

**FORUM ON FINANCING FOR DEVELOPMENT
EXPERT DISCUSSION 2: SPECIFIC CHALLENGES TO FINANCE SUSTAINABLE
DEVELOPMENT FOR COUNTRIES IN SPECIAL SITUATION**

25TH MAY, UN, 12 TO 1 PM

REMARKS BY MR. NIM DORJ, FINANCE SECRETARY, BHUTAN

Check against delivery!

Excellencies

Distinguished delegates

1. It is a pleasure to participate in this session dedicated to countries in special situations.
2. I will try and put some perspective on LDC issues, using Bhutan as an example.
3. The starting point for LDCs is that we constitute the most vulnerable and weakest of the countries and are literally at the bottom of the development ladder.
4. The assessment from the IATF report is that for LDCs, we need to see more progress on the seven action areas of the Addis Agenda.
5. It is particularly disconcerting when the assessment is that that despite projected improvements in global economic environment in 2017 and 2018, the current growth trajectory will not deliver on the goal of eradicating extreme poverty by 2030 and that LDCs will fall way short by large margins.
6. Such assessments only point to the fact that in the SDG era, the international community must continue to keep the focus and attention on LDCs. Transformative change must take place in the LDCs.
7. Against that backdrop, let me speak briefly about Bhutan to highlight the challenges of LDCs.
8. Bhutan is both a least developed and landlocked country, which presents a huge set of developmental challenges.
9. Low levels of productivity, small economy, inadequate infrastructure, weak private sector, reliance on few sectors and commodities, capacity constraints, youth unemployment are some of the challenges that continue to confront us. To these challenges, I would add increasing risks and vulnerabilities to impacts of climate change and natural disasters.
10. Despite these challenges, from our experiences, there are other comparative advantages that have helped us to make good progress. These are political stability, rule of law, good

institutions, focus on environmental conservation, cultural preservation and pursuit of a holistic approach to development.

11. These have helped us to achieve good economic progress.
12. We are now at this point where we need to get onto the next phase of development for which we need to tap into all the financial instruments that are available.
13. FDI and investment promotion regimes in LDCs are one of those avenues, which have the potential to bring about transformative change. SDG 17.5 has adequately captured this.
14. On this, I am afraid the news is not very encouraging.
15. Generally, the trend is that the total share of FDI to LDCs in the global FDI remains low and the majority of FDI has been concentrated in very few countries.
16. One of the key findings of the UNCTAD Global Investment Trends and Monitor Report also point to the fact that FDI to the vulnerable economies – LDCs, LLDCs and SIDS – declined in 2016.
17. We need to reverse these trends.
18. From our experience, it is important to start with the right policy framework to ensure that you have identified the sectors for growth and investment that are aligned to your development vision and to ensure that there are good regulatory framework and processes in place.
19. In our case, we have both the Economic Development and FDI policy in place, which not only sets the agenda and the general direction for the development of sectors and areas of investment, but is also geared toward creating an enabling environment by adopting policies and regulations for promotion of investments in the country. The EDP and FDI policies are underpinned by a set of fiscal incentives to attract and retain investors.
20. Capacity is a major constraints for LDCs and therefore, at the global level, it would be useful to have a nodal investment promotion agency that can help LDCs with advisory and technical support. This would only be possible with the support of donors.
21. Within the region, it would be helpful if we can link all the national investment promotion agencies and facilitate a sharing of experiences and also work towards promoting investments within and from the region.
22. Let me get onto the next point on graduation.

23. Bhutan is one of the countries that have been found eligible for graduation along with few other LDCs.
24. Graduation out of the LDC category is the ultimate aspiration of all LDCs.
25. But graduation does bring in its own share of concern, especially because of the modest success that we have achieved, most of the bilateral development partners are phasing out and multilateral development banks have started hardening their lending terms.
26. Some of the stories from those countries that have graduated are also not very encouraging.
27. So, there is a need to inject some confidence and predictability in the process.
28. There have been some valid suggestions pointing to the need for closer examination and review of the weightage and even the relevance of some indices that comprise the graduation criterion.
29. Graduation should not be seen as an end in itself, but a part of our overall efforts and strategy towards achieving the SDGs.
30. This calls for continued support of the international community and development partners, including the UN Development System to continue their support to the LDCs in their efforts to graduate out of the LDC category in a smooth and sustained manner.
31. Development partners should consider adopting smooth graduation as one of their development priorities.
32. ODA and other development financing mechanisms will remain critical for LDCs. In the area of trade, preferential market access for LDCs exports, duty free quota free market access for LDC products, increasing aid for trade aimed at value addition and economic diversification would be important.
33. Support for smooth and sustainable transition through and beyond graduation is critical. When approaching negotiations on smooth transition strategies, LDCs hope that development partners will accommodate the reality that abrupt withdrawal of international support measures could endanger hard earned gains that have enabled many of us to barely cross graduation thresholds.
34. In most, if not all LDCs, the UN Development systems are their principal development partners. They should consider adopting an institutional approach for supporting LDCs in their graduation efforts.

35. On the part of LDCs, we need to take ownership and drive the process by developing a predictable and gradual strategy, fully recognizing the challenges and impacts. This is important to ensure that LDCs are able to graduate with confidence and in a sustainable manner.

36. Let me end on this note and I will be happy to engage more during the interactive discussions.

Thank you.
