



THIRTEENTH FIVE YEAR PLAN

2024-2029

Royal Government of Bhutan



Thirteenth Five Year Plan

2024 - 2029

Thirteenth Five Year Plan

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“Our responsibility is not just for the immediate future. Four hundred years ago, Zhabdrung Ngawang Namgyel built the nation-state of Bhutan, and his legacy, our inheritance, remains intact to this day. Let us build a legacy that will continue to benefit Bhutanese 500 years into the future. Are you ready to shoulder this responsibility with me?”

His Majesty The King
116th National Day Address, Changlimithang
17th of December 2023

Contents

Foreword	i
Executive summary	iii
Acronyms	xv
Chapter 1 – Introduction	
1.1 Background	1
1.2 Country Profile	2
1.3 Guiding Principles of Development	3
1.4 Bhutan's Development Story	4
1.5 Way Forward	9
Chapter 2 – 13th Five Year Plan Strategic Framework	
2.1 Long-Term Goals	10
2.2 Strategic Objectives	13
2.3 Outcomes and Outputs	16
2.4 13 th FYP Framework	16
Chapter 3 – Economic Development	
3.1 Situational Overview	17
3.2 Enhanced Productivity and Diversified Products and Markets	18
3.2.1 <i>Key challenges and issues</i>	18
3.2.2 <i>Key deliverables</i>	21
3.3 Strategies and Programmes	24
3.3.1 <i>Economic Transformation Programme</i>	24
3.3.2 <i>Twenty-first Century Skilling Programme</i>	32
3.3.3 <i>Ecological Diversity and Resilience Programme</i>	35
Chapter 4 – Social Development	
4.1 Situational Overview	38
4.2 Improved Health and Well-being	40
4.2.1 <i>Key challenges and issues</i>	40
4.2.2 <i>Key deliverables</i>	42
4.2.3 <i>Strategies and Programmes</i>	43
4.3 Quality and Wholesome Education and Lifelong Learning	46
4.3.1 <i>Key challenges and issues</i>	46
4.3.2 <i>Key deliverables</i>	49
4.3.3 <i>Strategies and Programmes</i>	50
4.4 An Inclusive and Comprehensive Social Protection System	53
4.4.1 <i>Key challenges and issues</i>	53
4.4.2 <i>Key deliverables</i>	55
4.4.3 <i>Strategies and Programmes</i>	56
Chapter 5 – Strengthening Security	
5.1 Situational Overview	58
5.2 Improved Safety and Security of Bhutan	58
5.2.1 <i>Key challenges and issues</i>	58
5.2.2 <i>Key deliverables</i>	61

5.3 Strengthened Community Vitality and International Engagement	62
5.3.1 <i>Key challenges and issues</i>	62
5.3.2 <i>Key deliverables</i>	63
5.4 Strategies and Programmes	64
5.4.1 <i>Sociocultural Resilience and Community Vitality Programme</i>	65
5.4.2 <i>Digital Transformation Programme</i>	69
Chapter 6 - A Transformed and Trusted Governance	
6.1 Situational Overview	70
6.2 Effective, Accountable and Dynamic Public Sector	71
6.2.1 <i>Key challenges and issues</i>	71
6.2.2 <i>Key deliverables</i>	75
6.3 Inclusive, Transparent and Accountable Access to Justice	77
6.3.1 <i>Key challenges and issues</i>	77
6.3.2 <i>Key deliverables</i>	79
6.4 Strategies and Programmes	80
6.4.1 <i>Transformational Governance Programme</i>	80
6.4.2 <i>Digital Transformation Programme</i>	86
Chapter 7 – Local Government Plan	
7.1 Key Deliverables	89
7.2 Resource Allocation Framework	89
Chapter 8 – Fiscal outlook	
8.1 Fiscal Targets and Resource Projections	92
8.2 Expenditure and Financing	93
Chapter 9 – Implementation of the 13th FYP	
9.1 Performance Management and Accountability	94
9.2 Salient Features of the 13 th FYP	95
Chapter 10 - Monitoring and evaluation	
10.1 Monitoring	97
10.2 Evaluation	98
Chapter 11 - Economic Stimulus Program	99
Glossary	101
Annexes	
Annex 1: Indicative Outlay for the 13 th FYP	103
Annex 2: Annual Grant Allocation for Local Governments	105
Annex 3: Bhutan's Key International Commitments	110

List of Figures and Tables

List of figures

Figure 1: National goals for a High-Income GNH economy	11
Figure 2: 13 th Five Year Plan outcomes	15
Figure 3: 13 th Five Year Plan framework	16
Figure 4: Outputs for achieving economic growth	22
Figure 5: Roadmap for Bhutan's economic enhancement	23
Figure 6: Skill supply and demand	33
Figure 7: Outcomes and outputs for health, education and social protection	40
Figure 8: Challenges and disparities in the education sector	45
Figure 9: Strategies to address challenges in the education sector	47
Figure 10: Outcomes and outputs for strengthening security	65
Figure 11: Security cluster strategies and key interventions	66
Figure 12: Outcomes and outputs for public sector and justice system	70

List of tables

Table 1: Sector wise GDP projection	24
Table 2: Labour supply projection within the 13 th FYP period	34
Table 3: Indicative resource allocation	90
Table 4: Resource allocation formula	91
Table 5: Fiscal framework for the 13 th FYP	92
Table 6: Monitoring accountability framework	97
Table 7: Evaluation accountability framework	98



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PRIME MINISTER

18th July 2024

Foreword

It is with great pride and a deep sense of responsibility that we present the 13th Five Year Plan (FYP) of the Royal Government of Bhutan. This document embodies our collective aspiration to build a happy, prosperous and secure future for our nation. As we transition into this new planning period, it is essential to reflect on the journey that has brought us here and the vision that will guide us forward.

The 13th FYP is more than a continuation of our developmental efforts over the last six decades. It is a transformative agenda designed to address the multifaceted challenges and opportunities that stand before us in the 21st century. Guided by the principles of Gross National Happiness (GNH), this plan integrates economic, social, security and governance dimensions to ensure that our approach to progress remains holistic and sustainable. The plan is also novel in its attempt to rebalance GNH as it focuses on the nation's economic transformation to generate enhanced opportunities and security for our people. Bhutan stands at a critical juncture today. While we have rapidly advanced from an agrarian economy to a nation recognised globally for its unique development philosophy and remarkable progress in human development, we face increasingly complex challenges that require innovative solutions and concerted efforts from all sections of society. Economic vulnerability, youth unemployment, limited financial security and institutional barriers are some of the pressing issues that this plan seeks to address.

The 13th FYP sets the ambitious goal for Bhutan to become a *High-Income GNH Economy by 2034*, driven by the interconnected pillars of people, progress and prosperity. It outlines strategic objectives and specific deliverables across the four key areas of economic development, social progress, strengthened security, and effective governance. The plan also emphasises the importance of enhancing productivity, fostering innovation and building robust partnerships both domestically and internationally.

The vision underscored in this document is deeply inspired by His Majesty The King's timeless wisdom and unwavering commitment to the well-being of the Bhutanese people. His Majesty's Address on the 116th National Day resonates throughout this plan, reminding us of our collective responsibility and the potential we possess to shape our future.



PRIME MINISTER

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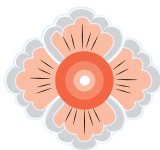
We extend our gratitude to all those who have contributed to the formulation of the 13th FYP. The collaborative efforts of central agencies, local governments, development partners, civil society organizations, private sector, political parties, parliamentarians, and local and international experts have been invaluable. Their insights and dedication have helped craft a plan that is both ambitious and pragmatic.

As we embark on the implementation of the 13th FYP, we call upon every Bhutanese to participate actively in this national endeavor. The journey ahead will require resilience, innovation and a steadfast commitment to our shared goals. Together, we can ensure that Bhutan continues to thrive in achieving balanced and inclusive growth that benefits all.

The 13th FYP is a testament to our enduring commitment to become a high-income country that upholds the values and principles of GNH. Let us move forward with confidence and resolve, knowing that the path we are paving today will lead to a brighter and more prosperous Bhutan for generations to come.



(Tshering Tobgay)



Executive Summary

Background and introduction


Country profile: Bhutan is a small landlocked country in the Eastern Himalayas, with a projected population of 777,224 in 2024. Governed as a Democratic Constitutional Monarchy, its Parliament comprises His Majesty the King, the National Council, and the National Assembly. The current Royal Government of Bhutan (RGoB) is formed by the People's Democratic Party while the Opposition is the Bhutan *Tendrel* Party. The economy is largely based on hydropower and agriculture, with a gross domestic product (GDP) of Bhutanese ngultrum (BTN) 227.814 billion in 2022.

Bhutan's development journey: Guided by visionary monarchs and with the support of development partners, Bhutan has achieved remarkable progress since the inception of planned development in 1961. Its development philosophy of Gross National Happiness (GNH), which advocates for a holistic and responsible approach to sustainable and inclusive development, has inspired global policy frameworks including the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs).

Growth has averaged 10.9 percent since the 1980s, with the economy's gradual transition from agrarian to hydro-based industries and service sectors. With access to free healthcare and education, life expectancy has increased to 72 years by 2020, youth literacy is currently at 97.7 percent, and poverty rates have declined sharply through the decades. Amidst rapid progress leading to its graduation from Least Developed Country (LDC) status in December 2023, Bhutan still maintains over 70 percent forest cover and is committed to remaining carbon neutral.

Their Majesties the Kings have been the driving force in instituting democracy and fostering good governance, ensuring societal resilience and well-being as reflected in its peacefulness and steadily improving GNH Index. Bhutan's swift and inclusive response during the COVID-19 pandemic, led by His Majesty the King, minimised health and social impacts through rigorous containment measures and comprehensive support systems. Bhutanese today are proud custodians of a unique spiritual and cultural heritage that underlies social cohesion and an engaged citizenry in the national agenda.

However, Bhutan is currently confronted with one of the most critical challenges in its development journey, with a significant number of its prime-age workforce emigrating in search of better economic opportunities abroad. Despite broad-based success, the economy struggles to generate sufficient productive jobs, leading to high youth unemployment and limited financial security for many of its people. The COVID-19 pandemic exacerbated existing vulnerabilities, causing




a historic growth contraction in 2020 and reversing poverty reduction gains. While the economy is on the path to recovery, it faces inflationary pressures and domestic risks due to strains in the financial sector.

Bhutan's journey with GNH has seen uneven progress, with economic development lagging behind advancements in social, cultural, environmental and governance dimensions. The 13th Five Year Plan (FYP) offers the chance to rebalance GNH by placing a renewed emphasis on economic transformation through innovative strategies and robust partnerships aimed at generating enhanced opportunities for Bhutanese. To ensure enduring economic prosperity and inclusive growth, attention must be given to issues with cross-cutting implications, including the quality of the social sector, climate resilience, and governance revitalisation.

Long-term goals: Drawing inspiration from His Majesty the King's guidance through the years, the 13th FYP represents a strategic shift in implementing GNH to meet the nation's evolving needs in an increasingly globalised 21st century. With the long-term goal to become a *High-Income Gross National Happiness Economy* by 2034, the focus is on transforming the Bhutanese economy by emphasising the interconnected pillars of people, progress and prosperity, or the "3Ps". As Bhutan embarks on this critical path towards societal advancement and economic resilience, it seeks to harness the collective efforts of its people and cultural values of courage and perseverance alongside partnerships with the international community.

Overview of the 13th FYP: Bhutan's development priorities have been implemented in five-year planning cycles since 1961. To ensure the continuity of interventions that will support the nation's long-term goal of becoming a *High Income GNH Economy* by 2034, the 13th FYP (July 2024 to June 2029) has adopted a 10-year strategic framework. Further, in alignment with the public sector transformation initiative that commenced in 2022, it has adopted a four-cluster approach as an effective means to implementing the FYP through enhanced coordination and collaboration. International commitments including the SDGs, human rights instruments and environmental agreements are also taken into consideration.

The strategic objectives of the 13th FYP are that, by 2029, Bhutan will: 1) Be a *high-income country* driven by innovation and sustainability (with a GDP of USD five billion); 2) Have a healthy and productive society founded on equitable and high-quality health, education and social protection; 3) Safeguard and strengthen its sovereignty, territorial integrity, security, unity, well-being, resilience and economic prosperity; and 4) Have a transformed and trusted governance ecosystem that drives accelerated economic growth and improves people's lives.



A total of 8 national programmes will be implemented collaboratively by Central Agencies, Local Governments and partners to deliver 8 outcomes and 40 outputs, towards achieving the strategic objectives across the economic, social, security and governance clusters of the FYP. Agency-specific and local government plans are integrated into the framework to ensure coherence and the mutual reinforcement of goals.

The 13th Five Year Plan – Deliverables, strategies and programmes


Economic development

Situational overview: Bhutan has experienced rapid economic growth, with GDP per capita reaching USD 3,833 in 2022. However, there has been limited job creation. Structural changes in the economy have been driven by public sector investments in hydropower. Economic diversification efforts are hindered by geographic challenges, inadequate infrastructure, and institutional barriers. Along with the persistent challenge of high youth unemployment, Bhutan is facing increasing out-migration of citizens at their prime productive age, who are seeking better economic opportunities.

Economic growth is affected by low productivity across sectors, compounded by high administrative costs and policy hurdles, while market access is constrained by infrastructure limitations and internal and external barriers. The government plays a significant role in the economy through state-owned enterprises (SOEs), but several of them have profitability and performance issues. Meanwhile, the private sector remains weak and has limited capacity for expansion and growth. Access to finance is limited, especially for small businesses, due to collateral-based lending and high borrowing costs. Bhutan's capital market remains underdeveloped.

Key deliverables: The 13th FYP aims to transform Bhutan into “a *high-income country driven by innovation and sustainability*”. This objective will be pursued through one overarching outcome which seeks to enhance Bhutan's productivity and diversify its products and markets, to drive sustainable economic growth by 2029. Integrating inputs from the social, security and governance clusters, the four key deliverables or outputs of the economic cluster are: 1) An improved business ecosystem, 2) Quality infrastructure, connectivity and energy, 3) A skilled labour force, and 4) Increased sustainable contributions of strategic sectors to GDP.

Strategies and programmes: The economic development outcome will be driven by three national programmes. The Economic Transformation Programme aims to foster sustainable and inclusive growth through three key strategies.



Private sector development and participation will be facilitated by creating a conducive environment for businesses to thrive and drive economic growth. This will include streamlining regulations, improving access to finance, promoting entrepreneurship, and enhancing efficiency across sectors.


Investments in strategic infrastructure will be made such as in roads, bridges, airports and railways to boost economic development and productivity through enhanced connectivity, reduced transportation costs, and by improving the liveability of urban settlements. Investments in traditional growth drivers will also be made as well as exploring new sources of growth across sectors including agriculture, tourism, hydropower, renewable energy, manufacturing and the digital economy. These initiatives aim to diversify the economy, create jobs and promote sustainable development while leveraging Bhutan's cultural and environmental assets.

The Twenty-first Century Skilling Programme aims to equip the Bhutanese population with the necessary education and skills for the modern economy through initiatives in technical and vocational training (TVET), tertiary education and skilling, upskilling and reskilling programmes. By enhancing workforce skills and education, Bhutan aims to achieve sustained economic prosperity and competitiveness.

The Ecological Diversity and Resilience Programme underscores Bhutan's commitment to climate-resilient development and sustainability. By focusing on sectors like hydropower, tourism, agriculture, forestry and water management, Bhutan aims to decouple GDP growth from greenhouse gas emissions, promote eco-friendly practices, and enhance resilience to climate change impacts through community involvement and private sector partnerships.

Social development

Situational overview: Bhutan has made significant progress in human development as evidenced by improvements in its Human Development Index (HDI) from 0.581 in 2010 to 0.681 in 2022, and reduction in multidimensional poverty with Moderate Multidimensional Poverty Index (MMPI) at 7.6 percent in 2022. However, challenges persist in ensuring the quality, inclusiveness, and sustainability of health and education services, as well as effective social protection systems for vulnerable groups. This, coupled with demographic shifts – including declining fertility rates, the projected rise in the old-age dependency ratio and out-migration of younger people – present significant implications for Bhutan's human capital and productive capacity.




Evolving challenges in the health sector include a predominance of Non-Communicable Diseases (NCDs) alongside persistent communicable diseases and rising mental health issues, limited healthcare resources and a shortage of skilled personnel, increasing out-of-pocket spending and referrals abroad – all indicating gaps in service coverage and quality. Ensuring access to quality education is a challenge across all levels, with learning outcomes affected by variations in enrolment rates, lack of standardisation, issues of teacher/instructor adequacy and competency, difficulties aligning with international standards, limited provision for inclusive instruction, and weak governance and inadequate infrastructure.

Social protection issues are compounded by housing shortages and a high rental burden in urban areas, while vulnerable groups face challenges due to fragmented attention and capacity gaps of service providers, and many vulnerable individuals such as informal workers and persons with disabilities are excluded from formal government social protection schemes.

Key deliverables: The 13th FYP aims to foster “*a healthy and productive society founded on equitable and high-quality health, education and social protection.*” This objective will be pursued through three outcomes related to health, education and social protection – with an emphasis on systemic approaches and societal engagement for effective and quality delivery.

Outcome-1 focuses on improving health and well-being for all Bhutanese by 2029. The seven key deliverables or outputs towards achieving this outcome are: 1) More Bhutanese practise healthy lifestyles, 2) Effective management of public health concerns with priority diseases eliminated or under control, 3) Improved access to quality health and health-related services and products, 4) An adequate and competent health workforce, 5) A sustainable health financing system and innovative governance, 6) A strengthened regulatory, monitoring and health security system, and 7) Information and technology harnessed to enhance health system efficiency.

Outcome-2 focuses on improving access to quality and wholesome education and lifelong learning by 2029. The seven key deliverables or outputs towards achieving this outcome are: 1) Adequate, competent and motivated education professionals, 2) Safe, inclusive and quality education infrastructure and facilities, 3) A dynamic and adaptive curriculum and assessment system, 4) Improved health and well-being of learners and educators, 5) Innovative financing mechanisms for education, 6) Increased contribution to policy and innovation by higher education institutions, and 7) Lifelong learning and skills development opportunities.




Outcome-3 focuses on establishing an operational shock-responsive, inclusive and comprehensive social protection system by 2029. The three key deliverables or outputs towards achieving this outcome are: 1) An enabling environment for comprehensive social protection, 2) Strengthened and expanded essential social protection programmes, and 3) Maintaining a sustainable population scenario.

Strategies and programmes: The social development outcomes will be driven by three national programmes. The Healthy Drukyl Programme aims to ensure the good health and well-being of the Bhutanese population through three key strategies to achieve universal health coverage, promote healthier lifestyles and improve healthcare accessibility and quality. Need-based rationalisation of health facilities will be conducted to enhance accessibility and quality of healthcare while optimising resources. This includes constructing new hospitals and adjusting and consolidating existing facilities based on population needs, and infrastructure improvements.

Health governance and healthcare delivery services will be improved by enhancing the health workforce, ensuring access to medical supplies and equipment, and streamlining patient referral pathways. Innovative approaches and digital solutions will be leveraged to improve regulatory and monitoring systems. Investments will be made in cost-effective preventive and promotive healthcare with an emphasis on proactive health risk identification, promoting healthy lifestyles, and combating NCDs through evidence-based interventions. Digital health capabilities will be enhanced to strengthen healthcare services and surveillance.

The Education Transformation Programme aims to fundamentally improve Bhutan's education system to enhance learning outcomes in school education through four key strategies. Access to early childhood care and development will be provided to all children aged 3 to 5; Curriculum and education programmes will be transformed by adopting curricula that align with global standards, focusing on science, technology, engineering and mathematics (STEM) education, and fostering critical thinking.

The education workforce will be transformed by prioritising teacher professional development, upgrading faculty qualifications, and recruiting international academics to improve teaching quality and methodology. Investments will be made in building fit-for-purpose infrastructure, which will include modernising school infrastructure, establishing early childhood development centres, consolidating existing schools into centres of excellence, and improving digital infrastructure for teaching and learning.



Education governance will be enhanced by strengthening governance for tertiary and TVET institutions, and promoting functional autonomy for TVET. This will also include enhancing assessment and certification systems, and facilitating private sector participation for improved service quality and financial sustainability. Additionally, to create a holistic learning environment, interventions will include enhancing sanitation facilities, sports engagement, and nutritional programmes.


Under the Sociocultural Resilience and Community Vitality Programme, a comprehensive social protection system will be established to foster a healthy and productive society by formulating policy frameworks and implementing interoperable welfare information management systems. Inclusive and sustainable social protection schemes will be introduced for the disadvantaged, provident fund and non-contributory benefits will be expanded, and disability inclusion will be advanced.

Structural and legal reforms will be pursued to promote work-life balance including non-discriminatory workplace policies, flexible working arrangements and addressing barriers to child adoption. These measures aim to enhance social security conditions, empower individuals and families, and contribute to a sustainable population development strategy by encouraging desired levels of childbearing.

Strengthening security

Situational overview: While Bhutan enjoys peace and political stability, safeguarding its sovereignty and territorial integrity are key priorities alongside other conventional and 21st century security concerns. Critical challenges include limited air, surface and internet connectivity, and the vulnerability of key road networks, power grids and communication systems accompanied by a rise in cybersecurity threats. While a range of natural and human-made hazards pose significant risks to lives, livelihoods, and infrastructure, Bhutan's disaster preparedness is hindered by a lack of critical infrastructure and capacities. This is exacerbated by low food self-sufficiency scores, crop losses to wildlife, reliance on imports for pharmaceuticals and seasonal power shortages.

Meanwhile, challenges to community vitality and cultural vibrancy include rising crime rates and drug-related offences, increasing divorce rates, and a decline in social support networks and cultural participation indices. Disconnection from cultural identity and values is an emerging concern as an increasing number of Bhutanese settle abroad.



Key deliverables: The 13th FYP aims to “safeguard and strengthen Bhutan’s sovereignty, territorial integrity, security, unity, well-being, resilience and economic prosperity”. This objective will be pursued through two outcomes relating to national security, community vitality, cultural vibrancy and identity, disaster preparedness and resilience, and international engagement.

Outcome-1 focuses on mitigating and managing safety and security threats and disaster risks to Bhutan, its economy, infrastructure, institutions and people. The five key deliverables or outputs towards achieving this outcome are: 1) Effective and efficient border management, 2) Maintaining law and order, 3) Securing critical infrastructure, 4) Disaster-resilient institutions and communities, and 5) A secure supply of critical energy, essential food items, and medical food.


Outcome-2 focuses on strengthening Bhutan’s identity, culture and values, and enhancing its position in the international community. The four key deliverables or outputs towards achieving this outcome are: 1) Bhutan’s global credibility is enhanced, 2) Bhutanese identity, values and culture ensure the well-being of Bhutanese everywhere, 3) An enabling environment for Bhutanese to pursue culture-based economic opportunities, and 4) Bhutan’s cultural heritage is managed and sustained and remains relevant to society.

Strategies and programmes: The 13th FYP adopts a risk-informed approach to Bhutan’s socio-economic development through two national programmes. The Sociocultural Resilience and Community Vitality Programme aims to strengthen Bhutan’s stability, progress and well-being by promoting its unique identity and culture, ensuring the safety and well-being of its citizens both at home and abroad, and fostering international cooperation and engagement.

Border management infrastructure and systems will be upgraded and enhanced to improve security and facilitate trade. Disaster and emergency response and preparedness plans will be instituted, including building capacities and establishing or securing critical infrastructure. Preventive and rehabilitative programmes will be instituted along with modernisation of law enforcement to reduce criminal activity.

Bhutanese values and cultural heritage will be nurtured and promoted through preservation efforts and engagement of younger generations. Bhutanese abroad will be engaged in cultural events and economic activities initiated by embassies, missions and consulates as a means to enhance a sense of belonging and identity.

Under the Digital Transformation Programme, Bhutan seeks to strengthen its resilience against cyber threats while creating a secure and trustworthy digital



environment for its people and businesses. Bhutan's digital infrastructure and cybersecurity capabilities will be strengthened with the development of a comprehensive National Cybersecurity Strategy, and the establishment of legal and regulatory frameworks to safeguard critical information infrastructures.

A transformed and trusted governance

Situational overview: Good governance is fundamental to Bhutan's pursuit of sustainable development and its goal of becoming a high-income GNH economy. While progress has been made, institutional capacities for inclusive, dynamic and results-oriented governance need to be strengthened. Success depends on a collective sense of ownership and urgency among all stakeholders, and effective collaboration across sectors and levels of governance.

Key issues hindering effective governance include policy accumulation and overlaps, gaps in the data ecosystem, low digital literacy and weak cyber security. The efficiency of public service delivery is affected by a high attrition rate among civil servants, and macroeconomic instabilities, including widening fiscal and current account deficits, are key concerns. Cross-cutting issues including gender inequality, climate change impacts, low disaster risk preparedness, and poverty and inequality underscore the need for systematic and sustained interventions.

Meanwhile, public perception and confidence in state institutions has been affected by a surge in corruption including financial irregularities, limited capacity for dealing with complex cases, ambiguity in legal codes leading to procedural irregularities, and unintegrated data systems leading to delayed justice sector services. Legal aid services have not been fully implemented and restorative justice measures particularly for children require strengthening. The oversight capacities of parliamentarians also require enhancement, along with improving outreach to citizens through meaningful engagement with civil society and the media.

Key deliverables: The 13th FYP aims to achieve a “transformed and trusted governance ecosystem that drives accelerated economic growth and improves lives”. This objective will be pursued through two outcomes relating to public sector transformation and enhancing the ability of state institutions for efficient and effective governance.

Outcome-1 focuses on transforming the public sector into a more dynamic results-oriented agent of transformation, demonstrating effectiveness, accountability and robust management of the economy. The four key deliverables or outputs towards achieving this outcome are: 1) Dynamic, holistic, responsive and results-oriented government policies, 2) A motivated, agile, and results-oriented public sector, 3) Availability and utilisation of data and statistics for foresight-oriented

policy, planning and service delivery, and 4) A strengthened digital ecosystem driving transformation.

Outcome-2 focuses on strengthening state institutions to ensure inclusive, effective and accessible justice, transparent rule of law and public oversight. The two key deliverables or outputs towards achieving this outcome are: 1) An effective and citizen-centric justice sector, and 2) the enhanced ability of parliamentarians and oversight bodies to effectively discharge their functions.


Strategies and programmes: The Transformational Governance Programme and the Digital Transformation Programme will collectively drive the effective implementation of the 13th FYP across all four clusters. The Transformational Governance Programme aims to create a governance framework that is responsive, transparent and inclusive by fostering comprehensive policy development and coherent decision-making, breaking down silos and leveraging collaboration across sectors, and embracing technology to optimise resources and expertise. It emphasises the involvement of local governments (LGs) and civil society organisations (CSOs) for better results and efficiency in implementing programmes and activities, and supporting the role of media for enhanced voice and accountability.

The programme will apply five key strategies. 1) An agile public sector will be built to enhance public service delivery and ensure robust economic management, 2) State institutions will be strengthened to promote rule of law and democratic processes, 3) Cross-cutting issues will be mainstreamed to ensure a holistic and inclusive development approach, 4) The data ecosystem will be improved to support evidence-based decision-making, and 5) Digital technology will be leveraged and promoted for efficient governance and public services delivery.

The Digital Transformation Programme aims to position Bhutan as a digitally empowered and resilient society through four key strategies: 1) Promoting inclusive digital governance, 2) Building a thriving digital economy, 3) Cultivating a vibrant digital society, and 4) Investing in key enablers. The last strategy is foundational to Bhutan's digital transformation agenda, with key enablers being digital infrastructure, skilled digital workforce development, modernising legislation, cybersecurity, and fostering research and development collaboration. As a cross-cutting programme, many of its initiatives will contribute directly to enable the delivery of outputs across all four clusters and national programmes of the 13th FYP.

Local government plan

Over successive five-year plans, local governments (LGs) have exercised increased



autonomy to plan and implement development initiatives in alignment with national objectives. To ensure continued coherence and synergy with national priorities, local government plans in the 13th FYP are integrated with central plans based on their formulation around seven LG key result areas that enable local governments to not only address local challenges but to also contribute to the broader goal of achieving a High-Income GNH Economy by 2034.

These seven Local Government Key Result Areas (LGKRAs), the strategic priorities of local governments, are: 1) Vibrant local economies, 2) Quality education and skills development, 3) Improved health and wellbeing of residents, 4) Proactive social security and support measures for residents, 5) Effective disaster risk management and safety in local communities, 6) Strengthened culture and identity, and 7) Effective delivery of citizen-centric public services. Additionally, common minimum infrastructure needs for Gewogs, Yenglag Throms and Dzongkhags have been identified to help focus resource allocation.


A total of BTN 72,000 million has been allocated to local governments in the 13th FYP, based on a revised Resource Allocation Framework (RAF) that ensures fairness, transparency, and effectiveness in resource distribution to address local development needs. Local governments are responsible for implementing both their own plans and national programmes, in collaboration with central agencies as key implementers. By empowering local governments and promoting collaboration between local and central authorities, Bhutan aims to ensure effective governance, sustainable development and improved quality of life for its citizens.

Fiscal outlook

The fiscal policy objective in the 13th FYP is to ensure robust, inclusive economic growth while maintaining fiscal prudence and macroeconomic stability. Key targets include containing the fiscal deficit at an average of three percent of GDP over the plan period, achieving a tax-to-GDP ratio above 15 percent, and limiting non-hydropower debt to below 55 percent of GDP.

Total resources for the 13th FYP are estimated at BTN 456,345 million, with domestic revenue projected at BTN 327,346 million and grants at BTN 125,000 million. Tax revenue constitutes BTN 230,623 million, while non-tax revenue is estimated at BTN 96,723 million. External grants, with a large portion from the Government of India (GoI), contribute significantly to resource allocation. Total expenditure is estimated at BTN 512,283 million, with current expenditure at BTN 267,283 million and capital expenditure at BTN 245,000 million.

The projected fiscal deficit is BTN 55,938 million, equivalent to 2.97 percent of



GDP. Public debt by the end of the plan period is estimated at BTN 474,419 million, representing about 94.8 percent of estimated GDP. The majority of debt is external, particularly for hydropower projects, with a declining external debt-to-GDP ratio projected over the plan period.

Plan implementation, and monitoring and evaluation

Implementation of the 13th FYP: The success of the 13th FYP hinges on effective execution, underpinned by key strategies and mechanisms that foster transparency, efficiency, and accountability in implementation. Thus, the 13th FYP integrates long-term strategic goals by focusing on economic development, standardising health and education services, developing infrastructure based on spatial planning, and promoting private sector engagement while streamlining government roles. Furthermore, to enable efficient public service delivery and foster efficient implementation, the 13th FYP will address any policies that contradict or are not aligned with each other.

