

EU – Bhutan Trade Support

Export diversification for economic growth and poverty reduction



PROJECT SUMMARY

The EU – Bhutan Trade Support Project aims to diversify exports by improving the national trade and investment regulatory framework, and increase exports of horticulture products and textile handicrafts.

The ultimate objective of the project is to increase incomes along the two value chains in order to contribute to economic growth and poverty reduction. Horticulture and textile handicraft were selected according to their potential for value addition, market demand and impact on women and youth's livelihoods.

The project provides trade capacity building and technical assistance, with a strong focus on training and skills development. National skills for formulating and implementing trade and investment policies will be reinforced. Integrated and market-led value chains will be developed and supply-side capacities built to add value to export products. Activities will also possibly contribute to the implementation of the "Brand Bhutan" initiative.

The project integrates crosscutting issues, particularly women and youth, gender equality and protection of the environment, into the design and implementation of the activities, in line with Bhutan's policies and priorities.

CONTEXT

Bhutan benefits from strong natural endowment, which, coupled with preferential market access through its least-developed country status, political stability and a generally educated labour force, offer high opportunities for growth.

Bhutan's exports are however highly concentrated, with about 80% consisting of only 10 commodities, and 80% destined to the Indian market. This high degree of trade concentration leaves the country vulnerable and dependent.

The Royal Government of Bhutan is committed to economic reforms and removing constraints to growth within the concept of Gross National Happiness. The overall Bhutan Vision 2020, the 11th Five Year Plan 2013-2018, as well as the Economic Development Policy (2010, revised in 2016) outline priorities for developing trade and investment for sustainable economic growth and poverty reduction. This will, most likely, be further reinforced under the next 12th Five Year Plan as per the Guidelines for preparation of the 12th Five Year Plan 2018-2023 released by Royal Government of Bhutan in December 2016.

Bhutan has gradually embraced international trade and investment in order to achieve economic self-reliance and inclusive green socio-economic development. The EU – Bhutan Trade Support Project supports economic diversification, which is among the top priorities of the Royal Government of Bhutan.

OVERALL OBJECTIVE:

Contribute to Bhutan's economic growth and poverty reduction

SPECIFIC OBJECTIVE:

Increased exports and export diversification, possibly contributing to the implementation of the "Brand Bhutan" Initiative

EXPECTED RESULTS:

- Enhanced capacities in the formulation and implementation of trade and investment policies and regulations
 - Improved environment for exports of high-value horticulture products, including organic products
 - Improved environment for exports of high-value handicraft textile products
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EXPECTED RESULTS

Enhanced capacities in the formulation and implementation of trade and investment policies and regulations

For exports to diversify, trade and investment policies and regulations should be supportive of international business development. The capacities of Government officials should be broadened, in a sustainable manner, to increase international trade exposure and skills. The cooperation between policymakers and the private sector in Bhutan is also critical to create a trade-policy framework conducive to the growth of exports. Limited access to market information and understanding of market requirements by economic operators including producers and cottage industry are major impediments to Bhutan's trade development and promotion across sectors.

The project will:

- Build the capacities of Bhutanese public and private institutions to inform trade, investment and regulatory policies,
- Address policy, regulatory and procedural impediments to business competitiveness along selected value chains,
- Promote investments into Bhutan, including in the selected value chains,
- Enhance access to trade and market information through the set-up of a single information service platform on trade-related matters for the private sector and producers, and
- Strengthen Bhutan's Better Business Council with a view to promote informed trade policy Public-Private Dialogue.

Improved environment for exports of high-value horticulture products

Agriculture represents 15% of Bhutan's GDP and remains the primary source of livelihood for 60% of the population. Over 95% of employed women in Bhutan work in the agricultural sector. Increased support in product and export diversification along agricultural value chains would lead to significant benefits for a large part of the population, including women in rural areas. The Royal Government of Bhutan has emphasized the need to diversify agricultural production from subsistence type of farming to high value cash crops.

