

**UNITED NATIONS COMMON COUNTRY ANALYSIS
2022**

BHUTAN

UNITED NATIONS COUNTRY TEAM

Acknowledgements

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Explanatory Notes

The fiscal year (FY) of the Royal Government of Bhutan and its agencies ends on 30th June 2023. The term FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY 2022 ends on 30 June 2022.

The term “dollar” (\$) refers to United States dollars, unless otherwise stated.

The term “billion” signifies 1,000 million.

The term “tonnes” refers to metric tonnes.

Annual rates of growth and change refer to *compound rates*.

Use of a dash (–) between dates representing years, e.g., 1988 – 1990, signifies the full period involved, including the initial and final years.

An oblique stroke (/) between two years, e.g., 2000/01, signifies a fiscal or crop year.

A dot (.) indicates that the item is not applicable.

Two dots (..) indicate that the data are not available or are not separately reported.

A dash (-) or a zero (0) indicates that the amount is nil or negligible.

Decimals and percentages may not necessarily add up due to rounding.

Information on uniform resource locators and links to websites contained in the present publication are provided for the convenience of the reader and are correct at the time of issuance. The United Nations takes no responsibility for the continued accuracy of that information or for the content of any external website.

Abbreviations and Acronyms

| | |
|-------------------|--|
| ABS | Ability Bhutan Society |
| ACC | Anti-Corruption Commission |
| ADA | Austrian Development Agency |
| ADB | Asian Development Bank |
| AFHS | Adolescent-friendly health services |
| AFP | UN Agencies, Funds and Programmes |
| APIC | Agency for Promotion of Indigenous Crafts |
| ARR | Annual Results Report |
| AWP | Annual Work Plan |
| BCSEA | Bhutan Council for School Examinations and Assessment |
| BDFC | Bhutan Development Finance Corporation |
| BHU | Basic Health Unit |
| BIOFIN | Biodiversity Finance Initiative |
| BITS | Bhutan Integrated Taxation System |
| BLSS | Bhutan Living Standards Survey |
| BMICS | Bhutan Multiple Indicator Cluster Survey |
| BNF | Bhutan Nuns Foundation |
| BSDS | Bhutan Statistical Database System |
| BSF | Bhutan Stroke Foundation |
| BTFEC | Bhutan Trust Fund for Environmental Conservation |
| BTI | Bertelsmann Stiftung Transformation Index |
| BTN | Bhutanese Ngultrum |
| BVS | Bhutan Vaccine System |
| C-MPI | Child Multidimensional Poverty Index |
| CAD | Current account deficit |
| CCA | Common Country Analysis |
| CCRI | Children’s Climate Risk Index |
| CEDAW | Convention on the Elimination of All Forms of Discrimination against Women |
| CERD | Convention on the Elimination of All Forms of Racial Discrimination |
| CF | Cooperation Framework |
| CIB | Credit Information Bureau |
| CICL | Children in Conflict with the Law |
| CICT | Case Investigation and Contact Tracing |
| CIDA | Canada International Development Agency |
| CIMS | Crime Information Management System |
| CMT | Crisis Management Team |
| CO ₂ e | Carbon dioxide equivalent |
| COVID-19 | Corona Virus Disease 2019 |
| CPB | Country Programme Board |
| CPI | Consumer Price Index |
| CPI | Corruption Perception Index |
| CPSUs | Central Public-Sector Undertakings |
| CRC | Convention on the Rights of the Child |
| CRPD | Convention on the Rights of Persons with Disabilities |
| CSE | Comprehensive sexuality education |

| | |
|--------|--|
| CSIs | Cottage and small-scale industries |
| CSO | Civil society organization |
| CSOA | Civil Society Organization Authority |
| DAC | Development Assistance Committee |
| DANIDA | Danish International Development Agency |
| DDM | Department of Disaster Management |
| DES | Department of Engineering Services |
| DESA | United Nations Department of Economic and Social Affairs |
| DET | Disability equality training |
| DEWA | Dashboard to Enhance Wellbeing of All |
| DFA | Development Finance Assessment |
| DGPC | Druk Green Power Corporation |
| DHI | Druk Holdings and Investments |
| DLG | Department of Local Government |
| DMCP | Disaster-Management contingency plans |
| DOA | Department of Agriculture |
| DoRF | Division of Responsibilities Framework |
| DPG | Development Partners Group |
| DPO | Disabled People's Organization of Bhutan |
| DRM | Disaster risk management |
| DRR | Disaster risk reduction |
| DSP | De-suung Skilling Programme |
| DTISU | Diagnostic Trade Integration Strategy Update |
| DYS | Department of Youth and Sports |
| ECCD | Early Childhood Care and Development |
| ECP | Economic Contingency Plan |
| EMIS | Educational Management Information System |
| EPR | Employment-to-population ratio |
| EU | European Union |
| FAO | Food and Agriculture Organization |
| FDI | Foreign direct investment |
| FGD | Focus group discussion |
| FP | Family planning |
| FYP | Five-Year Plan |
| GBV | Gender-based violence |
| GCF | Green Climate Fund |
| GDP | Gross Domestic Product |
| GEF | Global Environment Facility |
| GFR | General fertility rate |
| GHG | Greenhouse gas |
| GII | Gender Inequality Index |
| GLC | Government-linked companies |
| GLOF | Glacial lake outburst floods |
| GNH | Gross National Happiness |
| GNHC | Gross National Happiness Commission |
| GNHCS | Gross National Happiness Secretariat |
| GNI | Gross National Income |

| | |
|--------|--|
| GPMD | Government Performance Management Division |
| GRASP | Grow, Revive, Accelerate, Sustain and Protect |
| GRPB | Gender-responsive planning and budgeting |
| GST | Goods and Services Tax |
| GTZ | German Agency for Technical Cooperation |
| HACT | Harmonized Approach to Cash Transfer |
| HAI | Human Assets Index |
| HDI | Human Development Index |
| HRBA | Human-rights based approach |
| HRD | Human resource development |
| IATT | Inter-Agency Task Teams |
| IBLS | Integrated Business-Licensing System |
| ICAO | International Civil Aviation Organization |
| ICCPR | International Covenant on Civil and Political Rights |
| ICE | Internal combustion engine |
| ICESCR | International Covenant on Economic, Social and Cultural Rights |
| ICS | Incident Command System |
| ICT | Information and communications technology |
| IFAD | International Fund for Agricultural Development |
| IFI | International financial institutions |
| IHR | International Health Regulations |
| ILO | International Labour Organization |
| INFF | Integrated National Financing Framework |
| INR | Indian Rupee |
| IOM | International Organization for Migration |
| IPCC | Intergovernmental Panel on Climate Change |
| IPC-IG | International Policy Centre for Inclusive Growth |
| IPPs | Independent power producers |
| IPPU | Industrial process and product use |
| ITC | International Trade Centre |
| ITU | International Telecommunication Union |
| JAWP | Joint Annual Work Plans |
| JICA | Japan International Cooperation Agency |
| JPME | Joint planning, monitoring and evaluation |
| JSW | Jigme Singye Wangchuck (School of Law) |
| KGUMBS | Khesar Gyalpo University of Medical Sciences of Bhutan |
| KOICA | Korea International Cooperation Agency |
| KW | Kilowatt |
| LDC | Least Developed Countries |
| LDCF | Least Developed Country Fund |
| LDD | Local Development Division |
| LEDS | Low Emissions Development Strategy |
| LGBTIQ | Lesbian, Gay, Bisexual, Transgender, Intersex, Queer and Questioning |
| LIC | Low-income country |
| LMIC | Lower middle-income country |
| LNOB | <i>Leave No One Behind</i> |
| LoCAL | Local Climate Adaptative Living Facility |

| | |
|--------|--|
| LPG | Liquid petroleum gas |
| LPI | Logistics Performance Index |
| M&E | Monitoring and evaluation |
| MCA | Multi-criteria analysis |
| MCH | Maternal and Child Health |
| MDBs | Multilateral Development Banks |
| MDG | Millennium Development Goal |
| MEAs | Multilateral Environmental Agreements |
| MIC | Middle-income country |
| MIGA | Multilateral Investment Guarantee Agency |
| MIPPA | Madrid International Plan of Action on Ageing |
| MoAF | Ministry of Agriculture and Forests |
| MoE | Ministry of Education |
| MoF | Ministry of Finance |
| MoH | Ministry of Health |
| MoIC | Ministry of Information and Communications |
| MoLHR | Ministry of Labour and Human Resources |
| MOSIC | MoEA One-Stop Information Center |
| MoWHS | Ministry of Works and Human Settlements |
| MP | Member of Parliament |
| MPNDSR | Maternal, perinatal and neonatal death surveillance and response |
| MSM | Men who have sex with men |
| MSME | Micro, small and medium enterprises |
| MYS | Mean years of schooling |
| NAB | National Assembly of Bhutan |
| NAP | National Adaptation Plan |
| NBFIs | Non-bank financial institutions |
| NC | National Council of Bhutan |
| NCD | Noncommunicable diseases |
| NCHM | National Center for Hydrology and Meteorology |
| NCWC | National Commission for Women and Children |
| NDC | Nationally-Determined Contribution |
| NDMA | National Disaster Management Authority |
| NEC | National Environment Commission |
| NEET | Not in employment, education or training |
| NFS | National School Feeding Programme |
| NGEP | National Gender Equality Policy |
| NKRA | National Key Results Area |
| NLC | National Land Commission |
| NPL | Non-performing loan |
| NPRP | National Preparedness and Response Plan |
| NSB | National Statistics Bureau |
| NSFR | National Strategic Food Reserves |
| OAG | Office of the Attorney General |
| OAP | Open air prison |
| ODA | Official development assistance |
| OECD | Organisation for Economic Co-operation and Development |

| | |
|--------|---|
| OG | Outcome Group |
| OHCHR | Office of the United Nations High Commissioner for Human Rights |
| OMT | Operations Management Team |
| OPDs | Organizations for People with Disabilities |
| ORC | Outreach clinic |
| P3A | Public-Private Partnership Agency |
| PEFA | Public Expenditure and Financial Accountability (framework) |
| PFM | Public Financial Management |
| PHC | Primary Health Care Centre |
| PME | Planning, monitoring and evaluation |
| PMU | Project management unit |
| PPAs | Power purchase agreements |
| PPE | Personal protective equipment |
| PPG | Public and publicly guaranteed (debt service) |
| PPP | Public-Private Partnership |
| PSEAH | Prevention of sexual exploitation, abuse and harassment |
| PSL | Priority-Sector Lending |
| PV | Photovoltaic |
| PwD | Persons with Disabilities |
| QCPR | Quadrennial Comprehensive Policy Review |
| RBP | Royal Bhutan Police |
| RC | Resident Coordinator |
| RCO | Resident Coordinator's Office |
| RCP | Representative concentration pathway |
| RCUD | Royal Commission on Urban Development |
| REC | Royal Education Council |
| REDD+ | Reducing Emissions from Deforestation and Forest Degradation |
| RENEW | Respect, Educate, Nurture, and Empower Women |
| RG | Results Group |
| RGoB | Royal Government of Bhutan |
| RMA | Royal Monetary Authority |
| RMNCAH | Reproductive, maternal, neonatal, child and adolescent health |
| RNR | Renewable natural resource |
| RSEIA | Rapid Socio-Economic Impact Assessment |
| RTM | Round Table Meeting |
| RUB | Royal University of Bhutan |
| RWSS | Rural water-supply schemes |
| SAARC | South Asian Association for Regional Cooperation |
| SCD | Systematic Country Diagnostic |
| SDC | Swiss Agency for Cooperation and Development |
| SDG | Sustainable Development Goal |
| SEN | Special Education Needs |
| SERP | Socio-Economic Response Plan |
| SiTan | Situation Analysis |
| SMART | Specific, measurable, achievable, relevant and time-bound |
| SMEs | Small and medium enterprises |
| SNV | Netherlands Development Organization |

| | |
|------------|--|
| SOE | State-owned enterprise |
| SOP | Standard operating procedures |
| SRHR | Sexual and reproductive health and rights |
| STEM | Science, technology, engineering and mathematics |
| STEPS | WHO STEPwise approach to non-communicable disease risk-factor surveillance |
| STIs | Sexually-transmitted infections |
| TCB | Tourism Council of Bhutan |
| TIP | Trafficking in persons |
| ToC | Theory of Change |
| ToR | Terms of reference |
| TVET | Technical and vocational education and training |
| UN | United Nations |
| UNCRPD | United Nations Convention on the Rights of Persons with Disabilities |
| UN Habitat | United Nations Human Settlements Programme |
| UN OCHA | United Nations Office for the Coordination of Humanitarian Affairs |
| UN OHRLLS | United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States |
| UN Women | United Nations Entity for Gender Equality and the Empowerment of Women |
| UNAIDS | Joint United Nations Programme on HIV/AIDS |
| UNCDF | United Nations Capital Development Fund |
| UNCG | United Nations Communications Group |
| UNCRPD | United Nations Convention on the Rights of Persons with Disabilities |
| UNCT | United Nations Country Team |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDESA | United Nations Department of Economic and Social Affairs |
| UNDG | United Nations Development Group |
| UNDP | United Nations Development Programme |
| UNDS | United Nations Development System |
| UNEP | United Nations Environment Programme |
| UNESCAP | United Nations Economic and Social Commission for Asia and the Pacific |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNFCCC | United Nations Framework Convention on Climate Change |
| UNFPA | United Nations Population Fund |
| UNIC | United Nations Information Centre |
| UNICEF | United Nations Children's Fund |
| UNIDO | United Nations Industrial Development Organization |
| UNOCHA | United Nations Office for the Coordination of Humanitarian Affairs |
| UNODC | United Nations Office of Drugs and Crime |
| UNOPS | United Nations Office for Project Services |
| UNPRPD | United Nations Partnership on the Rights of Persons with Disabilities |
| UNRCO | United Nations Resident Coordinator's Office |
| UNSDCF | United Nations Sustainable Development Cooperation Framework |
| UNSDPF | United Nations Sustainable Development Partnership Framework |
| UNTOC | United Nations Convention against Transnational Organized Crime |
| UNV | United Nations Volunteers |
| UNWTO | United Nations World Tourism Organization |
| UPR | Universal Periodic Review |

| | |
|--------|--|
| VG | Vulnerable group |
| VHW | Village Health Worker |
| VNR | Voluntary National Review |
| WAP | Working age population |
| WASH | Water, Sanitation and Hygiene |
| WB | World Bank |
| WDI | World Development Indicators |
| WFP | World Food Programme |
| WHO | World Health Organization |
| WIPO | World Intellectual Property Organization |
| WTO | World Trade Organization |
| Y-PEER | Youth Peer Education Network |

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Executive summary

Background, Purpose and Methodology

This Common Country Analysis (CCA) is a joint analysis of the development context in Bhutan by the United Nations (UN). This analysis serves as the basis for the development of a new United Nations Sustainable Development Cooperation Framework (UNSDCF), hereinafter referred to as a cooperation framework (CF), in order to establish the most meaningful forms of UN assistance. This analysis illustrates the repositioning of the UN development system, encapsulated in UN General Assembly resolution 72/279, the aim of which is to ensure that countries and societies can readily access the full breadth of experience and expertise available within the United Nations, both in-country and from around the world. Therefore, this document draws upon the expertise of a wide range of resident and non-resident UN entities working in Bhutan.