Performance management and accountability will be facilitated by aligning resources with plan objectives, and through annual performance planning and target setting that allows mid-course adjustments. A performance coaching mechanism will support agencies to achieve their deliverables, and a results framework which maps Key Performance Indicators (KPIs) at national and local levels will ensure accountability, with heads of agencies responsible for meeting annual targets and achieving plan outcomes by 2029.

Monitoring and evaluation: The successful implementation of the 13th FYP relies on a robust monitoring and evaluation (M&E) system, which will be strengthened with a national M&E framework that oversees progress at various levels from national goals to local government key result areas.

Based on the Monitoring Accountability Framework, the Office of Cabinet Affairs and Strategic Coordination (OCASC) will conduct annual, mid-term and final reviews to ensure accountability and alignment with national objectives, with progress measures as detailed in the 13th FYP results matrix. The Department of Planning, Budget and Performance (DPBP), MoF in coordination with OCASC, will monitor implementation of projects through the annual plans and budget.

Evaluations will be based on an Evaluation Accountability Framework, with evaluation plans developed and commissioned by the Committee of Four Coordinating Secretaries (C4CS), heads of agencies and local governments. Social accountability will be actively promoted with greater stakeholder involvement including citizen participation, to enhance transparency and efficiency in project delivery.

Acronyms

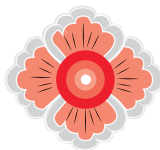
ACC	: Anti-Corruption Commission
BCF	: Bhutan Climate Fund
BCM	: Bhutan Carbon Market
BLDCL	: Bhutan Livestock Development Corporation Limited
BNLI	: Bhutan National Legal Institute
BOC	: Bhutan Olympic Committee
BLSS	: Bhutan Living Standards Survey
BTP	: Bhutan Tendrel Party
C4CS	: Committee of Four Coordinating Clusters
CBS	: Centre for Bhutan and GNH Studies
CSO	: Civil Society Organisation
DHI	: Druk Holdings and Investments Limited
DGPCL	: Druk Green Power Corporation Limited
DGRK	: Druk Gyalpo Relief Kidu
DPBP	: Department of Planning, Budget and Performance
DTP	: Digital Transformation Programme
DUC	: Dzongkhag Urban Centre
eBMSIS	: electronic Bhutan Medical Supply Inventory System
ECCD	: Early Childhood Care and Development
ECB	: Election Commission of Bhutan
ECP	: Economic Contingency Plan
ECR	: Extended Classroom
EDB	: Economic Development Board
ePIS	: electronic Patient Information System
EU	: European Union
FAB	: Film Association of Bhutan
FCBL	: Food Corporation of Bhutan Limited
FDI	: Foreign Direct Investment
FMCL	: Farm Machinery Corporation Limited
FYP	: Five Year Plan
GDP	: Gross Domestic Product
GLOF	: Glacial Lake Outburst Flood
GNH	: Gross National Happiness
GNI	: Gross National Income
GPI	: Global Peace Index
GTP	: Governance Transformation Programme



HAI	: Human Assets Index
HDI	: Human Development Index
HDR	: Human Development Report
IBLS	: Integrated Business Licensing System
ICT	: Information and Communication Technology
IP	: Intellectual Property
IWIMS	: Integrated Waste Information Management System
JDWNRH	: Jigme Dorji Wangchuck National Referral Hospital
KGUMSB	: Khesar Gyalpo University of Medical Sciences of Bhutan
KPI	: Key Performance Indicator
LDCs	: Least Developed Countries
LFS	: Labour Force Survey
LGKRA	: Local Government Key Result Area
LTS	: Long-Term Greenhouse Gas Emission and Climate Resilient Development Strategy
LUC	: Linked Urban Centre
M&E	: Monitoring and Evaluation
MFCTC	: Macroeconomic Framework Coordination Technical Committee
MMPI	: Moderate Multidimensional Poverty Index
MoAL	: Ministry of Agriculture and Livestock
MoENR	: Ministry of Energy and Natural Resources
MoESD	: Ministry of Education and Skills Development
MoICE	: Ministry of Industry, Commerce and Employment
MoF	: Ministry of Finance
MoFAET	: Ministry of Foreign Affairs and External Trade
MoH	: Ministry of Health
MoHA	: Ministry of Home Affairs
MoIT	: Ministry of Infrastructure and Transport
MPI	: Multidimensional Poverty Index
NAP	: National Adaptation Plan
NCD	: Non-Communicable Disease
NCR	: National Capital Region
NDI	: National Digital Identity
NEA	: National Education Assessment
NEP	: National Energy Policy
NFE	: Non-Formal Education
NHS	: National Health Survey
NMS	: National Medical Services



NRF	: National Resilience Fund
NSB	: National Statistics Bureau
NWFWC	: National Weather and Flood Warning Centre
OCASC	: Office of Cabinet Affairs and Strategic Coordination
PDP	: People's Democratic Party
PHCB	: Population and Housing Census of Bhutan
PISA-D	: Programme for International Student Assessment for Development
PPP	: Public Private Partnership
PSD	: Public Service Delivery
PWD	: Person with a Disability
RAF	: Resource Allocation Formula
RCSC	: Royal Civil Service Commission
RGoB	: Royal Government of Bhutan
RIM	: Royal Institute of Management
RUB	: Royal University of Bhutan
SEN	: Special Educational Need
SFMP	: Sustainable Forest Management Programme
SME	: Small and Medium Enterprise
SOE	: State-Owned Enterprise
TEI	: Tertiary Education Institution
TFR	: Total Fertility Rate
TVET	: Technical and Vocational Education and Training
WITH	: Wood Innovation and Technology Hub



CHAPTER-1

Introduction



1.1 Background

Bhutan follows a five-year planning cycle to implement its development priorities. Since the initiation of the first Five Year Plan (FYP) in 1961, it has implemented 12 FYPs at the end of June 2024. Considering the evolving circumstances, needs and opportunities facing Bhutan in the 21st century, the Royal Government of Bhutan (RGoB) is now adopting a longer-term strategic framework (2024-2034) which includes the 13th FYP (July 2024-June 2029). Guided by the principles of Gross National Happiness (GNH), the 13th FYP and the successor 14th FYP will be implemented to support the nation's long-term goal of becoming a *High-Income GNH economy* by 2034.

This approach will enable greater focus and continuity of development interventions, by avoiding busts in economic growth associated with the overlap of the end in plan cycles. Moreover, to streamline and coordinate efforts for effective implementation, the 13th FYP follows an interconnected four-cluster approach that aligns with the public sector transformation initiative which began in 2022. Thus, the strategic objectives and outcomes of the 13th FYP correspond broadly to the reorganisation of government agencies under the economic, social, security and governance clusters.

To achieve the 13th FYP objectives and outcomes, eight national programmes will be implemented through the collaborative effort of Central Agencies, local governments (LGs) and relevant partners. All sectoral, agency-specific and local government plans and strategies are based on these key elements of the 13th FYP framework, to ensure mutual reinforcement and coherence in delivering common and cross-cutting goals across the 13th FYP. Routine programmes of individual agencies and local governments will also continue to be implemented over the course of the plan period.

The long-term strategic framework and the 13th FYP have been formulated through a closely coordinated process among the four clusters of government and LGs since December 2022, and is based on consultations with all relevant stakeholders. The 13th FYP will drive Bhutan's socio-economic and institutional transformation agenda, and will serve as the transition strategy that ensures its recent graduation from Least Developed Country (LDC) status is irreversible and sustained.

1.2 Country profile

Bhutan is a small landlocked country in the Eastern Himalayas. It is bordered by India to its east, west and south, and the People's Republic of China to its north. With altitudes ranging from 100 to 7,500 metres over an area of 38,394 square kilometres, it has three distinct climatic zones: the hot and humid southern belt, the cool temperate central zone and the alpine northern region.

The total (projected) population in 2024 is 777,224 - 372,813 females and 404,411 males - with relative gender parity of 1:1 across age groups. Over 41 percent of the population are below 24 years old of which more than 42 percent are adolescents between age 10 and 19 years. Bhutan remains largely rural with more than 59 percent of the population residing in villages in 2022. However, internal migration and urbanisation have increased with the share of urban population rising from 30.9 percent in 2005 to 37.8 percent in 2017, and further projected to increase to 56.8 percent by 2047.¹ The economy is based largely on hydropower and agriculture, and has grown rapidly over the decades recording a GDP of BTN 227.81 billion and GDP per capita of USD 3,833.03 in 2022.

Bhutan became a Democratic Constitutional Monarchy in 2008, with key reforms initiated by the Throne to make the transition from the hereditary monarchy that was established in 1907. The Parliament of Bhutan is the highest legislative institution and consists of His Majesty the King, the National Council and the National Assembly.

The National Council is an apolitical institution which functions as the house of review, and comprises 20 members elected from 20 *Dzongkhags* (districts) and five eminent members appointed by His Majesty the King. The National Assembly comprises 47 members elected from 47 constituencies carrying out legislative, oversight and representational functions.

The fourth parliamentary elections were conducted on 9 January 2024. Of the five political parties contesting the election, the People's Democratic Party (PDP) was elected to form the Government and the Bhutan *Tendrel* Party (BTP) was the Opposition Party.

¹National Statistics Bureau (2019). *Population Projections Bhutan 2017-2047*.

1.3 Guiding principles of development

Gross National Happiness, popularly referred to as GNH, is Bhutan's guiding philosophy for development. His Majesty the Fourth Druk Gyalpo, Jigme Singye Wangchuck, first used this expression in the early 1970s to convey that Bhutan is more invested in a holistic and responsible approach to development that is geared towards societal well-being. The conviction was that economic growth alone – as represented by the Gross Domestic Product (GDP) indicator – is an insufficient measure of progress.

Particularly after the first decade of establishing basic infrastructure such as schools, health clinics and roads, Bhutan has sought to balance economic growth with environmental sustainability, social progress and cultural vibrancy – underpinned by a framework of good governance. These dimensions saw increasing emphasis in its Five Year Plans as 'priority areas' essential to the overall direction of development.

GNH is enshrined in the Constitution of Bhutan,² making it the collective responsibility of the state and polity to ensure that unbridled economic growth does not compromise the social, ecological and spiritual well-being of Bhutan. The operational aspects of GNH have been strengthened through the years with the introduction of the GNH Index in 2008 and its use in the formulation and monitoring of recent FYPs, policies and programmes (see Box 1).

Box 1: The GNH Index

Based on biennial surveys, the GNH Index facilitates the assessment of well-being conditions across the nine domains of health, education, living standards, ecological diversity and resilience, good governance, psychological well-being, time use, community vitality, and cultural diversity and resilience. GNH assessments have gradually been used towards evidence-based decision-making, with the GNH Index and indicators incorporated into national planning. Combined with other tools, the GNH indicators serve as tools to evaluate developmental progress over time and to help steer decisions and activities along a GNH-oriented path.

²Article 9.2 of the Constitution of the Kingdom of Bhutan states: "The State shall strive to promote those conditions that will enable the pursuit of Gross National Happiness".

Bhutan's pursuit of this higher purpose to development, as expressed by GNH, has also inspired policymakers and policy frameworks around the world, including the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) which was adopted by the United Nations (UN) in 2015. Given the strong consonance with the fundamental principles of GNH, the SDG goals and targets aligned closely with the 11th FYP (2013-2018) national key result areas, and the 12th FYP (2018-2023) used the SDGs as a guiding basis for its preparation. Today, the 13th FYP provides a similarly strong foundation for Bhutan's delivery on the SDGs in this 'last decade of action'.

Bhutan's FYPs has also mainstreamed other international commitments – including key human rights instruments and multilateral environmental agreements which are listed in Annex 3.

1.4 Bhutan's development story

Guided by the wisdom and far-sighted leadership of our monarchs, Bhutan's implementation of the GNH philosophy has resulted in tangible and highly beneficial results **for people and the planet** over the last six decades of planned development. The unwavering support provided by development partners through the years, and the steadfast sense of responsibility shown by an engaged citizenry have been critically important in this entire process.

Starting out as an isolated and income-poor nation in the 1960s, Bhutan's GDP has grown from BTN 1.012 billion in 1980 to BTN 227.814 billion in 2022 with annual economic growth averaging 10.9 percent since the 1980s.³ The Bhutanese economy has developed in a considered manner without compromising the natural environment – gradually shifting from traditional agrarian-based practices to a more diversified and modernised structure driven by hydro-based industries and the services sector.

Consistent prioritisation of the social sector over successive five-year plans, including the provision of free health and education services, has led to phenomenal improvements in life conditions and opportunities for the Bhutanese people. With unprecedented reductions in mortality and morbidity rates, life expectancy is estimated to have increased from 33 years in 1960 to 72 years by 2020.⁴ Bhutan's population is increasingly educated with universal primary education close to achievement, and youth literacy today is at 97.7 percent.⁵

³Macroeconomic Framework Coordination Committee (MFFC) data: growth average for the past 42 years (1980-2022).

⁴ World Development Indicators (WDI), based on the United Nations Population Division.

https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=BT&most_recent_year_desc=false

⁵National Statistical Bureau (2022). Bhutan Living Standards Survey 2022.

Targeted efforts at poverty reduction led to sharp declines in income poverty from 23.2 percent in 2007 to 8.2 percent in 2017 at the national level, with rural poverty decreasing from 30.9 percent to 11.9 percent in the same period.⁶ In December 2023, Bhutan graduated from the UN's list of Least Developed Countries (LDCs) based on impressive performance on the Gross National Income (GNI) and Human Assets Index (HAI) criteria for graduation.

Such achievements are all the more significant as Bhutan remains steadfast as a globally - recognised champion of the environment. With its strong conservation ethos, it has thus far managed to ensure the sustainability of essential ecosystem services such as clean air, water and other natural resources for livelihood and sustainable development.

While the Constitution requires at least 60 percent of Bhutan to be maintained under forest cover in perpetuity, more than 70 percent of the land area is currently forested.⁷ Bhutan is a carbon sink, with its forests absorbing three times more CO₂ emissions than it emits. Taking concrete steps towards upholding its long-standing commitment to always remain carbon neutral, low-emission and climate-resilient development strategies are in place across key sectors.⁸ Bhutan is now one of the three carbon negative countries in the world.

Amidst rapid socio-economic development, Bhutan has also been conscientious about nurturing the values, principles and practices of its dynamic cultural heritage. This is reflected in its respect for all life and in its strong family and community bonds, which is underpinned by the Buddhist notion of interdependence (*tha damtsi-ley judrey*). Through a combination of traditional and modern practices of volunteerism, it is this value-system that drives the effective provision of social support, natural resources management, and the fulfilment of many other critical community needs.

With consistent budgetary support for strengthening both tangible and intangible forms of culture, Bhutanese people today remain proud custodians of a unique spiritual and cultural heritage. Meanwhile, a range of indicators across several of the GNH domains enable the assessment of the vibrancy and resilience of Bhutanese communities and cultural practices.

Bhutan's success with GNH could not be better demonstrated than through the exemplary leadership of its monarchs. In contrast to the struggles associated

⁶National Statistical Bureau (2012, 2017). *Poverty Analysis Report 2012 and 2017*.

⁷Ministry of Agriculture and Forests (2017). *National Forest Inventory Report, Volume I*.

⁸ Royal Government of Bhutan (2021). *Second Nationally Determined Contribution. Kingdom of Bhutan*.

with other young democracies, Bhutan's democracy is the outcome of The Fourth Druk Gyalpo's vision and meticulous planning over several decades. Prior to His Majesty's voluntary abdication in 2006, the foundations for democratic institutions had been laid and initiatives had been set in motion to strengthen people's participation in decision-making at the local and national levels.

Upon His Majesty the King Jigme Khesar Namgyel Wangchuck assuming the role as Head of State, and Bhutan's adoption of the Constitution in 2008, constitutional bodies were established and enhanced to uphold the rule of law, ensure free and fair elections, and improve the transparency, efficiency and accountability of public institutions.⁹ In addition to several rounds of successful local government and parliamentary elections, the formalisation of the civil society sector and enhanced role of media has facilitated greater citizen engagement in the national agenda.

Cross-cutting themes including gender equality and empowerment and, disability inclusion, continue to be promoted and strengthened through relevant laws, policies and systems.

With His Majesty the King at the frontlines, Bhutan's GNH ethos has also been clearly evident in its fight against the COVID-19 pandemic. Despite enormous financial implications, Bhutan moved quickly to implement a coordinated national response that included strict containment and inclusive response measures. In addition to sealing borders, restricting travel, school closures, and several lockdowns, special effort was made to repatriate Bhutanese stranded abroad.

Measures were put in place to protect the most vulnerable sections of society. To mitigate long-term impacts on social outcomes, an education-in-emergency and adapted curriculum was rolled out, while essential healthcare services were managed separately from the pandemic. A National Resilience Fund was established, and several monetary and fiscal measures were put in place. The Druk Gyalpo Relief Kidu provided support to those whose livelihoods were most affected. Under an Economic Contingency Plan, the tourism, construction and agriculture sectors were provided priority support.

As a result, Bhutan was able to keep the potentially devastating health and social impacts of the pandemic to a minimum. This was only possible because His

⁹This included, among others, the establishment of the Dzongkhag Yargay Tshogdu in 1982 and the Gewog Yargay Tshogdu in 1992; the introduction of universal adult franchise in 2001 for the election of Gups; the devolution of executive powers in 1998 to a council of ministers elected by the National Assembly; and the initiation of the drafting of the Constitution.

Majesty made deliberate efforts with the welfare of the people foremost in mind. The Bhutanese people in turn acted with solidarity, and people from all walks of life contributed cash and in-kind to the national efforts and a remarkable level of volunteerism.

As the greatest proponents of GNH, a concept that in itself is revolutionary in a world driven by consumerism and short-term gains, the Kings and the Bhutanese leadership have had to make difficult “GNH decisions”. It is precisely owing to this that Bhutan remains one of the most peaceful countries in the world, with its rich natural environment and cultural heritage enriching the quality of life of its people. Indicating progress across multiple domains of well-being, its GNH Index has improved steadily from 0.743 in 2010 to 0.756 in 2015, and to 0.781 in 2022.¹⁰ By all these measures, Bhutan has succeeded, and must appreciate where it has reached as a nation.

Despite these successes, Bhutan is confronted with one of the most critical challenges in its development journey. The recent surge of Bhutanese (at prime productive age) leaving the country is a clear indication that many of our aspirations under the economic dimension of GNH remain unfulfilled.

The main reason for this surge of Bhutanese leaving the country is that people are seeking better economic opportunities elsewhere. The proportion of youth jobseekers opting for overseas employment is at an unprecedented high, pointing to the economy’s inability to generate an adequate number of productive jobs. This means that there are currently limited opportunities for the average Bhutanese to ensure their long-term financial security in the country, and that Bhutan has not been able to meet the expectations of an increasingly urbanised, young and educated population.

Even as Bhutan take pride that investments in social development have enabled its people to pursue jobs in advanced economies, the potential implications must be anticipated of this trend on Bhutan’s stability. Its continuation could lead to the direct loss of human capital and skills, amplify the challenge of filling critical positions - especially in the health and education sector, and present social and cultural implications as increasing numbers of Bhutanese settle abroad.

Despite impressive growth and transformation over the decades, the Bhutanese economy has been beset with numerous challenges that persist today. Growth continues to be heavily reliant on hydropower-driven, capital-intensive public

¹⁰The Centre for Bhutan and GNH Studies (2023). GNH 2022.

sector investments – without the commensurate generation of job opportunities. Meanwhile, high youth unemployment levels have persisted, increasing by 7.7 percent since 2021 to reach 28.6 percent in 2022.¹¹

Efforts at economic diversification have been challenged by Bhutan's difficult geography and remoteness, inadequate infrastructure, and institutional setbacks deterring the growth of private sector investment. Bhutan's economic vulnerability remains high, given its continued reliance on external aid, persisting imbalances in the economy, and the susceptibility of the hydropower sector to climate change impacts.

Meanwhile, the COVID-19 pandemic has immensely impacted the economy and heightened social vulnerabilities. Suffering serious setbacks in socio-economic progress, growth dropped to a historic low of minus 10 percent in 2020. Bhutan's success with poverty reduction over the past decades saw a reversal, with 12.4 percent of the population classified as poor in 2022.¹² The preceding 12th FYP (2018-2023) was one of the most challenging to implement, with almost three years of the five-year plan period derailed by the pandemic – resulting in bringing the economy to near recession levels.

Even as the economy recovers with a growth of 4.1 percent in 2021 and 5.2 percent in 2022, it faces inflationary pressures emanating from the international geopolitical fragmentation and global fuel crisis among other external risks. Prolonged financial sector strains with limited fiscal space, including from possible delays in hydropower projects and liabilities in the financial sector, present domestic risks to growth and debt dynamics.¹³

Given this state of affairs, it is apparent that Bhutan's success with GNH has not been balanced. Its performance on the economic dimension has been much weaker, in comparison to the social, cultural and environmental dimensions. At the same time, the multidimensional issues facing Bhutan today have become more complex and nuanced, and many of these – such as youth unemployment, substance abuse, rural-urban disparities and the outflow of educated citizens – are invariably rooted in or intersect with structural issues in the economy.

¹¹ National Statistical Bureau (2022). *2022 Labour Force Survey Report Bhutan*.

¹² National Statistical Bureau (2022). *Bhutan Poverty Analysis Report 2022*. It should be noted that an upward revised poverty line has been adopted in 2022.

¹³ Ministry of Finance (December 2022). *Macroeconomic Situation Report. First Quarter Update: FY 2022-23*.

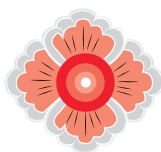
1.5 Way forward

Going forward, Bhutan needs to be much more innovative and daring in transforming its economy. It needs to be much more open and courageous in inviting partners to create better economic opportunities for its people. As the 13th FYP is set against the backdrop of an institutional transformation agenda, the recent graduation from LDC status, and efforts to 'build back better' from the pandemic, Bhutan must seize the opportunity of the 13th FYP to re-balance GNH by focusing on economic transformation.

In doing so, close attention is needed to urgent issues with cross-cutting implications, which if left unaddressed could undermine its aspirations for enduring economic prosperity. Key issues of quality and inclusiveness in the social sectors will need to be addressed more strategically, as these have immediate and long-term implications on productive capacity. Climate resilience and disaster preparedness is especially critical, considering Bhutan's nature-dependent livelihoods and an economy based on hydropower- and agriculture

To take the entire agenda forward, the governance ecosystem will have to be revitalised to ensure effective public service delivery, improve economic management and enable the growth of a vibrant and inclusive economy. As Bhutan embarks on a new era with the 13th FYP, it does so with conviction that the strength of the Bhutanese character – defined by courage, determination and perseverance – will drive collective efforts toward transforming it into a prosperous GNH country. Given its transformative nature with a firm basis in GNH, the 13th FYP will seamlessly support the vision of the Gelephu Mindfulness City, a unique initiative of His Majesty the King for the future of Bhutan: its children.





CHAPTER– 2

13th Five Year Plan Strategic Framework



2.1 Long-term goals

With clear and frank assessments of Bhutan's collective strengths and shortcomings, His Majesty the King has repeatedly called upon the nation to introspect and act upon how Bhutan can continue to strive towards GNH in an increasingly globalised world. As far back as in 2008, when speaking to a new cohort of national graduates, His Majesty said:

"... Now you must also keep in mind what GNH is. That will never change but how we achieve GNH will change and it must. Because the very fast changing world that we live in - in this globalised world, I have no doubt will both present new opportunities and challenges for Bhutan. But remember that it is the duty of every generation. It is our duty to find new ways of achieving the goals of GNH. In other words, GNH today for us is the bridge between the fundamental values of kindness, equality and humanity and the necessary pursuit of economic growth."

His Majesty The Druk Gyalpo

National Graduates' Orientation Programme, Thimphu, 22nd October, 2008.

Further, when speaking to another generation of university graduates in 2016, the nation was reminded about the importance of reflecting on its priorities and the means to addressing them. His Majesty said:

"What are the priorities of our time? I believe that it is to pursue prosperity and progress. There has to be synergy between prosperity and progress. It is certainly desirable that our people become prosperous and a prosperous state with adequate funds will give us all a sense of greater security."

His Majesty The Druk Gyalpo

11th Convocation of the Royal University of Bhutan, 7th June, 2016

By drawing inspiration from this noble guidance, the 13th FYP represents a strategic shift towards "rebalancing GNH" - with a deliberate focus on transforming the economy as a means to fulfil Bhutan's needs in the 21st century. Thus, the long-term goal is for Bhutan to be a *High-Income GNH Economy* by 2034.

Transforming Bhutan into a "High-Income GNH Economy" is fundamentally about ensuring an overall increase in prosperity for all Bhutanese. Many of the pressing social issues and challenges confronting Bhutan today are invariably linked to an inability to generate enough decent jobs and equal opportunities. The pursuit of high growth is thus intended to improve inclusiveness, through creation of decent employment and strengthened social protection that encompasses gender and disability dimensions, so that no one is left behind.

“High-income” status is defined by a USD 10 billion economy and GNI per capita of above USD 12,695. This target has been set considering the need to ensure adequate wealth generation, which will ultimately be channelled towards fulfilling broad-based development priorities while reducing dependence on external funds.

Bhutan’s drive towards entering the ranks of other high-income economies will be undertaken by leveraging new technologies as well as its natural and cultural endowments, while promoting creativity, innovation and enterprise. The intention is to ensure gainful and productive employment that will enable a dignified and purposeful lifestyle for all Bhutanese and a sense of greater national security.

All programmes and activities to drive growth will be pursued within the imperatives of sustainability – including the constitutional mandate to maintain at least 60 percent of Bhutan under forest cover for all times, and its international commitment to remain carbon neutral in perpetuity. Through innovative approaches and deepened engagement with the international community, it will be more pragmatic in managing the co-benefits and trade-offs between growth outcomes and environmental conservation.

Figure 1: National goals for a High-Income GNH economy



As a long-term strategy, the framework highlighted in Figure 1 will contribute to the transformation of the Bhutanese economy, while ensuring that the principles of GNH are upheld. Therefore, the pursuit of this long-term goal is about realising a happy, prosperous and secure Bhutan built on the “3Ps” or three key pillars of ‘people’, ‘progress’ and ‘prosperity’ which are described in Box 2.

Box 2: The 3Ps of ‘people’, ‘progress’ and ‘prosperity’

People: Our expectation is that all of our development efforts will result in enhanced well-being and productivity of all sections of our society. We will have attained this by ensuring that our economic prosperity and strategies are channelled into addressing key issues of quality and inclusiveness in health, education, living standards and social protection outcomes across all demographic groups.

With the expected improvements in health, education and life outcomes, key progress indicators will include the sustained increase in our human capital index from 0.475 in 2020 to 0.61 by 2029 and to 0.71 by 2034. Simultaneously we will have reduced the gap between preferred and actual family size by 2034 – maintaining a sustainable population growth rate conducive to our economic aspirations. Through all times, the vitality and resilience of our local cultures and communities will be enhanced, thus ensuring the cohesiveness of our social fabric and upholding our Bhutanese identity.

Progress: Underpinned by innovation, stability and effective governance, our aspiration is to be a progressive society – where the security, vitality and resilience of our communities is enhanced by equitable access to high quality infrastructure and public services.

A key marker of our progressiveness will be our ability to ensure safe and liveable human settlement in all 20 Dzongkhags – characterised by equitable access to affordable housing, and efficient and affordable public transport and private healthcare – with the Thimphu-Paro capital region ranked among the top liveable cities in the world by 2029. Concurrently, building upon cumulative improvements over the 13th FYP period we will have ensured that by 2034 all Bhutanese have access to comprehensive social protection mechanisms and services across the life-cycle, particularly for the most vulnerable.

Prosperity: Our intention is to build a prosperous economy driven by innovation and sustainability, and one that benefits all Bhutanese. With a GDP of USD 10 billion and GDP per capita of above USD 12,695 by the year 2034, we envision an economy that provides full employment with equality of opportunity for well-paying and fulfilling jobs by 2027 and where the income of the bottom 40 percent of the population has quadrupled by 2030.

We will have attained this status by tackling fundamental challenges to our economy – such that productive capacity is enhanced with effective adoption of technology and innovative green solutions. With abundant options for high-end jobs in existing as well as new sectors (such as the creative industries and STEM fields) made available within Bhutan, we will fully harness our demographic dividend. Furthermore, all Bhutanese will lead dignified lives enabled by decent levels of income that do not fall below a certain threshold.

The 3Ps are interconnected and indivisible, and collectively they uphold the principles of inclusiveness, resilience and sustainability as guided by GNH and the SDGs. The national key performance indicators (KPIs) for the 3Ps – which have been agreed upon through numerous consultations and deliberations – will in their entirety provide the long-term strategic direction for Bhutan’s development plans spanning the next 10 years.

2.2 Strategic objectives

The 13th Five Year Plan has four interconnected objectives that will be pursued towards creating a happy, prosperous and secure Bhutan and realising the long-term goal of becoming a “High-Income GNH Economy” by 2034. The economic development objective will be the driving force of the 13th FYP, enabled by a transformed and trusted governance ecosystem which underlies the successful implementation of the entire plan.

Economic Development: Bhutan is a high income country driven by innovation and sustainability

Bhutan aims to achieve economic prosperity where citizens enjoy a high standard of living, with high levels of income and access to resources – by increasing its GDP to USD 5 billion and GDP per capita to above USD 6,174 by the year 2029. New and creative solutions will be developed and implemented to address economic, social, and environmental challenges and to create new opportunities for growth.

Every effort will be made to ensure that economic development is environmentally sustainable, socially responsible, and economically viable in the long term, so the current needs of the Bhutanese people are provided for while also preserving natural resources for future generations.

Social Development: Bhutan has a healthy and productive society founded on equitable and high quality health, education and social protection

Bhutan aims to ensure the provision of quality education and skills development, robust health services and social security interventions, which are foundational to fostering a happy, prosperous, and secure Bhutan. Through a well-rounded education system that provides high quality learning and skills development, the population can attain the necessary competencies to effectively contribute to developing various sectors of the economy, thereby driving sustainable growth and prosperity.

Simultaneously, prioritising accessible and high quality healthcare is essential to ensuring a healthy workforce with enhanced overall productivity. This synergy between education and health not only elevates economic outcomes but also bolsters social cohesion ultimately leading to a secure and resilient nation where citizens are empowered with knowledge, skills and well-being as their pillars of strength.

Enhancing Security: Bhutan safeguards and strengthens its sovereignty, territorial integrity, security, unity, well-being, resilience and economic prosperity

Bhutan aims to safeguard its sovereignty and strengthen resilience to any form of threat that could undermine its stability, progress and well-being. This requires simultaneous attention to conventional as well as 21st century security concerns – which includes the maintenance of friendly and cooperative relations with all countries, the stability and vitality of Bhutanese communities both home and abroad, and the vibrancy of our cultural heritage.

