

Committee for Development Policy 25th Plenary Session

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Summary

Bhutan started to recover in 2022 from the significant decline in economic activity caused by the COVID-19 pandemic, returning to the robust pre-COVID growth. The country meets all graduation criteria and continues to make steady progress on GNI and HAI.

Bhutan has submitted its annual report on the preparation of a smooth LDC graduation and has been well **responsive** to CDP communications. The Committee recommends that the Government continues its efforts to foster economic diversification by supporting the development of small and medium sized ente

cent in the 2021/22 fiscal year with only minor improvements projected in the near term. The negative balance of payments may lead to depletion of overall reserve assets posing risk to the constitutional mandate of meeting 12 months of essential imports. Falling revenues has increased the fiscal deficit to an estimated 8.9 per cent of GDP in FY 2021/22, against 1.9 per cent in FY 19/20.² This adds further to public debt, which has increased rapidly from 61 per cent of GDP in 2010 to an estimated 128 per cent in 2021.⁷ However, most of this debt is directly linked to the hydropower construction projects, where the credit is secured against long term power purchase agreements. The external debt is therefore unlikely to lead to debt distress.

(LDCF), managed by the GEF, is ending with graduation from the category, general support through the GEF remains open. Development partners have pledged around \$865 million for the implementation of the 12th five-year plan, half of which has already been received. The Government has received financial and in-kind assistance from a range of multilateral and bilateral donor agencies to combat the impacts of COVID-19. The Government also highlighted assistance in accessing different sources of finance as an area where UN support would be welcomed during the country consultation.

Annex 2: Government report on Smooth Transition



Annual Report on the Preparation of Bhutan's Transition Strategy for smooth LDC graduation

November 2022

Background

Implications of COVID-19 on preparations for graduation from the LDC category and preparation of transition strategy

