The services sector has grown rapidly in many of our economies and still offers large untapped potential for the development of our countries. However, for a transformative service sector that creates meaningful jobs, builds resilience and a sustainable diversified economy, we need to build the service sector on a strong manufacturing base. Otherwise we will end up with a largely tourism based service sector that is highly dependent on the global economy, geopolitics and vagaries of nature, and not create a high skills, high income and sustainable economy. Tourism is important and must be a means to an end. From Bhutan's experience, the total closure of tourism due to COVID was balanced by exports of our electricity and manufactured exports. As mentioned earlier, the growth of ICT offers opportunities to build our service sector but leap-frogging development is not easy and must be built step by step through learning and doing. And this comes through other economic activities of industry, agriculture, mining and other service activities. The key to a transformative service sector lies the closely co-ordinated development of all sectors of the economy and no single sector is sufficient for such truly transformative change.
- The kind of start-up culture and ecosystem that has been coming up is important to continue innovation and entrepreneurship. Our policies must be able to provide best support and financing to bring

about innovation and creativity through a relaxed process and financing. Skilling, and providing wide policy ranges for processes, licensing regime etc will foster innovation. Start first, regulate later! kind of policies support.

- May I also add that for structural transformation to be the overriding development objective, we must ensure that:

1) **Economic Growth** must continue to be promoted to create jobs and diversify economies to reduce exposure to shocks and be part of the globalization process.

2) Support for investments in **Human and Social Development** must continue as many face constraints.

5) Concurrently, it is important for aid in the form of **Technology Transfer** to enhance productivity and competitiveness in the industrial sector.

6) **Promotion of Entrepreneurship** is an important area of intervention for the global community to help build sustainable societies and economies.

**Excellencies, Ladies and Gentlemen,**

- As I conclude, I would like to urge development partners to continue providing support to the LDCs as they have been in the forefront for the graduation process and without continued support,

LDCs may not be able to absorb the current shock and graduate smoothly.

Thank you and Trashi Delek!