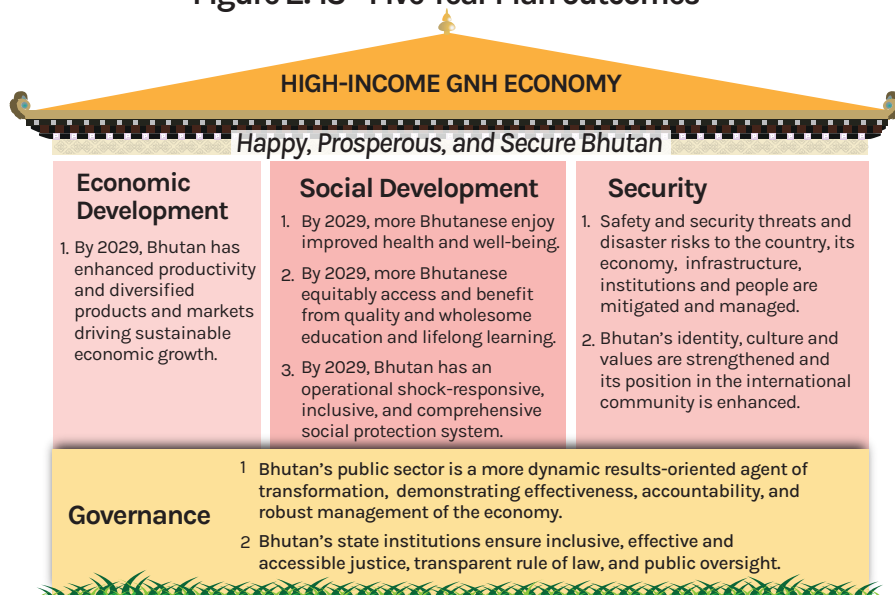
It also entails effective management of disasters and other emergency situations, and ensuring connectivity as well as the protection of critical infrastructure – not only to facilitate disaster and emergency response, but also to enhance economic security.

Trusted and Transformed Governance: Bhutan has a transformed and trusted governance ecosystem that drives accelerated economic growth and improves people's lives

The successful implementation of the 13th FYP and the fulfilment of its objectives ultimately depends on Bhutan's governance ecosystem. Bhutan aims to transform its democratic and public sector institutions to be more trustworthy and effective in driving economic prosperity and improving people's lives. This is essentially about strengthening institutional capacities for upholding the rule of law and ensuring efficiency, transparency and accountability in the delivery of public services.

This translates into enhancing the means of implementing the 13th FYP, which involves leveraging technology, creating an enabling environment (with appropriate policies, systems and adequate resources) and meaningful engagement with a range of non-government entities including the private sector, civil society organisations, media and academia, among others.

Figure 2: 13th Five Year Plan outcomes



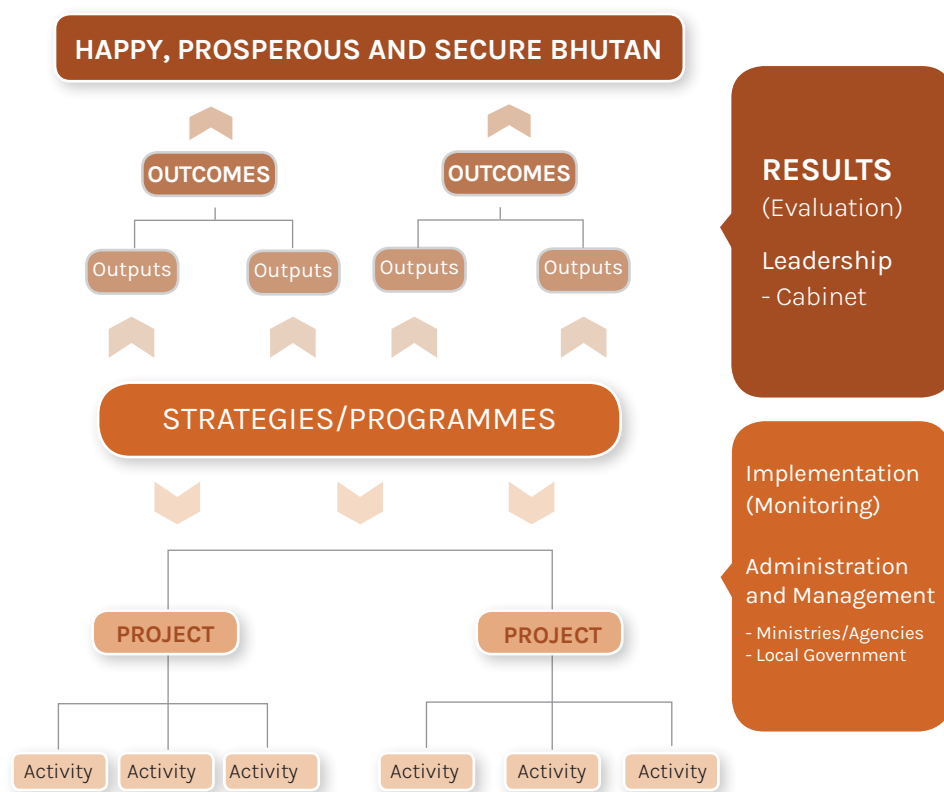
2.3 Outcomes and outputs

The key deliverables of the 13th FYP constitute 8 outcomes (Figure 2) and 34 outputs at the national level, which will contribute to the achievement of the four strategic objectives of the Plan. These deliverables are detailed in Chapters 3 to 7, along with the eight national programmes that will be implemented to achieve these results.

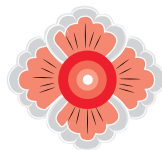
2.4 13th FYP Framework

Figure 3 outlines the 13th FYP structure. It shows the logical framework for achieving the overall Plan objective of “Happy, Prosperous and Secure Bhutan”, through a clearly established theory of change which identifies the results(outcomes and outputs), strategies, programmes, projects and activities.

Figure 3: 13th Five Year Plan framework







CHAPTER– 3

Economic Development

A High-Income Country Driven by Innovation and Sustainability



3.1 Situational overview

Bhutan's economy has grown rapidly over the last four decades, with growth averaging 10.9 percent since the 1980s. GDP per capita has also increased substantially during the period, reaching USD 3833.03 in 2022, which was among the highest in the region and also compared with some peer countries.¹⁴ The structure of the economy has evolved, with contributions from secondary and tertiary sectors surpassing the primary sector contribution comprising agriculture, livestock and forestry.

While agriculture dominated growth in the early decades of development, the share of the sector declined substantially from 38.6 percent in 1980-81 to 14.42 percent by 2022-23. Meanwhile, the industry sector's share almost doubled from 15.4 percent to 28.31 percent over the same period. The share of the service sector in the economy remained relatively stable at 46 percent in FY 1980-81 and 46.61 percent in FY 2021-22, but saw an increase to 51.82 percent in FY 2022-23.¹⁵

However, with growth and structural change driven largely by public sector investments in hydropower, the creation of meaningful employment opportunities for the Bhutanese labour market has been minimal. Although long identified as the “engine of growth”, the private sector has remained sluggish over decades. Economic diversification efforts have had limited success, and over half the population continue to rely on agriculture for their livelihood. This is a sector that is still mostly at the subsistence level of farming with limited returns, while also susceptible to instabilities arising from limited market access, climate change impacts and human-wildlife conflicts between humans and wildlife.

Thus, opportunities for meaningful employment and attaining financial security in the current Bhutanese economy are very limited. This is illustrated by high youth unemployment as a persisting issue, increased poverty in the wake of the COVID-19 pandemic, and an increasing trend of out-migration of productive citizens. To effectively overcome this major challenge facing the Bhutanese population and economy, there is an urgent need to transform the economy.

In the 13th FYP, the economic cluster – with contributing inputs from the social, security and governance clusters – shall work on delivering one outcome and four outputs towards the economic development objective of becoming “a high income country driven by innovation and sustainability”.

¹⁴ Macroeconomic Framework Coordination Committee data: growth average for the past 42 years (1980-2022).

¹⁵ Macroeconomic Framework Coordination Technical Committee (MFCTC) file, Ministry of Finance.

3.2 Enhanced productivity and diversified products and markets driving sustainable growth

3.2.1 Key challenges and issues

Bhutan's economic environment has the foundational requirements of peace, stability and good-governance conditions. However, the immediate investment climate is characterised by high administrative costs, lack of clarity on the economic pathway and policy uncertainty. As indicated by Bhutan's position of 89th out of 190 countries in the World Bank's 2020 "Doing Business" report, there is a clear need to improve the regulatory landscape which involves streamlining bureaucratic procedures to facilitate the efficiency and effectiveness of investments and business operations.

Meanwhile, ensuring a healthy, educated and skilled workforce with higher productivity is a long-term priority that also faces constraints. These relate to the quality and relevance of education and skills development and the small population. These are key challenges must be addressed, along with other priority issues for the 13th FYP described below.

Low productivity: The average productivity of the entire economy is low. Huge productivity differentials exist across economic sectors with most capital-intensive sectors offering limited employment potential. In 2022, the agriculture sector engaged the majority (43.5 percent) of the labour force while recording the lowest share of GDP (14.67 percent). Meanwhile the industry sector employed the fewest (13.7 percent) with a large share of GDP (31.82 percent). The output share of the service sector was 53.5 percent, and while it employed 42.8 percent of the labour force, (52 percent) lacked the required skills.¹⁶

In terms of capital productivity, capital stock is concentrated in building and construction activities which are primarily spurred by public sector investments in infrastructure for hydropower generation and health and education services. Infrastructure costs are compounded by high transportation costs due to Bhutan's difficult mountainous terrains, remoteness and being landlocked. At the same time, investment in productive assets such as machinery and equipment is very low and still at a growing stage.

An important dimension of productivity is entrepreneurial and institutional capability. The general business and public service ecosystem for institutions and firms is characterised by high administrative and opportunity costs – with

¹⁶ National Statistics Bureau (2023). *National Accounts Statistics 2023*.

lengthy and complex procedures including the requirements for licensing and a large number of permissions and authorisations. Moreover, there is high policy uncertainty that is further compounded with legacy doubts and issues against businesses, impeding the swift regulatory reforms needed to address the evolving circumstances.

Limited market access: Bhutan's integration into the regional and international economy has been limited due to the inability to engage in increased trade. Import and export costs are very high, with its logistic performance index being the second lowest among South Asian countries in 2022. The majority of Bhutan's trade is with India, and access to international markets is limited to some 27 potential destinations which require efficient trade routes and logistics connections to make them potentially favourable destinations for Bhutanese exports.¹⁷

Exports are constrained by infrastructure limitations including a lack of market information, port and airport facilities, telecommunications and inland transport. Moreover, there are internal barriers such as an unreliable supply of electricity and other utilities, and slow progress in the simplification of customs and administrative procedures among other reforms to ease doing business. External barriers include non-tariff barriers such as technical and phytosanitary measures. Strict environmental standards also pose constraints.

Weak private sector: In the last six decades of planned development, the private sector has gradually taken on a larger role in the economy. However, business market shares of the national productive private sector have remained insignificant due to high production costs stemming from poor infrastructure, old technology and insufficiently skilled labour. The Bhutanese private sector remains weak and there is still room for expansion and growth.

Cottage and small-scale businesses dominate the sector, respectively making up over 30 percent and close to 65 percent of the total active industrial licences in Bhutan as of June 2023. They mainly operate in retail and trade, construction and transportation services, tourism, and light industry. Most businesses are sole proprietors (96 percent) and very few are incorporated companies (three percent).¹⁸ Bhutan has only a handful of large industrial groups typically active in retail, domestic trade and construction.

Trade expansion is hindered by a range of products that is not competitive and limited, gaps in trade facilitation, high technology costs, and a small market that

¹⁷ The World Bank (2023). *Connecting to Compete 2023: The Logistics Performance Index and its Indicators*.

¹⁸ Ministry of Industry, Commerce and Employment (2023). *Annual Industry Report 2022-2023*.

does not provide for scale to build competencies and expand externally. The sector suffers from suboptimal capacity, knowledge and organisation, and productivity is impacted by inappropriate skills. These, in turn, are linked to a lack of quality and relevance of the education system, low investment in training, lack of training incentives and programmes, as well as poor work ethics. The result is that economic diversification is still limited, and private sector contribution to growth and job creation is minimal.

The government through State-Owned Enterprises (SOEs) continues to be a significant economic agent. SOEs by virtue of their size, and government backing and ownership, are well-suited to venture into areas that require large investments, long gestation periods and high risks. SOEs also fulfil a social mandate to deliver goods and services that may not necessarily be profitable, such as to ensure food security, and will thus continue to play a critical role in Bhutan's economic development.

However, some investments by SOEs are in commercial spaces like manufacturing, real estate and trading, where the private sector already has a presence. Several SOEs, including the Bhutan Livestock Development Corporation Limited, Food Corporation of Bhutan Limited and Farm Machinery Corporation Limited face profitability and performance issues. Overall, challenges remain in investment management, corporate governance, and financial reporting quality.

Weak financial ecosystem: A sound financial system is a critical component of the economy. While substantial capital expenditure is expected to be sourced through external grants, sizeable capital will still have to be mobilised from domestic financial institutions and capital markets to realise the goal of a USD 5billion economy by the end of the 13th FYP.

However, both the banking sector and capital market are still at a nascent stage and critical players in the financial ecosystem are currently non-existent. The Financial Services Act 2011 restricts direct engagement of foreign investors in portfolio investments. The growth of a skilled financial workforce has been limited. Moreover, access to finance has traditionally been limited to large corporations that have the required collateral. The cost of borrowing is very high, with Bhutan having the highest net interest margin in the region.¹⁹

In 2024, Bhutan's capital market consisted of 18 listed companies, totalling BTN

¹⁹ Royal Monetary Authority (November 2023). *Core Indicators Report*.

66,000 million in market capitalisation, equivalent to 29 percent of the GDP.²⁰ This is in stark contrast to most developed nations that have very high ratios with Switzerland's capital market at 270 percent of the GDP, the United States at 197 percent and the United Kingdom at 104 percent, while rapidly emerging markets are also reaching high ratio levels with South Korea at 127 percent and India at 99 percent.²¹

Limited access to finance is one of the key reasons hindering private sector growth, given that the sector's composition is dominated by small businesses which face collateral issues in obtaining bank lending. This inability to expand and the lack of entrepreneurial activities due to inadequate financing is illustrated by the fact that in 2022, only 2.7 percent of firms were new and over 95 percent of the firms employed fewer than five people.²²

3.2.2 Key deliverables

Outcome: *By 2029, Bhutan has enhanced productivity and diversified products and markets driving sustainable economic growth.*

The 13th FYP shall strive to build national productive capacity and integrate the Bhutanese economy into regional and international markets through diversified products and markets. Progress towards this outcome will be based on improvements in living standards, youth employment, the Gini coefficient, and ecological diversity and resilience. It will also be based on maintaining the annual average GDP growth of 8 percent, containing annual average inflation under 5 percent, and the reduction in the national trade deficit while increasing the share of non-hydropower exports.

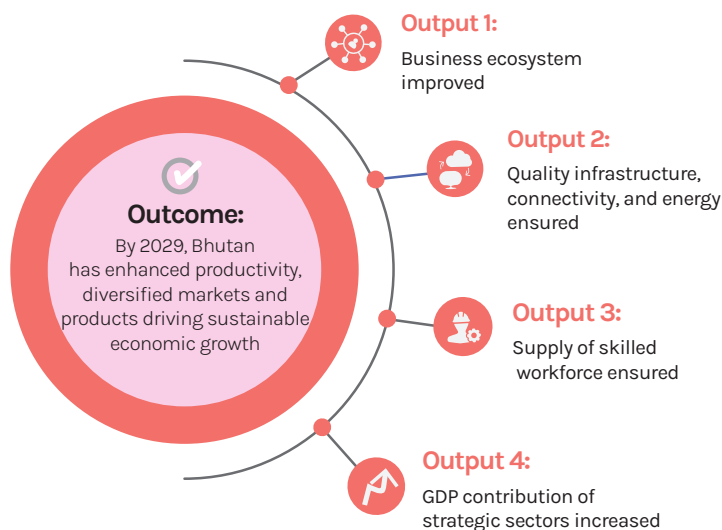
Deliverable 1: Improved business ecosystem.

An improved business ecosystem requires deregulation as well as harmonisation and implementation of strategic policies, and improvements in business services delivery. Increased private sector participation will have to be facilitated through development of growth centres, increased foreign direct investments (FDI), and improved access to finance, e-commerce, and trade and logistics facilities. This

²⁰ Royal Securities Exchange of Bhutan website: <https://rsebl.org.bt>, accessed in June 2024.

²¹ Asian Development Bank (2021). *Report on Bhutan's Capital Markets and Alternative Investment Markets Regulations*. Technical Assistance Consultant's Report, Project Number: 51252-004. December.

²² Ministry of Labour and Human Resources and, Royal Government of Bhutan (June 2022), *Establishment Survey 2022*; and NSB (2018), *Economic Census of Bhutan 2018*.

Figure 4: Outputs for achieving economic growth

shall be complemented by the Druk Holding Investments Limited (DHI) and SOEs focusing on investments beyond the capacity of the private sector.

Market access will be enhanced, particularly for the export of Bhutanese products. This requires exploration and establishment of new markets; strengthened bilateral, multilateral and regional trade relations; and the development of new export products and services. Moreover, new and existing industries and start-ups will require support and intellectual property registration will be facilitated.

Deliverable 2: Quality infrastructure, connectivity and energy.

The liveability of human settlements must be enhanced with reliable and affordable access to services and amenities. This will require improvements in connectivity through reduced travel time on national highways, establishment of cross-border railway links, enhanced domestic and international air connectivity, and reliable and affordable digital connectivity.

It also requires development and operationalisation of infrastructure such as dry ports, industrial estates and export processing zones to enhance productivity for economic development. Moreover, to improve the accessibility, reliability and affordability of energy, the harnessing of non-hydropower renewable energy, i.e. wind and solar power will be enhanced while reducing fossil fuel consumption.

Deliverable 3: A skilled labour force

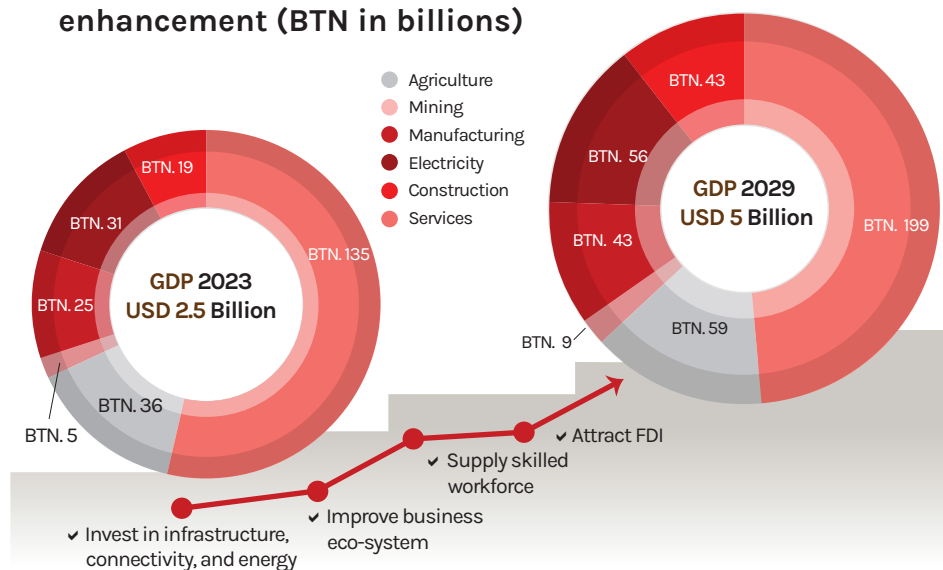
A skilled labour force is essential for economic diversification and improved productivity. Effective solutions are particularly needed to address the persistent issue of high youth unemployment due to skills mismatch, lack of employment opportunities in the private sector, and youth not being interested in blue collar jobs. Solutions include training and certification, including reskilling of the domestic labour force for specific skills to match market demands, and upgrading their qualifications through courses relevant to the needs of the 21st century market.

The number of appropriately skilled and certified Bhutanese workers in automobile, plumbing, electrical and construction works, among other vocations will have to increase. There also needs to be an increase in the Bhutanese labour force possessing tertiary qualifications in engineering, teaching, medicine and information and technology (ICT). Deployment of skilled foreign workers in critical sectors should be explored.

Deliverable 4: Increased sustainable contributions of strategic sectors to GDP.

Increasing the sustainable contributions to the GDP by strategic sectors requires intensified efforts at diversifying and greening the economy. It entails investments

Figure 5: Roadmap for Bhutan's economic enhancement (BTN in billions)



in traditional and new sources of growth – ensuring that the activities undertaken promote reduced carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services. In addition to conventional sectors, contribution to GDP is expected to be enhanced by climate financing and carbon trading, attracting at least 300,000 tourists annually, and by capitalising on natural endowments such as wind and solar power. The growth targets by sector are shown in Table 1 below:

Table 1: Sector wise GDP projection

Sector	Nominal GDP (Million BTN)		
	Base Year (2023)	Target (2029)	Growth (%)
Agriculture	36,479	58,698	8.3%
Mining and quarrying	4,629	9,089	11.9%
Manufacturing	24,606	43,591	10%
Electricity and energy	30,534	55,999	10.6%
Water and water-based industries	54	103	11.2%
Construction	19,197	43,114	14.4%
Digital technology	Not available	15,000	

(MFCTC, MoF)

3.3 Strategies and programmes

To deliver the four economic development outputs outlined above, three national programmes will be implemented: Economic Transformation, Twenty-first Century Skilling, and Ecological Diversity and Resilience. All three programmes will leverage ICTs and will have components under the Digital Transformation Programme spearheaded by the GovTech Agency. The Governance Transformation Programme spearheaded by the Governance Cluster will be another key enabler across all programmes.

3.3.1 Economic Transformation Programme

The *Economic Transformation Programme (ETP)* will be largely driven by the Economic Cluster comprising the Ministry of Industries, Commerce and Employment (MoICE), the Ministry of Energy and Natural Resources (MoENR), the Ministry of Infrastructure and Transport (MoIT), the Ministry of Agriculture and Livestock (MoAL), and related agencies and stakeholders. A total outlay of BTN 80,000 million

is allocated to this programme to implement close to 76 projects as described below.

This programme aims to foster sustainable and inclusive economic growth by employing three key strategies: facilitating private sector development and participation, investing in strategic infrastructure and investing in traditional growth drivers as well as new sources of growth.

Strategy 1: Facilitating private sector development and participation

The 13th FYP will promote a conducive ecosystem that increasingly accommodates a greater role for private initiatives and allows diverse professions and activities to thrive. By promoting a “government-facilitated and private sector-led” growth model, the private sector will be made the “engine of growth” that Bhutan has aspired to for a long time.

To create a more efficient and business-friendly environment, and to improve Bhutan’s investment climate, regulations will be streamlined, simplified and eliminated based on a comprehensive review of existing policies. Monitoring and evaluation mechanisms will be put in place for continuous assessment of the impact of regulatory reforms. Policies for energy, mining, environment, trade, competition, tourism and foreign direct investments, among others, will be amended to be more business friendly.

An Economic Development Board (EDB) chaired by the Prime Minister has been established since 29 January 2024. The EDB will carry out necessary reforms in the economic and public sectors to debottleneck investment constraints, address policy conflicts pertaining to businesses, coordinate stakeholders, and monitor the delivery and performance of key players. The EDB will be empowered and adequately resourced, for effective fundraising and promotion of investment and business over the long-term.

Government will also create a dedicated ‘one-stop service delivery point’ for all public services and businesses. The services of different agencies will be made available from one point and delivered by one person, to ensure that a citizen need not travel from one office to the other to access services. Starting from Thimphu, this initiative will be implemented across all dzongkhags. It will be complemented by regulatory reforms to ease doing business, and every effort will be made to ensure that current electronic service portals work seamlessly.

A robust entrepreneurship culture is critical for economy-wide innovation and productivity, and sustained economic growth. To support entrepreneurship and

job creation, the government will establish new - and improve existing - start-up centres to incubate and nurture innovators and special talents. Manufacturing industries including cottage and small industries will be promoted with the development of dry ports and industrial parks. Reforms in business licensing and the tax framework will be undertaken, to allow specialisation or a focus on specific activities rather than businesses being importer, supplier and manufacturer all at once. Currently, without an industry licence, entrepreneurs are unable to be part of the industry supply chain as taxes are levied for the import of goods that are part of the supply chain.

Efforts will be made to improve access to finance, particularly for smaller businesses. This will include the design of financial incentives, credit schemes and investment engagement programmes – complemented by fostering financial literacy. The overall financial ecosystem will be enhanced through regulatory reforms that promote capital markets and ensure seamless coordination among different actors.

The listing of companies will be encouraged to help deepen the capital market, and to provide an alternative investment avenue for the general public. In addition, the government will inject liquidity in financial institutions to enhance private sector access to credit where appropriate, while also encouraging alternative means of lending beyond collateral-based lending.

Private sector participation will be enhanced through privatisation and divestment, public private partnerships (PPPs) and outsourcing. This will involve collaboration between the public and private sectors to take advantage of expertise, resources and market-driven practices, which is expected to result in higher investment, job creation, innovation and improved efficiency.

While acknowledging the significant contribution of SOEs in economic activities and budget revenue, the government will encourage the gradual privatisation of those SOEs that could be operated more efficiently by the private sector. Wherever feasible, government services will be outsourced to the private sector, including the construction and operation of facilities such as dry ports and industrial parks.

PPPs will be pursued to enable the utilisation of private sector resources, expertise and innovation towards the provision of critical public infrastructure and services, with shared risks. A business-friendly policy and regulatory climate, where innovation and privatisation will thrive, will be ensured. The government will identify a few infrastructural projects to pursue through the PPP model, with the government's involvement to make it a success and for future replication.

Strategy 2: Investing in strategic infrastructure

Investing in strategic infrastructure is vital for fostering economic development. Robust infrastructure can improve productivity by reducing transportation costs, reducing travel time and enhancing the efficiency of logistics and supply chains. This efficiency gain can enhance competitiveness, especially in industries reliant on the timely delivery of goods and services.

Therefore, in addition to hydropower and social infrastructure such as schools and hospitals, investments will be made in the consolidation and improvement of roads, bridges, airports and railway links along the southern belt - primarily to enhance connectivity, logistics and trade. The government will also establish and operationalise dry ports at Pasakha, Gelephu and Nganglam. The ongoing development of industrial parks at Samtse, Thimphu, Samdrup Jongkhar and Phuentsholing will be expedited.

Spatial planning will be reoriented to promote balanced development and enhance efficiency and sustainability. This will entail developing regions that link two or more urban areas to create centres for social services, markets and economic activities. The liveability, safety and sustainability of human settlements will be enhanced by the creation of the National Capital Region (NCR) spanning across Thimphu and Paro, several Linked Urban Centres (LUC) spanning across the Phuentsholing-Samtse, Trongsa-Bumthang, Mongar-Trashigang and Samdrup Jongkhar-Nganglam regions, and the implementation of the Punakha-Wangduephodrang Regional Plan. Infrastructure development will also take place in areas falling outside the NCR and LUCs in Dzongkhag Urban Centres.

Strategy 3: Investing in traditional growth drivers and new sources of growth

To achieve the 13th FYP's ambitious growth targets, investments will continue to be made in traditional growth drivers as well as in new sources of growth. A range of interventions will be undertaken in the nine focus areas detailed below.

(i) Agriculture and livestock

The agricultural sector will undergo a transformation in the 13th FYP to enhance food and nutrition security, elevate farmers' income and increase the sector's contribution to GDP. This will be pursued through the establishment and expansion of large-scale commercial farming, in collaboration with SOEs including the Bhutan Livestock Development Corporation (BLDC), the Farm Machinery Corporation Limited (FMCL) and the Food Corporation of Bhutan Limited (FCBL), and youth and private sector partnerships.

The production, aggregation, processing and marketing of six priority crops and three livestock products will be intensified to maximise returns and economies of scale. This will be facilitated through a price guarantee mechanism, access to finance for production and aggregation, and by ensuring market access. Complementing this initiative, assistance will continue to be provided to farmers engaging in subsistence farming. This will include targeted subsidies, technical support, access to small-scale credit and improved agricultural inputs. Investment will also be made towards improving irrigation and water supply to improve farm productivity.

Efforts to enhance the supply chain and logistics will be intensified, which will include exploring new domestic and international markets and establishing partnerships and aggregators for market efficiency. Comprehensive policy reforms will be undertaken to improve the agri-business ecosystem – including through price guarantee and insurance schemes, exploring the possibilities of engaging foreign workers to address high labour costs and labour shortages, and enhancing agricultural land utilisation, among others.

Government institutions such as schools, hospitals, armed forces, and monastic institutions will be mandated to procure locally produced agricultural products. This will create new domestic markets for Bhutanese farmers, while ensuring that children and the sick get to eat clean and healthy food. Research and development (R&D) on native animals and plant genetics will continue, for product diversification and the development of value-added premium products.

(ii) Tourism

Tourism will continue to be prioritised as a vital growth sector, and a significant source of foreign currency and gainful employment. Guided by the high-value, low-volume tourism policy and the ‘Bhutan Believe’ national brand, the following initiatives will be pursued in the 13th FYP:

1. Emphasising unique Bhutanese hospitality, efforts will focus on providing visitors with authentic uncontrived experiences that showcase the rich cultural heritage and natural beauty of Bhutan, by developing various tourism products.
2. Bhutan will strive to maintain its reputation as a leader in sustainable tourism practices, with a strong emphasis on preserving the environment and promoting responsible travel. This will be done through partnerships with media and other platforms.

3. Tourism will be promoted as a catalyst for sustainable development, generating economic opportunities while preserving Bhutan's cultural and natural heritage. This will be pursued through enhancing service standards, strengthening data and intelligence and capacity development.
4. Special attention will be given to promoting tourism in Dzongkhags with fewer or no tourist arrivals, and to promote yearlong tourist arrival in Bhutan.
5. As part of tourism product development and to promote Bhutan as a tourism destination, the production of international films and documentaries on culture, environment, lifestyle and Bhutanese arts and tradition will be supported.
6. Efforts shall be doubled to professionalise tourism services by improving the quality and efficiency of visa, accommodation, transport, information and roadside amenities services.
7. By diversifying and enhancing tourism products and experiences, professionalising services, and implementing vigorous marketing strategies to attract new markets, the goal is to attract at least 300,000 tourists annually from diverse sources.