The knowledge base for this document includes existing resources produced by the UN, knowledge products of the Royal Government of Bhutan (RGoB) and international organizations. This CCA was produced by inter-agency groups of UN experts who drafted its components based on information shared in a joint consolidation workshop. To ensure an inclusive lens while seeking to prevent “consultation fatigue,” the experts also carefully examined the extent to which underlying resources are based on primary research and stakeholder consultations. It was found that data, research and consultations concerning people living with disabilities needed strengthening. For this purpose, a focus group discussion was organized to ensure that the voices of all stakeholders were included. This CCA is the result of the consolidated analysis of data, research and consultations captured.

The process to develop this CCA was led by an inter-agency task team co-chaired by the Deputy Representatives of the United Nations Children’s Fund (UNICEF) and the United Nations Development Fund (UNDP) with coordination support from the United Nations Resident Coordinators Office (RCO) in Bhutan. This team will also lead the regular review of the CCA as new data becomes available, or in the case of substantial changes in circumstances within the country. As such, this CCA is intended as a “living document” that will serve as the core analytical tool for the UN, to ensure that the Cooperation Framework continues to address the evolving situation in Bhutan.

Bhutan’s Development Context

Bhutan has made impressive socio-economic advancements over the past six decades, leading to significant improvements in average living conditions. The country had already reached lower-middle-income status in 2007 and is expected to graduate from the Least Developed Country (LDC) group in 2023. Despite this positive momentum, Bhutan is highly susceptible to external and sectorial shocks, principally due to the country’s difficult terrain, remoteness and fragile mountain ecosystems, high dependence on India for trade and transit and strong reliance on a handful of key sectors for value-added creation. The economy of Bhutan suffered serious setbacks from the COVID-19 pandemic and faced inflationary pressures during FY 2021 and FY 2022, which were further compounded by negative effects on food and fuel prices due to the ongoing war between Russia and Ukraine. All of these elements pose significant challenges, especially for the most vulnerable groups in society,

including the 12.4 per cent of the population that remain under the recently revised poverty line of BTN 6,204 per person per month in 2022 (corresponding to approximately USD \$78 per person, per month).

Guided by its Gross National Happiness (GNH) philosophy, Bhutan's development approach is highly synergistic with the United Nations 2030 Agenda, and the country's Five-Year Plans (FYPs) are closely aligned with the United Nations Sustainable Development Goals (SDGs). With the objective to achieve a "dynamic, prosperous, inclusive and sustainable economy in pursuit of GNH" supported by nine strategic-thrust areas and the integration of cross-cutting issues, the 13th FYP will also serve the country's transition strategy and respond to the challenges within the three sectors of sustainable development: economic, social and environmental.

Key Dimensions Affecting Bhutan's GNH and the 2030 Agenda

Economic transformation

Bhutan's rapid economic growth, averaging 7.5 per cent per year since the 1980s, dropped to a historic low of -10 per cent in 2020, from 5.8 per cent in 2019. Economic activity in the country has begun to recover from the COVID-19 pandemic, growing 4.1 per cent in 2021 and 5.0 per cent in 2022 (estimated), however the economy is not expected to return to pre-COVID levels before 2023. This unprecedented setback has compounded the country's persistent challenge of high economic vulnerability, with public-sector investments in hydropower and electricity generation (a sector not directly and immediately relevant to the poor and at the same time being vulnerable to climate change impacts) continuing to drive economic growth. Efforts to diversify the country's narrow economic base is challenging due to its small domestic market and sheer geographical remoteness.

In parallel, the private sector in Bhutan, including cottage and small industries (CSIs), remains underdeveloped in the face of an unfavourable business environment and skills mismatch. The renewable natural resources (RNR) sector, while engaging almost half of the population, remains burdened with low returns due to productivity and marketing issues. The tourism sector has been disproportionately impacted by the recent pandemic and continues to face uncertainties linked to amended legislation and regulations that make it more expensive for visitors. In parallel, high levels and upward trends for youth unemployment (especially among female workers) and emigration are key concerns, alongside informal employment. Finally, the economy of Bhutan is facing other macroeconomic headwinds owing to its twin deficits (both fiscal and current account) and the decline of its foreign reserves (see Section Three, Part 7.3, "Priorities for strengthening development finance and partnerships").

Social development and exclusion

Despite notable progress, the quality, inclusiveness and sustainability of key social services within the country remains a concern, with the poor quality and reach of sexual and reproductive health (SRH) services, the triple burden of malnutrition and low learning outcomes among children presenting key issues. While income and multidimensional poverty are overwhelmingly concentrated in rural areas, emerging pockets of poverty in urban areas are a concern. Despite formal guarantees of equality by the RGoB, structural and cultural

norms continue to obstruct the full realization of gender equality and women's empowerment. Meanwhile, efforts to *leave no one behind* are hindered by an inability to adequately identify vulnerable groups, given a dearth of up-to-date data, especially as related to key social indicators.

There are six vulnerable groups identified in this CCA: women and girls; children and adolescents; youth¹; senior citizens; persons with disabilities; and lesbian, gay, bisexual, transgender, intersex, queer and questioning (LGBTIQ). Members of these groups often face issues encompassing insufficient access to sexual and reproductive health services; are often at risk of or are facing various forms of violence; face issues of mental health and wellbeing, including disrupted family systems; often face a lack of social inclusion and consequent loss of opportunities; and are likely to be impoverished, among other issues.

Existing policies and strategies aimed at ameliorating these conditions are fragmented or lack proper implementation, especially at the grassroots level. The insufficiency of capacity with regard to human resources hinders the transformation of national policies into fully functioning plans. As the COVID-19 pandemic unfolded, critical gaps in the country's protection systems for women and children were revealed; concerns over online safety for children, cyber security and the digital divide were highlighted as education and public services went online. The capacity of the country's health system to deal with prolonged as well as concurrent states of emergency presented an additional concern, with the sustainability of free healthcare already under pressure from epidemiological transition.

Environment and climate change

While a strong conservation ethos has enabled Bhutan to maintain its rich biodiversity with the provision of clean air, water and other services, rising global and regional average temperatures render the country increasingly vulnerable to the additional impacts of climate change. With water resources as the sector most likely to be severely affected by such changes, there are far reaching implications for its hydropower and agriculture-based economy, for the livelihoods of people dependent upon nature, as well as to its biodiversity, ecosystem services and overall societal wellbeing. At the same time, with development imperatives placing increasing pressure on the natural environment and its resources, Bhutan faces the critical challenge of managing co-benefits and trade-offs, balancing conservation with development.

While the country's CO₂ emissions are considered negligible on a global scale, heavy reliance on fossil fuels and a trend of increasing emissions poses risks to the RGoB's carbon neutral commitment. Additionally, energy security is a key concern given the rapid growth in demand for electricity amid risks to the hydropower sector, thereby necessitating investment in other clean and renewable energy sources. These challenges are compounded by the rapid and haphazard nature of urbanization.

Resilience and Capacity for Sustainable Development

Three key areas to strengthen resilience and capacity for sustainable development in Bhutan have been identified as priorities for the United Nations.

¹ The youth age definition in Bhutan is 13-24 years, per the *National Youth Policy 2011*.

Disaster risk reduction

Bhutan is particularly vulnerable to climate-induced disasters and natural hazards, given the country's steep terrain, fragile geological conditions, vulnerable ecosystems, wide differences in elevation, variable climatic conditions and dependence on climate-sensitive sectors of economic activity. Weather and water-induced hazards, such as glacial-lake outburst floods (GLOFs), flash floods, riverine floods, landslides, landslide dam outburst floods, river erosion, cloudbursts, windstorms and wildfires, are among the most common. Moreover, the entire country is located near a major earthquake fault. Yet not all disasters are limited to the natural world; some take the form of public-health emergencies.

The challenges to enhancing Bhutan's disaster resilience at all levels are significant. The need for an adequate strategic overview and an efficient coordination across sectors, together with a central database and risk-relevant information systems would facilitate the implementation of the *Disaster Management Act of Bhutan 2013*. Key institutions lack critical infrastructure and capacities; and the absence of a national-level, multi-hazard risk assessment impedes the country's ability to understand disaster risks and implement early warning systems. Bhutan has limited capacity for integration of disaster risk reduction (DRR) in infrastructure planning and development, is severely lacking in emergency-logistics preparedness and faces an urgent need to establish and store core relief items at strategic locations across the country. At the same time, attention to issues arising from the COVID-19 pandemic and other public health emergencies has also been lacking.

In the absence of a *leave no one behind* (LNOB)-sensitive crisis management strategy to address the needs of vulnerable groups, existing gaps are at risk of widening and contributing to the vicious cycles of inequality and exclusion.

As DRR is a cross-cutting issue, efforts to access adequate funding are often impeded by competing priorities and the fact that potential disasters are much less compelling than ones already in progress (by which time the opportunity for risk reduction has passed). At the same time, there is no disaster risk finance strategy that can inform the RGoB with regard to selecting appropriate disaster risk financial instruments.

Governance and institutional capacity

Bhutan's political system and governance institutions have made transformative progress since the adoption of its constitution and transition to a democratic constitutional monarchy in 2008. Deepening its democratic culture remains critical and will require sustained investment in initiatives that (i) enhance the capacities of rights holders to make their claims and of duty bearers to meet their obligations and (ii) enable more opportunities for citizen engagement.

This includes addressing the effective political disenfranchisement of large numbers of Bhutanese living in urban areas (such as the capital of Thimphu); strengthening citizen awareness of civic rights and creating more spaces for debate and dialogue, including via digital platforms; and strengthening the capacities of members of Parliament to enable effective delivery of their oversight roles, as well as for officials to effectively deal with more sophisticated forms of corruption. Additionally, the practice of providing legal aid remains to

be fully implemented in the country, and the media's ability to play an important watchdog function needs strengthening.

Bhutan has yet to see meaningful participation and representation among women in politics and governance. Youth participation and engagement in governance and decision making is minimal as well. While the institutions of local governments and civil society are particularly well suited to delivering essential services at the grassroots level and ensuring that *no one is left behind*, their potential is constrained by critical gaps in capacities and resources, including recognition of their role in strengthening a democratic government.

Concurrently, the need for a more fit-for-purpose civil service is being addressed with a major reform initiative of the public sector. The RGoB's ability to respond to its most vulnerable is hampered by the limited availability of up-to-date disaggregated data, particularly in the social sectors, and by the current acute human labour shortage in many public entities. A comprehensive picture of development opportunities and challenges is also lacking.

Development finance and partnerships

While an assessment of the actual costs of implementing the SDGs for Bhutan has not yet been carried out, Bhutan's ambitious 13th FYP requires investments in excess of BTN 750 billion (more than USD \$9 billion), almost three times higher than the financing needs of the 12th FYP. In this context, grants and external concessional loans will remain critical for financing Bhutan's GNH agenda, as well as the UN 2030 Agenda, as they have been in the past, especially regarding the country's COVID-19 response. At the same time, large fiscal deficits are projected to remain in the years ahead as the opportunity for broadening and deepening the tax base remains underutilized. Overall, Bhutan will need to mobilize more than 50 per cent of its investment needs for the 13th FYP from sources beyond grants and public financing.

At a time when the overall financing situation remains challenging, innovative and sustainable sources of financing and strengthened efforts to broaden the country's financing portfolio are called for. One aspect of Bhutan's struggles with financing that has recently drawn the attention of observers is increasing debt-to-GDP ratios. For instance, the stock of public and publicly guaranteed (PPG) debt peaked to 135 per cent of gross domestic product (GDP) in FY 2020/21. At first sight, this headline figure would suggest that the country is already facing a high risk of debt distress (overall as well as external). Fortunately, unique mitigating factors, relating to hydropower loans from India which cover the financial and construction risks and are expected to increase revenues from electricity exports, suggest that Bhutan's risks of debt distress remain moderate according to the assessment of the International Monetary Fund (IMF) and the World Bank (WB). Despite this, there is limited space in terms of resilience to additional macroeconomic shocks in the medium term.

