

# Graduation from United Nations Least Developed Country Category: Change and Opportunity

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## Introduction

In December 1970, His Majesty Jigme Dorji Wangchuck, the Third Druk Gyalpo of Bhutan, wrote to Secretary-General U Thant requesting membership in the United Nations. This visionary step recognised the value of membership for small and developing countries, such as Bhutan, as well as the contributions that Bhutan could make to the global community of nations.

By 1971, His Majesty's application was approved, and Bhutan joined the United Nations as one of the inaugural 24 member states to be included in the newly formed Least Developed Countries (LDC) category.

The UN General Assembly established the LDC category to recognise countries that are most vulnerable to economic shocks and have limited resources to respond to such threats. The United Nations offered member countries in the LDC category favourable trade support, financial and technical support, and support to attend international forums.

On December 13, 2023, Bhutan graduated from the United Nations LDC category. The United Nations Committee on Development Policy recommended graduation based on a suite of economic and social indicators.

At the time of graduation, Bhutan was only the seventh UN-member state to do so, with few good examples of how to navigate the transition. This article considers the ways in which graduation serves as both a reflection of generational change in Bhutan and the opportunities it presents in the future.

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## Bhutan's Graduation from the Least Developed Country Category

In order to graduate from the United Nations LDC category, countries must meet thresholds in Gross National Income per capita, the Human Assets Index, and the Economic Vulnerability Index. Countries must meet the thresholds in two of the three categories over two three-year review periods, before entering into a transition period leading to graduation.

The United Nations Committee on Development Policy found that Bhutan met the thresholds for Gross National Income per capita and the Human Assets Index in 2015 and in 2018. Upon meeting those criteria, Bhutan entered into a five-year transition period to prepare for graduation. In 2021, the Committee determined that Bhutan had also met the threshold for the Economic Vulnerability Index.

After Bhutan was first found to be eligible for graduation in 2015, the United Nations Department of Economic and Social Affairs prepared an impact assessment, examining what graduation from the LDC category would mean for Bhutan, including the removal of the associated international support measures.

The *Ex-Ante Impact Assessment of Likely Consequences of Graduation of Bhutan from the Least Developed Country Category* (2018) predicted that Bhutan would see little to no impact on current trade exports, because market access agreements at the time did not rely on preferential treatment granted to LDC countries. Rather, the majority of Bhutan's existing trade was based on bilateral and regional agreements with India, Bangladesh and Nepal.

The *Impact Assessment* concluded that there would be little effect on Aid for Trade instruments as the flows from such programmes were not significant into Bhutan. Finally, the *Impact Assessment* predicted that major sources of foreign aid, including from the Asian Development Bank and the World Bank, would not be affected.

Increasing Gross National Income per capita is translating, among other ways, into a growing middle class, especially in Thimphu. The generation of Bhutanese now coming of age have access to goods, services, travel, education and career opportunities not available to the generations before

them. For many Bhutanese, the thresholds set for LDC graduation align with greater prosperity and quality of life.

Likewise, maturing professional and career capacity and more robust economic and environmental landscapes present increasing opportunities for today's young people. While many of these opportunities will accompany the rise of the Gelephu Mindfulness City, many will also bear fruit throughout the rest of the country.

Graduation from the LDC category also marks a shift in the ways in which Bhutan relates to the rest of the world. Bhutan is poised now to broaden its international economic web, moving from grants and aid to investment and partnerships.

While the UN's 2018 Impact Assessment predicted that Bhutan would feel minimal negative effects from the graduation from the LDC category, the years to come will reveal if this bears out in our world's ever-changing geo-political landscape.

## **LDC Graduation and Climate Change**

Climate change and its consequences are among the most significant generational shifts observed today. Bhutanese are experiencing shifting monsoon rains, flooding, landslides, once-a-generation storms and drought, in ways that previous generations did not.

For the many small and developing countries that have done the least to contribute to the emissions causing climate change, yet are highly vulnerable to the effects, the United Nations Framework Convention on Climate Change (UNFCCC), through mechanisms such as the Green Climate Fund, offers some of the few resources to use to try to adapt to the rapidly changing climate.

While the 2018 *Impact Assessment* concluded that Bhutan's foreign aid was not likely to be affected, LDC graduation also meant that Bhutan would no longer have access to LDC Funds from the UNFCCC, and would no longer be considered a priority group of the Green Climate Fund.

These mechanisms can provide funding resources that are quite significant for a small country like Bhutan. Those resources can help Bhutan to prepare for and adapt to the very real consequences of climate change in the Himalayas and to participate actively in ongoing UNFCCC negotiations, which are expensive to attend.

In addition to potentially lost funding opportunities, Bhutan's LDC graduation also altered its place in the UNFCCC negotiating regime. When it was an LDC country, Bhutan was part of the LDC negotiating block, a powerful collective of small countries that are among the most vulnerable to climate change.

Bhutan's modest, yet dedicated, group of climate negotiators had risen to prominence within the LDC negotiating block, holding the Chair position from 2019 until 2021 and leveraging Bhutan's moral authority as the world's first carbon negative country to advocate for greater support from the Developed World. Through this positioning, Bhutan served as an example to other countries of how to successfully move towards a carbon-free world.

Upon graduation from the LDC category, Bhutan entered into a transitional period, phasing out its membership in the UNFCCC LDC negotiating block and losing the travel benefits allotted to its negotiating team to attend UNFCCC meetings. This change was a setback, but also created new opportunities.

No longer a member of the LDC negotiating block, Bhutan was left with only its membership in the G77 plus China negotiating block another powerful but large group. In the G77 plus China, the interests of smaller countries like Bhutan are often eclipsed by louder voices. It is challenging, in such a large economically and politically diverse negotiating block, for a small country like Bhutan to get its unique position as the first carbon negative country in the world heard and promoted.

In 2024, Bhutan's Honourable Prime Minister Tshering Tobgay launched the G-Zero coalition at the UNFCCC's annual global climate negotiations, COP 29, in Baku, Azerbaijan. Along with Panama, Suriname, and Madagascar, the G-Zero coalition aims to raise ambition and challenge countries towards their zero-carbon goals.

This new initiative demonstrates that while graduation from the LDC category may have limited access to some resources, it also has created the opportunity for innovation and collaboration, and for Bhutan to continue to play an important and prominent role in international climate change policy and discussions.

## **Conclusion**

Graduation from the United Nations Least Developed Country Category challenges Bhutan to engage in innovative ways with the global community, and in ways new to the young and rising generation.

Young Bhutanese today are creative, thoughtful, innovative and compassionate. They will find ways to engage that are true to the country's development vision of Gross National Happiness.

The factors leading to Bhutan's graduation—rising GNI per capita, developing human assets capacity, and more robust economic conditions—derive from the leadership of Bhutan's visionary Third, Fourth and Fifth Druk Gyalpo, along with the Royal Government of Bhutan.

Together, Their Majesties and the Government have guided Bhutan's development through the principles of Gross National Happiness to greater prosperity without exploitation of people or the environment.

While much is changing in Bhutan, the vision and daring leadership remain a constant beacon. That leadership is reflected in concrete efforts like Gelephu Mindfulness City and the G-Zero coalition. One hopes that the international community will continue to see Bhutan, through such efforts, as a continuing beacon of international moral authority as is appropriate for the world's first carbon negative country.