(iii) Hydropower

As a strategic national resource and primary revenue generator, hydropower is a cornerstone of Bhutan's economic growth. Investments in this renewable energy source will therefore be accelerated, towards enhancing energy security and to support the development of domestic industries and the diversification of the economy. The completion of ongoing hydropower projects and initiation of new projects will be complemented by the development of energy storage systems and other related infrastructure components.

In addition to prioritising the completion of the Punatsangchhu-I (1,200 MW) and Punatsangchhu-II (1,020 MW) hydropower projects, the government will initiate the following new large hydropower projects in the 13th FYP:

- | | |
|----------------|------------|
| 1. Nyera Amari | - 404 MW |
| 2. Kholongchu | - 600 MW |
| 3. Dorjilung | - 1,125 MW |
| 4. Bunakha | - 180 MW |
| 5. Wangchhu | - 900 MW |
| 6. Khomachhu | - 363 MW |

7. Dangchhu - 170 MW
8. Chamkharchhu-I - 770 MW
9. Sankosh - 2,585 MW
10. Kuri-Gongri - 2,800 MW

Priority will also be given to the following small hydropower projects in various phases:

1. Phase-I: Suchhu (18 MW), Yung Chu (32 MW), Burgangchhu (54 MW)
2. Phase-II: Jomori (90 MW), Gamri-I (54 MW), Bindu-I&II (26 MW), Begana (25 MW)
3. Phase-III: Dagachhu (70 MW), Parochhu (33 MW)
4. Development of the 500 kW Lunana Mini Hydropower project
5. Completion of Detailed Project Reports (DPRs) for the 1800 MW Gongri-Jericho pumped storage project and commencement of construction

(iv) Alternative renewable energy

Alternative renewable energy sources such as solar, wind, geothermal and biomass will be leveraged, to contribute to the energy mix and enhance energy security. Priority will be given to the development of solar and wind energy sources, with the following constituting key initiatives in the 13th FYP:

1. Development of 500 MW utility-scale solar projects at various locations
2. Implementation of various solar projects including rooftop installations in urban and rural areas, prosumer models, agri-solar projects, rural energy supply projects, and solar thermal projects
3. Completion of 23 MW wind power projects
4. Implementation of a 1 MW pilot green hydrogen project

(v) Mining

The mining sector plays an important role in the economy. However, only about 40 percent of Bhutan has been geologically mapped and prospected at the 1:50,000 scale. The following initiatives will therefore be pursued to enhance contribution of the mining sector to national development:

1. Comprehensive geological and mineral resource mapping through nationwide magnetic, gravity, geochemical and metallic surveys
2. Development of graphite deposits
3. Enhance export and value addition of minerals
4. Capacity development to professionally manage the mining industry

(vi) Manufacturing

Manufacturing is a potential growth sector of the economy. It shows significant potential in generating formal employment on a large scale and lifting productivity within a short period of time. This will require ensuring the supply of necessary inputs by making the required raw material accessible and available, and by undertaking measures to ensure availability of skills and expertise. Production will be enhanced by attracting foreign direct investment, revamping and upscaling the Start-Up Centre, and through PPPs.

Market expansion will be undertaken through improved market linkages and establishment, and improved logistics infrastructure including the exploration and development of new modes of transportation. Financing support will include grants and/or low-cost credit for start-ups, new product development, and upscaling; and tapping into capital markets for financing.

(vii) Construction

As a major contributor to the economy, the construction sector will be modernised to improve its overall efficiency and attractiveness as a viable employment sector for the national workforce. The sector will be professionalised to improve construction quality, with incorporation of international best practices and technological innovations suitable to Bhutan's landscape and environment. Use of available local raw materials such as timber, cement, sand and boulders will be prioritised, both in raw form as well as in value-added form.

The efficiency of the sector will be enhanced through FDI engagements including joint ventures and PPPs, the adoption of new and green technology, and policy reforms pertaining to standards and practices. To support Bhutanese construction firms in gaining work abroad, market linkages will be strengthened and established. Financing support will be geared towards incentivising new, efficient and green technology, and will include concessional credit for the use of new technology in construction.

(viii) Niche services

Investment in niche services are geared towards bolstering areas of services and other industries that draw on Bhutan's spiritual, cultural and environmental wealth and its status as a peaceful country. Efforts will be made to leverage local culture and traditional knowledge for cultural enterprises and assets. Bhutan's potential in herbal-based natural remedies and medicines and *zorig chusum* arts and craft products, among others will be explored as niche products.

Bhutan will be promoted as a destination for holistic education, training and health services. This will involve the establishment of international campuses in Bhutan, provision of spiritual education and training, and courses focusing on conservation and climate change. It will also include the provision of health services that integrate traditional medicine, astrology services, and mental health services.

Promoting Bhutan as a destination for niche services requires regulatory reforms and infrastructure development for the service sector but other reforms as well, such as to immigration and labour permits to facilitate the movement of people.

(ix) Digital and creative economy

The digital and creative economy will be developed and enhanced as a viable economic sector with key characteristics, such as being based on efficient e-commerce trading platforms operating globally; the successful engagement of profit-making digital and creative entrepreneurs, and Artificial Intelligence (AI) service-based enterprises; and the protection and commercialisation of innovative and creative works including traditional arts and crafts.

Investments in enabling infrastructure for the creative industry will be made to do this. Theatres and cinemas will be made available throughout Bhutan on various operational modalities. Several state-of-the-art studios for film and art production will be made available, providing subsidised access to aspiring entrepreneurs. Investments will be made in supporting skills development and enhancement in the creative sector, such as in editing, script writing, music, direction, photography, dubbing, captioning (SRT), acting and language. Intellectual Property (IP) protection mechanisms will be strengthened and IP laws will be enforced.

Under the *Digital Transformation Programme* spearheaded by the GovTech Agency, digital infrastructure will be strengthened to ensure nationwide connectivity with reliable, high-speed and low-cost internet for businesses. Three additional data centres, targeting the export of services will be established. Monetisation options, with payment gateways and digital currency, will be instituted.

3.3.2 21st Century Skilling Programme

This programme is aimed at equipping the Bhutanese population with relevant knowledge and skill sets for 21st century economic needs. Investment in this area will capitalise on human resources in Bhutan while supporting the gainful employment of youth, and will serve as a means for Bhutan to attain high-income status over the long-term. Key interventions include the transformation

of the Technical and Vocational Education Training (TVET) system and the tertiary education system and the promotion of a culture of life-long learning.

Towards building a 21st century workforce, BTN 10,000 million will be invested through this programme. Tertiary Education Institutes (TEIs) including Royal University of Bhutan (RUB), Royal Institute of Management (RIM), Jigme Singye Wangchuck School of Law (JSW Law), Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB), and the Department of Workforce Planning and Skills Development under the Ministry of Education and Skills Development (MoESD) are key agencies driving this agenda.

In the 13th FYP period, close to 70,000 youths will transition from the education and training system into the workforce (Table 2). To provide quality education and skills training, and to achieve the goal of having at least 50 percent of the workforce equipped with higher education or vocational skills by 2029, the transformation of TEIs and the TVET system is critical.

Figure 6: Skill supply and demand

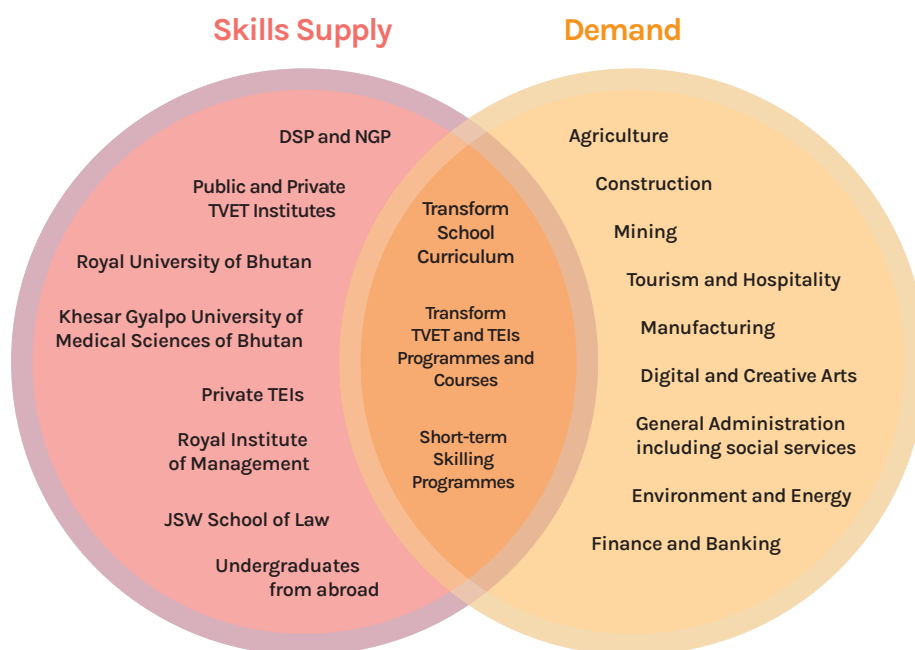


Table 2: Labour supply projection within the 13th FYP period²³

Qualification	2023	2024	2025	2026	2027	2028	Total
Undergraduate	3,324	3,302	3,344	2,802	2,715	2,725	18,212
Diploma	751	618	609	479	479	480	3416
Class XII	10,332	-	10,109	9,704	9,347	9,181	48,673
Total	14,407	3920	14,062	12,985	12,541	12,386	70,301

Under this programme, the priority is to provide youth with relevant skills for successful integration into the 21st century labour market. Although the tertiary education system has undergone major transformation, it still requires major restructuring and diversification of programmes – to elevate quality to match international standards and to align with demand in key economic sectors, including manufacturing, energy and environment, agriculture, mining, construction, tourism, the digital and creative industries, finance and banking, and social services such as health and education.

Tertiary Education Institutes will forge partnerships with reputed international universities to offer joint programmes, elective courses with credit transfer, and access to online courses to offer personalised learning options. The government also remains committed to investing in undergraduate studies through scholarship programmes in priority areas, enabling students to study at top-tier international universities.

To equip the workforce with the relevant vocational and technical skill sets, investment will be directed towards transforming TVET. This will include establishing TVET infrastructure with state-of-the-art technology; enhancing the professional capabilities of faculties; and restructuring, upgrading and diversifying training programmes and courses to align with market demands.

Transformation of tertiary education and TVET is a long-term process that requires time to show results. To bridge the skills gap in the interim period, the government will invest in targeted short-term skills training, tailored to job-seekers who are fresh out of universities, to enhance their employability while also supplying a skilled workforce to economic sectors.

Similarly, targeted skills training will be provided in priority economic sectors to the existing workforce who require upskilling and reskilling. The civil service workforce also plays a significant role in the economy, and will therefore continue

²³ Ministry of Industry, Commerce and Employment (2023). Labour Market Information Bulletin 2023.

to be provided with opportunities to pursue long-term studies, in addition to competency-based short courses and certification in priority fields.

3.3.3 Ecological Diversity and Resilience Programme

Bhutan's economy is mainly based on climate-sensitive sectors such as water, hydropower, tourism, agriculture and livestock, and forestry and biodiversity. Disruption in these sectors due to climate change could have an irreversible and devastating impact on Bhutan's socio-economic well-being. Therefore, mitigation and adaptation to climate change impacts remains an urgent priority, requiring climate change to be mainstreamed across sectors.

As Bhutan embarks on the 13th FYP with ambitious growth targets, the *Ecological Diversity and Resilience Programme* is aimed at ensuring Bhutan's pursuit of a low-carbon and climate-resilient development pathway and promoting green growth. This will involve the implementation of Bhutan's *Long-Term Low Greenhouse Gas Emission and Climate Resilient Development Strategy (LTS)*, which anchors mitigation strategies and adaptation plans in key sectors.²⁴

The LTS also unlinks GDP growth from GHG emissions, outlining the co-benefits of pursuing a low-carbon and climate-resilient development pathway, such as job creation, revenue generation and reduction of Bhutan's negative balance of trade in the short to long term. Thus, Bhutan will intensify efforts to sustainably maximise the economic and social benefits accrued from its environmental stewardship, while accounting for the opportunity costs of remaining a carbon-negative country.

Through prudent management of natural resources and ecosystem services, Bhutan's environmental assets will be monetised to support economic development. Bhutan will participate in carbon markets as an important additional source of finance and investments. Interventions will be undertaken in the focus areas detailed below.

Sustainable forest resources management includes the enhancement of protected and conservation area management, monitoring and evaluation for long-term sustainability of natural resources, and research and development to facilitate optimal benefits from forestry. To generate national revenue and secure rural livelihoods, forest areas under Sustainable Forest Management Programmes will be increased, and commercial plantations will be created and maintained.

²⁴ The LTS anchors mitigation strategies in the manufacturing industries, food security, transport, and human settlement sectors; and adaptation plans in the energy, water, agriculture, transport, forest and biodiversity, and human health sectors.

Community-based enterprises for wood, non-wood and ecotourism products will be established, along with a Wood Innovation and Technology Hub to promote proper utilisation of available timber resources.

Sustainable water resource management will be advanced with the development and implementation of a national water master plan and river basin management plans, guidelines on climate-resilient water infrastructure based on assessments of climate vulnerability and risk for priority water sectors, and the institution of a knowledge bank on water resources management. Avenues for potential natural and built water storage will be explored and developed, and suitable nature-based solutions for watershed conservation and restoration will be implemented.

To maximise economic and social benefits from water resources, payment mechanisms will be established for water services and investment opportunities will be explored. Potential groundwater and recharge areas, and possible avenues for abstraction will be explored and assessed. Avenues for water-based ventures will be created, along with the promotion and adoption of emerging water-efficient and innovative technologies.

Building carbon assets is a key priority, given Bhutan's status as the world's first carbon-negative country and its commitment to remain carbon neutral in perpetuity. This includes the establishment of a Bhutan Carbon Market and the Bhutan Climate Fund, which were launched at COP28, the United Nations Climate Change Conference, in December 2023. With an initial focus on hydropower and the forestry sector, the Bhutan Climate Fund will build on "the country's Kyoto Protocol experience, robust and transparent infrastructure systems, and strong political commitment, including the Carbon Market Rules approved in 2023."²⁵

This also involves the aggregation of climate data, the development of a natural capital accounting system and the digitisation of Bhutan's National Carbon Registry. It will also require strengthening automated air-quality monitoring systems and infrastructure, ensuring at least 10 percent implementation of the National Adaptation Plan (NAP), alongside a cumulative emission reduction of 12,507.36 gigagrams (Gg) carbon (CO₂e) dioxide by 2030. Moreover, a climate and environmental scientific museum will be established.

Promotion of a circular economy will be prioritised as part of efforts to ensure sustainable consumption and production practices in Bhutan. This includes, among others, investment in the development of circular economy enterprise,

²⁵National Environment Commission (2023), "Launching Bhutan Climate Fund at COP28, Dubai, UAE", 28 November. <http://www.nec.gov.bt/news/launching-bhutan-climate-fund-at-cop28-dubai-uae>

facilities for waste material recovery and incinerators, and enhancement of the Integrated Waste Information Management System.

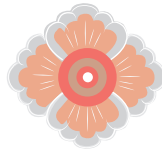
Necessary reforms in policies and regulations will be undertaken to facilitate green growth. This includes the revision of water-related legislation and policies, royalty rates for timber and non-wood forest products, and the development of online environmental clearance applications aligned with the Integrated Business Licensing System. It also includes the introduction of innovative eco-tourism and nature recreation products, and service charges in protected areas for the use of recreational facilities.

The development and management of ecotourism products and sites and nature-based enterprises will be outsourced to local communities or the private sector. Stand-alone sawmills will be upgraded to integrated wood-based industries, and investments in ecotourism products and infrastructure will be promoted through leasing land in protected areas beyond bona fide residents. The conservation of protected areas will be enhanced with habitat management, and environmental code of practices will be developed to promote clean technologies.

The national hydrological and meteorological services will be enhanced to ensure timely provision of critical information and services that support ecologically balanced sustainable development, as well as for protecting lives and property. A 24/7 National Weather and Flood Warning Centre (NFWFC) and Scientific and Communication Facilities will be constructed.

Key systems and services will be strengthened, which include the National Hydromet Observation Network and Infrastructure, aviation meteorological services, weather and climate services, and hydrological and Glacial Lake Outburst Flood (GLOF) early warning services. Cryosphere monitoring and research will also be strengthened along with technical standards and research capacity. The public and particularly farmers will be made aware of climate services including weather forecasts, to help avoid losses related to crop production and harvesting. A total outlay of BTN 14,000 million is allocated for this programme.





CHAPTER- 4

Social Development

*A Healthy and Productive Society Founded on Equitable
and High-quality Health, Education and Social Protection*



4.1 Situational overview

Bhutan has made significant advancements in various aspects of human development. Its Human Development Index (HDI) score improved from 0.581 in 2010 to 0.681 in 2022, placing it in the medium HDI category.²⁶ Similarly, Bhutan has made remarkable progress on the Multidimensional Poverty Index (MPI), reducing multidimensional poverty from 12.7 percent in 2012 to 5.8 percent in 2017, and further to 2.1 percent in 2022.²⁷ However, with the adoption of the Moderate Multidimensional Poverty Index (MMPI), the MMPI was recorded at 7.6 percent in 2022.²⁸

Despite these achievements, several challenges remain, particularly in terms of the quality, inclusiveness and sustainability of health and education services and the effectiveness of social protection systems for vulnerable groups. These challenges, coupled with Bhutan's demographic shifts (Box 3), have significant implications for Bhutan's human capital and productive capacity.

The social cluster aims to deliver 3 outcomes and 17 outputs (Figure 7) in the 13th FYP, to achieve the social development objective of “a healthy and productive society founded on equitable and high-quality health, education and social protection”.

Box 3: Challenges brought on by demographic changes

Bhutan's Total Fertility Rate (TFR) has declined from about six births per woman in the mid-1980s to 1.7 births per woman in 2017, below the replacement level of 2.1. The *National Health Survey (2023)* reported a TFR of two births per woman for the three years preceding the survey. Despite high reproductive capacity, average family size is declining given increased access to modern contraception, female empowerment and development in human capital and urbanisation. The *Bhutan Living Standards Survey (BLSS) 2022* reported declines in household (family) size in relation to living standards – with the average size at 5 in the poorest per capita consumption quintile as compared to 2.7 in the richest quintile, and with a larger household size in rural than in urban areas across all wealth quintiles.

²⁶ United Nations Development Programme (2024). Human Development Report 2023-2024.

²⁷ National Statistics Bureau and Oxford Poverty and Human Development Initiative (OPHI) (2014, 2017 and 2022). Bhutan: Multidimensional Poverty Index 2012, 2017 and 2022.

²⁸ National Statistical Bureau (2022). Poverty Analysis Report 2022.

This demographic shift, alongside increasing life expectancy, is projected to raise the old-age dependency ratio from 11.2 percent in 2022 to 26.2 percent by 2050, as the number of people aged 65 years and above is expected to triple from 6 percent to 17.3 percent in the same period²⁹ and quadruple to 24 percent by 2060.³⁰ The ageing of the population has significant economic, social and human capital implications, such as a shrinking workforce, increased demand for healthcare and social services, and a heavier burden on the younger generation. To address these challenges, it is crucial to invest in healthcare and social support systems to ensure that the elderly can age with dignity while minimising the strain on societal resources.

Meanwhile, low fertility rates are exacerbated by high levels of out-migration, especially among younger people. According to the Ministry of Foreign Affairs and External Trade (MoFAET), as of 2023, there were 42,829 Bhutanese residing in 111 countries, registered with various Bhutanese embassies and missions. Of these, 19.87 percent were students, 14.40 percent were working, 9.69 percent were dependents, 0.67 percent were religious personnel, and the occupations of the remainder 52.48 percent were unknown. This figure does not account for unregistered Bhutanese living abroad. Meanwhile, the Jobseeker Survey Report 2022³¹ reported that 70.3 percent of youth job seekers were considering working outside of Bhutan due to better perceived employment opportunities, while 68.9 percent were actively looking for employment and training overseas.

As far back as 2018, the Ministry of Home Affairs identified 4,333 households as Gungtongs, largely due to rural-to-urban migration, which poses challenges to social development planning. The urban population increased from 30.9 percent in 2005 to 37.8 percent in 2017 and is projected to rise to 56.8 percent by 2047 – driven by migration from rural to urban areas for better socio-economic opportunities.³² According to the *Population and Housing Census of Bhutan (PHCB) 2017*, Thimphu received the highest number of migrants at 59,578, followed by Chhukha and Paro with 12,084 and 11,802 migrants respectively.

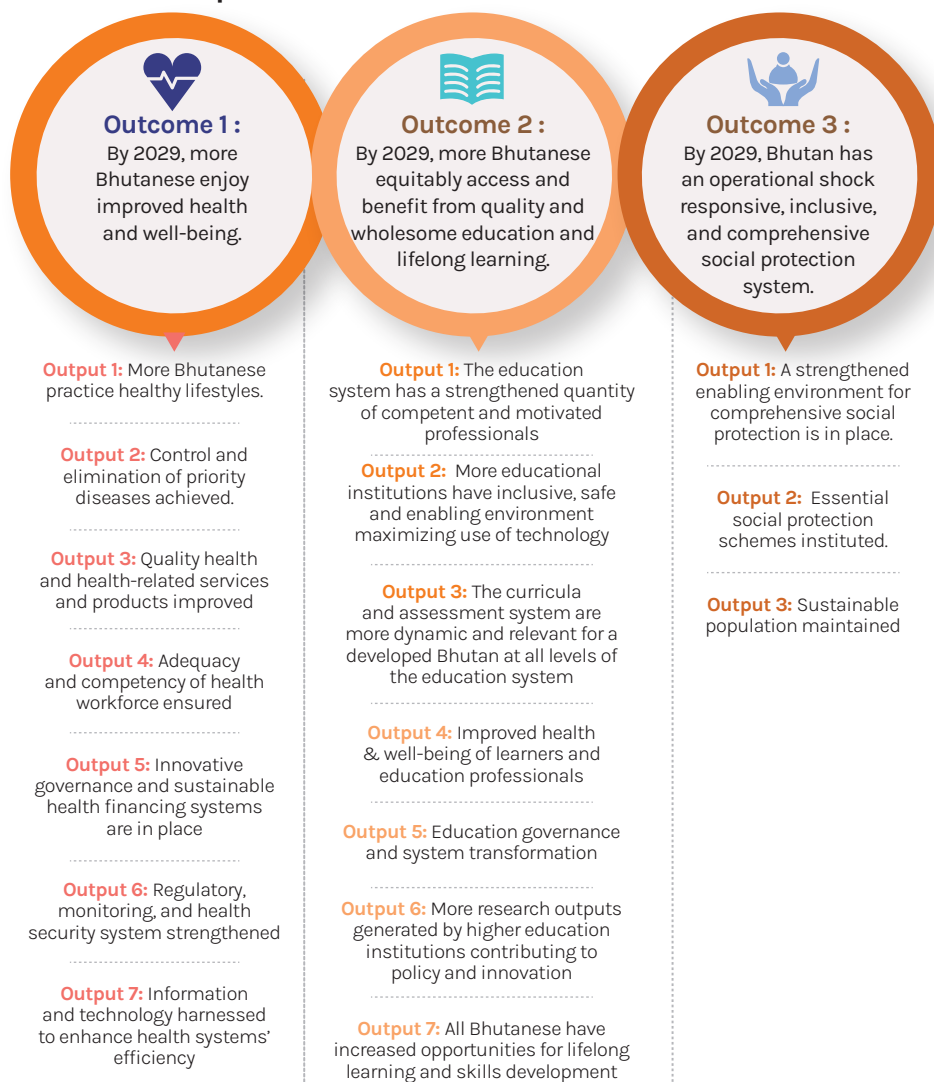
²⁹ National Statistical Bureau (2018). *Population and Housing Census of Bhutan 2017*.

³⁰ World Bank Group (2023) and UN Population Estimates.

³¹ Ministry of Labour and Human Resources and Royal Government of Bhutan (2022). *Jobseeker Survey Report 2022*

³² NSB (2019). *Population Projections Bhutan 2017-2047*.

Figure 7: Outcomes and outputs for health, education and social protection



4.2 Improved health and well-being

4.2.1 Key challenges and issues

Bhutan is experiencing a shift in the epidemiological profiles of its population, with more citizens requiring resource-intensive interventions and specialised health services. While the health services continue to deal with communicable diseases such as tuberculosis, HIV and AIDS, zoonotic diseases and the rising

threat of antimicrobial resistance, non-communicable diseases (NCDs) pose an increasing burden on the health system accounting for more than 73 percent of all deaths in Bhutan. These are mainly attributed to changes in lifestyle, poor dietary habits, and an ageing population. In less than 20 years, the NCD proportion of the national disease burden has risen significantly from 35 percent to 62 percent.³³

Mental health issues are also on the rise with anxiety, depression, and mental and behavioural disorders due to alcohol and substance abuse being the most common. Anxiety and depression problems were most prevalent, at 16.2%, among those aged 15 to 19.³⁴ Determinants of mental health are multi-dimensional and influenced by genetic, social and economic factors including health status and family and working environment.³⁵

Meanwhile, ensuring inclusive and equitable access to people-centred quality healthcare services remains a major challenge. A key contributing factor is the acute shortage of human resources and large capacity gaps, particularly at the specialised levels. The current ratio of doctors and nurses per 10,000 population is 3.3 and 14.1 respectively, far below the required levels. The health workforce including administrative staff, numbers just over 4,000 against an estimated need of more than 10,000.³⁶ Attrition rates among health professionals have been increasing in recent years, with the critical health workforce attrition rate recorded at 11.25 percent in January 2024.³⁷ Strategic interventions and efforts are needed to address this shortage, including bolstering capacities and retaining existing staff.

Despite free health services, out-of-pocket spending has steadily risen from 12 percent of total health expenditure in 2014 to 15.4 percent in 2020.³⁸ Many patients bypass local healthcare services, overwhelming referral hospitals, including those who could be managed at district levels. Many Bhutanese patients requiring critical care are referred outside Bhutan, with the number of referrals as high as 1,301 patients in the FY 2022-23 at a cost of BTN 501.02 million³⁹ – highlighting the need to enhance the quality and coverage of healthcare services across all levels of facilities.

The sustainability of the health system is a major concern amidst escalating healthcare costs, advancing health technologies, increasing public expectations,

³³ World Bank Group (2024). *Sustainable Health Financing in Bhutan*.

³⁴ Ministry of Health (2023). *Service Delivery Indicators 2022-2023*.

³⁵ Ministry of Health (2022). *Annual Health Bulletin 2022*.

³⁶ Ministry of Health (2023). *Annual Health Bulletin 2023*.

³⁷ National Medical Services (2024). *Human Resource Division Administrative Data*

³⁸ Ministry of Health (2024). *National Health Accounts Report*.

³⁹ National Medical Services (2024). *Referral Unit Records*.

the rapid rise in NCDs and an ageing population. The possibility of acute health emergencies and pandemics arising from natural disasters, climate change induced disasters and zoonotic diseases present additional risks. Therefore, the health governance system and the management of healthcare facilities and service delivery all require reforms to ensure timely, high quality interventions with a focus on early detection and prevention.

4.2.2 Key deliverables

Outcome 1: *By 2029, more Bhutanese enjoy improved health and well-being.*

To achieve improved health and well-being for more Bhutanese by 2029, a systemic and whole-of-society approach is essential. This includes providing preventive and curative healthcare services, and enhancing the effectiveness of the health governance system through sustainable health financing and universal health coverage. Moreover, promoting behavioural changes in the population is necessary to support physical, mental and psychosocial health improvements. Progress towards this outcome will be measured using composite indexes focused on three critical areas: health status, mental health status and self-reported health status.

Deliverable 1: More Bhutanese practise healthy lifestyles

More Bhutanese will be encouraged to practise healthy lifestyles to minimise NCD risk factors including tobacco use, harmful consumption of alcohol and areca nut, physical inactivity and unhealthy diets. Achieving this requires behavioural change among the population, facilitated by deliberate interventions promoting healthy lifestyles.

Deliverable 2: Effective management of public health concerns with priority diseases eliminated or under control

This requires continued efforts to address the challenges posed by the triple burden of diseases – where prevailing challenges posed by tuberculosis, HIV and AIDS, zoonotic diseases, neglected tropical diseases and emerging infectious diseases are compounded by the rapid rise in NCDs (including auto-immune liver diseases, injuries and cancers), and increasing frequency of mental health conditions that lead to suicide and self-harm.

Deliverable 3: Improved access to quality health and health-related services and products

This involves investing in appropriate and quality sub- and super-specialist services within Bhutan, and ensuring equitable distribution of quality healthcare services to alleviate financial burdens and to provide timely access to quality healthcare.

Deliverable 4: An adequate and competent health workforce.

The health workforce must be adequately staffed and competent, capable of providing quality services for all. This requires building a well-capacitated workforce to meet long-term needs, especially for specialised tertiary services.

Deliverable 5: A sustainable health financing system and innovative governance

This involves greater public investment, reduced out-of-pocket (OOPs) spending on total health expenditure, and alternative mechanisms for sustainable health financing and enhanced financial protection, with a stronger emphasis on preventive healthcare.

Deliverable 6: A strengthened regulatory, monitoring and health security system

This requires existing monitoring and regulatory systems to be strengthened to ensure that medicines, vaccines, and biological and medical devices meet high standards and are safe, and that food products are safe for consumption. Regulatory measures are also needed to reduce offences related to controlled substances and tobacco products. Investment in quality assurance and certification systems will be enhanced to improve plant and animal biosecurity.

Deliverable 7: Information and technology harnessed to enhance health system efficiency

This requires expansion of ICT-enabled healthcare solutions such as the Hospital Information System (HIS), electronic Patient Information System (ePIS), and eBMSIS for medical product procurement and distribution, guided by the e-health strategy. With the current trend in emigration and a scarcity of healthcare professionals, it is particularly imperative to provide such supportive measures for service providers.

4.2.3 Strategies and programmes

The Healthy Drukyul Programme (HDP), with a budget of BTN 20,000 million, is dedicated to ensuring the good health and well-being of the Bhutanese population. A systemic and whole-of-society approach will be adopted to enable the delivery of quality preventive and curative healthcare services. The Ministry of Health (MoH) will take the lead in implementing this programme, working closely with the National Medical Services (NMS), The PEMA Secretariat, Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB), Royal Centre for Disease Control, Bhutan

Olympic Committee (BOC), relevant ministries, civil society organisations, and local governments, to ensure effective collaboration and coordination.

The programme will employ three key strategies: improving health governance system and healthcare delivery services, investing in cost-effective preventive and promotive healthcare, and rationalising health facilities for improved service delivery.

Strategy 1: Improving the health governance system and healthcare delivery services

The Ministry of Health and the National Medical Services collectively seek to address the health needs of the population through improved clinical services management and need-based expansion of essential and specialised health services. Enhancing overall health services primarily involves improving the health governance system and quality of healthcare services delivery, with the goal to attain universal health coverage.