In this context, the full potential of Bhutan's private sector has yet to be developed, and access to credit for micro, small and medium enterprises (MSMEs) needs improvement. Bhutan has had only limited success in harnessing the potential of foreign direct investment (FDI), with annual inflow of FDI at less than 1 per cent of GDP for the past decade.

In parallel, the role of remittances as a private funding source, which had gradually increased to reach a record-high of 3.6 per cent of GDP in 2020 before plateauing in 2021, has

unfortunately registered a year-on-year decline of 11 per cent during the first 8 months of 2022, despite the Royal Monetary Authority's (RMA) initiative to improve remittance inflow from Bhutanese living abroad.² If confirmed, this declining trend is likely to reflect a structural change in the way Bhutanese understand outward migration. In the decades prior to the COVID-19 pandemic, many Bhutanese would relocate abroad temporarily for work or study, especially to Australia. Growing anecdotal evidence suggests that such migration is now more likely to be permanent. It is also not uncommon among Bhutanese established abroad to bring their extended families with them amid a lack of opportunities in their country of origin.

Although the domestic bond market currently remains at an early stage of development, and capacity constraints in dealing with bond issuance and managing risks associated with market-based financing instruments remain key concerns, it is hoped that domestic borrowing will play a greater role in the medium term.

Lastly, another major limitation for both public and private capital investments relates to the underdeveloped domestic capital markets and to the country's limited access to international capital markets.

Conclusions— Emerging Top Priorities for Advancing the Decade of Action

Based on the analysis of development challenges and issues facing the country, four key opportunities to realizing Bhutan's vision for sustainable development, and for the achievement of the 2030 Agenda and the SDGs, have been identified. These are: 1) transformation towards more equitable, diversified, green and sustainable economic growth; 2) accelerating more inclusive and equitable human development and wellbeing; 3) protecting the environment and building more resilient systems and communities; and 4) ensuring more inclusive and efficient governance.

² Kuensel, "[Remittance drops by 11 per cent](#)", 13 December 2022.

Introduction

Purpose of the New Generation CCA

The United Nations Sustainable Development Cooperation Framework (UNSDCF 2024 - 2028) will be developed in close alignment with the Royal Government of Bhutan's (RGoB) upcoming 13th Five-Year Plan (FYP), which is currently being formulated. As part of the larger process towards developing the new Cooperation Framework (CF), the United Nations Country Team (UNCT) in Bhutan has undertaken this Common Country Analysis (CCA) to provide the evidence base for the development of its new strategy.

The CCA is both an assessment of Bhutan's overall current situation and an analysis of gaps, challenges and opportunities for transformative change aimed at sustainable development. As a new generation CCA, this document reflects the integrated nature of the Sustainable Development Goals (SDGs), with thematic analysis of the social, economic, environmental and governance dimensions of sustainable development. It has been developed as a core-integrated, forward-looking and evidence-based analytical tool for the UN development system in Bhutan. This document reflects a collective and impartial effort and is an independent analysis of the country's current situation (envisaged as a UN team-wide future-casting discussion, setting the tone for the new CF).

Key Processes and Methodology

A UN system-wide collaborative effort

This CCA has been prepared under the lead of the CF Task Team comprising (Deputy) Representatives of the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and the World Food Programme (WFP) and the Heads of the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Population Fund (UNFPA) country offices. The CF Task Team has provided technical support and substantive contributions by ensuring effective engagement and participation of in-house expertise as well as specialist inputs from across the UN system.

Existing UNCT outcome groups and working groups were coordinated with secretarial support from the Resident Coordinator's Office (RCO), to work on key assessment and analytical blocks of the CCA as required by the CF guidance documents. Non-resident agencies were also actively engaged as lead and/or contributing members of the various working groups in developing draft sections of the CCA (see Annex 1, "Architecture of the Working Groups for the CCA").

Preparatory work for this CCA was supported by an international consultant/CCA advisor who was responsible for designing an approach to ensure efficient processes, including facilitation of in-house discussions to fast track synthesis of existing knowledge, expertise and materials.³ The contributions of the working groups were brought together by a national CCA consultant,

³ These include a UNCT retreat to feed into the CF process, a CCA workshop to facilitate consolidation of working-group contributions and bilateral meetings with agencies as relevant.

who also provided technical written inputs and undertook several rounds of revisions to prepare the full draft CCA report.

Data, analysis and updates

This CCA is based primarily on existing data and analyses, with secondary sources, including a situation analysis, strategic documents and knowledge products shared by UN agencies; strategic planning documents and knowledge products from the RGoB; and analytical and knowledge products from international organizations and civil society organizations (CSOs). The full list of references utilized for this CCA is provided at the end of the report.

As a “living document”, this CCA will be updated periodically (at least once per year) to capture any significant contextual changes, both actual and anticipated, which may have implications for programming in the coming year(s). Going forward, the UNCT Bhutan foresees possible collaboration with the World Bank’s Systematic Country Diagnostic, which assesses the same development issues pertaining to the country.⁴

With the Bhutan Living Standard Survey (BLSS) 2022 released by the National Statistics Bureau (NSB) at the end of 2022, analytical updates to the current report are foreseen, especially for the socio-economic dimensions of the CCA.

Stakeholder engagement

The RCO decided to prioritize CCA consultations based on qualitative data needs, the CF process timeline and availability of stakeholders. Several UN agencies had recently developed (or were in the process of developing) analytical products that had entailed extensive stakeholder consultations, for example UNICEF’s Situation Analysis of Children, Adolescents/Youth and Women in Bhutan (SITAN 2022) and these have been utilized as key resources for the CCA. The RCO was also mindful of time pressure on RGoB personnel within the context of ongoing civil service reform, and decided against requesting repeated consultations on overlapping topics within short spans of time.

Moreover, with timelines for processes within the UN’s own CF roadmap (including for the CCA) constantly evolving, designing and accommodating a comprehensive set of stakeholder consultations was not found to be feasible. Consultations were thus undertaken only to supplement qualitative data available in existing analyses. As such, a focus group discussion with participants representing the Disabled Persons Organization of Bhutan, and a consultative workshop with CSOs were carried out. Summaries of these discussions are provided in Annex 2 of this document.

CCA Framework and Structure

This CCA is situated within the overarching framework of Agenda 2030 and the SDGs. It takes into consideration underlying principles of Bhutan’s national vision and development plan as

⁴ As presented by the RCO during the CCA Consolidation Workshop on 30 August 2022 (*CCA Process and Purpose, PowerPoint presentation*). For an example of the World Bank’s Systemic Country Diagnostic, see: World Bank, [Bhutan – Systemic Country Diagnostic](#) (English) (30 January 2020).

elaborated in Section One, Part 1.2, “National vision and development plan vis-à-vis the 2030 Agenda”.

Accordingly, and in keeping with the United Nations detailed guidance on the CCA,⁵ the principle of *leaving no one behind* is integrated throughout the report, in addition to specific discussion on vulnerable groups in Section Two, Part III, “Social Development and Exclusion”.

Analyses of Bhutan’s environmental challenges and efforts towards ameliorating the effects of climate change are given priority, particularly within Section Two, Part IV, “Environment and Climate Change”, and Section Three, Part V, “Disaster Risk Reduction”. These issues are presented against the backdrop of the three pillars of sustainable development, i.e., *people*, *planet* and *prosperity*, as well as the UN Secretary General’s Triple Planetary Crisis agenda,⁶ which is expected to receive greater focus in the RGoB’s 13th FYP, considering Bhutan’s strong environmental ethos and its international environmental commitments (as detailed in Annex 3 (b)).

5 United Nations Development Operations Coordination Office, United Nations Sustainable Development Group, [UN Cooperation Framework Companion Package](#) (May 2020).

6 United Nations Climate Change, [What is the Triple Planetary Crisis?](#) (13 April 2022).

Section one

State of affairs

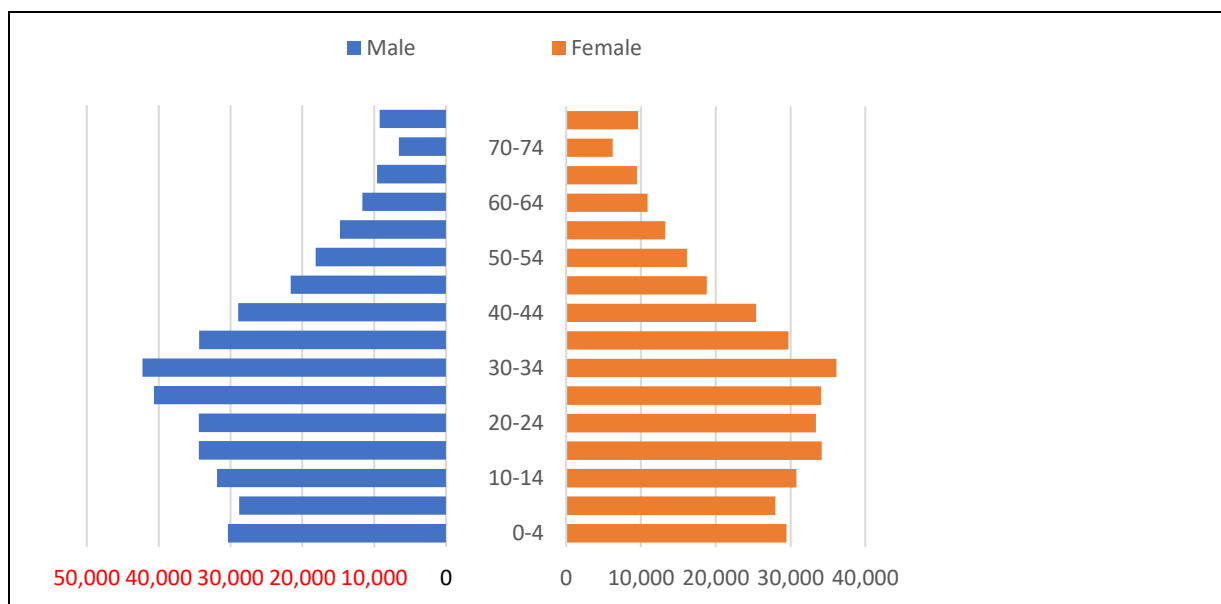
I. Bhutan’s Development Context

1.1 Demographic profile and trends

As of 2022, Bhutan had a total estimated population of 763,249 (365,518 females and 397,731 males).⁷ There is relative gender parity of 1:1 between males and females across age groups, as shown in Figure 1. Data regarding people with diverse sexual orientations or gender identities/expressions is not available, but these populations have become more visible in recent years given their engagement with Members of Parliament on revising relevant legal provisions, which was covered extensively by mainstream media in Bhutan.⁸

The prevalence of disability in the country is estimated at 2.1 per cent of the population. Bhutan is one of the least populated countries in the region and its fertility rate has fallen below replacement level to 1.9. Due to declining fertility rates and increasing life expectancy, the number of people in the age group of 65 years and above is expected to rise from 6 per cent in 2022 to 17 per cent by 2050, and the old-age dependency ratio will increase from 11 per cent to 26 per cent by 2050.⁹

Figure 1: Bhutan’s population distribution by 5-year age groups, 2017



Source: NSB (2017)¹⁰

7 Bhutan, National Statistics Bureau, *Population Projections Bhutan 2017-2047* (Thimphu, 2019).

8 Kuensel, “*Feeling recognized and included*”, 15 June 2019.

9 Bhutan, National Statistics Bureau, *Bhutan Population and Housing Census 2017* (Thimphu, 2017).

10 Ibid.

According to RGoB projections, although Bhutan's population remains largely rural, with almost 60 per cent of the people residing in villages in 2022, internal migration and urbanization have increased. The share of the population residing in urban areas rose from 30 per cent in 2005 to 38 per cent in 2017. This figure is projected to rise to 57 per cent by 2047.¹¹ While this places Bhutan well below corresponding figures for Asia and the world overall, its rate of urbanization is comparatively higher than that of most other countries in South Asia (with the exception of Bangladesh and Nepal).¹²

Analysis by the National Statistics Bureau (NSB) indicates that Bhutan's population today is relatively youthful, with more than 40 per cent under the age of 24, of which about two fifths are adolescents between the ages of 10-19 years. The country is currently experiencing a demographic dividend, or growth in the economy resulting from changes in the relative ages of the population, estimated to have begun around 2015 and expected to last up to or slightly beyond 2047. However, this phenomenon is expected to remain applicable only to the central, and particularly the western regions of the country, with internal migration of the working-age population taking place mainly from eastern regions of the country.

1.2 National vision and development plan vis-à-vis the 2030 Agenda

Bhutan's approach to development is guided by its Gross National Happiness (GNH) philosophy, which calls for balancing economic growth with environmental sustainability, inclusive social progress and cultural vibrancy, all of which is underpinned by a framework for good governance. This unique and farsighted GNH approach is highly synergistic with the 2030 Agenda and the Sustainable Development Goals (SDGs), which Bhutan, along with other members of the international community, adopted in 2015.

While overall, the SDGs advocate a balanced and integrated pursuit of social, economic and environment dimensions of development, GNH encompasses these as well as the additional dimensions of cultural diversity and resilience, community vitality, psychological wellbeing and time use. Thus, Bhutan's development framework, as executed through its FYPs, has provided a strong foundation for integration of the SDGs and their implementation.