The objective of the project is to scale-up services to support farmers and cottage industries to improve product quality and increase sales to export markets,

taking into consideration environment, youth and gender equity. Sustainable and equitable linkages should also be established between sellers and buyers along the value chain.

The project will:

- Produce, jointly with country partners, an horticulture value chain analysis and action plan for export diversification and value addition with special focus on women and youth,
- Design a horticulture market penetration strategy targeting international markets,
- Build export and quality management capacities of stakeholders, from farmers to exporters, and improve coordination along the horticulture value chain,
- Set-up a digital technology scheme for farmers to have access to real time price information,
- Develop a marketing and branding strategy for the Bhutan horticultural sector in collaboration with the "Brand Bhutan" initiative,
- Establish business linkages for Bhutanese producers and exporters with international buyers.

Improved environment for exports of high-value handicraft textile products

The handmade textile industry is an integral part of the Bhutanese life and culture. Almost half of manufacturing employment in the country is in textiles. This sector is especially important for women, with 85% of all women employed in manufacturing working in the textile sector. It is estimated that one out of five women or one out of three women between the age of 20 and 40 are weaving on a regular basis. Most families have limited income and 10-15% of the weavers are considered poor. The textile handicraft industry has potential to expand significantly in Bhutan, with direct effects on incomes, women and employment, including in rural areas.

The project will:

- Formulate a handicraft textile products value chain analysis with special focus on women and youth and market potential in selected target markets,
 - Improve product quality, supply capacity and innovative designs matching market trends and demand,
 - Develop a sector-specific marketing and branding strategy and build capacities on marketing and branding for the Bhutan handicraft textile sector, in collaboration with the "Brand Bhutan" initiative,
 - Establish business linkages between weavers, producers and export markets. Sales of Bhutanese products to tourists will further promote exports and increase demand for Bhutanese handicraft products.
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PROJECT PARTNERS

European Union

The EU – Bhutan Trade Support Project (EUR 4 million) is fully funded by the European Union (EU).

It is part of the EU Regional Multiannual Indicative Programme for Asia 2014-2020. In South and North-East Asia, this programme aims to support regional integration in the context of the South Asian Association for Regional Cooperation (SAARC) and the South Asian Free Trade Area (SAFTA) process, as well as market access in the framework of the EU's Generalised Scheme of Preferences (GSP).

The Project is complementary to the Multiannual Indicative Programme (MIP) 2014-2020 of the EU for Bhutan, which focuses on rural development, climate change and governance.



This project is funded by the European Union

Royal Government of Bhutan

The Project is a project with the Royal Government of Bhutan in the lead.

It was designed and is implemented jointly with the Royal Government of Bhutan, through the Gross National Happiness Commission (GNHC). Project partners include the Ministry of Economic Affairs (MoEA), the Ministry of Agriculture and Forests (MoAF), and the Agency for Promotion of Indigenous Crafts (APIC).

A Project Steering Committee provides overall project oversight and direction. Competent national level agencies and apex business entities support work-planning and activity implementation.



Project partners in Bhutan

The project ensures the involvement of a wide range of partners from the civil society as well as public and private sector organizations such as: the Bhutan Chamber of Commerce and Industry (BCCI), the Bhutan Association of Women Entrepreneurs (BAOWE), the Handicraft Association of Bhutan (HAB), Tarayana Foundation, the Royal University of Bhutan, the National Statistical Bureau (NSB), the Royal Textile Academy, the Tourism Council of Bhutan, the Bhutan Standards Bureau (BSB).

ITC

The International Trade Centre (ITC) is the only United Nations development agency fully dedicated to supporting the internationalization of small and medium size enterprises (SMEs). ITC enables SMEs in developing and transition economies to become more competitive and connect to international markets, thus raising incomes and creating job opportunities, especially for women, youth and poor communities. ITC is the joint agency of the United Nations and the World Trade Organization. ITC has a long-lasting cooperation with Bhutan, providing technical assistance in key areas for trade-related assistance and development such as institutional strengthening, exporter competitiveness and trade facilitation. ITC is the implementing agency of the EU – Bhutan Trade Support Project.



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