Central to this effort is the development of a competent, well-equipped and adequate health workforce. Investments will be prioritised for professional development through upskilling and skills development. Efforts will be made to create supportive work environments that promote work-life balance and foster career advancement to retain skilled professionals.

The timely access to medical supplies and vaccines, and functionality and upkeep of medical equipment in all health facilities will be prioritised. Patient referral pathways will be streamlined to make the most of the existing health facilities in Bhutan. Concerted efforts will be made towards adopting innovative approaches to high-quality people-centred healthcare services, and the creation of an equity-based sustainable health financing ecosystem.

ICT-based digital solutions will be leveraged to improve the regulatory, monitoring and health security environment, which will also include regulation of Sorig wellness services. The potential for private sector involvement in the health sector will be explored as an additional option, while maintaining high-quality public health services for citizens.

Strategy 2: Investing in cost-effective preventive and promotive healthcare

To improve health outcomes while reducing financial and administrative burden on the healthcare system, investments in preventive and promotive healthcare will be prioritised. This entails the proactive identification and elimination of health

risks, interventions such as immunisations and health screenings, promotion of healthy lifestyles, and combating NCDs. Over time these measures are expected to reduce hospitalisations, emergency room visits, and costly treatments for advanced diseases – thereby improving cost-effectiveness and minimising pressure on limited resources.

To promote healthier lifestyles and minimise vulnerability to diseases, a whole of society approach will be adopted towards ensuring a supportive environment for people to engage in healthy habits. There will be vigorous promotion of the importance of physical exercise, nutrition, and mental health. Access to recreational facilities will be enhanced and healthy city concepts will be implemented to facilitate physical activity and healthy living. Additionally, access to and utilisation of safe and nutritious food will be improved through evidence-based, nutrition-specific and nutrition-sensitive interventions.

Figure 8: Challenges and disparities in the education sector



Digital health capabilities will be enhanced to strengthen health information and communication for improved healthcare services. This will be done by harnessing the innovative potential of digital communication and social media, and by adopting ICT-enabled case-based surveillance for infectious diseases, including HIV, TB, leprosy, zoonoses and, vaccine preventable diseases

Evidence-based interventions will be made to reduce other NCD risk factors and to manage diseases. Efforts will be intensified to ensure a good quality of life for senior citizens, people living with disabilities, key affected populations and people with chronic diseases, alongside the provision of palliative care.

Interventions will also be enhanced for reproductive, maternal, new-born, child and adolescent health; the prevention, control and elimination of infectious diseases; and to safeguard communities from the devastating impact of antimicrobial resistance.

Strategy 3: Rationalising health facilities for improved service delivery

Guided by comprehensive assessments, a need-based rationalisation of health facilities will be carried out. The objective is to enhance healthcare accessibility and quality while optimising resources, and prioritising individuals' needs and leveraging digital health solutions.

This strategic consolidation and expansion of healthcare infrastructure will include the construction of the Thimphu District Hospital, a National Cancer and Transplant Centre at the Jigme Dorji Wangchuck National Referral Hospital in Thimphu, and a Mother and Child Hospital in Monggar. In other places, parameters such as disease burden, population migration rate, the changing size of catchment populations and improvement in road networks will be considered to rationalise health facilities so that resources can be prioritised based on needs.

4.3 Quality and wholesome education and lifelong learning

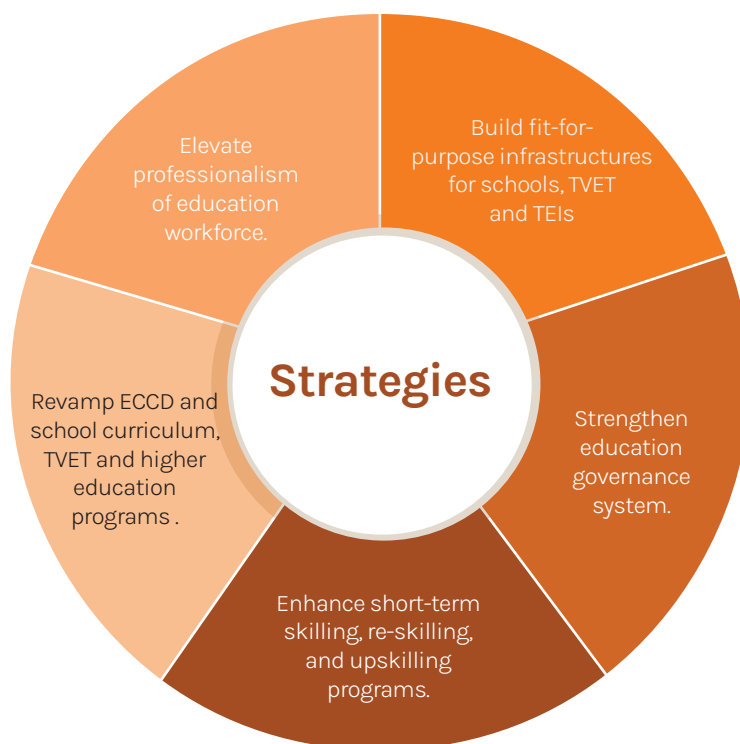
4.3.1 Key challenges and issues

Ensuring inclusive and quality access to education and the promotion of lifelong learning is recognised as one of the 17 SDGs. It is also a high priority in Bhutan's development agenda as a key strategy to reduce poverty and inequality, close gender gaps and contribute to a vibrant economy.

However, ensuring equitable and quality access to education at all levels remains a key challenge. Although it is recognised that providing early childhood care and development (ECCD) can ensure a healthy start to life and contributes to better learning outcomes, current ECCD enrolment in Bhutan is only 38.7 percent.⁴⁰ There are significant disparities in access to ECCD centres across districts, low-quality learning experiences, and limited services for children with disabilities or at risk of disabilities.

Bhutan has 571 schools, including Extended Classrooms (ECRs), but resources are thinly spread leading to inefficient provision of education services. None of the existing schools meet international standards, and the lack of proper standards has led to wide variation in school sizes and quality – from as low as 6 students to as high as 1,941 students – making resource allocation even more difficult and affecting the overall quality of education.

Figure 9: Strategies to address challenges in the education sector



⁴⁰ Ministry of Education and Skills Development (2023). Annual Education Statistics 2023.

The lack of adequacy and competency of teaching professionals continues to be a major challenge. The average teacher/student ratio in public schools is 1:15, but disaggregated data reveals significant variation, ranging from 1:3 to 1:28. Such disparity contributes to variations in the quality of education delivered and, and the learning outcomes of students. Further, high attrition rates among teaching professionals could exacerbate the challenges as the lack of teachers can disrupt education continuity and affect the quality of teaching and learning experiences.

The National Education Assessment (NEA) Report 2021 highlighted disparities in student learning outcomes based on location, socio-economic status and gender, and between public and private schools. The *PISA-D 2017* findings showed that 15-year-old Bhutanese students scored 45.3 percent in reading literacy, 38.8 percent in mathematical literacy, and 45.1 percent in scientific literacy, which is below the OECD average and reveals poor education quality.

An initial assessment by the Cambridge Partnership for Education revealed that the standards for English, mathematics and science are close to the Cambridge standards in primary and lower secondary (from Classes PP to Class 8), but for upper higher secondary (Classes 9 to 12) only about 50 percent alignment is observed. This sub-standard curriculum and assessment system can affect the preparedness of students for higher education or international standards.

Only a limited number of schools are equipped for Special Education Needs (SEN) and inclusive education. These schools face significant capacity and resource gaps, and urgent reforms are needed, such as updating curricula, building teacher competence, improving school infrastructure, improving the health and well-being of learners, and the overall transformation of the education governance system.

Meanwhile, key issues persist around enrolment and completion of education, with Bhutan's gross enrolment ratio at the tertiary level at 18.1 percent in 2021.⁴¹ Technical and Vocational Education and Training (TVET) enrolment is also low, with only 1,602 students (close to 3 percent of higher secondary graduates) enrolled in public TVET institutions.⁴² TVET in Bhutan continues to suffer from poor public perception, an incoherent policy framework, non-sustainable financing and weak governance.

TVET programmes are outdated and supply-driven, with weak or missing linkages to industry needs and limited pathways between high school, TVET institutions and tertiary education. TVET infrastructure and facilities are poorly equipped,

⁴¹ Ministry of Education and Royal Government of Bhutan (2021). *State of Tertiary Education of Bhutan 2021*.

⁴² Ministry of Education and Skills Development (2023). *TVET Statistics of Bhutan 2023*.

digital technology uptake is limited and there is an inadequate supply of qualified TVET professionals and a lack of post-training support for graduates.⁴³

4.3.2 Key deliverables

Outcome 2: *By 2029, more Bhutanese equitably access and benefit from quality and wholesome education and lifelong learning*

The 13th FYP aims to ensure equitable access to high-quality and relevant education and lifelong learning opportunities. This will result in graduates equipped with the necessary knowledge and skills to thrive in the 21st century economy. Achieving this outcome requires a comprehensive transformation of Bhutan's education system, encompassing infrastructure quality, utilisation of digital technology, teacher competencies, curriculum and assessment benchmarked to international standards, and clear pathways from school to TVET and tertiary education. It also underscores a need to leverage innovative financing mechanisms for the long-term sustainability of the education system.

Progress towards this outcome will be evaluated based on improvements in gender-disaggregated net enrolment rates in ECCD, basic education, TVET and higher education. It will also be based on improved student performance in STEM subjects, reduced learning outcome disparities between rural and urban areas, and improved achievement levels across all educational stages.

Deliverable 1: Adequate, competent and motivated education professionals

This requires strengthening the capacities of education professionals across all levels, from ECCD centres to tertiary institutions, including TVET institutes and SEN schools. Educators and instructors need to be equipped with essential skills, such as ICT and digital proficiency and student safety and protection

Deliverable 2: Safe, inclusive and quality education infrastructure and facilities

This is about making infrastructure and facilities more accessible and inclusive, meeting quality and safety standards, and utilising digital technology to enhance and improve the overall learning experience and outcomes.

Deliverable 3: A dynamic and adaptive curriculum and assessment system

This means that the school curriculum and assessment system and higher education programmes will need to be aligned to selected international standards. Additionally, it requires accreditation of TVET and tertiary education institutes and enhancing graduates' employability.

⁴³ Ministry of Labour and Human Resources and Royal Government of Bhutan (2021). National TVET Reform Strategic Plan 2021.

Deliverable 4: Improved health and well-being of learners and educators

This is about creating secure and supportive learning environments, ensuring access to safe, clean drinking water, providing nutritious meals where needed, establishing effective mechanisms to prevent and address all forms of violence, engaging students in community service initiatives like the school scouts programme, promoting active participation in sports for physical health, and ensuring overall student satisfaction with campus life.

Deliverable 5: Transformed education governance and system

This entails establishing and sustaining innovative financing mechanisms, which can fund enhancing education governance and transforming the system. This includes establishing international schools, upgrading programmes and courses to meet international standards, attracting international students, and promoting active participation from individuals and organisations in supporting the development of education.

Deliverable 6: Increased contribution to policy and innovation by higher education institutions

This requires universities and institutes to generate high-impact research outputs, and to actively participate in meaningful consultancy, collaborative research and extension programmes aimed at practical application and societal impact.

Deliverable 7: Lifelong learning and skills development opportunities

This requires implementing interventions to broaden participation in adult education and training programmes to reskill and upskill, enhancing adult literacy rates, certifying professional qualifications from the various institutes, and providing opportunities for both in-service and pre-service students to pursue undergraduate or postgraduate programmes.

4.3.3 Strategies and programmes

The Education Transformation Programme (EdTP) is aimed at fundamentally improving the Bhutanese education system and enhancing learning outcomes. It encompasses ECCD, school education, and non-formal education which focuses on equipping those outside the formal education system with self-sustaining learning skills. With over 70,000 youths projected to enter the labour market during the 13th FYP, the highest priority will be given to providing the best education and skills training for young Bhutanese, enabling them to realise their potential and contribute to Bhutan's economic development.

The Ministry of Education and Skills Development (MoESD) has been allocated BTN 30,000 million to improve the quality of education while optimising resources. Interventions to transform the school education system are grouped under four key strategies: transforming curriculum and programmes across all levels of education, transforming the educational workforce, building fit-for purpose infrastructure and enhancing education governance.

Strategy 1: Transforming curriculum

Bhutanese schools and tertiary institutions will adopt and impart curricula that ensures quality education, aligns with global best practices and prepares students for diverse opportunities. This transformation aims to enhance their competitiveness and foster a holistic learning experience that meets international standards.

This includes developing the ECCD curriculum, revamping the school curriculum with a focus on transforming STEM education and learning resources, and benchmarking the curriculum to international standards. This will involve a shift from traditional rote learning towards fostering critical thinking, problem-solving, digital literacy, and adaptability, with increased emphasis on creativity, emotional intelligence, and a global mindset. There will be a strong emphasis on enhancing a culture of research and innovation.

Tertiary Education Institutes (TEIs) will be empowered to enhance their contribution to evidence-based policy making, and to provide platforms for the creation and dissemination of knowledge. Within the tertiary education system, programmes and courses will be restructured and upgraded to international standards and aligned to emerging job market needs. Collaborations will be undertaken with reputed international universities to facilitate joint degree programmes and elective courses with credit transfer, establish accreditation for flagship programmes to enhance their global recognition, and increase access to personalised learning solutions for students.

The TVET curriculum will also undergo significant reform, diversifying courses to meet industry demand. Its quality and relevance will be improved to produce a workforce that is confident, well-rounded, productive, resilient and innovative. TVET institutes will be elevated to global standards through collaborations and partnerships with international TVET partners.

Given the increasing importance of digital skills and the integration of the National Digital Identity (NDI) in public service delivery, the Non-formal education (NFE)

curriculum will be revamped to impart essential skills beyond merely improving the literacy rate.

Strategy 2: Transforming the educational workforce

Recognising teachers as crucial assets, the programme focuses on transforming teaching professionals, including educational leaders at all levels. To achieve this, both short-term and long-term professional development training for teachers - including those specialising in Special Educational Needs (SEN), ECCD, NFE, school counselling, and sports instruction - will be pursued. Also to be promoted is a research culture to continuously improve teaching methodologies and enhance learning outcomes.

Similarly, upgrading faculty qualifications is essential for delivering quality education programmes by Tertiary Education Institutes. Professional development training will be provided, including opportunities for long-term studies to meet minimum teaching standards. Tertiary Education Institutes will also recruit international academics as teachers and external examiners, to develop and review programmes and courses where national faculty expertise is lacking.

Strategy 3: Building fit-for-purpose infrastructure

Modernising school infrastructure is essential to enhancing inclusiveness and safety and creating a conducive environment for teaching and learning. A key priority is investing in early childhood development to provide a strong foundation for learning and holistic development. The 13th FYP will renew efforts to establish community, workplace and private ECCD centres to ensure equitable access to quality and inclusive services.

Guided by comprehensive standards and employing a cluster approach, the focus will be on consolidating the 63 existing central schools and other larger schools where feasible, and transforming them into centres of educational excellence with improved infrastructure and facilities meeting global standards. Numerous studies indicate that investments in quality school infrastructure are strongly associated with improved learning outcomes. New technologies and emerging pedagogical practices have created new requirements for educational buildings.

Moreover, some schools will be repurposed into specialised schools for STEM, Music and Arts, TVET, Sports and Rehabilitation and Recovery. Strengthening digital infrastructure to enhance teaching and learning will be at the core of infrastructure development projects. The ministry will also focus on improving existing school

infrastructure including making it more inclusive and disaster-resilient, and will enhance access to affordable low-cost housing facilities for teachers.

Similarly, improving the quality and ensuring fit-for-purpose infrastructure of Tertiary Education Institutes will involve creating technology-driven learning environments. Attention will also be given to enhancing liveability for learners and instructors to create an enabling environment across institutions.

Strategy 4: Enhancing education governance

Governance of both tertiary and TVET institutions will be strengthened. This will translate into greater functional autonomy for TVET. Tertiary Education Institutes will adopt new and innovative business models for revenue generation to bolster their financial sustainability. An enabling environment will facilitate private sector participation in instituting innovative and sustainable financing mechanisms. Better funding will increase students' access and choice of services with potential improvements in quality.

Along with curriculum and programme reforms, assessment and certification systems will be strengthened to enhance the credibility of qualifications across all levels, and to promote excellence and accountability within the education system. Besides core interventions, essential health and well-being services will be provided. These include improving water, sanitation and hygiene (WASH) facilities, promoting scouting, strengthening sporting and youth engagement, and enhancing school feeding and nutritional programmes. The Ministry of Education and Skills Development will also collaborate with the Bhutan Olympic Committee in promoting sports culture in schools and with the Ministry of Health to ensure periodic health screening.

4.4 An inclusive and comprehensive social protection system

4.4.1 Key challenges and issues

Bhutan's rapid pace of development and urbanisation has resulted in pressures on urban infrastructure and services. This is particularly evident in the housing shortage in Phuentsholing, compelling many Bhutanese to live across the border in Jaigaon, India. Housing developers face significant challenges such as high land acquisition and construction costs, expensive development finance, and difficulty repaying commercial housing loans despite high rental incomes. These issues contribute to the high rent burden in urban areas.

Most Bhutanese cannot afford to own homes, resulting in a heavy reliance on rental housing and facing moderate to severe rent burdens. In Bhutan, more than 40 percent of the monthly household income is spent on housing rent⁴⁴ while internationally, a baseline of 30 percent of household income is considered as the maximum proportion of income to be used as rental payment.⁴⁵

Enhancing access to affordable housing and home ownership is a critical challenge requiring urgent attention, especially in urban areas. Currently, 51.7 percent of households in Bhutan own their dwellings, while more than one-third (37.9 percent) live in rented houses, and little more than one tenth (10.5%) live in rent-free dwellings. In urban areas, only 13.8 percent of all households own their dwellings, while 68 percent live in rented houses, and 18.2 percent live in rent-free dwellings.⁴⁶

Addressing the differentiated needs of vulnerable groups in Bhutan requires a more coordinated and systematic approach. Although Bhutan has several policy instruments to support women and children, youth and persons with disabilities, these policies often fail to address issues such as violence, mental health conditions, substance abuse, conflict with the law, exploitation including trafficking, among others – due to fragmented attention and capacity gaps of services providers.

In particular, addressing the needs of persons with disabilities has been particularly challenging without a dedicated national nodal agency and adequate funds. As per the Population and Housing and Census of Bhutan (PHCB) 2017, the disability prevalence rate in Bhutan is 2.1 percent or 15,567 persons, with higher prevalence in more remote and poorer districts. Access to essential services and employment opportunities for persons with disabilities are limited by the lack of disabled-friendly infrastructure, assistive technology, special needs educators and caregivers, and prevalence of social stigma and discrimination.⁴⁷ There are no explicit social protection schemes incorporating disability-specific schemes, despite the *National Policy for Persons with Disabilities* 2019 stipulating the full inclusion of PWDs in social protection and support services.

A Vulnerability Baseline Assessment (VBA) conducted in 2016 identified 14 socio-economic vulnerable groups in Bhutan.⁴⁸ However, the lack of up-to-date

⁴⁴ Royal Government of Bhutan (March 2019). *National Housing Policy (Revised)* 2019.MoWHS

⁴⁵ Indian Institute of Management, Bangalore (2015). *Affordable Housing: Policy and Practice in India*.

⁴⁶ National Statistical Bureau (2022). *Bhutan Living Standard Survey 2022*.

⁴⁷ Gross National Happiness Commission and UNDP (2017). *Vulnerability Baseline Assessment for Bhutan 2016*.

⁴⁸ *Ibid*.

disaggregated data, particularly for key social indicators, poses significant challenges to adequately identifying and addressing the needs of these groups.

His Majesty the King's *Kidu* programme serves as a crucial social protection mechanism, providing a robust safety net for the Bhutanese people. The programme grants land to the landless poor, cash and/or in-kind support to families affected by natural and other calamities, and education support, among others measures, which benefit the most vulnerable sections of Bhutanese society.

Currently, formal government social protection mechanisms are limited to those employed in the formal sector. Existing pension schemes for civil servants and contributory provident fund schemes for employees in the private and civil society sectors exclude a significant portion of the population, such as workers in the informal economy, persons with disabilities, single parents, unemployed individuals, and senior citizens.

Therefore, it is necessary to explore ways to enhance the coverage and sustainability of existing social protection mechanisms. Further study is needed to ensure that any proposed system is sustainable, inclusive and provides universal coverage throughout a person's life cycle, while aligning with the longstanding Royal *Kidu* programme.

4.4.2 Key deliverables

Outcome 3: *By 2029, Bhutan has an operational shock-responsive, inclusive and comprehensive social protection system*

In the 13th FYP, the government aims to establish a social protection system that systematically addresses pressing social protection and welfare issues. In the absence of a comprehensive system administered by a single entity, this initiative is expected to maintain and foster Bhutan's unique culture of self-reliance while ensuring that the vulnerable have the support needed to improve their lives. Progress towards this outcome will be based on the creation of a robust system and integration of its mechanisms into government programmes by 2029.

Deliverable 1: An enabling environment for comprehensive social protection

This requires the necessary policy and guidelines to be developed and put in place. Key to this is the harmonisation of existing policies and their consolidation under

a comprehensive *Social Protection Policy*, defining programmes, target groups and the funding modality.

Deliverable 2: Strengthened and expanded essential social protection programmes

This requires increasing the coverage and premium of national life insurance, as well as the coverage of pension and provident schemes. New systems or mechanisms need to be developed and instituted, which may include schemes for support for families, unemployment, emergencies and disaster response, unpaid care work, among others.

Deliverable 3: Maintenance of a sustainable population scenario

This requires the promotion of work-life balance and associated positive interventions that encourage couples to have children.

4.4.3 Strategies and programmes

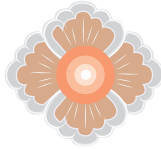
A comprehensive social security system is a key component of the 13th FYP's Socio-cultural Resilience and *Community Vitality Programme* led by the Security Cluster. The Cabinet Secretariat will spearhead this component of the programme, which aims to directly contribute to social development outcomes and the objective of a healthy and productive society. Thus, the necessary policy and legislative framework will be formulated and adopted and a key aspect will be creating an interoperable welfare information management system.

Relevant agencies will introduce inclusive, sustainable and shock-responsive schemes to support all Bhutanese citizens, particularly the most vulnerable. These schemes will complement the welfare schemes provided through His Majesty the King's *Kidu programme*, to ensure the social protection and security of vulnerable groups at all times.

To ensure a holistic, disability-inclusion approach in government programming, the action plan for the *National Policy for Persons with Disabilities 2019* will be taken forward. Moreover, the government will pursue structural and legal reforms to promote work-life balance, empowering individuals and families to enhance their own social security. This approach is expected to contribute to a sustainable

population development strategy, as improved social security conditions and a work-life balance could encourage individuals to have the desired number of children.

Exploratory measures include the implementation of non-discriminatory workplace policies; fostering shared responsibilities and ensuring conducive conditions for childbearing, flexible and remote working avenues; matching working hours with childcare hours; and addressing barriers to child adoption.



CHAPTER– 5

Strengthening Security

*A Safe and Resilient Bhutan with Strengthened Sovereignty,
Territorial Integrity, Unity, Well-being and Economic Prosperity*



5.1 Situational overview

Bhutan has enjoyed political stability and peace for over a century, and safeguarding its sovereignty and territorial integrity continues to be a fundamental priority. It has also become increasingly important to ensure the protection and strengthen resilience against any form of threat that can undermine Bhutan's stability, progress and well-being.

This includes conventional as well as 21st century security concerns such as connectivity, critical infrastructure, energy security, cyber security, disasters and other emergency situations. It also includes priorities such as the safety and vitality of Bhutanese communities both home and abroad, the resilience of Bhutanese values and vibrancy of its cultural heritage, and the maintenance of good relations with regional and international partners.

Thus, the security cluster will deliver two outcomes and nine outputs towards realising the 13th FYP strategic objective of safeguarding and strengthening Bhutan's "sovereignty, territorial integrity, security, unity, well-being, resilience and economic prosperity".

5.2 Improved safety and security of Bhutan

5.2.1 Key challenges and issues

Bhutan faces critical challenges in its connectivity infrastructure, including limited air, surface and internet connectivity. The dependence on a single international internet gateway through the Siliguri corridor in India poses significant risks, highlighted by a 17-hour internet blackout during a cyclone disaster in 2020. To enhance reliability, it is crucial for Bhutan to establish redundant internet connectivity and a separate route for the third international internet gateway. A second international airport is necessary in light of security concerns over the sole international airport at Paro. Moreover, the lack of connectivity of the non-continuous southern east-west road presents obstacles, increasing travel time and cost.

The resilience and protection of critical infrastructure are paramount for national security, public safety, and economic stability. Such infrastructure plays a vital role in supporting essential services, businesses, communities, and government functions. A main concern is the vulnerability of certain communities to hydropower dam bursts, and the lack of alternative routes along key road networks in Bhutan.

The northern east-west national highway has 34 bridges along its 489.33 km stretch, while the Phuentsholing-Thimphu Asian highway has 12 bridges along 147.9 km, the Samdrup Jongkhar-Trashigang primary national highway has 14 bridges along 174.5 km, and the Gelephu Trongsa primary national highway has 26 bridges along 188.8 km.⁴⁹ In the absence of alternative routes for these bridges, the risk of disruptions is high.

There is therefore a need for comprehensive planning, risk management and investment in infrastructure resilience – in order to mitigate potential hazards and threats to critical road networks, power grids and fuel storage facilities, water and sewerage systems, communications systems, emergency services, financial institutions, and hospitals.

Ensuring cybersecurity in the 21st century is a major global concern, including for national governments. In Bhutan, a total of 127 cybersecurity incidents were reported in 2022-2023, and they are increasing every year.⁵⁰ The majority of incidents were related to software vulnerabilities, fraud-related incidents such as phishing and scams, ransomware, privileged account compromise and application compromises.

These issues are exacerbated by the interdependencies of data, limited capacity and resources for cybersecurity maintenance and response, and the absence of well-defined cybersecurity mechanisms. As cyber-attacks are inevitable, it is important to build resilience and to allocate resources to prevent, withstand and recover from incidents.

Internal law and order is compromised by rising crime rates and drug-related offences, particularly in urban areas like Thimphu and Paro. Despite a temporary reduction in crime during the COVID-19 restrictions, the overall crime rate of 45.84 per 10,000 population remains a concern with 56 percent of offences committed by individuals aged 18 to 31 years. Drug-related crimes are a significant portion of time, with substance abuse being the primary cause. In 2022, registered drug-related offences increased by 161.51 percent, attributed partly to heightened vigilance by law enforcement agencies.⁵¹

Bhutan is committed to remaining carbon-negative and focuses on hydropower-generated electricity to meet growing energy demands. Energy security, economic growth and environmental sustainability is a priority. However, seasonal power

⁴⁹ Royal Bhutan Police. *Statistical Yearbook 2022*.

⁵⁰ Ministry of Works and Human Settlement and Royal Government of Bhutan (2020). *Road Classification and Network Information of Bhutan 2020*.

⁵¹ GovTech Agency records, 2023.

shortages are expected to increase significantly over the lean seasons due to limited water flows and an increase in domestic demand at around 9 percent annually.

The sufficient availability of essential food and medical items is of utmost importance particularly during times of crisis and emergency situations. However, Bhutan imports most of its essential food items and all pharmaceuticals except traditional medicines. The score for essential food sufficiency is low; 25.17 percent for rice, 50.35 percent for maize, and 27.11 percent for meat. Meanwhile, 64,000 acres of land is fallow and farmers still experience crop losses from 19 to 43 percent annually to wildlife.⁵²

Bhutan is vulnerable to a range of natural and human-made hazards due to its geographical location and socio-economic conditions. Earthquakes, with an average magnitude of 6.3, pose a significant risk, especially for traditional rural buildings. Monsoon-related flooding affects over 70 percent of settlements, infrastructure, and agricultural areas; traditional timber buildings are susceptible to fire hazards; and there are 17 potentially dangerous glacial lakes which pose a major threat at any time.⁵³

Climate change impacts are felt through the increasing frequency of forest fires, windstorms, rainstorms and hailstorms. Untimely rainfalls affect water availability, crop yield, and agricultural productivity, and lead to biodiversity loss as well as public health issues due to water scarcity. As the COVID-19 pandemic has shown, disasters can also take the form of public-health emergencies. All types of disasters and emergency disproportionately impact disadvantaged individuals and communities. There are compounded by the rapid and haphazard nature of urbanisation, and can lead to widening gaps in poverty and inequality.

Overall, such hazards could have detrimental impacts including loss of lives and threats to livelihoods, essential infrastructure and the economy. Meanwhile, Bhutan's preparedness for disasters and emergency situations is constrained by a lack of critical infrastructure and capacities among key institutions. The ability to understand disaster risks, implement early warning systems and integrate disaster risk reduction in infrastructure planning and development is hindered by the absence of a national-level, multi-hazard risk assessment. There is urgent need to establish and store core relief items at strategic locations across Bhutan, in addition to improving connectivity and other measures to strengthen emergency logistics preparedness.

⁵² Ministry of Agriculture and Livestock (2023). 12th FYP Terminal Evaluation Report.

⁵³ National Centre for Hydrology and Meteorology, 2023.

5.2.2 Key deliverables

Outcome 1: *Safety and security threats and disaster risks to the country, its economy, infrastructure, institutions and people are mitigated and managed*

The 13th FYP shall ensure effective mitigation and management of security threats by enhancing border management and addressing transboundary issues, maintaining internal law and order, and by strengthening cyber security. Simultaneously, it will strengthen the resilience of institutions and communities to disasters and emergency situations by securing critical infrastructure, and through the sustainable management of natural resources.

Achievement of this outcome is critical to realising Bhutan's aspirations for sustainable economic growth. Progress will be assessed based on Bhutan's ranking on the Global Peace Index, crime rates and the safety of its communities, as well as the state of internal and external air, surface and internet connectivity, and the number of persons and infrastructure and facilities affected by disasters.

Deliverable 1: Effective and efficient border management

Border management will be strengthened to safeguard national interest and sovereignty. This requires improving immigration processes with the incorporation of automated verification and clearance procedures, alongside critical new measures to strengthen the prevention and detection of immigration offences and cross-border crime.

Deliverable 2: Maintenance of law and order

This is about ensuring the safety of Bhutanese communities through crime reduction, drug-free society initiatives and measures to enhance fire safety, traffic and prison management. It requires instituting security mechanisms, along with ensuring easy and robust crime reporting and registration mechanisms, among others.