The 11th FYP (2013 - 2018) outlined 16 National Key Results Areas (NKRAs) to be pursued at the national level, which were found to be closely aligned with 14 of the 17 SDGs at the goal and target levels by a United Nations Development Programme (UNDP) Rapid Integrated Assessment in 2015.¹³

The 12th FYP (2018 - 2023) includes 17 NKRAs which are closely aligned with the SDGs.¹⁴ This plan has sought to address national priorities encompassing economic resilience, poverty and inequalities, climate change and disaster risk management, social inclusion, as well as strengthening governance and institutions. As the COVID-19 pandemic began to unfold in

11 Bhutan, National Statistics Bureau, [Population Projections Bhutan 2017-2047](#) (Thimphu, 2019).

12 Bhutan, National Statistics Bureau, [Rural-Urban Migration and Urbanization in Bhutan](#) (Thimphu, 2018).

13 United Nations Development Programme, [Rapid Integrated Assessment, Bhutan SDG Profile](#) (October 2015). The conclusions of the assessment were that out of the 169 targets, 143 relevant targets for Bhutan were contained in the 11th FYP.

14 Though SDG Goal 17 (*Partnerships for the Goals*) is not explicitly integrated into the NKRAs, several of the targets for the Goal are implicitly aligned. Note that 16 SDGs were found to be relevant for Bhutan: SDG Goal 14 (*Life Below Water*) regarding oceans was not found to be relevant given that Bhutan is a landlocked country.

early 2020, the FYP underwent a reprioritization exercise to address interventions, including an economic contingency plan and other relief measures.

With the timeframe of the 12th FYP coming to an end in October 2023, the preparation of the 13th FYP (2024 - 2029) is already underway. According to the Concept Note for its formulation, the main objective of the FYP will be to achieve “a dynamic, prosperous, inclusive and sustainable economy in pursuit of GNH”. Nine strategic thrust areas have been identified to realize this objective. Of note, all nine are related to economic development in a broad sense. Although the nine strategic thrust areas appearing in Table 1, below, are not necessarily in conflict with GNH vision, some of the nine historical domains of GNH have been somewhat set aside. The final draft of the 13th FYP is expected by July 2023,¹⁵ and as with past FYPs, it is expected to advance an inclusive development agenda that addresses the needs of the most vulnerable while also seeking to protect the environment.

Table 1: Strategic Thrust Areas – 13th Five-Year Plan¹⁶



The Concept Note for the 13th FYP states that low performing indicators of the GNH domain will be prioritized for interventions, and cross-cutting themes and issues, such as the environment, climate change, disasters, gender, disability, ageing and poverty, will be mainstreamed for integrated implementation, aimed at holistic and sustainable outcomes. Strategies to address challenges following Bhutan’s graduation from the Least Developed Country (LDC) category will also be integrated, with the 13th FYP, thus serving as the country’s “smooth transition strategy for LDC graduation”.¹⁷

15 Bhutan, Gross National Happiness Commission, [Concept Note for 13th Five-Year Plan](#) (Thimphu, December 2021).

16 Ibid.

17 Ibid.

In addition to the SDGs, Bhutan's FYPs have also traditionally taken into consideration other international commitments, including key human-rights instruments, as detailed in Annex 3 (a), and multilateral environmental agreements, as detailed in Annex 3 (b). While Bhutan ratified many of these instruments early on, it has signed but has yet to ratify the International Convention on the Elimination of All Forms of Racial Discrimination (CERD) and the Convention on the Rights of Persons with Disabilities (CRPD). Although having applied for membership of the International Labour Organization (ILO), Bhutan is currently still an observer.

The country has also yet to ratify the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR). Reasons for non-ratification of these two conventions are partly due to reporting obligations that would be impacted by capacity constraints, and partly based on what has previously been put in place in terms of the required interventions. The appropriateness of the time to address the various related issues, from the RGoB's perspective, is another consideration.¹⁸ Additional perspectives regarding Bhutan's compliance with international human rights norms and standards is presented in the UN High Commissioner's Letter to the Royal Government of Bhutan (RGoB), dated 28 November 2019 (see Annex 4).

1.3 Overview of progress towards the 2030 Agenda and the SDGs

Bhutan has made impressive socio-economic advancements since the inception of planned development in the 1960s. Broad based progress is reflected by an improvement in its GNH index¹⁹ from 0.743 in 2010 to 0.756 in 2015²⁰ as well as in its Human Development Index (HDI) from 0.581 in 2010 to 0.671 in 2019 before declining slightly over the following two years to reach 0.666 in 2021 (above the average of 0.654 for South-Asian countries), which puts Bhutan in the 127th ranking out of 191 countries.²¹

A variety of specific indicators confirm this stellar development. Annual economic growth has averaged over 7.5 per cent since the 1980s,²² national poverty rates have reduced sharply from 23 per cent in 2007 to 8 per cent in 2017,²³ even though an upward-revised poverty line for 2022, which does not allow for comparison over time, now suggests that 12.4 per cent of the population remain under the 2022 poverty line of BTN 6,204 per person, per month (approximately USD \$78).²⁴ The general literacy rate in the country was recorded at 71 per cent (over 78 per cent for males and close to 64 per cent for females) in 2017.²⁵ Impressive performance on the Human Assets Index (HAI) and the Gross National Income (GNI) criteria for graduation have also been recorded.

18 United Nations System in Bhutan, [Common Country Analysis \(Bhutan\)](#) (16 January 2018).

19 Based on biennial surveys, the GNH Index facilitates assessment of wellbeing conditions across the 9 domains: health, education, living standards, ecological diversity and resilience, good governance, psychological wellbeing, time use, community vitality and cultural diversity and resilience. GNH assessments have gradually been put to use in evidence-based decision making, with the GNH Index incorporated into the 12th FYP.

20 The Centre for Bhutan Studies and GNH Research, ["A Compass towards a Just and Harmonious Society: 2015 GNH Survey Report"](#), 2016.

21 United Nations Development Programme, [Human Development Report 2021 – 2022, Uncertain Times, Unsettled Lives: Shaping Our Future in a Transforming World](#) (8 September 2022).

22 Bhutan, National Statistical Bureau, [National Accounts Reports](#) (Thimphu, multiple years).

23 Bhutan, National Statistical Bureau, [Bhutan Poverty Analysis Report 2017](#) (Thimphu, 2017).

24 Bhutan National Statistical Bureau, [Bhutan Poverty Analysis Report 2022](#) (Thimphu, 2022).

25 Ibid.

Given its strong conservation ethos, Bhutan has maintained a healthy natural environment and vibrant cultural heritage, and is considered a carbon sink with its forests absorbing three times more CO₂ emissions than the country emits.²⁶ Reflective of its emphasis on good governance and strengthened institutions, it ranks comparatively high across a sample of governance indices, including, for example, ranking 38th out of 137 countries on the Bertelsmann Stiftung Transformation Index (BTI);²⁷ 72nd out of 209 countries for “government effectiveness”; and 61st out of 209 countries for “rule of law” in the World Bank’s Worldwide Governance Indicators for 2020.²⁸

An assessment by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP or ESCAP) based on the global indicator framework and regional target values found that Bhutan has made significant progress on most of the SDGs with regard to regional targets.²⁹ As of 2021, the country was on track to achieve regional targets for SDG 3 (*Good Health and Well-Being*), SDG 4 (*Quality Education*), and SDG 15 (*Life on Land*), as presented in Figure 2, below.

Achievements are also notable on several targets under most of the remaining SDGs, in particular, SDG 1 (*No Poverty*), SDG 2 (*Zero Hunger*), SDG 6 (*Clean Water and Sanitation*), SDG 7 (*Affordable and Clean Energy*), SDG 9 (*Industry, Innovation and Infrastructure*), SDG 10 (*Reduced Inequalities*), SDG 12 (*Responsible Consumption and Production*) and SDG 17 (*Partnerships for the Goals*). Unfortunately, the overall pace of progress for the SDGs is set back by underperformance with regard to other targets.

Despite having the lowest headcount poverty ratio among LDCs and being well on its way to achieving the target of eliminating income poverty, the country is struggling to meet such targets as the expansion of social protection coverage under SDG 1. Bhutan is also struggling to meet the targets of SDG 8, with challenges related to high youth unemployment, particularly in urban areas. Progress towards SDG 5 (*Gender Equality*) is hindered by remaining gaps in maternal and reproductive health, low participation of girls/women in higher education and decision-making positions and gender-based violence.

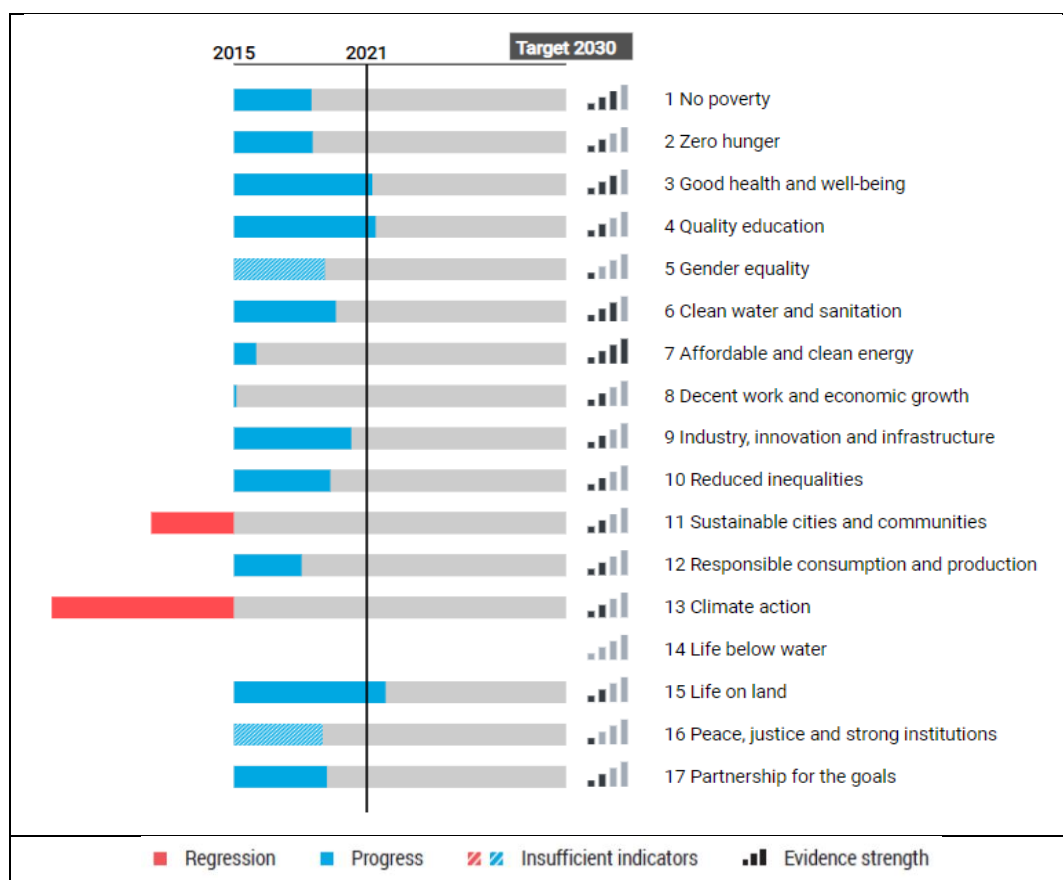
26 Bhutan, [Second Nationally Determined Contribution](#) (Thimphu 2021).

27 Bertelsmann Stiftung Transformation Index, [“Bhutan Country Report 2022”](#), 2022.

28 Knoema, [“World Bank Worldwide Governance Indicators”](#), 27 September 2017.

29 The assessment is based on the global indicator framework for the Sustainable Development Goals (SDGs), as adopted by the General Assembly on 6 July 2017, and target values set by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) to assess regional progress. Data for Bhutan is taken from [The Asia-Pacific SDG Gateway](#), which is developed and maintained by ESCAP and which sources data from the Global SDG Indicators Database maintained by Statistics Division of the United Nations Department of Economic and Social Affairs (DESA). ESCAP encourages and supports countries in the Asia-Pacific region to apply the same methodology for their own national targets toward efforts to achieve a more nationally relevant and accurate picture of progress. For a detailed assessment methodology, see: United Nations Economic and Social Commission for Asia and the Pacific, [Asia and the Pacific SDG Progress Report 2022: Widening disparities amid COVID-19](#) (2022). Also see: United Nations SDG Gateway, [SDG Progress Assessment Methodology](#).

Figure 2: Overview of Bhutan’s SDG Progress



Source: ESCAP³⁰

Similarly, while Bhutan is fast approaching 100 per cent urban and rural electrification and maintaining high rates of capacity in the generation of renewable energy, overall progress towards SGD 7 (*Affordable and Clean Energy*) is stalling due to the falling share of renewables in total energy consumption within the country, stemming from the use of energy from fossil fuels in certain sectors, such as transport, as well as persistent gaps in energy efficiency, among others. There is still a significant opportunity for increased electrification for end users for such uses as transportation and cooking.

The assessment also indicates that Bhutan is regressing on SDG 11 (*Sustainable Cities and Communities*) and SDG 13 (*Climate Action*), mainly due to its vulnerability to natural hazards and gaps in measures to address them. The country is also found to be regressing in terms of indicators of urban air quality and waste management (SDG 11), as well as greenhouse gas (GHG) emission rates and implementation of climate policies (SDG 13).

While Bhutan’s has made transformative progress towards a vibrant democracy, its overall performance on SDG 16 (*Peace, Justice and Strong Institutions*) indicates there is room left for improving citizen engagement as well as public service delivery and accountability.

30 United Nations Asia-Pacific SDG Gateway, [Asia and the Pacific \(ESCAP\) Snapshot](#).

Such trends in SDG performance are broadly reflective of the gaps and issues that remain at disaggregated levels, especially for key social indicators (see Section Two, Part 3.2, “Population groups (at risk of being) left behind and the main drivers of exclusion”); growth that is heavily reliant on the hydropower sector (see Section Two, Part 2.2, “Structural challenges and issues”); the challenges of managing co-benefits and trade-offs between environmental conservation and socio-economic development (see Section Two, Part 4.2, “Implications for inclusive and sustainable development”); and the need for strengthening democratic culture and governance institutions in the country (see Section Three, Part 6.2, “Institutional capacities to implement GNH and the SDGs”).

Concurrently, upon His Majesty the King’s issuance of Royal Decrees to reform the civil service and education system,³¹ processes are well underway to fundamentally transform these key institutions to become more suited to the 21st century.³² This bears huge significance for achieving national goals and meeting international commitments towards an inclusive and sustainable development trajectory for Bhutan.

1.4 Risk profile

Bhutan’s progress towards the 2030 agenda and the SDGs faces multiple risks. While the country continues to enjoy peace and political stability, the major reform process initiated in the civil service, while presenting opportunities, also presents a high degree of uncertainty, both for government and development partners as restructuring of key agencies and modes of operation have yet to be fully defined.

While the UN’s Cooperation Framework (CF) Roadmap states that the new CF will be aligned with government priorities, how the outcomes of the reform will impact the full formulation of the 13th FYP, and indeed its priorities, are not yet clear. This requires all key stakeholders in Bhutan’s development efforts, including the UN, to adopt an anticipatory approach while also being agile and adaptive to the changing situation (see Section Three, Part VI, “Governance and Institutional Capacities”, and Part VII, “Partnerships and Financing for Sustainable Development”).

Bhutan is also vulnerable to external and sectorial shocks and cross-border developments. The country’s landlocked situation, with difficult mountainous terrain; its dependence on India for most of its trade, both in terms of exports to India and land transit for trade with other countries; its high reliance on imports to meet its food and energy requirements (see Section Two, Part II, “Economic Transformation”, and Part IV, “Environment and Climate Change”); as well as its strong reliance of a handful of key sectors for value added creation make it particularly vulnerable. The COVID-19 pandemic and the impacts from the Russia-Ukraine war are clear reminders of how vulnerable the Bhutanese economy is.

The COVID-19 pandemic had pervasive impacts on Bhutan, particularly in terms of education delivery, livelihoods, the economy and the revenue landscape. As such, although not yet fully captured by the available data, SDGs 1, 4, 8, 10 and 17 were assessed to be “at risk” in

31 Kuensel, “[Royal Kashos on civil service and education](#)”, 2 February 2021.

32 For example, see the online platform [Transform Bhutan](#).

Bhutan's 2nd Voluntary National Review (VNR) report³³. Some estimates suggest that poverty rates in the country may have increased from 11 per cent to 12.6 per cent in 2021, due to economic contractions resulting from the pandemic.³⁴

Bhutan is especially susceptible to ongoing risks being brought about by the Russia-Ukraine war (and the consequent disruptions to the global fuel supply) as a result of its landlocked location and lack of fossil fuel reserves. The poor are particularly at risk of being driven into further distress by the escalating costs of essential commodities.³⁵ The inflationary pressure triggered by rising fuel prices, which has been observed since the first half of 2021 and later exacerbated by the war, could lead to adverse trade and macroeconomic repercussions.³⁶

Overall, while some of the risks or disruptions highlighted above could prove temporary, their consequences for overall sustainable development may be long lasting. For instance, the diversion or redeployment of social-sector spending as a result of COVID-19, especially funds earmarked for health, education and social protection, are likely to affect human development outcomes in the future. At the same time, other pre-existing issues discussed in this CCA also point to the multidimensional risks Bhutan faces, with the potential to undo decades of progress.

Key protection issues, such as those addressing violence against women, children and other vulnerable groups, and the yet-to-be synchronized approach to addressing the multi-faceted needs and aspirations of Bhutan's youth population, point to the risks that emanate from not being able to effectively identify and address the interrelated, but differentiated needs of vulnerable groups (see Section Two, Part III, "Social Development and Exclusion"). This presents potentially serious and long-term implications for the robust development of the country's human resources and productive capacities, and ultimately the wellbeing of its people and its GNH aspirations.

Bhutan is also at particularly high risk of natural hazards and other disasters. As noted throughout this CCA, climate change represents one of the greatest risks for Bhutan, given the increasing frequency and intensity of climate related hazards such as glacial-lake outburst floods (GLOFs), landslides and forest fires. In parallel, the frequent occurrence of earthquakes in the region, with a major earthquake event a real possibility at any time.³⁷ Overall, such hazards could have severe detrimental impacts in terms lives lost as well as threats to livelihoods, essential infrastructure and the economy. As such, Bhutan's disaster risk

33 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, 2021).

34 World Bank, [Bhutan Development Update](#) (April 2022).

35 Kuensel, "[Food item drives inflation](#)", 14 April 2022.

This national newspaper reported that in one of the sharpest increases recorded, petrol and diesel prices increased by 53 per cent over 2020 and 2021, and the consequent sharp increases in the price of food items continued to be the main drivers of food-item inflation, at 12.7 per cent over the past year (2022). Prices of non-food items have increased by 5.4 per cent in the same time period.

36 Bhutan, Ministry of Finance, *Budget Report 2022-23* (Thimphu, June 2022).

According to the report, the price of goods and services increased by 5.6 per cent in March 2021 compared to the previous year, mainly owing to an increase in fuel prices (57.6 per cent) as a result of global supply chain disruptions, attributed in part to the ongoing war between Russia and Ukraine.

37 Robinson, Tom R., "[Scenario ensemble modelling of possible future earthquake impacts in Bhutan](#)", *Natural Hazards*, 103 (3). pp. 3457-3478.

preparedness is considered one of the most urgent priorities for the country (see Section Two, Part IV, “Environment and Climate Change”, and Section Three, Part V, “Disaster Risk Reduction”).

The COVID-19 pandemic serves as a timely reminder that disasters are not limited to earthquakes and climate-induced events but may also take the form of public health emergencies. Although faring relatively well with minimal morbidity and a low number of confirmed cases, the experience of the pandemic has brought to question the capacity of Bhutan’s health system to deal with prolonged states of emergency as well as concurrent emergencies, especially given pre-existing concerns over the sustainability of the country’s free health system.

The range of multidimensional risks facing the country described throughout this CCA are summarized and presented in Annex 5.

Section two

Key dimensions impacting Bhutan's GNH and implementation of the 2030 Agenda

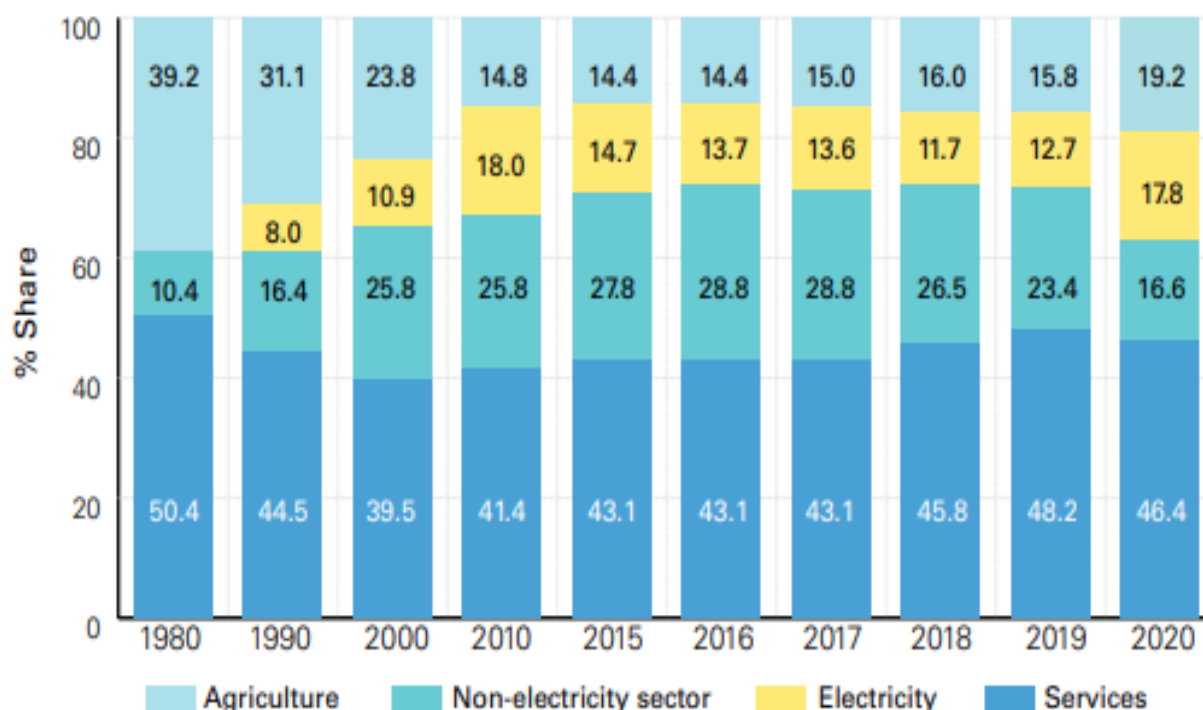
II. Economic Transformation

2.1 Overview of the state of the Bhutanese economy

2.1.1 Growth trends and sectoral shares

Bhutan's economy has grown rapidly, at an average rate of 7.5 per cent per year since the 1980s³⁸, and has undergone significant changes, transitioning from an agrarian-based economy to one largely driven by the industrial and service sectors. While agriculture contributed to 40 per cent of the country's gross domestic product (GDP) in 1980 as compared to 12 per cent by industry, its contribution in 2020 was slightly over 19 per cent, as compared to 34 per cent by industry (with the share of electricity increasing from 8 per cent in 1990 to 18 per cent in 2020). Meanwhile, the share of the service sector, which accounted for 46 per cent of GDP in 2021, has remained relatively steady and continues to dominate the economy (see Figure 3).

Figure 3: Sectoral shares of GDP



Source: NSB (2022)³⁹

38 Bhutan, National Statistics Bureau, *National Accounts Reports* (Thimphu, multiple years).

39 Bhutan, National Statistical Bureau, *Royal Monetary Authority of Bhutan, Annual Report, 2021* (2022, Thimphu).

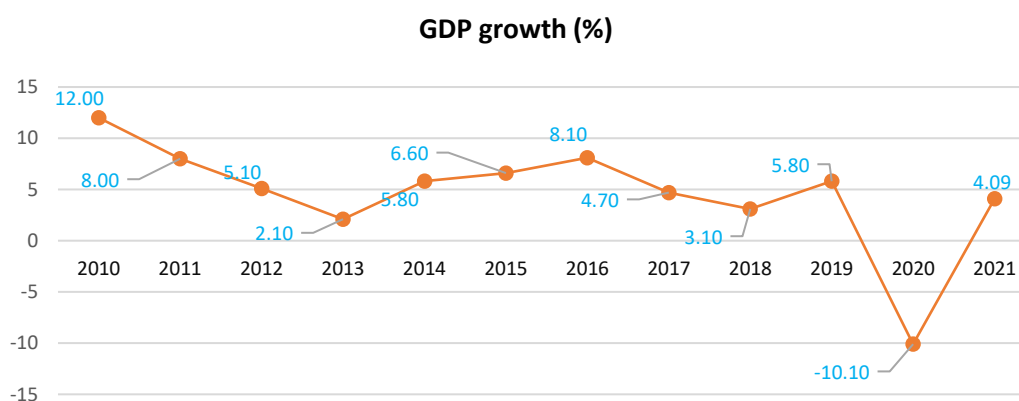
In terms of economic growth in Bhutan, with major industries being state-owned, public expenditure and government investment continue to drive growth, even though in 2021, construction, wholesale and retail trade, and transport, storage and communications (which performed poorly in 2020 due to the COVID-19 pandemic), all contributed significantly to growth, owing partly to a low base effect (see Figure 4).