Deliverable 3: Communities are prepared and resilient to disaster

This deliverable encompasses the adoption and implementation of local disaster risk reduction strategies by Dzongkhags and critical agencies; the institution of functional Incident Command System and coordination mechanisms at all administrative levels (Dzongkhag, Thromdes and Gewogs); trained disaster response teams in Dzongkhags and key agencies; regular training of communities on disaster mitigation, preparedness and response; and the operationalisation of a national emergency management and contingency plan by 2025.

Under this deliverable, critical infrastructure will be secured through robust planning, risk management, and investment in infrastructure that is resilient to hazards and disasters. This entails identification and assessment of critical infrastructure, and the implementation of standard operating procedures (SOP) and relevant protection initiatives. It also requires mechanisms to ensure compliance with safety laws and regulations – including land-use and urban planning, building codes, environmental and resource management, and health and safety standards.

This deliverable will also ensure supply of critical energy, essential food items and medical food. The critical requirements refer broadly to the minimum amount needed to sustain basic human needs and particularly to sustain those needs during emergency or crisis situations.

5.3 Strengthened community vitality and international engagement

5.3.1 Key challenges and issues

Based on the principle of interdependence and guided by the timeless value system of *Tha Damtshig* and *Ley Judrey*, the Bhutanese nation has remained resilient through the centuries. This value system underlies the expressions of Bhutanese identity and cultural heritage, and contributes to the vitality of its communities by fostering community cooperation and well-being.

Furthermore, the value system has shaped Bhutan's approach to development as expressed by its GNH Philosophy – an approach that has also informed international discourse including the United Nations' framing of the SDGs. For a small country with limited economic resources and military power, such innovative ideas and practices – which stem from its rich cultural heritage – represent Bhutan's soft power.

However, the decline in customary institutions such as community self-help practices and social support networks, as suggested by anecdotal evidence as well as the results of GNH surveys, is concerning. The cultural diversity and community vitality indices (2 out of 9 domains), which are integral components of the GNH index, have declined by 3.2 percent and 5.1 percent respectively from 2015 to 2022.⁵⁴ Specific indices related to cultural participation and Driglam Namzha have also decreased – from 45.7 percent and 43.3 percent respectively in 2015 to 31.4 percent

⁵⁴ Centre for Bhutan and GNH Studies (2023). GNH 2022.

and 31 percent in 2022. Moreover, the sense of belonging to local communities among Bhutanese has declined from 64.4 percent to 62.7 percent.

The increasing rates of divorce and drug-related crimes in Bhutan have potentially far-reaching impacts on family stability and community vitality. According to the Bhutan Living Standards Survey 2022, divorce rates in Bhutan rose significantly over a five-year period, increasing from 2.1 percent in 2017 to 3.4 percent in 2022. In 2022, out of 486,449 individuals aged 15 years and above, 16,399 were reported to be divorced, an increase of 2,110 divorcees from 14,289 in 2017.

Another key concern is that the increasing number of Bhutanese (particularly youth) migrating and living abroad for prolonged periods could potentially lead to a disconnect from Bhutanese identity, values and culture and thereby their erosion.

Continuation of these trends could have detrimental impacts on community cohesion and the overall well-being of Bhutanese society. It is therefore crucial to address these issues, especially in light of the national commitment to ensure that the Thimphu-Paro Capital Region is ranked among the top 20 safe and liveable cities in the world by 2030.

5.3.2 Key deliverables

Outcome 2: *Bhutan's identity, culture and values are strengthened, and its position in the international community is enhanced*

As in previous plans, the 13th FYP will continue to prioritise the promotion and upkeep of Bhutan's cultural heritage by strengthening the Bhutanese value system and identity, and enhancing a sense of belonging and nationhood among all Bhutanese. In turn, this will enhance Bhutan's soft power as a responsible member of the international community. Progress towards this outcome will be based on people's appreciation of the Bhutanese value system, sense of belonging to their communities, and Bhutan's strategic contributions to the international agenda.

Deliverable 1: Bhutan's global credibility is enhanced

Bhutan's global credibility will be enhanced by promoting Brand Bhutan and maintaining a reputation based on trust, credibility and integrity. This requires strengthened international engagement with existing and new partners. It entails the signing and ratifying of international treaties and conventions as appropriate, and fulfilling reporting and membership obligations. It also requires

strategic contributions to be made to a global agenda, including through the UN Peacekeeping Programme, and by upholding and delivering on commitments to the climate agenda and the SDGs.

Deliverable 2: Bhutanese identity, values and culture ensure the well-being of Bhutanese everywhere

This involves the engagement of Bhutanese youth, and those abroad in particular, in promoting Bhutanese identity, values and culture. It requires fostering connections with Bhutanese communities abroad through eligible consular services, construction of chancery offices, events organised by embassies, missions and consulates, and the engagement of eligible youth in the *Gyalsung* programme. It also involves the use of digital tools to provide relevant materials on *Dzongkha* and culture, and to promote *Dzongkha* usage and competency.

Deliverable 3: An enabling environment for Bhutanese to pursue culture-based economic opportunities

This includes the engagement of the private sector and creation of employment opportunities in the cultural field – including through nurturing traditional and indigenous knowledge and skills among Bhutanese people, the creation of new culture-based products, the conversion of heritage sites into centres of economic activity and promoting the domestic market for local culture-based products.

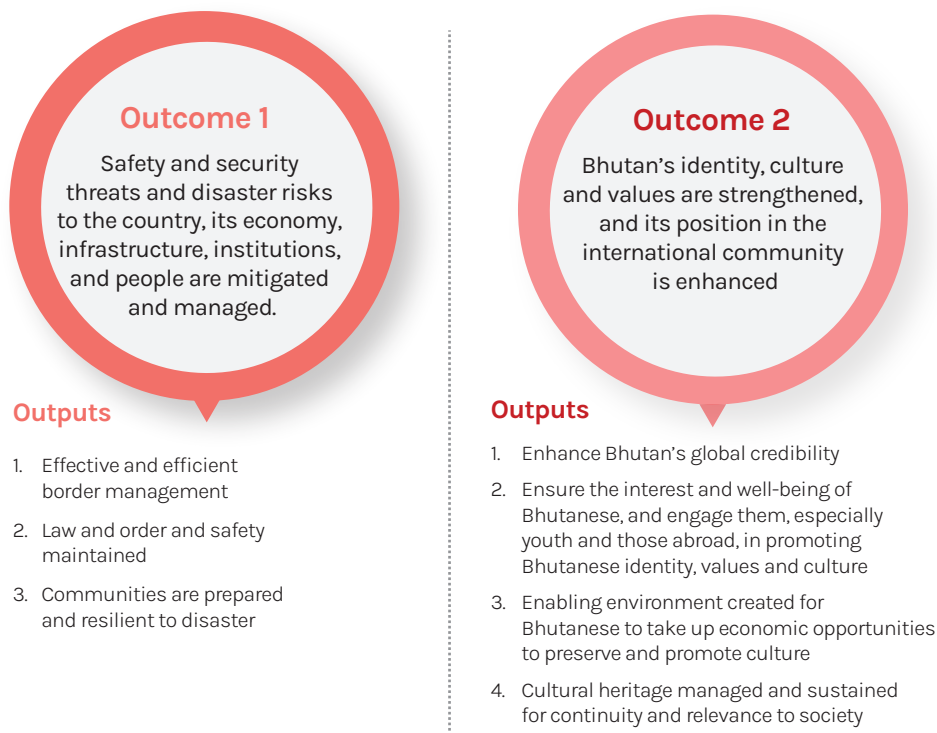
Deliverable 4: Bhutan's cultural heritage is managed and sustained and remains relevant to society

In addition to tangible culture, this requires appropriate emphasis on the intangible aspects of culture such as language, knowledge, skills, attitudes, beliefs, music, oral traditions and festivals. It also requires proper identification, registration and verification and authentication of heritage sites and cultural assets, as well as implementing mechanisms and systems that ensure their proper management and access to the public.

5.4 Strategies and programmes

The security cluster outputs across the two outcome areas will be delivered through the implementation of the Socio-cultural Resilience and Community Vitality Programme, and the Digital Transformation Programme, led by the GovTech

Figure 10: Outcomes and outputs for strengthening security



Agency – with the Governance Transformation Programme a key enabler. Through these interventions, the 13th FYP will adopt a risk-informed approach to Bhutan's socio-economic development.

5.4.1 Socio-cultural Resilience and Community Vitality Programme

The Socio-cultural Resilience and Community Vitality programme aims to strengthen Bhutan's resilience to various risks that could undermine its stability, progress and well-being, through the comprehensive management of emerging and imminent threat perceptions. Interventions will be made in the key areas of border management, disaster and emergency readiness, social protection, public safety and internal law and order, cultural preservation and promotion, and promotion of Brand Bhutan.

These efforts will be led by the Cabinet Secretariat, Ministry of Home Affairs (MoHA), Royal Bhutan Police (RBP), Dratshang Lhentshög, and MoFAET, in close collaboration

Figure 11: Security cluster strategies and key interventions

with LGs, Royal Bhutan Army (RBA), Dessung, the National Commission for Women and Children (NCWC), the Film Association of Bhutan (FAB) and other CSOs, MoIT, MoICE, and the GovTech Agency. A total of BTN 12,000 million is allocated for this programme.

Strategy 1: Enhancing essential infrastructure and systems for effective border management

Border management will be strengthened by upgrading essential infrastructure and instituting efficient systems and practices along key border areas. Municipal boundary protection walls and integrated check posts will be constructed and/or maintained, and a Regional Immigration Office will be constructed in Nanglam. A Border Management System will be deployed, and essential security and surveillance equipment will be installed where required.

A national single window for automating trade facilitation will be established. Immigration clearance will be automated at key border entry points, embedding all immigration permits with QR codes. A rapid response system to address immigration offences will be established. Collaboration and cooperation among

various border control agencies as well as local communities will be promoted, towards improving immigration procedures, preventing illegal activities and safeguarding territorial integrity.

Strategy 2: Instituting response and preparedness plans for disasters and emergencies

A systematic approach will be taken to build Bhutan's preparedness and strengthen its resilience to disasters and all emergency situations. This will span People (capacity, awareness, Roles and Responsibilities), Process (standard operating procedures, standards, policy, guidelines, legal framework) and Technology (tools). Critical public infrastructure will be identified, secured and made disaster-resilient. A national policy or guideline will be developed to ensure the availability of critical energy, food, medical supplies and other essentials.

Disaster response capacities will be built with the establishment of humanitarian staging areas in strategic locations, a single national 24/7 emergency helpline centre, a National Emergency Operation Centre (NEOC) in the capital, and a fully functional and resourced multisectoral disaster response team. The Multi Hazard Risk Decision Support System (MHRDSS) will be operationalised and simulation exercises will be conducted.

The capacities of Disaster Management Committees (DMC), local government entities, simulation facilitators, and Search and Rescue (SAR) teams will be built and strengthened for efficient coordination. Community preparedness will be strengthened through public education and the enhancement of early warning systems. Insurance schemes for vulnerable groups and communities will be established and promoted. Also, disaster response capacities, particularly for supply and logistics, will be enhanced to improve surface and air connectivity under the economic development cluster.

Strategy 3: Reducing criminal activity and improving public safety

Community vitality will be enhanced by reducing criminal activity and improving public safety. To safeguard lives and property, priority will be given to mitigating the risks of fire-related incidents and promoting safer roads and reducing accidents. With 'crime reduction and a drug-free society' being a key priority, a combination of prevention, treatment, rehabilitation and enforcement strategies will be employed to address the issues associated with drug abuse and addiction.

Reformatory programmes will be institutionalised along with humane prison management practices, to reform offenders and reduce recidivism rates. The police

force will be modernised by leveraging technology and community engagement, to create safer environments and promote a greater sense of security among residents in local communities.

Strategy 4: Nurturing and promoting Bhutanese core values and principles

The nurturing and promotion of Bhutanese core values and principles will be carried out through multifaceted efforts. By preserving cultural heritage, ensuring its vibrancy and leveraging its strengths, the intention is to enhance the social cohesion and vitality of local communities as well as to enrich Bhutan's contributions to the global community.

To this end, the younger generation will be engaged as custodians of tangible and intangible culture through innovative means. The construction and restoration of *dzongs*, *lhakhangs* and other cultural institutions will contribute to preserving tangible cultural heritage. This will be leveraged as a mainstream profession by engaging the private sector, and by certifying local professionals, artisans and artists.

Efforts to uphold and promote Bhutan's intangible cultural heritage will include the digitisation of cultural and religious events, creation of a conducive environment for custodians of spiritual heritage, engagement of local governments and communities in fostering community vitality, and engagement of the younger generation in local culture and language through digital technology. The priority is to enhance Bhutanese people's sense of belonging to their local communities, and appreciation of the Bhutanese value system.

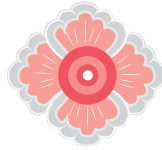
As well as providing consular services and protecting the interests of Bhutanese abroad, Bhutan's embassies, missions and consulates will ensure their meaningful engagement in nationally and culturally significant events. Eligible Bhutanese youth abroad will also be engaged through the National Service Programme. Such activities will encourage Bhutanese abroad to remain connected to their roots and identity as a Bhutanese first. These events will also identify and facilitate opportunities for business linkages and investments in Bhutan.

Moreover, the government will continue to maintain friendly and cooperative relations with all countries for peaceful co-existence and promote a just, peaceful and secure international environment. Through effective engagement with the international community and by promoting Brand Bhutan, it will enhance its global credibility. Bhutan will strengthen its relations with other countries and

entities, ensuring the coherence and cohesiveness of foreign policy, and by being proactive in undertaking strategic engagements.

5.4.2 Digital Transformation Programme

Under the Digital Transformation Programme, led by the GovTech Agency, digital infrastructure will be strengthened while undertaking key initiatives to strengthen cybersecurity. To protect critical information infrastructure and improve cybersecurity culture and society, a comprehensive National Cybersecurity Strategy will be developed and the necessary legal and regulatory frameworks will be put in place. Cybersecurity capabilities will be built to support the implementation of cybersecurity standards and technologies.



CHAPTER- 6

A Transformed and Trusted Governance

Driving Accelerated Economic Growth and Social Development



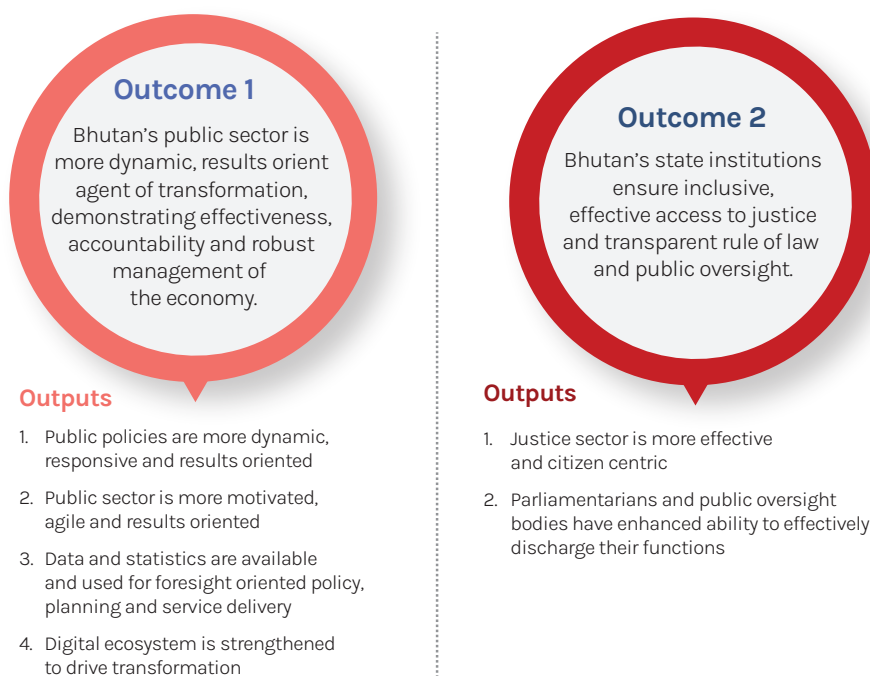
6.1 Situational overview

Good governance has been the cornerstone of Bhutan's approach to sustainable and inclusive development. It is indispensable to attaining the nation's long-term goal of becoming a high-income GNH economy. All dimensions of GNH are critical and their delivery will ultimately depend on how well governance is executed.

Bhutan has made significant advances in strengthening institutions for inclusive and democratic governance, access to justice, public services delivery and accountability, and citizen engagement. However, institutional capacities for implementation need to be strengthened across institutions. This has become particularly urgent given the 13th FYP's focus on transformational processes including digital transformation, and as Bhutan continues to uphold its long-standing international commitments on crosscutting themes including gender, disability, climate change and women and children, among others.

One of the key intents of the governance cluster is to reduce operating costs through improved efficiency and effectiveness in the delivery of public services. This involves leveraging technology and engaging in meaningful partnerships with

Figure 12: Outcomes and outputs for public sector and justice system



the private sector, civil society and other key stakeholders. Creating an enabling environment for their effective participation in the national agenda is crucial.

Ultimately, the effective implementation of the 13th FYP relies on a sense of ownership, responsibility and duty – not only of those in leadership but equally, if not more, of those implementing the programmes. The challenges and issues highlighted throughout this document signal the need for a change in mindset, behavioural change and a greater sense of urgency among all stakeholders across sectors.

Thus, the governance cluster – in collaboration with the social, economic and security clusters and relevant stakeholders – will deliver two outcomes and six outputs towards realising the 13th FYP strategic objective of “a transformed and trusted governance ecosystem that drives accelerated economic growth and improves lives”.

6.2 Effective, accountable and dynamic public sector management

6.2.1 Key challenges and issues

Policy accumulation and overlaps: Bhutan currently has 51 policies at the national level despite its small size and population. This large number has resulted in policy accumulation and overlaps, creating confusion and reducing their impact due to insufficient resources for implementation. Existing policies must be reviewed and consolidated, particularly considering Bhutan’s current context of public sector transformation and organisational changes, demographic shifts, evolving development priorities, and technological advancements.

Data ecosystem gaps: Bhutan’s data ecosystem is not able to adequately meet the growing demand for the high-quality, timely statistics required for effective planning, decision-making and policy formulation. The statistical data currently generated by the National Statistical Bureau does not fully support evidence-based decision-making, due to a lack of expertise in adapting to emerging technologies, and the limited use of ICT in data collection, processing and dissemination. Addressing this issue is crucial, and necessitates a comprehensive reassessment and improvement of the institutions and mechanisms responsible for collecting, compiling, processing and disseminating statistics.⁵⁵

⁵⁵National Statistics Bureau (November 2020). *Strategic Plan to Improve Statistics in Bhutan: July 2020-June 2023*.

Low technology maturity: Bhutan must invest in advanced technologies and optimise their usage to drive growth and sustainable development initiatives. Bhutan's GovTech Maturity Index (GTM) data dashboard of 2022 is rated at B at the level 'High', but digital citizen engagement is at 0.317 on a scale of 0.0 to 1.0, which is below the global average of 0.449, reflecting low digital literacy. Similarly, the GovTech enabling indices score of 0.531 is below the global average reflecting poor infrastructure and an inadequate legislative and policy framework.

Meanwhile, safe and robust payment system infrastructure is essential for the efficient functioning of economic activities. Currently, Bhutan's International Payment Gateway (IPG) system is characterised by low volume of inflows – with the Royal Monetary Authority's annual payment system report in 2022 showing a total inflow of BTN 24,260 million, which is half the outflow of BTN 50,670 million. Addressing these technological and infrastructural deficiencies is necessary.

Weak cyber security: The Royal Audit Authority's Performance Audit Report on Preparedness for Cybersecurity 2023 reveals a surge in cybersecurity incidents reported by government agencies in recent years, with 611 cyber security incidents reported in the 12th FYP period alone.⁵⁶ These incidents, ranging from phishing attempts to data breaches, pose significant risks to the government's digital infrastructure and the general public. Current regulations governing data privacy are not robust enough to protect Bhutan from cybercriminals. Furthermore, the nation's ability to combat cyber threats is hampered by the lack of a well-defined national cybersecurity strategy.

The diverse range of 1,184 incidents and vulnerabilities⁵⁷ handled by the Bhutan Computer Incident Response Team (BtCIRT) since 2016 underscores the urgent need for developing and implementing a robust National Cybersecurity Strategy. Among these incidents, vulnerabilities detected in application systems accounted for 839 incidents making it the highest category every year. This poses significant risks, especially with the launch and mainstreaming of Bhutan's National Digital Identity (NDI).

Disparities in user experience of public service delivery and challenges with maintaining a talented and appropriately sized civil service: Effective public service delivery in Bhutan remains a concern despite significant reform initiatives since 2022. Citizens continue to bear the brunt of ineffective initiatives, experiencing delays and frustrations when trying to access essential services. The Citizen Satisfaction Baseline Survey Report 2021 indicates disparities between

⁵⁶ Royal Audit Authority (2023). *Performance Audit Report on Preparedness for Cybersecurity*.

⁵⁷ GovTech Agency data compiled from Request Tracker for Incident Response (RTIR), 2024.

rural and urban areas, with rural citizens expressing lower satisfaction levels in both the ‘assurance’ and ‘accessibility’ components of public services delivery.⁵⁸ There is a critical need to place user experience at the forefront in service design, move towards effective and reliable automation, remove redundancies and enhance coordination among sectors.

After the COVID-19 pandemic, the attrition rate among civil servants increased to 16 percent during 2022-23, of which 3,413 had resigned voluntarily. The attrition rate has now slowed down but it is a challenge going forward to retain the best and brightest personnel. This trend raises serious questions about the sustainability and attractiveness of a career in the civil service, underscoring the urgent need for comprehensive reform. This includes basing employment on merit, with robust talent management and human capital development backed by an agile human resource management system.

Management of macroeconomic instabilities and exogenous shocks: Bhutan faces structural impediments and external shocks that threaten Bhutan’s macroeconomic stability as per the Budget Report for FY 2023-24.⁵⁹ Although inflationary pressures have declined since the COVID-19 pandemic, standing at 3.2 percent as of March 2023, inflation is expected to persist in the short to medium term due to wider supply chain disruptions.

The current account deficit has significantly widened, reaching 33.9 percent of GDP in FY 2021-22 and projected to expand further to 34.5 percent in FY 2022-23. This has resulted in a substantial drawdown on gross international reserves, which decreased from USD 833 million at the end of FY 2021-22 to an estimated USD 689 million in FY 2022-23. This strain on the reserve position potentially increases its vulnerability to external shocks.

Another concern is the increasing fiscal deficit, which reached 5.1 percent of GDP at the end of the 12th FYP. The rise is due to decreased domestic revenue on account of delayed hydropower commissioning and an economic downturn, combined with increased expenditures to mitigate pandemic impacts. The revised fiscal deficit in FY 2022-23 is estimated at 7.9 percent of GDP, surpassing the macroeconomic framework guidance to contain fiscal deficit at 7 percent of GDP.

While the World Bank classifies Bhutan’s external debt distress as moderate, the accumulation of public debt and concerns over a potential debt crisis are significant issues. As of 31 March 2023, total public debt accounted for 132.1

⁵⁸ Conducted by the Public Service Delivery Division of the Cabinet Secretariat in 2021.

⁵⁹ Ministry of Finance (2024). Budget Report for FY 2023-2024.

percent of GDP for FY 2022/23, with 119 percent being external debt, primarily from hydropower projects borrowings, and 13.1 percent being domestic debt. Although non-hydropower debt stock has been maintained within the stipulated threshold of 35 percent of GDP, averaging 31.5 percent over the four years of the 12th FYP period up to 31st March 2022, the overall debt situation requires careful monitoring.

Cross-cutting issues: Bhutan faces a range of cross-cutting issues that are inextricably linked to its sustainable development efforts, with potential impact on progress across multiple domains of GNH. These concerns need to be addressed systematically – integrating them into policy, planning and budgeting decision-making processes as well as programme implementation under all clusters.

Despite constitutional and policy guarantees of equality, the full realisation of **gender equality and women's empowerment** continue to be hindered by structural and cultural norms. Bhutan ranks 126th out of 146 countries in the Global Gender Gap Report 2022 rankings – which uses indicators of political empowerment, health and survival, educational attainment, and economic participation and opportunity to assess gender equality. Areas needing attention include maternal and reproductive health, enrolment and completion in tertiary education, low participation in public decision-making and politics, and gender-based violence. Critical processes requiring sustained effort include gender mainstreaming, implement legislation and policies, and building capacities for the collection and use of sex-disaggregated data.

As global and regional average temperatures continue to rise, Bhutan remains highly susceptible to **climate change impacts** with far-reaching implications. It faces a range of natural and human-made hazards that threaten lives, livelihoods, infrastructure, and the economy. Disadvantaged communities are disproportionately affected or at risk, worsened by rapid urbanisation. Meanwhile, with development imperatives placing increasing pressure on the natural environment and resources, Bhutan faces the critical challenge of managing co-benefits and trade-offs, and balancing conservation with development.

Integration of climate action into local plans, especially for key urban centres, and building resilience to the impacts of climate change are critical for Bhutan. However, this requires strengthened capacities for taking climate action – which encompasses improved climate data and research, integration of climate change into education, and technical capacities for understanding and implementing international environmental legal instruments.

A proactive approach to **disaster risk reduction and preparedness** – which also accounts for pandemics and other emergency situations – is an urgent

priority. Currently, this is hindered by lack of a strategic overview and risk-informed development approach, poor multi-sectoral coordination, inadequate infrastructure and capacities of key institutions, among other factors. There is limited capacity for the integration of disaster risk reduction in infrastructure planning and development and limited sensitivity to the differentiated needs of vulnerable groups.

Poverty reduction has been a key aspect of Bhutan's development agenda. Over the 10th FYP (2008-2013) and 11th FYP (2013-2018) periods, efforts intensified with targeted programmes to address extreme poverty. Since the 12th FYP (2018-2023), interventions to reduce poverty and inequality have been mainstreamed across multisectoral programmes. In the 13th FYP, the need to address instances of poverty at disaggregated levels remains critical.

In 2022, Bhutan's poverty rate was at 12.4 percent, based on an upward-revised poverty line, which indicates that 12 out of every 100 individuals belonged to households with a monthly per capita real expenditure below BTN 6,204. An additional 0.4 percent of the population were classified as subsistence poor, with 4 out of every 100 persons residing in households with a monthly per capita consumption below the food requirements of BTN 2,852. Poverty incidence is higher in Zhemgang, Samdrup Jongkhar, Samtse and Trongsa, while Thimphu and Punakha have the lowest poverty rates. All four Thromdes consistently show poverty rates below 10 percent.⁶⁰

The 13th FYP - which is anchored on the 3Ps of 'people', 'progress' and 'prosperity' - is inherently designed to address poverty in all its forms, as it strives to raise living standards and ensure a high quality of life for all its people by attaining high-income status. Moreover, to ensure that the vulnerable do not fall through the cracks, there are several initiatives such as providing affordable housing, enhancing boarding facilities, instituting social protection schemes for vulnerable persons, and ensuring adequate resources for locations with high poverty incidence by using poverty as a criterion for local government resource allocation.

6.2.2 Key deliverables

Outcome 1: *Bhutan's public sector is a more dynamic, results-oriented agent of transformation, demonstrating effectiveness, accountability and robust management of the economy.*

The 13th FYP shall ensure that an 'agile, high-performing fit-for-purpose public sector' drives and enables effective governance, with greater integrity and accountability

⁶⁰ National Statistics Bureau (2022). Poverty Analysis Report 2022.

in fostering inclusive and sustainable growth. Demonstrating responsiveness to the evolving needs of the Bhutanese people, the public sector will ensure implementation of evidence-based policy decisions and the delivery of high-quality services with effective utilisation of resources and digital technologies.

Progress towards this outcome will be based on the achievement of annual performance targets by public sector agencies. It will also rely on improved rankings on the GovTech Maturity Index, and the operationalisation of a comprehensive, predictive data and analytics system at the national level. Furthermore, it will be based on the maintenance of foreign currency reserves as per constitutional requirements and reduction in the debt-to-GDP ratio.

Deliverable 1: Public policies are dynamic, holistic, responsive, and results-oriented

Public policies must be designed to be more adaptive, responsive to changing needs and focused on delivering tangible results. This will involve continuous assessment and refinement of policies to ensure they address current and future challenges effectively and efficiently. This should translate into improvements in Bhutan's tax to GDP ratio from 13 percent to 15 percent, reducing and maintaining the average fiscal deficit at 5 percent of GDP from 7.8 percent over the plan period, increasing the share of domestic credit to priority sectors from 12 percent to 15 percent, and lowering lending rates by two to three percentage points. It is also expected that non-compliance, non-enforcement and non-implementation of policies will be eliminated.

Deliverable 2: A motivated, agile, and results-oriented public sector

Achieving this will require developing systems and structures that promote civil service meritocracy, accountability, integrity, efficiency and effectiveness. Agencies will need to be repurposed and restructured, with the goal of reducing the attrition rate of 16.33 percent by half. Efforts to build competencies and retain talent should ensure that future-ready civil service organisations are led by professional and strategic leaders.

A fully operational multi-year rolling planning and budgeting approach should be implemented starting July 2024. This should be accompanied by an effective monitoring and evaluation system and increased audit coverage of 90 percent. By 2024, procurement processes should be simplified to mitigate supply risks, prevent unauthorised spending, and align procurement workflows with business objectives and strategies.

Deliverable 3: Timely availability and utilisation of quality data and statistics for foresight-oriented policy formulation, planning and service delivery

This deliverable entails increasing the disaggregation and frequency of published data and statistics beginning 2025, along with strengthening the quality of administrative data across 12 priority sectors: energy, telecom, banking, trade, tourism, tax, traffic, health, education, agriculture, labour and employment, and civil registration. It also involves operationalising a Civil Registration and Vital Statistics (CRVS) system that meets international standards by 2025, and establishing a fully equipped and resourced statistical structure by 2028.

Deliverable 4: A strengthened digital ecosystem which drives the transformation of the economy and the public sector.

This involves achieving 99.9 percent of uptime on payment gateways for both domestic and international payments by 2029; advancing the data maturity level for Data-Driven Governance from ‘Level 2-Data Capable’ to ‘Level 4- Informed’; and improving the cyber-security maturity level from ‘Level 1: start-up’ to ‘Level 4: Strategic’.

Moreover, Bhutan’s score on the GovTech Maturity Index (GTMI) should improve from ‘High’ to ‘Very High’ i.e. on the Digital Citizen Engagement Index (DCEI), the Public Service Delivery Index, the Core Government Systems Index (CGSI) and the GovTech Enablers Index (GTEI).