Figure 4: Sectoral Growth Contribution

| Sectors | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|
| | In % points | | | | | | | | | | | |
| Agriculture, Livestock & Forestry | 0.11 | 0.30 | 0.27 | 0.27 | 0.25 | 0.53 | 0.47 | 0.32 | 0.45 | 0.14 | 0.47 | 0.24 |
| Crops | 0.07 | 0.15 | 0.11 | 0.16 | 0.19 | 0.32 | 0.39 | 0.30 | 0.24 | 0.10 | 0.24 | 0.13 |
| Livestock | 0.14 | 0.05 | 0.05 | 0.08 | 0.09 | 0.11 | 0.23 | 0.16 | 0.25 | 0.10 | 0.16 | 0.07 |
| Forestry & Logging | (0.09) | 0.10 | 0.10 | 0.03 | (0.03) | 0.10 | (0.15) | (0.14) | (0.03) | (0.07) | 0.06 | 0.04 |
| Mining & Quarrying | 0.16 | 0.43 | (0.05) | 0.68 | 0.43 | 0.37 | 0.34 | 0.21 | 1.17 | 1.38 | (4.22) | 0.32 |
| Manufacturing | 1.81 | 0.70 | 0.65 | (0.51) | 0.83 | 0.41 | 0.22 | 0.56 | 0.23 | (0.00) | (1.72) | 0.20 |
| Electricity & Water Supply | 1.22 | (1.16) | (0.10) | 1.87 | (0.53) | 1.29 | 0.48 | (0.63) | (2.27) | 1.53 | 3.39 | (0.69) |
| Electricity | 1.23 | (1.14) | (0.11) | 1.87 | (0.54) | 1.29 | 0.47 | (0.64) | (2.28) | 1.53 | 3.39 | (0.69) |
| Water Supply | (0.01) | (0.02) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Construction | 2.42 | 1.86 | 2.44 | (0.33) | 0.95 | 1.54 | 2.06 | 0.99 | (1.29) | (2.11) | (2.39) | 0.90 |
| Wholesale & Retail Trade | 1.06 | 1.09 | 1.10 | 0.48 | 1.00 | 1.00 | 1.02 | 0.90 | 0.93 | 1.29 | (0.73) | 0.79 |
| Hotels & Restaurants | 0.03 | 0.32 | 0.18 | 0.17 | 0.22 | 0.23 | 0.18 | 0.24 | 0.19 | 0.22 | (1.47) | 0.03 |
| Transport, Storage & Communications | 0.99 | 1.23 | 0.54 | 0.45 | 0.87 | 0.88 | 0.86 | 1.36 | 1.20 | 1.56 | (1.86) | 1.95 |
| Financing, Insurance, Real Estates & Business Services | 0.78 | 1.95 | (0.72) | 0.17 | 0.34 | 0.48 | 0.92 | 0.32 | 0.97 | 0.32 | (0.85) | (0.14) |
| Finance & Insurance | 0.72 | 1.80 | (0.70) | 0.11 | 0.27 | 0.43 | 0.69 | 0.20 | 0.88 | 0.22 | (0.92) | (0.30) |
| Real Estate & Dwellings | 0.05 | 0.14 | (0.03) | 0.06 | 0.07 | 0.06 | 0.21 | 0.02 | 0.06 | 0.07 | 0.08 | 0.08 |
| Business Services | 0.02 | 0.01 | 0.01 | (0.00) | 0.00 | 0.00 | 0.02 | 0.10 | 0.03 | 0.04 | (0.01) | 0.08 |
| Public Administration | 1.06 | 0.27 | (0.41) | (0.37) | 0.45 | 1.10 | 0.76 | 0.02 | (0.11) | 0.57 | 1.34 | 0.41 |
| Education & Health | 0.69 | 0.19 | (0.42) | (0.29) | 0.25 | (0.39) | 0.13 | (0.21) | 0.48 | 1.77 | 0.49 | (0.00) |
| Private Social & Recreational Services | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.08 | 0.01 | 0.01 | (0.16) | 0.01 |
| Taxes Net of Subsidies | 1.60 | 0.79 | 1.64 | (0.49) | 0.71 | (0.83) | 0.66 | 0.50 | 1.10 | (0.93) | (2.31) | 0.07 |
| Gross Domestic Product | 11.94 | 7.98 | 5.12 | 2.12 | 5.78 | 6.64 | 8.13 | 4.65 | 3.06 | 5.76 | (10.01) | 4.09 |

Source: NSB (2022)⁴⁰

Figure 5: Annual GDP Growth Rate, 2010–2021



Source: NSB (2022)⁴¹

40 Bhutan, National Statistical Bureau, *Royal Monetary Authority of Bhutan, Annual Report, 2021* (2022, Thimphu).

41 Ibid.

It is clear that the COVID-19 pandemic had significant impacts on the Bhutanese economy. For the first time in recorded history, economic growth dropped to a historic low of -10 per cent in 2020, from 5.8 per cent in 2019 (see

Figure 5).⁴² The steepest contractions occurred in mining and quarrying, due to reduced domestic demand and border closures affecting export; among hotels and restaurants, as a direct result of tourism shutdowns; in construction and manufacturing, due to labour mobility issues and supply chain disruptions; and taxes, due to foregone revenues from sectors most affected by the pandemic.

The agricultural sector, however, saw notable growth, at 4.6 per cent in 2020 compared to 1.3 per cent in 2019, and its contribution to GDP improved from 15.8 per cent in 2019 to 19.2 per cent in 2020. Disruptions in external supply due to the pandemic positively benefited the sector, as prioritized support through the Agriculture Stimulus Package helped to increase domestic production and provided substitutes for agricultural imports.⁴³

While the industrial and service sectors saw significant contraction during the pandemic, higher hydropower exports offset some of the economic downturn. This helped to mitigate the severity of COVID-19's impact on the economy. As such, the agriculture and electricity sectors effectively cushioned the economy during this time.

Growth rebounded moderately in 2021, by 4 per cent, representing an increase of 14 percentage points from the previous year. Commensurately, GDP per capita increased to USD \$3,358 in 2021 from USD \$3,104 in 2020. Key sectors contributing to this were mining and quarrying (28.3 per cent); transport and communication (16.2 per cent, from a low growth rate of -14.7 per cent in 2020); construction (8.8 per cent); and wholesale and retail trade (7.3 per cent). These were backed by strong public investment, particularly in infrastructure development, which helped to revive the economy. However, performance dropped in other sectors, such as electricity and water supply, financial and insurance activities, education and health and air transport.⁴⁴

42 Ibid.

43 Under the RGoB's Economic Contingency Plan (ECP), BTN 571 million was allocated for the Agriculture Stimulus Package to increase agriculture production, food security and resilience in the wake of the COVID-19 pandemic, including by supporting those laid off to take up agriculture, promoting the raising of winter vegetables and strengthening the supply chain/sourcing.

44 International Monetary Fund, Asia and Pacific Department, [Bhutan: Staff Report for the 2022 Article IV Consultation- Debt Sustainability Analysis](#) (24 May 2022).

Box 1: Medium-Term Macroeconomic Outlook⁴⁵

With the successful outcome of a nationwide COVID-19 vaccination programme and RGoB's expansionary fiscal stance in FY 2021-22, Bhutan's economy is expected to substantially recover in the short to medium term. The World Bank estimates that Bhutan's growth will rebound to 4.1 per cent in FY 2022/2023, and 3.7 per cent in FY 2023/2024.

The broader reopening of borders in September 2022 was expected to support growth in the industry and service sectors. Yet, tourist arrivals are expected to remain subdued because of the new *Tourism Levy Act*, which tripled the sustainable development fee (a daily fee paid to the government for the privilege of visiting the country) for international tourists. While output is expected to recover to its pre-crisis level, slower recovery in domestic demand due to high inflation and lower investments in hydropower are expected to decelerate growth in FY 2022/2023.

Medium-term growth is expected to remain below pre-COVID levels due to delays in construction and maintenance of hydropower projects as a result of labour shortages. These delays limit hydropower revenue, constraining the country's ability to strengthen fiscal balances in the medium term. Additionally, the lower public investment in the first year of FYP Thirteen, as well as delays in the commissioning of hydropower projects are affecting the economic growth outlook for the country.

Tax revenue is expected to increase over the medium term because of major public financial management and taxation reforms which are now underway. The fiscal deficit is expected to moderate as pandemic-related measures gradually phase out and revenue reforms deepen.

Inflation is projected to remain in line with that of India, Bhutan's key trading partner, given that the BTN is pegged to the INR. The inflation rate is also expected to remain slightly elevated at the beginning of 2023, along with the trend of global price increases, before moderating again towards the end of 2023.

The country's current account deficit is expected to moderate from FY 2022/2023 due to a lower trade deficit and reserve coverage is expected to decline until FY 2022/2023, to approximately 6-7 months of goods and service imports.

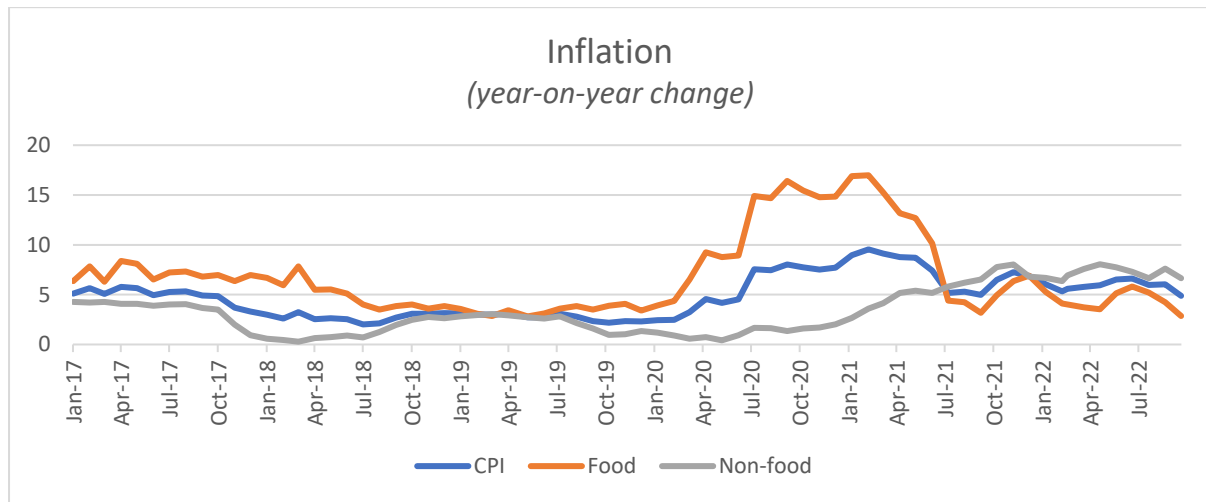
The fiscal deficit is expected to remain elevated in the short and medium term, however it is expected to decrease slightly with recurrent expenditure rationalization (although it will remain elevated at about 5–9 per cent of GDP in FY 2022/2023 due to continued fiscal support though capital expenditures and subdued revenue performance). The deficit should decline to 5.5 per cent of GDP in FY 2023/2024 due to lower public investments in the first year of FYP Thirteen, along with measures to improve spending efficiency. Financing needs are projected to be covered mainly by concessional external borrowing from multilateral and bilateral partners and domestic financing, in line with the market absorption capacity of the domestic financial system. Despite a decline in hydropower debt, public debt is projected to remain elevated as a share of GDP in the short to medium term due to high fiscal deficits.

45 Ibid.

2.1.2 Inflation

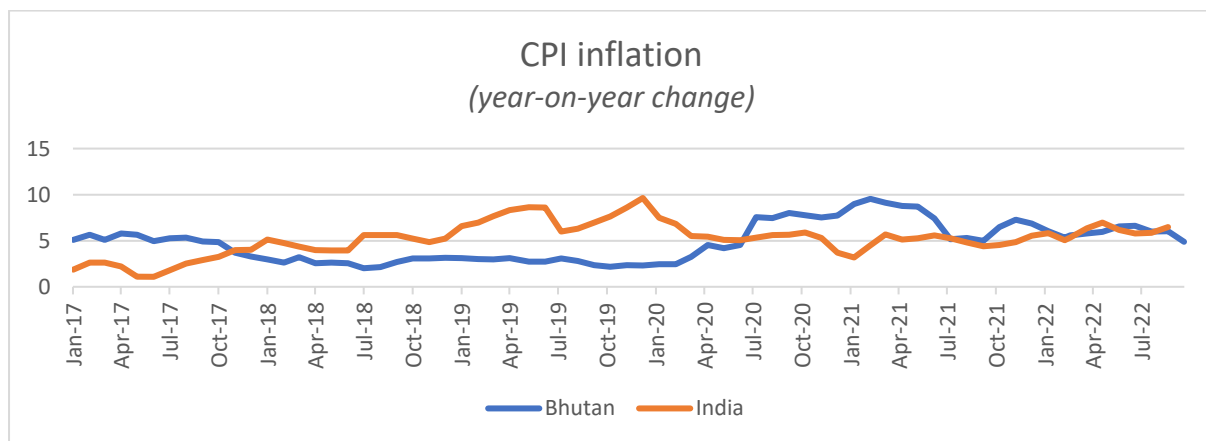
Inflation is expected to remain elevated in the medium term, affecting the purchasing power of lower-income households who are still recovering from the COVID-19 pandemic. After falling to a decade low of 2.3 per cent in 2019, Consumer Price Index (CPI) inflation surged to 7.4 per cent in 2021 as prices started to rise in concert with the onset of the pandemic in 2020, its impact on supply chains driving up food prices (see Figures 6 and 7). In recent months, inflation in Bhutan has been driven by rising global fuel prices and higher food prices as a result of the Russia-Ukraine war.

Figure 6: Changes in Consumer Price Index, January 2017 – October 2022



Source: Bhutan, National Statistics Bureau database.

Figure 7: Bhutan’s CPI Inflation Relative to India, January 2017 – October 2022



Source: Bhutan, National Statistics Bureau and United States Federal Reserve Economic Data (FRED) database.

2.1.3 External sector

Bhutan's external sector has always been marked by high volatility and a large current account deficit (CAD). The country's CAD has improved in recent years with the commissioning of mega hydropower projects and increased exports. The CAD has consistently been financed primarily by loans and grants, and more recently by tapping into foreign reserves.

As will be discussed in Section Three, Part 7.2.2, "Challenges to expanding the financing portfolio", Bhutan's public debt totalled 120.5 per cent of the country's GDP as of March 2021.⁴⁶ Public debt remained high in FY 2022 at 133.5 per cent of GDP. Bhutan's debt distress level is still assessed as being at risk of moderate debt distress by the IMF and the World Bank as of 2022, but with very limited room for shocks and fiscal expansion. This is because a vast majority of external debt is due to hydropower loans from the Government of India, constituting 73 per cent of total debt, which are low risk in nature, akin to foreign direct investment (FDI).⁴⁷

Likewise, public debt remains well within the threshold stipulated in the National Public Debt Policy 2016⁴⁸. Moreover, debt dynamics are expected to improve over the medium term, aided by a gradual fiscal consolidation as well as commissioning of large-scale hydropower projects which will increase electricity exports. Nevertheless, the country's debt trajectory could be vulnerable to exchange rate and export shocks. Prolonged delays with the completion of mega projects, including the Punatsangchhu-I and Kholongchhu hydropower projects, present major risks with likely impacts on their commissioning and the country's revenue projections.⁴⁹

As of 1 December 2022, Bhutan's gross international reserves stood at USD \$777 million (or the equivalent of 13.95 months of essential imports).⁵⁰ This remained above the 12-month threshold mandated by the Constitution of Bhutan. Nevertheless, foreign reserves have been declining steadily since March 2021, when they reached an all-time high of almost USD \$1.6 billion. In the short run, they are expected to decline further. To maintain adequate international reserves and address macroeconomic imbalances, the RGoB has implemented various policies and measures, including a moratorium on the import of non-essential vehicles, as of August 2022, until further notice.