6.3 Inclusive, transparent and accountable access to justice

6.3.1 Key challenges and issues

The rule of law and access to justice: The rule of law is foundational to ensuring peace, opportunity and justice – as it underpins sustainable development, accountable governance, and respect for fundamental rights that are guaranteed by the Constitution. Despite its very strong socio-economic progress, Bhutan’s rule of law index score is at 69, ranking it 39th of 150 countries in the global listings; a score of 100 indicates a very high rule of law.⁶¹ Enhancing access to justice is a key priority, as recommended by the *Corruption Perception Index 2023*, which entails streamlining judicial processes and enhancing business regulatory environments.

A key challenge to dispensing timely justice services is the lack of capacities and specialised skills for dealing with increasingly complex cases. The absence of an

⁶¹ World Economics data accessed from <https://www.worldeconomics.com/> in May 2024.

effective system for enforcement has resulted in several judgments remaining unenforced, impacting public confidence in the judiciary. Procedural irregularities and inconsistencies are often the result of ambiguity in the *Civil and Criminal Procedure Code (CCPC)*.

The provision of legal aid to indigent persons is yet to be fully materialised, as the Legal Aid Centre under the Bhutan National Legal Institute (BNLI) requires human resources and the capacity to provide services. As a significant portion of criminal caseloads involve misdemeanour, petty misdemeanour and violation offences, there is a need for strengthening restorative justice measures particularly for children.

The integration of data systems within the justice sector is crucial for effective and efficient delivery of justice services – but the current lack of linkages hinders information sharing and causes delays to prosecutors and investigators for timely follow-up of cases. The judiciary has been criticised both for slow delivery and a lack of transparency. In 2023, a total of 9,837 new cases were registered and 1,773 cases were carried forward from 2022 – of which 85.30 percent were addressed. Of the total 1,621 cases pending, 11.04 percent were pending beyond 12 months.⁶²

Increasing corruption: While the level of corruption in Bhutan is relatively low compared to other countries, recent findings by various agencies indicate a concerning surge in corruption. On Transparency International's Corruption Perception Index for 2023, Bhutan scored 68 points consecutively for the 6th year in a row and has been ranked 26th for the 3rd consecutive year. Bhutan is among 124 countries that have stagnant scores and has been consecutively placed in sixth position in the Asia and Pacific region for the past 10 years.⁶³

Although Bhutan's overall integrity score has improved over the years, the perception of respondents on corruption in Bhutan has increased to 38.3 percent in the 2022 and 2019 surveys, from 24 percent in 2016 and 14% in 2012,⁶⁴ which corresponds to the increasing number of complaints received by the Anti-Corruption Commission (ACC) in the last decade.

The summary of national audit findings compiled from 327 reports highlighted financial irregularities of BTN 7,525.50 million during FY 2021-2022, of which 71.61 percent pertained to budgetary agencies and 28.40 percent to non-budgetary agencies. Of the total fraud and corruption amounted to BTN 26.14 million, non-compliance with laws, rules and regulations accounted for BTN 2.03 million, and

⁶² Judiciary of Bhutan (2023). *Annual Report 2023*.

⁶³ Data and information accessed from: <https://www.transparency.org/en/cpi/2023/index/btn>; and <https://bhantransparency.org>

⁶⁴ Anti-Corruption Commission, Bhutan (June 2023). *National Integrity Assessment 2022*.

BTN 5.46 million was related to shortfalls (0.35%), lapses (27.09%) and deficiencies (72.56%).⁶⁵

Parliamentary capacity: Bhutan's Parliament has demonstrated relatively high legislative productivity over the decades. However, to effectively discharge the full range of its functions, there is a need to strengthen institutional capacities in several key areas, including the monitoring of implementation of plans and policies, particularly at the local levels with direct benefits accruing to local communities. Parliamentary committees can play a more proactive role, which will require the technical capacities of Members of Parliament (MPs) and staff to be strengthened.

MP's legislative and oversight functions also require more regular and systematic outreach to citizens, and particularly with their constituencies. A recent needs assessment found that the National Assembly of Bhutan (NAB) had conducted only one public hearing since its establishment in 2008, and identified resource constraints and relatively low levels of skills and confidence among MPs as impeding the more systematic roll-out of public hearings.⁶⁶

6.3.2 Key deliverables

Outcome 2: *Bhutan's state institutions ensure inclusive, effective and accessible justice, transparent rule of law, and public oversight.*

The 13th FYP shall ensure that Bhutan's state institutions are appropriately capacitated to uphold the rule of law – so that the Bhutanese enjoy equitable access to an inclusive and effective justice system and are empowered to participate more effectively in the national agenda and public space. With effective delivery of oversight roles by duty bearers, Bhutanese society will see reduced corruption and improved integrity.

Progress towards this outcome will be gauged by improvements in Bhutan's scores on the Corruption Perceptions Index and the Voice and Accountability Index including voter turnout, as well as on its national integrity score and public satisfaction in justice services.

Deliverable 1: An effective and citizen-centric justice sector

Facilitated by an integrated justice sector data management system, this requires improvement in the annual clearance rate of registered cases (from 82 % to 87 %), and an increase in the number of cases heard (from 3% to 15%) using an e-litigation

⁶⁵ Royal Audit Authority (2022). Annual Audit Report 2021-2022.

⁶⁶ <https://www.idea.int/news-media/news/workshop-encourages-bhutan%E2%80%99s-parliament-adopt-public-hearings-engage-citizens>

platform. It also calls for reduced administrative complaints related to corruption (from 37.5% to 5% or less), as well as a reduction (by half from 62%) in pending enforcement rate for state prosecuted cases.

Deliverable 2: Enhanced parliamentary and oversight bodies.

This requires all inconsistent and conflicting laws to be harmonised beginning in 2024. Voter turnout is expected to be maintained at 66 to 70 percent for the National Assembly, 52 percent for the National Council, and 55 percent for the local governments. It also requires a larger proportion of audit issues to be resolved within one year from the date of issue of report – to be increased from 40 percent to 60 percent.

Corruption risks should be mitigated particularly in major sectors such as forestry, agriculture and livestock, healthcare, election, public procurement, financial services, export and import, hydropower, tourism and, environment, among others. Concurrently, there should be improvement in the Anti-Corruption Commission's performance score – from 'medium' to 'high' on all indicators – along with increased proactive research and intelligence-based investigation.

6.4 Strategies and programmes

The governance cluster outputs across the two outcome areas will be delivered through the implementation of the Transformational Governance Programme and the Digital Transformation Programme. Together, these initiatives will enable the effective implementation of programmes across the social, economic and security clusters towards creating a healthy, prosperous, and secure Bhutan.

6.4.1 Transformational Governance Programme

The Transformational Governance Programme programme aims to transform governance by adopting a whole-of society approach, underpinned by agile and foresight-driven anticipatory governance mechanisms. By breaking down silos, leveraging technology and promoting inter-agency, cross-sectoral and central-local collaboration, the collective expertise and resources across sectors will be optimised to address complex challenges and achieve common objectives.

This includes engaging with CSOs for effective and efficient implementation of relevant programmes and activities, and strengthening the role of media for accountability and amplifying the voice of the people. Through this programme, the 13th FYP deliverables and other regular public services will be pursued and delivered with renewed urgency and commitment.

The programme will be driven by the Governance Cluster comprising the Cabinet Secretariat and the Office of the Prime Minister, Anti-Corruption Commission (ACC), Office of the Attorney General (OAG), Judiciary, Bhutan National Legal Institute (BNLI), Election Commission of Bhutan (ECB), Royal Civil Service Commission (RCSC), Centre for Bhutan and GNH Studies (CBS), National Statistical Bureau (NSB), National Assembly, National Council, Royal Monetary Authority (RMA), Ministry of Finance (MoF), and the GovTech Agency.

However, since governance encompasses all sectors and levels, the other three clusters will also contribute to the programme by implementing transformational activities. A total outlay of BTN 267,000 million is allocated to support the implementation of 18 projects under this programme.

Strategy 1: Building an agile, high-performing fit-for-purpose public services sector

Through agencification - the creation of autonomous agencies within the public service - and organisational development, an agile, high-performing fit-for-purpose public service sector will be built as a key driver for and enabler of the effective implementation of the 13th FYP. Agencies will be repurposed and restructured for greater accountability, efficiency and productivity.

The human resource (HR) management system and approach to human resources (HR) development will be revamped and strengthened to enhance capacities and maximise the potential of public servants. Strategic resource management practices will be adopted to ensure efficient allocation, utilisation and impact of resources. This includes implementing sound financial management systems, conducting regular audits, and promoting fiscal discipline.

To improve public service delivery, the capacities of frontline staff in central and local government agencies will be built and enhanced, and appropriate equipment will be provided. New models of service delivery will be developed for cost-efficient and improved services. This includes outsourcing relevant services to the private sector where possible by the Public Service Delivery Division in coordination with the relevant agencies.

To foster an environment that encourages innovation, embraces change and values continuous learning, the adoption of a citizen-friendly and service-oriented mindset will be prioritised, along with engagement in effective collaboration with businesses and citizens. This will be facilitated by creating platforms for open dialogue, partnership, and cooperation to strengthen Government-to-Government (G2G), Government-to-Business (G2B) and Government-to-Citizen (G2C) interactions.

Through G2G engagement, collaboration within government agencies will be enhanced to avoid duplication, minimise expenses and create synergy in discharging mandates. Private sector participation, investment, and innovation will be encouraged through G2B interactions. G2C initiatives will promote citizen engagement and feedback to ensure that policies and services meet their needs. Data exchange platforms will be pursued by leveraging technologies while ensuring compliance with the rule of law.

For better coordination, implementation and results, existing public policies will be revisited, harmonised and simplified as needed. Systems will be strengthened by adopting a whole-of-government integrated policies and a results-based development planning, implementation and monitoring approach. The strengths of all relevant stakeholders including local governments and CSOs will be leveraged for better results and efficiency, and local governments in particular will be key agents of implementation.

Strategy 2: Strengthening state institutions to enhance rule of law and democratic processes

To enhance the rule of law, the Parliament in coordination with the OAG and other regulatory institutions will amend and harmonise inconsistent acts. Public hearing on laws and policies will be institutionalised to enable effective oversight and scrutiny of parliamentary and governmental processes. Post-legislative scrutiny will also be institutionalised to ensure that laws benefit citizens as intended.

The efficiency and effectiveness of justice sector services will be strengthened by instituting an integrated justice sector data management system. This will entail the integration of individual data management systems of agencies involved directly or indirectly in delivering justice services i.e. the judiciary, Office of the Attorney General (OAG), Anti Corruption Commission (ACC), Royal Bhutan Police (RBP), National Commission for Women and Children (NCWC), Royal Monetary Authority (RMA), National Assembly of Bhutan (NAB) and National Council of Bhutan (NCB).

The Royal Judicial Service Council will initiate procedural reforms to simplify case proceedings. Proper rules and guidelines will be adopted to supplement the Civil and Criminal Procedure Code and the Evidence Act 2005, to ensure uniform and consistent application of procedural laws and service delivery. A robust mechanism for effective enforcement of judgments will be initiated, with clear delineation of responsibilities and authority. A review of the requirements of redressal bodies will also be carried out by the OAG, Bhutan National Legal Institute (BNLI), Judiciary, ACC, NAB and NCB.

To enhance access to justice, the capacity of the Legal Aid Centre will be strengthened for the provision of legal aid services to indigent persons. The Judiciary will encourage restorative justice in cases involving first-time offenders as part of an overall crime reduction strategy and re-integration and decriminalisation measures.

A whole-of-systems approach will be adopted to prevent corruption. The Anti-Corruption Commission will lead innovative research and technology-driven corruption prevention measures in key public and private sectors. Meanwhile, the mainstreaming and institutionalisation of anti-corruption and integrity measures in all agencies including local governments will continue. In addition, integrity vetting and evidence-based investigations will be institutionalised. To better address more sophisticated and serious forms of corruption, the 13th FYP will see a shift towards proactive intelligence and research-based investigations.

To enhance public sector performance and accountability, the Royal Audit Authority will strengthen performance audits on emerging or topical issues. With more digital transformation initiatives across the public sector, ICT-related audits will also be conducted to ensure data integrity, confidentiality and availability. In addition, risk-based audits will be strengthened to identify and assess risks of material misstatement or non-compliance, amidst proliferation and divergence of business operations of audited agencies. This will involve professional capacities to be developed for data analytics, IT audits and other skill-sets.

To enhance oversight institutions, parliamentary collaboration with oversight bodies will be strengthened. A platform will be instituted for regular coordination, and sharing of facilities and resources. To facilitate Parliament's exercise of its oversight functions, an electronic dashboard with all the critical information pertaining to budget, plans and activities of the Dzongkhags and ministries will be created.

As a means to ensure greater impact and accountability of the Parliament, the enabling environment will be enhanced for CSOs, media and citizens to participate effectively in Bhutan's transformation processes. Citizen engagement is central to Bhutan's democratic processes, and CSOs and the media fulfil critical roles by drawing attention to new developments and raising awareness on issues, engaging in community outreach, mobilising resources, and contributing expertise in various fields.

The electoral process and democratic governance will be strengthened, by reviewing and reforming electoral policies and systems as needed. By leveraging technology, the Election Commission of Bhutan (ECB) will explore online voting systems.

Strategy 3: Improving data ecosystem and evidence-based decision-making

To support evidence-based decision-making and service delivery across all sectors, comprehensive national statistics will be developed and statistical systems will be strengthened. The appropriate statistical policies and strategies will be instituted, and an improved data methodology will be adopted.

This will entail ensuring data archival and confidentiality, improving quality of administrative data, rationalising data collection, ensuring availability of high frequency and high-quality data and statistics, and producing disaggregated data at the lowest levels. In addition, timebound interdisciplinary research will be conducted. A world-class Civil Registration and Vital Statistics will also be put in place.

These interventions will be led and delivered by the National Statistical Bureau, Centre for Bhutan and GNH Studies, and the Department of Culture.

Strategy 4: Strengthening economic management

To ensure robust management of the economy, the 13th FYP will see renewed focus on policy and institutional improvements in fiscal management, debt management, and monetary and liquidity management – with close monitoring of macroeconomic instabilities and exogenous shocks. The Ministry of Finance will ensure prudent use of financial resources, formulate and coordinate economic policies, and formulate prudent and sustainable fiscal policies. Fiscal policy reforms will include tax reform, implementation of a medium-term revenue strategy, and improvements in macroeconomic modelling and forecasting.

To strengthen public finance management, a medium-term budget framework and a debt strategy will be developed and implemented. Initiatives such as treasury single account (TSA), unified chart of accounts, and Public Investment Management System (PIMS) will be implemented. Measures to drive PPPs, and the outsourcing of taxpayer services such as accountancy and debt collection will be considered. Similarly, initiatives to improve public procurement, and the outsourcing of non-core services under the Department of Public Property to the private sector will be explored. In addition, reforms in SOEs will be initiated to explore the possibilities of privatisation.

The Royal Monetary Authority will undertake improvements in monetary policy and reserve management, by revisiting market-based policy framework and enhancing access to credit for productive sectors. It will look into a more diversified and balanced portfolio, to reduce the overall volatility of investments and enhance returns.

Overall, to ensure that sound macroeconomic decisions are taken in a timely manner, the Governance Cluster will closely monitor and exercise oversight over the 13th FYP economic development targets to reduce youth unemployment, maintain inflation and reduce the trade deficit.

Strategy 5: Mainstreaming cross-cutting issues

Building on progress made over previous plan periods, the 13th FYP will ensure continued mainstreaming of the cross-cutting principles of GECCDP: gender, environment, climate change, disaster, and poverty. Integration of these principles will not only support Bhutan's GNH-led development agenda, but will also help strengthen alignment with core principles of inclusion and sustainability as promoted by various international frameworks to which Bhutan is party.

The Cabinet Secretariat through the OCASC will ensure that all relevant themes are taken into consideration, making it a prerequisite for the four clusters and local governments to integrate GECCDP and other social inclusion concerns as relevant to their plans and programmes.

In doing so, it will be important to ensure that the various agencies and local governments have the capacity to carry out the integration process with its associated implications on budgetary and other implementation details. Moreover, to effectively address cross-cutting issues and achieve lasting impact, coordination and collaboration across sectors and with relevant civil society organisations will be facilitated.

Strategy 6: Leveraging digital technology for governance and public services

Digital technology will be leveraged as a strategic tool to enhance efficiency, transparency and accessibility of governance processes and public services. This involves embracing digital transformation across sectors, implementing e-governance initiatives, and promoting digital connectivity – which will be facilitated by the GovTech Agency with the implementation of the Digital Transformation Programme.

Through automation and digitisation, administrative procedures will be streamlined to facilitate citizen engagement, and to enable public servants to focus on strategic decision-making and the delivery of high-quality services. Emerging technologies such as artificial intelligence and data analytics will be leveraged to enable evidence-based decision-making, and to enhance the effectiveness of overall governance.

Digitising finance-related systems is crucial for driving economic growth, promoting financial inclusion, enhancing efficiency, and fostering innovation in the financial sector. Accordingly, the Bhutan Integrated Taxation System (BITS) and the Integrated Financial Management Information System (IFMIS) will be implemented. Existing systems like ePEMS, eGP, GIMS, ZEST and eDATS will also be integrated and systems like the electronic Customs Management System (eCMS), BRIMS and the property tax system will be enhanced with the support of the GovTech Agency.

6.4.2 Digital Transformation Programme

Bhutan's Digital Transformation Programme will steer the nation towards becoming a high-income GNH economy by fostering digital governance, economy and society and investing in key enablers.

The overall outlay for this programme is BTN. 10,000 million, of which BTN. 5,148.19 million will be invested in strengthening Digital Governance. BTN. 1,698 million is allocated for Digital Economy, BTN. 610.65 million is allocated to Digital Society and BTN. 2,542.34 million for enablers. The GovTech Agency will spearhead the implementation of this programme in close collaboration with all agencies across the four clusters.

Strategy 1: Promoting digital governance

Digital governance will involve rethinking public service delivery, revolutionising government operations, and implementing intelligent governance practices. Initiatives within public service delivery will prioritise the enhancement of efficiency and citizen satisfaction through technology-driven solutions. Meanwhile, efforts to transform government operations will target the reduction of operational costs and the process optimisation. Smart governance initiatives will underscore the importance of data-driven decision-making, citizen engagement, and open data initiatives.

These collective initiatives aim to modernise governance practices, elevate service delivery standards, and empower citizens by fostering trust and confidence in digital governance. The GovTech Agency will collaborate closely with governmental and private institutions, citizens, and other stakeholders, ensuring a comprehensive and inclusive approach to digital transformation.

Strategy 2: Building a thriving digital economy

The digital economy refers to economic activities driven by technology, encompassing ICT related activities of the IT industry, e-commerce and digital

media, with the latter including digital content creation, publication, online gaming, graphics and animation. This strategy will position technology as an enabler to boost the economy, and enhance the productivity and returns of other industries. It will contribute to the 13th FYP economic cluster goals of increasing GDP to USD five billion by 2029 and creating full employment with quality jobs. The target for the digital economy is to contribute USD 300 million to GDP by 2029 and USD 600 million by 2034, which translates to a five percent GDP contribution by 2029 and six percent by 2034.

Bhutan's digital economy will be driven by three main strategic actions:

- i) *Digitalising Industries*: This involves seamless integration of digital technologies across sectors to enhance operational efficiency. Initiatives include automating harvesting, optimising licensing and trade processes, mapping resources, advancing sustainable agriculture/livestock technologies, boosting digital tourism, and refining transport and data ecosystems.
- ii) *Strengthening the digital ecosystem*: The government will invest in digital businesses and innovation, supporting the establishment of e-commerce platforms, ensuring secure supply chains, facilitating global market access, and embracing emerging technologies.
- iii) *Accelerating ICT industry growth*: GovTech will foster innovation and sustainability within the ICT sector to amplify its economic impact. This will include globalising the industry, nurturing tech startups, and establishing a dedicated IT park. Additionally, collaboration between industry, academia and government will be strengthened while promoting a data economy and entrepreneurship.

Strategy 3: Cultivating a vibrant digital society

The 13th FYP will prioritise investments in creating a secure and cohesive society through the strategic use of digital technologies. Individuals and communities will be empowered to safely utilise digital tools and platforms to access information, connect with others, conduct transactions, and participate in civic activities.

The GovTech Agency will implement digital literacy and skills development programmes by training over 400,000 citizens on the safe use of online services including AI, online banking, video conferencing, and social media platforms, among other components.

In addition, digital platforms will be developed and enhanced to facilitate volunteerism, donations for charitable causes, and other community-building activities towards promoting community vitality.

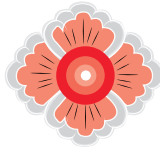
Strategy 4: Investing in key enablers

The government will prioritise investments in key enablers for implementing digital governance, fostering a thriving digital economy, and cultivating a vibrant digital society. Digital infrastructure is foundational for connectivity ensuring accessibility, affordability, and reliability. Besides infrastructure development, cutting-edge technologies will be embraced to drive efficiency gains, enhance services, and boost productivity across sectors.

A skilled digital workforce will be developed through comprehensive education and training initiatives. By nurturing a robust digital skills and talent pool, the aim is to maximise the benefits of digitalisation and promote inclusive growth. Simultaneously, legislation and regulatory frameworks will be modernised to adapt to the evolving digital landscape. Priority attention will be given to implementing robust cybersecurity protocols, fostering a culture of cyber resilience, and safeguarding digital assets.

Strengthening collaboration on research and development among government, industry, and academia will also be a key focus, and will help to foster a culture of innovation, seize new opportunities, and maintain a competitive edge in a rapidly evolving industry. Additionally, the introduction of testbeds will leverage Bhutan's strengths and opportunities, facilitating the exploration of new growth avenues in emerging technologies.





CHAPTER- 7

Local Government Plan





During the award of *Patang* to Chairpersons of the *Dzongkhag Yargay Tsogdu* of the 20 *Dzongkhags* in 2016, His Majesty the King emphasised that “*Local government is not the lowest level of government, but the nearest and closest level of government for the people.*”

Local governments play a key role in realising the objectives of successive FYPs. In addition to meeting the needs of the grassroots, local governments form the main vehicle for delivering national goals at the local level.

Guided by the national goal of achieving a *High-Income GNH Economy* by 2034, seven local governments Key Result Areas (LGKRAs) aligned with the eight national outcomes of the 13th FYP have been identified along with key initiatives to achieve them.

The LG Plans were prepared under the stewardship of *Dzongdags* and *Thrompons* of respective LGs, in consultation with *Gewogs* and other key stakeholders in the local communities.

7.1 Key deliverables- Local Government Key Result Areas

The LGs shall deliver the following seven results in the 13th FYP. Each of the deliverables has a corresponding set of Key Performance Indicators (KPIs):

1. By 2029, *Dzongkhag/Thromde* has vibrant local economy with enhanced productivity and diversified local products.
2. By 2029, more children access and benefit from quality education and skills development.
3. By 2029, more residents enjoy improved health and well-being.
4. By 2029, *Dzongkhag/Thromde* has proactive social security and support measures.
5. Safety and disaster risks in *Dzongkhag/Thromde* are mitigated and managed at all times.
6. Bhutanese identity, culture, and values are strengthened.
7. *Dzongkhag/Thromde*'s public services are citizen-centric and delivered seamlessly in an efficient and effective manner.

7.2 Common Minimum Infrastructure

The 13th Plan identifies the following common minimum infrastructure (CMI) for *Dzongkhags*, *Gewogs* and *Yenlag Throms*. Funds provided through Project Tied Works (SDP and PTA) shall be prioritized to ensure delivery of the CMIs.

✱ **Gewog**

- ✱ All weather pliable blacktopped GC Roads
- ✱ Improvement of Chiwog Roads
- ✱ Ensure safe drinking water supply to all households

✱ **Dzongkhag**

- ✱ Pothole free Internal roads in the Dzongkhag Throms
- ✱ Functional drainage and sewerage system
- ✱ Proper waste management system
- ✱ Ensure safe 24/7 drinking water supply to all households in the Dzongkhag Throms

✱ **Yenlag Throm**

- ✱ Pothole free Internal roads
- ✱ Functional drainage and sewerage system
- ✱ Proper waste management system
- ✱ Ensure safe 24/7 drinking water supply to all households

7.3 Resource Allocation Framework

The Resource Allocation Framework (RAF) for local governments was introduced in the 10th FYP and has since undergone refinement over subsequent FYPs. It has been useful in ensuring alignment of resources with national and local governments priorities, and fair allocation of resources to LGs. In the 13th FYP, the framework has been revised with the following objectives:

- i) Allocate capital resources, including annual grants, based on the principles of objectivity, transparency, equity, and predictability.
- ii) Provide a structured framework for distributing resources to local governments in a fair manner to address development needs and local priorities.
- iii) Facilitate local governments to prioritise and address key development challenges and maximise the impact of allocated resources.

The total indicative resources allocated to local governments is BTN 72,000 million for the 13th Plan. (Table 3)

Table 3: Indicative resource allocation

Fund Type	Dzongkhag (BTN million)	Gewog (BTN million)	Thromde (BTN million)	Total (BTN million)
Annual Grants	10,000	13,000	11,000	34,000
Project-tied Works	12,500	22,000	3,500	38,000
Total	22,500	35,000	14,500	72,000

Resources to the LGs shall be allocated through the following mechanisms:

Annual Grants

- Allocated based on a Resource Allocation Formula. Annual grants of BTN 34,000 million will be allocated to *Dzongkhags*, *Gewogs* and *Thromdes* based on the RAF described in Table 4
- The LGs shall, guided by the annual grants guideline, invest the annual grants in delivering the LGKRAs

Project-tied Works

- Allocated for *Chiwog* roads improvement, water supply and irrigation, chain link fencing, flood protection, land development and tourism product development among others prioritizing the CMIs defined under 7.2.
- Allocated for roads, waste management and water supply in *Thromdes*.
- Centrally coordinated projects for LGs, such as education facilities and services, healthcare services, *Gewog* centre roads, larger irrigation and drinking water schemes, digital infrastructure and services, and human settlement planning and utilities in *Dzongkhags*. LGs can choose to implement these projects if they have the implementation capacities.

Table 4: Resource allocation formula (RAF)

Criteria		Dzongkhag	Gewog	Thromde
Population	Average of Resident and Registered Population	25%	20%	-
	Resident Population	-	-	40%
Geographical Area		10%	10%	20%
Poverty Distribution (Headcount)		-	25%	10%

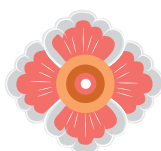
Climate Change Vulnerability Analysis Index	-	15%	10%
GNH Index (Inverse)	65%	15%	10%
Unemployment Distribution (Headcount)	-	-	10%
Transportation Index	-	15%	-
Total	100%	100%	100%

The detailed RAF allocation for each *Dzongkhag*, *Thromde* and *Gewog* are provided in Annex 2.

In addition to the above criteria, the maximum and minimum allocation to Dzongkhags and Gewogs have been smoothened by limiting within two standard deviations on both sides of the average allocation to remove outliers.

7.3.1 Resource allocation for 18 Dzongkhag Throms

In order to ensure improvement of the identified common minimum infrastructure in the Dzongkhag Throms, each of the 18 Dzongkhags, excluding Thimphu and Samdrupjongkhar, shall allocate 10% of their annual grants and SDP funds to the 18 Dzongkhag Throms.



CHAPTER- 8

Fiscal Outlook





8.1 Fiscal targets and resource projections

The fiscal policy objective in the plan period is to ensure robust and inclusive economic growth while maintaining fiscal prudence and macroeconomic stability. Based on the medium-term economic outlook, efforts shall be made to achieve the following fiscal targets:

1. Fiscal deficit to be contained at an average of 3 percent of GDP during the plan period.
2. Tax-to-GDP ratio to be above 15 percent.
3. Total central government debt (external and domestic) should not exceed 55 percent of GDP at any given year.
4. Maintain average annual inflation rate under 5 percent.

As presented in Table 5, the total resources are estimated at BTN 456,345 million against an outlay of BTN 512,283 million for the 13th FYP.

Table 5: Fiscal framework for 13th FYP (BTN in million)

	Particulars	2024/25	2025/26	2026/27	2027/28	2028/29	13 th FYP
A	Total resources	73,182	92,906	96,303	94,623	99,331	456,345
1	Internal resources	56,660	63,651	64,904	67,490	78,639	331,345
i	Domestic revenue	54,750	63,116	64,292	66,955	78,232	327,346
a	Tax revenue	39,246	44,076	46,162	48,292	52,846	230,623
b	Non-tax revenue	15,504	19,041	18,130	18,663	25,385	96,723
	o.w. Interest receipts	3,137	4,493	6,415	6,715	8,706	29,466
ii	Other receipts (including internal grants)	1,910	535	611	535	408	3,999
2	External grants	16,522	29,254	31,400	27,133	20,692	125,000
	Government of India	12,154	19,771	22,171	18,104	12,800	85,000
	Others	4,367	9,483	9,229	9,029	7,892	40,000
B	Outlay	89,154	101,511	105,947	106,477	109,193	512,283
1	Current	50,810	51,143	53,113	53,977	58,240	267,283
i	Primary current (regular)	43,663	42,589	42,579	43,063	45,464	217,358
ii	Interest payments	7,147	8,554	10,534	10,914	12,776	49,925
2	Capital	38,344	50,368	52,835	52,500	50,953	245,000
C	Fiscal balance	(15,972)	(8,605)	(9,644)	(11,854)	(9,862)	(55,938)
	Fiscal deficit (% of GDP)	(5.25)	(2.49)	(2.47)	(2.68)	(1.97)	(2.97)

Source: Macroeconomic Framework Coordination Committee, Ministry of Finance

Domestic revenue: Estimated at BTN 327,346 million during the 13th FYP period, domestic revenue shows a 71.7 percent growth from the 12th FYP. This revenue is anticipated to entirely cover the current expenditure and finance approximately 24.5 percent of the capital expenditure – with tax revenue contributing BTN 230,623 million and non-tax revenue amounting to BTN 96,723 million. To enhance domestic revenue mobilisation, a medium-term revenue strategy (MTRS) will be implemented, focusing on broadening the tax base to maintain a tax-to-GDP ratio above 15 percent and reviewing existing fiscal incentives and tax exemptions.

Grant: The total grant for the plan period is estimated at BTN 125,000 million, constituting 27 percent of total resources and financing at least 51 percent of the capital expenditure. A major portion of the external grant (BTN 85,000 million) is from the Government of India (GoI), and the remaining (BTN 40,000 million) is the estimated contribution from the European Union (EU), Japan, UN agencies and other development partners.

8.2 Expenditure and financing

The total outlay for the 13th FYP is projected at BTN 512,283 million, a 63 percent increase from the 12th FYP. Current expenditure is estimated at BTN 267,283 million, while capital expenditure stands at BTN 245,000 million. The growth in current expenditure primarily reflects increases in pay and allowances, general provisions, and interest payments for hydropower-loans. Revenue surplus will finance 24.5 percent of capital expenditure, grants will cover 51 percent and the remaining 24.5 percent will be financed through concessional external borrowings and domestic debt market borrowings.