46 Bhutan, Ministry of Finance and United Nations Economic and Social Commission for Asia and the Pacific, [National Budget, Financial Year 2021 - 2022](#) (Thimpu, May 2021).

47 International Monetary Fund, Asia and Pacific Department, [Bhutan: Staff Report for the 2022 Article IV Consultation- Debt Sustainability Analysis](#) (24 May 2022).

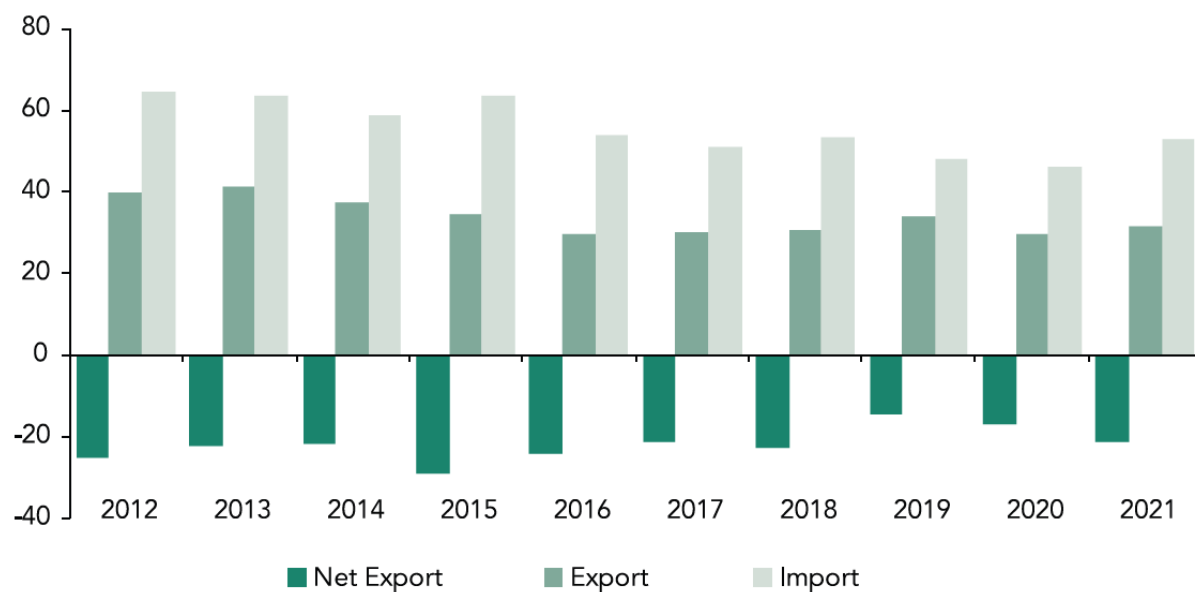
48 Bhutan, Ministry of Finance, [Public Debt Policy 2016](#) (Thimphu, 2016).

49 See for example: Bhutan Broadcasting Service, ["NC recommends Govt. to stop extending deadlines for hydropower projects"](#), 25 June 2022.

50 Bhutan, Office of the Prime Minister and Cabinet, [State of the Nation](#) (Thimphu, 8 December 2022).

Figure 8: Exports, Imports and Net Exports, 2012–2021

(Percentage of GDP)



Source: *Statistical Yearbook of Bhutan (2022)*⁵¹

Trade flows in the country have increased, surpassing the pre-pandemic threshold. The increase in imports was much higher than the increase in exports, widening the trade deficit (see Figure 8). For FY 2021/2022, the trade deficit increased to 23.5 per cent, from 6.9 per cent in FY 2020/2021. Overall imports in 2022 (January–September) increased 46.2 per cent compared to the same period in the previous year, whereas exports increased by 10.4 per cent only.⁵² The export composition continues to be dominated by a handful of commodities, namely ferrosilicon, boulders, cement, iron and steel, cardamom and a few other mineral products, reflecting high reliance on a few products in the export basket. Likewise, approximately 80 per cent of Bhutan’s trade is with India.

Nonetheless, records indicate that over the years, there has been a gradual improvement in diversification and expansion of trading partners, both in terms of source of import as well as export destination (see Figure 9).

51 Bhutan, National Statistics Bureau, *Statistical Yearbook of Bhutan 2022* (Thimphu, 2022).

52 Bhutan, Office of the Prime Minister and Cabinet, *State of the Nation, Eighth Session, The Third Parliament of Bhutan* (Thimphu, 8 December 2022).

Figure 9: Merchandise Exports and Imports by Country of Destination/Origin, 2021

| A. Exports | | | | B. Imports | | | |
|------------|-------------|-------------------------------|--------------------|------------|---------------|-------------------------------|--------------------|
| Rank | Country | Value (BTN In Millions) | Share (percent) | Rank | Country | Value (BTN In Millions) | Share (percent) |
| 1 | India | 26 408,86 | 78,7 | 1 | India | 71 235,90 | 81,2 |
| 2 | Bangladesh | 5 212,91 | 15,5 | 2 | China | 7 512,57 | 8,6 |
| 3 | Italy | 850,29 | 2,5 | 3 | Singapore | 1 896,17 | 2,2 |
| 4 | Nepal | 586,59 | 1,7 | 4 | Thailand | 1 886,67 | 2,1 |
| 5 | China | 155,17 | 0,5 | 5 | Bangladesh | 814,17 | 0,9 |
| 6 | Germany | 80,40 | 0,2 | 6 | Korea South | 608,56 | 0,7 |
| 7 | Viet Nam | 68,66 | 0,2 | 7 | South Africa | 436,71 | 0,5 |
| 8 | Netherlands | 42,96 | 0,1 | 8 | Japan | 418,61 | 0,5 |
| 9 | Singapore | 23,52 | 0,1 | 9 | Switzerland | 409,74 | 0,5 |
| 10 | Switzerland | 22,23 | 0,1 | 10 | United States | 351,87 | 0,4 |

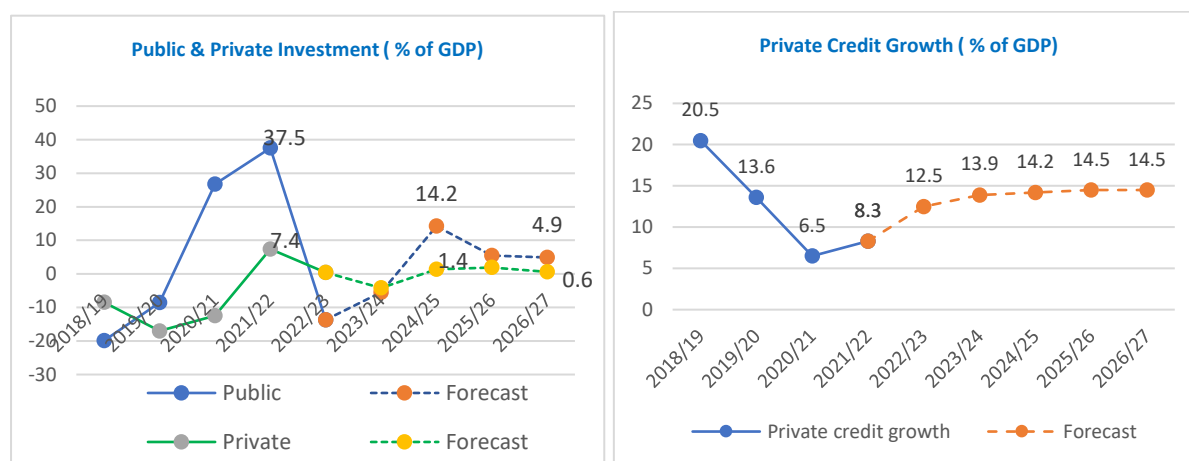
Source: United Nations Bhutan Resident Coordinator Office calculations based on Statistical Yearbook of Bhutan (2022).

2.1.4 Monetary policy

Monetary policy remains accommodative to support the country's economic recovery. A key priority is to pursue price stability and to maintain the one-to-one exchange-rate peg with the INR, which inadvertently does not allow much monetary policy autonomy. Swift and strong monetary measures have been implemented in response to the COVID-19 pandemic, averting a financial meltdown of the country's economy.

These measures included injecting adequate liquidity into the market, interest payment relief to all loans, deferment of loan repayments and highly competitive working capital loans to businesses for continued operation, among others. Overall, these measures supported an increase of private credit growth of 6.5 per cent in FY 2020/2021 and 10.8 per cent in FY 2021/2022, below the 3-year pre-pandemic average of about 16 per cent. Money supply witnessed strong growth in FY 2020/2021 (24.4 per cent) on the back of growing deposits, amid broad based pandemic relief measures, before slowing down to 9.4 per cent in FY 2021/2022 (see Figure 10).

Figure 10: Investment and Credit Growth, FY 2019 – FY 2027



Source: IMF Article IV (2022); Royal Monetary Authority, Monthly Statistical Bulletin (August 2022).

Non-performing loans (NPLs) are a concern, ranging between 12-15 per cent prior to the pandemic, and driven primarily by bad assets in non-bank financial institutions. NPLs were mainly concentrated in the construction, service and tourism sectors, followed by trade & commerce and housing. NPLs declined slightly during the pandemic, mainly due to a moratorium on loan repayments as part of the pandemic response. The Central Bank’s adoption of Rules and Regulations on Foreclosure and Write-off of Non-Performing Loans 2022 is also a contributing factor in managing NPLs.⁵³

Nonetheless, the impact of the pandemic on the financial sector’s asset quality (non-performing loans) is expected to be a key challenge going forward. Moreover, access to financing continues to be a challenge, especially for start-ups and small businesses, despite multiple initiatives by the RGoB. Constituting over 95 per cent of total businesses in the country, cottage- and small-scale industries (CSIs) have been disproportionately affected by the pandemic.

2.1.5 Fiscal policy implications

The RGoB has historically demonstrated strong fiscal prudence and fundamentals while at the same time supporting growth, and has maintained a deficit within 3 per cent, as stipulated in its FYPs. With the onset of the COVID-19 pandemic, this fiscal policy stance had to be revised to accommodate a higher fiscal deficit due to the implementation of critical support measures for livelihoods and growth. The expansionary fiscal policy has consequently resulted in a widening deficit, amidst shrinking fiscal space. In FY 2022, this reached 11 per cent and it is expected to range from 5 to 9 per cent during FY 2023, according to various sources.⁵⁴ These actual and projected fiscal deficits are significantly higher than the target of keeping fiscal deficit under 3 per cent during the 12th FYP period (2018 – 2023).⁵⁵ COVID-19 emergency-relief measures, including direct income support, subsidies, tax exemptions and capital expenditure, have partly led to a worsening of the financial resource gap. In this context, government finance faces mounting pressure amidst increasing expenditure and declining

53 Bhutan, Royal Monetary Authority, Department of Financial Regulation and Supervision, *Highlights on the Financial Sector Performance, March 2022* (Thimphu, March 2022).

54 Kuensel, “[Fiscal deficit expected to drop to 5 percent by June: FM says](#)”, 14 December 2022.

55 Bhutan, Ministry of Finance, *National Budget Financial Year 2022-23* (Thimphu, June 2022).

revenues (see Section Three, Part 7.2, “Financing Bhutan’s development” for additional analysis).

Domestic public finance has been heavily impacted by the COVID-19 pandemic, with a widening fiscal deficit due to both increased spending commitments and subdued revenues. A drop in tax revenue and rise in expenditures led to a fiscal deficit reaching 6 per cent of GDP in FY 2020/2021, with the deficit for FY 2021/2022 estimated at 11 per cent, and for FY 2022/2023, an expected range of between 5 to 9 per cent.⁵⁶

2.2 Structural challenges and issues

While the Bhutanese economy has suffered immediate impacts from the COVID-19 pandemic with potentially longer-term consequences, the country has yet to address (effectively) the persistent challenge of overcoming its high economic vulnerability. This vulnerability is attributed to difficulties in diversifying its narrow economic base, a continued significant reliance on external aid and hydropower-related inflows, low productivity and returns from agriculture, an increasing trend of youth unemployment and an inherent vulnerability to the effects of climate change, among others. Building economic resilience and enhancing productive capacity thus remains a key priority for Bhutan.

2.2.1 Hydropower-reliant capital-intensive growth

Bhutan possesses a vast hydropower potential of 30 GW, of which 23.8 GW is technically and economically feasible.⁵⁷ With domestic production exceeding the 300 MW of domestic peak demand, most electricity is exported (about 80 per cent to India). Public investments in hydropower and electricity generation have been the main drivers of growth in the previous years, also given this sector’s direct bearing on the growth of the construction sector, as well energy-intensive industries such as ferrosilicon, iron, steel and chemicals.⁵⁸

Thus, Bhutan’s growth has been highly capital-intensive and driven by sectors that are not immediately and directly relevant to the poor. Overreliance on the hydropower sector has impeded redistribution of labour, employment creation and private-sector development. Productive employment opportunities are limited, while the lack of economic diversification has led to economic vulnerability.

This vulnerability is further increased, as the sector’s sustainability is inextricably linked to the impacts of climate change and effective management of ecosystems. Reduced water flow and adverse weather events could impact electricity generation, with knock-on effects for energy-intensive industries. Further, hydropower infrastructure is inherently at risk of damage or destruction from earthquakes and floods, given Bhutan’s location in one of the most seismically active zones in the world (see Section Two, Part IV, “Environment and Climate Change”, and Section Three, Part V, “Disaster Risk Reduction”).