The projected fiscal deficit for the 13th FYP is BTN 55,938 million, equivalent to 2.97 percent of GDP. External borrowing will be the primary source of financing, with a focus on securing highly concessional funds from institutions including the Asian Development Bank (ADB) and the World Bank (WB). Additionally, domestic funds will be raised through government bonds and treasury bills to achieve a balanced strategy for meeting the fiscal deficit.

By the end of the 13th FYP, it is estimated that public debt will be BTN 474,419.06 million, which is approximately 94.8 percent of estimated GDP. The majority (82.8 percent) of this debt – BTN 392,673.04 million – will be external, with hydropower debt stock accounting for 73.3 percent and non-hydropower debt accounting for 26.7 percent of total external debt. Domestic debt stock is estimated at BTN 81,746.02 million, or 17.2 percent of the total public debt. External debt is projected to decline from 92.9 percent to 78.5 percent of GDP by the end of the plan period, with non-hydropower external debt representing 21 percent of estimated GDP.

CHAPTER- 9

Implementation of the 13th FYP





His Majesty the King has always emphasised the importance of ensuring delivery and achieving the intended outcomes of the Five Year Plans. As the 13th FYP's success is contingent on how well and effectively it is executed on the ground, it needs to integrate all necessary measures to ensure its effective delivery. This includes the application of key strategies that make up the salient features of the 13th FYP, and the adoption of improved performance management and accountability measures.

9.1 Performance management and accountability

Aligning resource to aspirations: The first step involves allocating the available resources, both internal and external, to the goals and aspirations of the 13th FYP. This will ensure a clear understanding of what needs to be achieved and what resources are required to accomplish these goals effectively.

Annual performance planning and target-setting: Subsequently, the agencies responsible shall break down the five-year goals into annual deliverables, with measurable performance targets and clear line of sight towards the five-year goals. Annually, these targets shall be approved by the Prime Minister along with the required resources. Although the FYP shall maintain its focus on the goals to be achieved by 2029, the means to achieve them will be adaptable, allowing for the identification of new projects and mid-course adjustments.

Accelerating performance: A robust mechanism for performance coaching and evaluation is critical to support agencies in their efforts to meet their deliverables, especially for priority projects of the FYP. Such a mechanism shall be instituted under the Cabinet Secretariat to provide guidance, support and resources as needed to accelerate delivery of the key priorities.

Ensuring accountability: The 13th FYP's Results Framework maps out key performance indicators from national goals to outcomes, agency outputs and local government key result areas - establishing clear accountability for delivery. With explicit theories of change, each of the eight FYP outcomes is broken down into outputs and KPIs for agencies, while all local governments including Thromdes have been assigned key result areas with contextualised KPIs. Agency heads are responsible for meeting annual performance targets and ultimately achieving the FYP outcomes by 2029. This cascade of results right down to the agencies and their executives provides a basis for the Royal Civil Service Commission's individual performance management initiatives.

Change management: All agencies must ensure the alignment of all projects funded by donor and the Royal Government of Bhutan with the 13th Plan. The 13th Plan shall be reviewed and updated annually. Any revision to the 13th FYP targets, programmes, projects and activities shall only be carried out through approval by the Cabinet.

9.2 Salient features of the 13th FYP

The 13th Five Year Plan drawn has adopted a 10-year long-term timeframe:

The 13th FYP kickstarts the pursuit of Bhutan's long-term goal of becoming a high-income GNH country by 2034. The focus provided by this long-term strategic plan will enable greater collaboration among stakeholders, and more efficient and effective utilisation of resources. This includes increased private sector engagement in Bhutan's development process, through which the intention is to create more jobs over the plan period. Meanwhile, it will allow the government to focus on building infrastructure for uninterrupted connectivity, production and trade, as well as on removing policy barriers and streamlining public service delivery.

The 13th FYP focuses on economic development: Infrastructure, connectivity, technology and skills are key to economic development. As detailed in the Economic Transformation Programme, the 13th FYP will broaden the infrastructure base to support economic activities, upgrade and maintain connectivity, incentivise use and adoption of technology, and enable skilling for a market-ready workforce. Major allocation will be in potential economic sectors, and niche services will also be nurtured in areas that Bhutan has comparative advantage.

The 13th FYP standardises health and education services: Health and education services will be realigned to suit Bhutan's needs as it continues to experience persistent migration and its impacts. The standardisation of these services will enable efficient utilisation of infrastructure, facilities and resources. Effort will be made to mitigate incidences of low use of in health facilities and underworked health professionals, and to minimise incidences of empty classrooms in some schools and overcrowded classrooms and burdened teachers in others.

The 13th FYP uses a national spatial plan to guide infrastructure development:

Infrastructure development will be guided by the national spatial plan to ensure effective investment and growth. Thus, the 13th FYP will utilise existing infrastructure as appropriate and steer investments toward where there is a clear need to build infrastructure. Based on Bhutan's pursuit of space technology, spatial planning will be strengthened progressively.

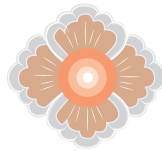
The 13th FYP allows annual planning flexibility for agencies and Local governments through three-year multi-year rolling planning and budgeting (MYRP): While the FYP is for a period of five years, the MYRP approach will be implemented in the 13th FYP and will build towards long-term strategic objectives. Annual plans and budgets will be based on the MYRP, anchored in measurable annual KPIs, and projects and activities will be implemented from the MYRP based on need. This will provide flexibility for agencies and local governments, enabling them to be robust, agile and dynamic and resulting in overall efficiency. Furthermore, the MYRPs will undergo mid-term reviews.

The 13th FYP strengthens the role of the private sector and CSOs: Given that the private sector and CSOs demonstrate greater efficiency in providing certain services, the 13th FYP will see a reduction in the role of the Government, as it instead focuses on setting standards and ensuring an enabling environment for greater participation of the private sector and CSOs towards achievement of the plan objectives

The 13th FYP facilitates a nimble and agile policy environment: A persistent challenge to the optimal achievement of FYP targets is the overwhelming number of policies and regulations, which are often contradictory to each other. The sector-specific nature of policies tends to protect sectoral interests while constraining holistic and cross-cutting service delivery. Similarly, various regulations framed in the interest of specific objectives tend to limit the advancement of other national objectives in absence of adequate harmonisation.

In a fast-changing world of advanced technology, artificial intelligence and innovation, conventional sector-based policies and regulations are emerging as a deterrent rather than an enabler of efficient public service delivery. Thus, in the 13th FYP, all policies that are contradictory in nature and pose barriers to the plan objectives will be superseded by the FYP through timely review and amendment by the Government.





CHAPTER– 10

Monitoring and Evaluation





The effective delivery of the 13th FYP relies on the dedicated and sustained efforts of agencies, facilitated by a robust national monitoring and evaluation (M&E) system. The existing M&E system will be strengthened with a national M&E framework encompassing the M&E landscape, institutional structures, reporting procedures, integrated national M&E systems, and M&E capacity requirements. The OCASC, in collaboration with all ministries, departments and agencies shall spearhead and carry out the overall M&E of the 13th FYP guided by the national M&E system framework.

10.1 Monitoring

Monitoring is a systematic process of tracking the progress of national goals, cluster and plan outcomes, agency outputs, projects and activities, and international development goals. It will provide strategic guidance and direction for timely interventions in implementing the 13th FYP. Monitoring can also trigger and inform evaluations.

Table 6: Monitoring Accountability Framework

Areas of monitoring	Reporting agency	Frequency of review	Accountability	Coordinating agency to report to
National goals (3Ps)	OCASC	Annual Mid-Term Final	Cabinet and Cabinet Secretary	Cabinet
Plan and cluster outcomes	PPDs of Cluster Coordinating Secretaries	Annual Mid-Term Final	Cluster Coordinating Secretaries	CASC, Cabinet Secretariat
Agency outputs	PPDs of Agencies	Mid-Term	Heads of agencies	OCASC, Cabinet Secretariat
LGKRAs	PPDs of LGs and OCASC	Final	10 - year Executive Secretaries	OCASC, Cabinet Secretariat
Annual performance target and budget delivery	Agencies	Annual Mid-Term Final	Heads of agencies and LGs	DPBP, MoF
International and regional developmental goals such as the SDGs and the Doha Programme of action	PPDs of relevant agencies	Annual	Cabinet	OCASC, Cabinet Secretariat

Guided by the M&E Framework, the OCASC will conduct annual, mid-term and final reviews based on the Monitoring Accountability Framework described in Table 6. The Results Matrix will form the basis for assessing the national goals, cluster and plan outcomes, agency outputs and LGKRAs. On an annual basis, the

Department of Planning, Budget and Performance (DPBP) under the Ministry of Finance shall monitor the implementation of projects and activities through the Annual Performance Targets and budgets in coordination with the OCASC.

10.2 Evaluation

Evaluation is the systematic and objective assessment of the design, implementation and results of development interventions such as a plan, programme, project, policy or regulation. It involves thorough research to establish the efficiency and effectiveness of programmes and policies and the application of standard evaluation criteria, i.e. impact, relevance, effectiveness, efficiency and sustainability.

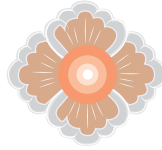
Evaluations are necessary to make the government and public service agencies more accountable to their stakeholders, and to ensure that the 13th FYP leads to desired results and outcomes through guided realignment and prioritisation. Quality and credible evaluations are needed to ensure balanced and informed decision-making at all levels of the government.

Table 7: Evaluation Accountability Framework

Areas of evaluation	Who will evaluate?	Frequency	Coordinating Agency
GNH Index	Center for Bhutan and GNH Studies (CBS)	Every 3 to 5 years	CBS
Final evaluation of the 13th Five Year Plan	CBS	End of FYP period	OCASC
Cluster and plan outcomes	CBS	Annually, minimum of two evaluations	OCASC
Select National Programmes, Policies, and Regulations	CBS and relevant teams	Annually, minimum of one evaluation for the Economic and Social cluster.	OCASC
Select projects of respective agencies	PPDs of agencies and LGs and Relevant Teams	Annually, minimum of one evaluation for each cluster and LGs.	Heads of agencies and LGs

The Cabinet, Committee of Four Coordinating Secretaries (C4CS), and heads of agencies and local governments shall identify areas of evaluation, develop annual evaluation plans and commission them accordingly. This shall be based on the Evaluation Accountability Framework described in Table 7, with mandatory evaluation/s for certain agencies to enhance the evaluation culture.

To ensure greater accountability and the efficient delivery of development projects, the 13th FYP shall actively promote social accountability. Thus, citizen participation will be encouraged in the monitoring and evaluation of development programmes within their communities.



CHAPTER– 11

Economic Stimulus Program



11.1 Background

The COVID-19 pandemic impacted the economy severely with growth contracting to a historic low of negative 10.2% in 2020. The Economic Stimulus Programme (ESP) is an urgent measure undertaken by the Government to stimulate the economy to quickly revive the distressed economy.

11.2 Objectives

The ESP aims to revive businesses impacted by COVID, create new business opportunities and jobs leading to enhanced domestic productive capacity, increased export

11.3 ESP fund

Nu 15 billion shall be invested over and above the 13th Plan within the next 2 years starting July 2024.

11.4 Areas of investments

The following are the key priority areas of investment under the ESP. The investments shall be made through a combination of fiscal and monetary measures. Common investments to create the required ecosystem based on value chain analysis shall be made through fiscal measures while affordable credit shall be made available through the financial institutes under the supervision of the Royal Monetary Authority.

- a. Agriculture and livestock business development:** Investments shall be made in enhancing production of priority crops and livestock, development of aggregators for livestock and agriculture products, and upscaling of existing agricultural farms as well as the development of new ones.
- b. Tourism development:** The measures would include providing affordable credit support to upscale lower-end hotels, support tourism marketing, enhancing existing products and developing new products.
- c. Creative industry:** Investments shall be made in the promotion of creative arts, film, music and digital animation.
- d. Support to cottage and small industries, startups:** Support shall be provided to start new businesses and expand and upscale existing CSIs.

- e. Skills development and entrepreneurship programme:** Entrepreneurship training and mentoring including setting up of a business incubation centers will be supported especially for youths.
- f. Youth employment, education and training:** Target support for facilitating youth employment including affordable credit to support education and training.
- g. Housing and construction:** Support home ownership through affordable loans for home ownership.
- h. Business reinvigoration:** Support to help distressed businesses under Non-Performing Loans.

11.5 Implementation mechanism

The Cabinet shall be the ultimate authority for making decisions on the implementation of the ESP. The ESP Steering Committee chaired by Hon'ble Finance Minister shall be in charge of overseeing the implementation, problem solving, monitoring and updating the Cabinet on the progress. The Steering Committee will be supported by the Technical Committee, comprising economists, business and financial analysts from MoF, DHI, and RMA mainly to provide technical backstopping.

The ESP Secretariat, established within the Office of Cabinet Affairs and Strategic Coordination under the Cabinet Secretariat, will serve as a delivery unit for ESP. The primary role of the Secretariat will be to coordinate and monitor the implementation of ESP.

11.6 Transparency and accountability

The ESP projects and activities shall be incorporated into the annual budget and submitted to the Parliament as part of the annual budget appropriation bill by the Government every year.

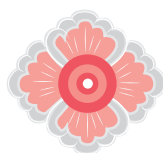
The nation shall be updated on the progress of the implementation of the ESP through the State of the Nation Report by the Hon'ble Prime Minister on an annual basis.

GLOSSARY

Glossary of terms

Term	Definition
BtCIRT	Bhutan Computer Incident Response Team
Chiwog	A unit under a gewog
DGRK	Welfare program instituted for the people during the COVID-19 pandemic by His Majesty The King
Dratshang Lhentshog	The Commission for the Monastic Affairs of Bhutan
Driglam Namzha	Driglam Namzha is described as Bhutan's code of etiquette.
Drukylu	Synonym of Bhutan. The Land of the Thunder Dragon
Dzong	Fortress which is commonly used as an administrative center and traditionally is the abode of monks
Dzongdags	District administrator
Dzongkha	National language of Bhutan
Dzongkhag	District
EDB	Economic Development Board mandated to expedite business establishment processes and attracting Foreign Direct Investments (FDI)
Gewog	County
GNH	Gross National Happiness. Bhutan's guiding philosophy for balanced, sustainable and inclusive socio-economic development
GovTech	An autonomous agency mandated to drive digital transformation to enhance the effectiveness and efficiency of the government, transform public services to be citizen-centric, and create a safe and thriving Bhutanese digital economy
Kidu	Benefits granted by the King or the government of Bhutan
LGKRA	Local Government Key Result Area. Developmental results of Local Governance
Lhakhangs	Temple

LUC	Linked Urban Centres. Multiple urban areas connected and integrated through various forms of infrastructure, governance, and economic activities
NCR	National Capital Region. Greater region including the immediate districts around the Capital
NGP	National Gyalsung Programme. A one-year integrated training programme for all Bhutanese attaining age of 18
OCASC	Office of Cabinet Affairs and Strategic Coordination. An office under the Cabinet Secretariat responsible for Planning, Coordination and M&E
Sorig	Sorig or Sowa Rigpa is a traditional holistic system of medicine practiced in Bhutan
Tha Damtshig and Ley Judrey	Tha Damtshig means 'Integrity and Loyalty' and Ley Judrey means 'Karmic consequences of one's actions'
The PEMA Secretariat	Office addressing mental health issues
Thromde	Municipality
Thrompon	Elected head of a Municipality
Zorig Chusum	13 traditional arts and crafts



ANNEXES

Annex 1: Indicative Outlay for the 13th FYP

Annex 1a: Agency wise Indicative Outlay

Sl. #	AGENCY	Indicative Outlay (BTN in million)
1	Ministry of Energy and Natural Resources	8,532.46
2	National Centre for Hydrology and Metereology	1,704.60
3	Ministry of Infrastructure and Transport	45,000.00
4	Bhutan Civil Aviations Authority	150.00
5	Bhutan Construction and Transport Authority	92.35
6	Ministry of Agriculture and Livestock	15,000.00
7	Ministry of Industry, Commerce and Employment	9,480.71
8	Bhutan InfoComm and Media Auhtority	792.00
9	Corporate Regulatory Authority	115.00
10	Bhutan Standard Bureau	97.00
11	Competition and Consumer Affairs Authority	52.00
12	Ministry of Education and Skills Development	33,355.40
13	Royal University of Bhutan	2,628.00
14	Khesar Gyalpo University of Medical Sciences of Bhutan	1,566.00
15	Jigme Singye Wangchuck School of Law	1,158.10
16	Royal Institute of Management	500.00
17	Ministry of Health	19,125.19
18	Bhutan Olympic Committe	1,000.00
19	Ministry of Foreign Affairs and External Trade	1,516.47
20	Ministry of Home Affairs	5,824.77
21	Royal Bhutan Police	1,437.44
22	Dratshang Lhentshog	947.00
23	Royal Civil Service Commission	2,000.00
24	GovTech	10,000.00
25	Ministry of Finance	10,000.00
26	Cabinet Secretariat/PMO	2,534.32
27	National Statistics Bureau	200.00

28	Centre for Bhutan and GNH Studies	40.00
29	Bhutan National Legal Institute	113.95
30	Judiciary	150.00
31	Office of Attorney General	92.40
32	Election Commission of Bhutan	400.25
33	Anti-Corruption Commission	237.75
34	National Assembly	14.41
35	Royal Audit Authority	128.00
36	National Council	14.41
37	Local Government (Annual Grants and Project-tied allocation)	72,000.00

Annex 1b: Programme wise Resource Allocation

Sl.#	Programme	Total Allocations (BTN in million)
1.	Digital Transformation	10,000
2.	Economic Transformation	80,000
3.	Education Transformation	30,000
4.	Healthy Drukyl	20,000
5.	Socio-cultural Resilience and Community Vitality	12,000
6.	21 st Century Workforce Skilling	10,000
7.	Climate Resilience and Ecological Diversity	14,000

Annex 2: Annual Grant Allocation for Local Governments

Annex 2a: Annual Grant Allocation for Dzongkhags

Sl. #	Dzongkhag	Total Allocation (BTN in million)	Sl. #	Dzongkhag	Total Allocation (BTN in million)
1	Bumthang	412.02	11	S/Jongkhar	544.71
2	Chhukha	512.79	12	Samtse	618.57
3	Dagana	442.51	13	Sarpang	544.11
4	Gasa	424.61	14	Thimphu	480.65
5	Haa	402.42	15	Trashigang	608.22
6	Lhuentse	438.94	16	Trashiyangtse	536.78
7	Mongar	484.47	17	Trongsa	494.22
8	Paro	470.59	18	Tsirang	466.49
9	Pemagatshel	518.14	19	W/Phodrang	577.38
10	Punakha	506.54	20	Zhemgang	515.84
			Total		10,000

Annex 2b: Annual Grant Allocation for Thromdes

Sl. #	Thromde	Total Allocation (BTN in million)
1	Thimphu	6,212.10
2	Phuentsholing	2,194.10
3	Gelephu	1,456.86
4	Samdrup Jongkhar	1,136.95
	Total	11,000

Annex 2c: Annual Grant Allocation for Gewogs

Sl. #	Dzongkhag	Gewog	Total Allocation (BTN in million)	Sl. #	Dzongkhag	Gewog	Total Allocation (BTN in million)
1	Bumthang	Chhoekhor	86.59	32	Gasa	Laya	69.82
2	Bumthang	Chhumig	68.76	33	Gasa	Lunana	87.61
3	Bumthang	Tang	69.43	34	Haa	Bji	64.38
4	Bumthang	Ura	62.35	35	Haa	Gakiling	62.80
5	Chukha	Bjagchhog	64.26	36	Haa	Kar-tshog	51.72
6	Chukha	Bongo	91.75	37	Haa	Samar	56.37
7	Chukha	Chapchha	58.79	38	Haa	Sangbay	61.29
8	Chukha	Darla	82.51	39	Haa	Uesu	54.24
9	Chukha	Doongna	61.13	40	Lhuentse	Gangzur	71.65
10	Chukha	Geling	56.40	41	Lhuentse	Jarey	64.73
11	Chukha	Getana	62.05	42	Lhuentse	Khoma	67.41
12	Chukha	Loggchina	63.73	43	Lhuentse	Kurtoed	70.16
13	Chukha	Maedtabkha	57.77	44	Lhuentse	Maenbi	63.15
14	Chukha	Phuentshogling	79.86	45	Lhuentse	Maedtsho	63.66
15	Chukha	Samphelling	66.35	46	Lhuentse	Minjey	60.95
16	Dagana	Dorona	58.63	47	Lhuentse	Tsaenkhar	67.32
17	Dagana	Drukjeygang	57.47	48	Mongar	Balam	61.31
18	Dagana	Gesarling	54.16	49	Mongar	Chhaling	59.30
19	Dagana	Gozhi	57.90	50	Mongar	Chagsakhar	63.64
20	Dagana	Karmaling	54.14	51	Mongar	Dramedtse	63.86
21	Dagana	Karna	63.43	52	Mongar	Drepoong	57.48
22	Dagana	Khebisa	58.46	53	Mongar	Gongdue	69.24
23	Dagana	Largyab	55.48	54	Mongar	Jurmed	65.73
24	Dagana	Lhamoi Dzingkha	57.19	55	Mongar	Kengkhar	72.22
25	Dagana	Nichula	53.64	56	Mongar	Monggar	62.03
26	Dagana	Tashiding	58.10	57	Mongar	Narang	60.22
27	Dagana	Tsangkha	57.99	58	Mongar	Ngatshang	58.17
28	Dagana	Tsenda-Gang	60.30	59	Mongar	Saling	68.78
29	Dagana	Tseza	61.51	60	Mongar	Shermuhoong	65.91
30	Gasa	Khamaed	54.25	61	Mongar	Silambi	68.55
31	Gasa	Khatoed	54.05	62	Mongar	Thang-Rong	64.13

Sl. #	Dzongkhag	Gewog	Total Allocation (BTN in million)	Sl. #	Dzongkhag	Gewog	Total Allocation (BTN in million)
63	Mongar	Tsakaling	60.89	95	Punakha	Toedpaisa	56.34
64	Mongar	Tsamang	60.65	96	Punakha	Toedwang	60.19
65	Paro	Dokar	55.00	97	S/Jongkhar	Dewathang	58.57
66	Paro	Dopshar-ri	55.23	98	S/Jongkhar	Gomdar	72.87
67	Paro	Doteng	53.98	99	S/Jongkhar	Langchenphu	60.23
68	Paro	Hoongrel	47.11	100	S/Jongkhar	Lauri	70.84
69	Paro	Lamgong	58.32	101	S/Jongkhar	Martshala	68.84
70	Paro	Loong-nyi	58.14	102	S/Jongkhar	Orong	68.84
71	Paro	Nagya	65.56	103	S/Jongkhar	Pemathang	59.12
72	Paro	Sharpa	62.12	104	S/Jongkhar	Phuentshogthang	73.30
73	Paro	Tsento	66.97	105	S/Jongkhar	Samrang	51.15
74	Paro	Wangchang	51.67	106	S/Jongkhar	Serthig	67.31
75	P/gatshel	Chhimoong	57.29	107	S/Jongkhar	Wangphu	66.69
76	P/gatshel	Chhoekhorling	56.73	108	Samtse	Norgaygang	78.13
77	P/gatshel	Chongshing	57.81	109	Samtse	Pemaling	71.09
78	P/gatshel	Dechenling	62.09	110	Samtse	Sangacholing	69.43
79	P/gatshel	Dungmaed	60.28	111	Samtse	Norbugang	68.79
80	P/gatshel	Khar	63.26	112	Samtse	Denchukha	66.29
81	P/gatshel	Nanong	63.94	113	Samtse	Dophuchen	81.61
82	P/gatshel	Norboogang	75.21	114	Samtse	Doomtoed	61.86
83	P/gatshel	Shumar	70.80	115	Samtse	Namgyalchhoeling	75.02
84	P/gatshel	Yurung	57.10	116	Samtse	Phuntshopelri	81.72
85	P/gatshel	Zobel	60.78	117	Samtse	Samtse	67.53
86	Punakha	Barp	55.76	118	Samtse	Tashichoeling	62.20
87	Punakha	Chhubu	55.32	119	Samtse	Tading	74.59
88	Punakha	Dzomi	53.06	120	Samtse	Tendruk	78.54
89	Punakha	Goenshari	52.11	121	Samtse	Ugyentse	56.01
90	Punakha	Guma	55.50	122	Samtse	Yoeseltse	63.73
91	Punakha	Kabisa	58.49	123	Sarpang	Samtenling	55.83
92	Punakha	Lingmukha	53.21	124	Sarpang	Chuzanggang	57.61
93	Punakha	Shelnga-Bjemi	52.17	125	Sarpang	Dekiling	62.55
94	Punakha	Talog	53.43	126	Sarpang	Chudzom	61.90

13th Five Year Plan

Sl. #	Dzongkhag	Gewog	Total Allocation (BTN in million)	Sl #	Dzongkhag	Gewog	Total Allocation (BTN in million)
127	Sarpang	Gelegphu	59.39	154	T/yangtse	Toedtsho	64.74
128	Sarpang	Gakiling	56.59	155	T/yangtse	Tongmijangsa	63.20
129	Sarpang	Jigme Chhoeling	64.95	156	T/yangtse	Yalang	61.25
130	Sarpang	Serzhong	57.53	157	T/yangtse	Yangtse	64.96
131	Sarpang	Shompangkha	52.77	158	Thimphu	Chang	56.68
132	Sarpang	Sengghey	53.64	159	Thimphu	Darkarla	51.58
133	Sarpang	Tareythang	47.69	160	Thimphu	Ge-nyen	50.09
134	Sarpang	Umling	56.29	161	Thimphu	Kawang	60.53
135	Trashigang	Bartsham	60.55	162	Thimphu	Lingzhi	62.81
136	Trashigang	Bidungg	61.42	163	Thimphu	Maedwang	62.62
137	Trashigang	Kanglung	79.88	164	Thimphu	Naro	57.85
138	Trashigang	Kangpar	67.06	165	Thimphu	Soe	59.23
139	Trashigang	Khaling	71.28	166	Trongsa	Draagteng	82.64
140	Trashigang	Lumang	70.87	167	Trongsa	Korphu	63.36
141	Trashigang	Merag	71.09	168	Trongsa	Langthil	81.10
142	Trashigang	Phongmed	70.87	169	Trongsa	Nubi	81.71
143	Trashigang	Radhi	67.70	170	Trongsa	Tangsibji	65.08
144	Trashigang	Sagteng	71.52	171	Tsirang	Barshong	56.71
145	Trashigang	Samkhar	64.51	172	Tsirang	Patshaling	57.59
146	Trashigang	Shongphu	73.39	173	Tsirang	Dunglagang	61.52
147	Trashigang	Thrimshing	65.65	174	Tsirang	Gosarling	57.44
148	Trashigang	Udzorong	70.93	175	Tsirang	Kilkhorthang	58.14
149	Trashigang	Yangnyer	64.51	176	Tsirang	Mendrelgang	57.50
150	T/yangtse	Bumdeling	74.52	177	Tsirang	Sergithang	64.29
151	T/yangtse	Jamkhar	59.43	178	Tsirang	Pungtenchhu	62.71
152	T/yangtse	Khamdang	70.81	179	Tsirang	Rangthangling	58.51
153	T/yangtse	Ramjar	58.37	180	Tsirang	Semjong	59.51

Sl.#	Dzongkhag	Gewog	Total Allocation (BTN in million)	Sl.#	Dzongkhag	Gewog	Total Allocation (BTN in million)
181	Tsirang	Tsholingkhar	60.18	194	Wangdue	Phobji	62.95
182	Tsirang	Tsirang Toed	59.31	195	Wangdue	Ruebisa	63.42
183	Wangdue	Athang	64.66	196	Wangdue	Saephu	71.60
184	Wangdue	Bjenag	62.92	197	Wangdue	Thedtsho	59.05
185	Wangdue	Darkar	74.55	198	Zhemgang	Bardo	74.77
186	Wangdue	Dangchhu	63.31	199	Zhemgang	Bjoka	63.76
187	Wangdue	Gangteng	59.86	200	Zhemgang	Goshing	68.52
188	Wangdue	Gase Tshogongm	59.00	201	Zhemgang	Nangkor	76.00
189	Wangdue	Gase Tshowogm	55.00	202	Zhemgang	Ngangla	76.89
190	Wangdue	Kazhi	67.03	203	Zhemgang	Phangkhar	70.01
191	Wangdue	Nahi	54.40	204	Zhemgang	Shingkhar	69.86
192	Wangdue	Nyishog	67.95	205	Zhemgang	Trong	66.24
193	Wangdue	Phangyuel	57.18	Total			13,000


Annex 3: Bhutan's Key International Commitments

Annex 3a: Human Rights Conventions Signed and Ratified by Bhutan

Sl. #	Treaty Name	Treaty Acronym	Signature Date	Ratification Date
1	Convention on the Elimination of All Forms of Discrimination against Women	CEDAW	17 July 1980	31 August 1981
2	International Convention on the Elimination of All Forms of Racial Discrimination	CERD	26 March 1973	Not ratified
3	Convention on the Rights of the Child	CRC	04 June 1990	01 August 1990
4	Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict	CRC-OP-AC	15 September 2005	09 December 2009
5	Optional Protocol to the Convention on the Rights of the Child on the sale of children child prostitution and child pornography	CRC-OP-SC	15 September 2005	26 October 2009
6	Convention on the Rights of Persons with Disabilities	CRPD	21 September 2010	2023

Annex 3b: Multilateral Environmental Agreements (MEA) to which Bhutan is Party

Sl. #	Multilateral Environment Agreement or Treaty	Signature Date	Ratification/ Accession/ Succession Date
1	United Nations Framework Convention on Climate Change	1992	25 August 1995
2	Convention on Biological Diversity		1995
3	International Plant Protection Convention		June 1994
4	UN Convention on the Law of Sea		December 1982
5	Kyoto Protocol		26 August 2002
6	Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal		26 August 2002
7	Convention for International Trade in Endangered Species		August 2002
8	UN Convention to Combat Desertification		August 2003
9	Vienna Convention for the Protection of the Ozone Layer		23 August 2004
10	Montreal Protocol on Substances that Deplete the Ozone Layer		23 August 2004
11	South Asian Wildlife Enforcement Network		January 2010
12	Ramsar Convention on Wetlands of International Importance Especially as Waterfowl Habitat		January 2012
13	Nagoya Protocol (Access and Benefit Sharing)		30 September 2013
14	Kigali Amendment to the Montreal Protocol		27 September 2019
15	Paris Agreement	22 April 2016	19 September 2017



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