Much of Bhutan’s manufacturing and small export basket is therefore also vulnerable, as demonstrated in 2018 when unfavourable weather led to a 3 per cent reduction in

56 Kuensel, “[Fiscal deficit expected to drop to 5 percent by June: FM says](#)”, 14 December 2022.

57 World Bank and Asian Development Bank, [Climate Risk Country Profile, Bhutan](#) (Washington D.C., 2021).

58 World Bank, Open Knowledge Repository, [Bhutan Urban Policy Notes](#) (June 2019).

hydropower, reducing electricity exports by 9 per cent, at a time when domestic manufacturing demand for energy had increased by 66 per cent.⁵⁹

While the resilience of the electricity sector during the COVID-19 pandemic helped mitigate some of the economic impacts, the country's vulnerability to climate change impacts and the recent sharp rises in oil prices further raise concerns over Bhutan's future energy security, underscoring a need to diversify its energy sector by scaling up other (clean) renewable sources of energy. Meanwhile, hydropower driven growth has not led to a commensurate generation of employment, with only 14.1 per cent of the labour force employed in the industry. At the same time, growth in the industry, while contributing to GDP, has also contributed to rising greenhouse gas emissions (see Section Two, Part IV, "Environment and Climate Change").

As the hydropower sector will continue to play a dominant role in Bhutan's economy, some beneficial modifications are recommended, such as diversifying the hydropower export market and identifying alternative sources of financing. Investing in small- and medium-sized enterprises could help reduce the risk (financial as well as environmental and social effects); managing smaller projects could also help build required capacity in the domestic market, where the private sector could actively participate.⁶⁰

2.2.2 Impediments and vulnerabilities surrounding critical economic sectors

Bhutan's efforts to diversify its narrow economic base by advancing the key economic sectors of CSIs, (organic) agriculture and tourism, including as flagship programmes of the 12th FYP, have had limited success. These sectors, along with hydropower and mining, had been identified by the Economic Development Policy 2016⁶¹ as the "five jewels" or economic sectors with potential for export, revenue generation and employment creation, thus underscoring their importance for an economic growth model that is more sustainable and equitable.

With about 80 per cent of the country's trade being with India, its export market is highly concentrated, exposed to asymmetric competitive forces and susceptible to exogenous and cross-border shocks from India. For instance, Bhutan's cement industry exports to India were adversely affected when India introduced a goods and services tax. In 2021, vegetable exports via the bordering Indian town of Jaigaon in West Bengal were halted during the peak season, greatly affecting Bhutanese farmers. More recently in September 2022, vegetable exports via the same route were suspended just at the start of the peak season, due to pressure from local merchants.⁶²

(a) Agriculture

The agriculture or renewable natural resources (RNR) sector, which is critical for rural livelihoods in Bhutan and comprises almost half of the labour force, is challenged with low growth and returns. Employment in this sector is mainly in small-scale subsistence farming,

59 World Bank, [Bhutan Development Update: Accelerating Reform Momentum](#) (November 2018).

60 World Bank, [Bhutan Systematic Country Diagnostic : Taking Bhutan's Development Success to the Next Level](#) (30 January 2020).

61 Bhutan, Ministry of Economic Affairs, [Economic Development Policy](#) (Thimphu, December 2016).

62 The Bhutanese, ["Jaigaon importers trying to protect a black economy with boycott threat to Bhutan"](#), 10 September 2022.

with low productivity and often limited processing and value addition.⁶³ Productivity is constrained by a combination of factors, including declining cultivable land, increasing human-wildlife conflict, population drifts, abandonment of farmland and houses, farm labour shortages and the increasing costs of farming.

With Bhutan having less than 3 per cent arable land,⁶⁴ the average landholding is 3.7 acres. In 2019, agricultural landholdings covered a total area of approximately 250,000 acres, of which three quarters were cultivated, and one quarter was either left fallow due to poor access to irrigation (34 per cent), crop damage due to wildlife (25 per cent) or labour shortages (19 per cent).⁶⁵ Changing weather patterns, declining water resources, the emergence of new pests and diseases as well as natural hazards are just some of the many climate change impacts are increasing this sector's vulnerability.

Additional challenges include: lack of market-responsive production planning; post-harvest handling and packaging; storage; remoteness and the ability to connect to viable markets; transport bottlenecks (aggregators); weak producer-buyer relationships; food standards and quality adherence; limited access to financing; and gaps in digital services for market actors (including financial). Knowledge management, documentation of lessons learned and scaling-up of successful agriculture models are yet to be fully leveraged in this sector.⁶⁶

The aforementioned issues all have implications for food and nutrition security in the country (see Section Two, Part 3.1, "Investment and outcomes for human development"). Dependency on imports to ensure food sufficiency remains high, especially for staple foods (e.g., rice), with more than 50 per cent of the country's total food-consumption needs met through imports.

Agency experience and analysis point to three deeply rooted and related systemic problems in Bhutan's food systems, i.e., the "bad year" or "lean season" problem; the "last mile" problem; and the "good year" problem with high production, which when ignored leads to food and nutrition insecurity, while also increasing the risk that food systems will collapse under shocks.⁶⁷

There are also implications for gender equality and women's empowerment, as well as *leaving no one behind*. Poverty and inequality remain high in rural areas despite progress made at the national level. There is also a reported feminization of agriculture, and a higher proportion of persons with disabilities and senior citizens residing in rural communities. This is attributed in part to high out-migration of mostly young, able-bodied males, prompted by drudgery and the high risks involved in farming, the lack of modern facilities in rural areas and better income opportunities elsewhere with the growth of other sectors.

63 The agricultural sector continues to be associated with low incomes, few fringe benefits and restricted access to education and labour-related social protection programs. Workers in this sector tend to be less educated and from poorer and more rural households.

64 Bhutan, National Statistics Bureau, [RNR Census Report 2019](#) (Thimphu, 20 September 2021).

The percentage of arable land in the country, according to the RNR Census, was estimated at 2.83 per cent.

65 Bhutan, Ministry of Agriculture and Forests, [RNR strategy 2030 Final Draft](#) (July 2022) (unpublished).

66 The World Food Programme, [WFP's Support to Climate Resilient Agriculture and Food Systems in Bhutan 2019-2023](#) (9 June 2022).

67 Ibid.

Over the course of the implementation of the Agriculture Stimulus Package during the COVID-19 pandemic, deep deficiencies in the country's supply and value chains were revealed⁶⁸, demonstrating a clear need to essentially transform the entire food system. Hence, policies and interventions must be geared not only towards enhancing sustainable and resilient agricultural production, but also towards strengthening supply chain capacity and logistics services, as well as improving market access, including through value addition.

(b) Private sector: cottage and small industries

The Start-up and CSI Development Flagship Programme⁶⁹ was a key strategy of the 12th FYP in terms of diversifying the country's economic base and addressing the issues of youth unemployment, rural-urban migration, import dependency, poverty, gender equality, limited culture of creativity and innovation, among others. It was expected to strengthen existing physical infrastructure and to enable the construction of additional facilities such as mini-industrial parks for CSIs, common-facility centres, FabLabs⁷⁰, business-incubation centres, testing and inspection facilities for agro-based food products and market infrastructure, including collection points, storage facilities and sales outlets.⁷¹ However, the COVID-19 pandemic has adversely impacted CSIs, forcing closures as well as increasing the loss of employees.⁷²

In general, the Bhutanese private sector remains underdeveloped. Its potential has yet to be realized, requiring investment in the asset base of both physical and human capital and in institutions.⁷³ With a handful of large companies, the sector continues to be at an embryonic stage dominated by small and micro firms, mostly operating informally. At the same time, there is a heavy reliance on state-owned-enterprises (SOEs) to provide essential goods and services. The strong presence of these SOEs, which enjoy subsidies, exemptions and preferential tax treatment, is seen as crowding out opportunities for the private sector in some commercial areas, such as manufacturing, agriculture and real estate.⁷⁴

At the same time, many impediments remain to be overcome for start-ups and CSIs, including the lack of an enabling environment to operate (e.g., a cumbersome business registration process). Besides limited domestic markets, this sector faces high logistical costs and difficulties in maintaining supply chains (given the country's topography), limited access to financing and modern technology, mediocre quality and standards of products, lack of skilled labour and a weak entrepreneurial culture. In the absence of a proper data ecosystem, availability of real-time data has been an impediment across all economic sectors.

68 Marketing challenges are posed by the lack of real-time information on commodity pricing; the knowledge gap regarding demand and supply conditions, market outlets, economies-of-scale, both for export as well as domestic markets; inadequate mechanisms for product standardization, grading, packaging and labelling; as well as the lack of processing, value addition and infrastructure.

69 For more information, see: <https://www.moea.gov.bt/?p=7963>.

70 For more information, see: <https://www.fablab.bt>.

71 Bhutan, Gross National Happiness Commission, *12th Five Year Plan Volume I: Main Document* (Thimphu, 2019).

72 Kuensel, "*CSI's closing and losing employees*", 4 April 2022.

73 World Bank, *Bhutan Systematic Country Diagnostic: Taking Bhutan's Development Success to the Next Level* (30 January 2020).

74 Ibid.

As of June 2017, there were 43,505 industrial establishments in the country, with the majority in the service sector (14,528) and trade sector (22,972). Of the 20,000 establishments that are licensed, more than 95 per cent are registered as sole proprietorships.

As such, the Start-Up and CSI Flagship is designed to provide comprehensive support covering the entire gamut of business-development phases in the entrepreneurial ecosystem, and CSIs are encouraged to embrace digital technology to facilitate their business operations. The National CSI Development Bank Limited (to promote the rural economy), and the *Fiscal Incentives Act of 2017* are some of the efforts being put in place which are aimed at enhancing access to financing. A trade-information portal, single-window online registry system, one-stop information centre (MOSIC),⁷⁵ and an integrated business licensing system (IBLS) developed through the Digital Drukylul Flagship Programme⁷⁶ are efforts by the Ministry of Economic Affairs aimed at improving data and services.

(c) Tourism

As a major source of hard currency earnings and with about 16 per cent of the working population reported to be employed in this area or in associated activities,⁷⁷ tourism remains an important sector for Bhutan. As part of the overall strategy for economic diversification, the 12th FYP's Tourism Flagship Programme⁷⁸ is aimed at increasing the sector's contribution to the national economy and rural livelihoods, balanced regional development as well as a more seasonal spread of tourism and enhanced visitor experience of the country as an exclusive destination.

Tourism was expected to contribute to progress across all of the 12th FYP NKRA's and the SDGs (the 12th FYP projected growth in the sector to average 8.3 per cent during the plan period), however, much of this has been reversed as the COVID-19 pandemic brought the sector to a standstill, with movement restrictions imposed and international borders shut.

According to a socio-economic impact assessment of COVID-19 looking at Bhutan's tourism sector conducted in May 2020⁷⁹, 32 per cent of employees in the sector had lost their job or had been sent on leave without pay. For about 63 per cent of households surveyed, income from tourism was their only source of livelihood, with 74 per cent of affected households reporting more than a 50 per cent drop in income, and many having no other source of subsistence or means to carry them through the crisis.

As part of the Economic Contingency Plan (ECP)⁸⁰, a Tourism Economic Contingency Plan (TECP) was put into implementation, to gainfully engage displaced employees from the sector, with a total of 1,573 laid-off persons engaged at the time of the 12th FYP midterm review in 2021.⁸¹ As the sector reopens to tourists and works on "building back better" from

75 MOSIC is a platform where all information/data related to services provided by the Ministry of Economic Affairs (MoEA) is made available publicly. The centre is linked with the G2C system and therefore has the inbuilt capability to fetch data related to all business and industry licenses on a real-time basis from the G2C system. Additionally, the system also has offline data-recording systems for exports, imports, fuel and LPG.

76 For more information, see: <http://drukjournal.bt/digital-drukylul-an-ict-masterplan-for-bhutan/>.

77 As reported by the Foreign Minister, who is also the Chairperson of the Tourism Council of Bhutan (TCB), in the December 2020 parliamentary session.

78 For more information, see: https://www.pmo.gov.bt/?stm_service=flagship-programs.

79 Bhutan, National Statistics Bureau and the United Nations Development Programme, *Rapid Socio-Economic Impact Assessment of COVID-19 on Bhutan's Tourism Sector; an analysis of the vulnerability of individuals, households and businesses engaged in the tourism sector* (May 2020).

80 Bhutan, Prime Minister's Office, *Economic Contingency Plan, Series 1: Redesigning development: Attaining greater heights* (Thimphu, 2020).

81 Bhutan, Gross National Happiness Commission, *12th Five Year Plan Mid-Term Review Report* (Thimphu, 2021).

the pandemic, new legislation and key policy changes (initiated prior to the pandemic and further revised in 2022) will be put into implementation.

The *Tourism Levy Act of Bhutan* (2022 amendment) increases the Sustainable Development Fee (SDF) from USD \$60 to USD \$200 per day, which had not been revised since its introduction in the 1970s and hence had not taken inflation into account. Under the new legislation, the SDF has been introduced for regional tourists, albeit at a highly concessional rate of BTN 1,200 per person, per night (about USD \$15).

These changes are a result of Bhutan's efforts to uphold its "high-value, low-volume" tourism policy and are intended to enhance the sector's contribution to addressing the country's most pressing socio-economic issues, including high youth unemployment, while ensuring environmental sustainability and quality services. However, these developments present increased uncertainties for the sector, especially since they come at a time when recovery from the pandemic is just beginning to find ground.

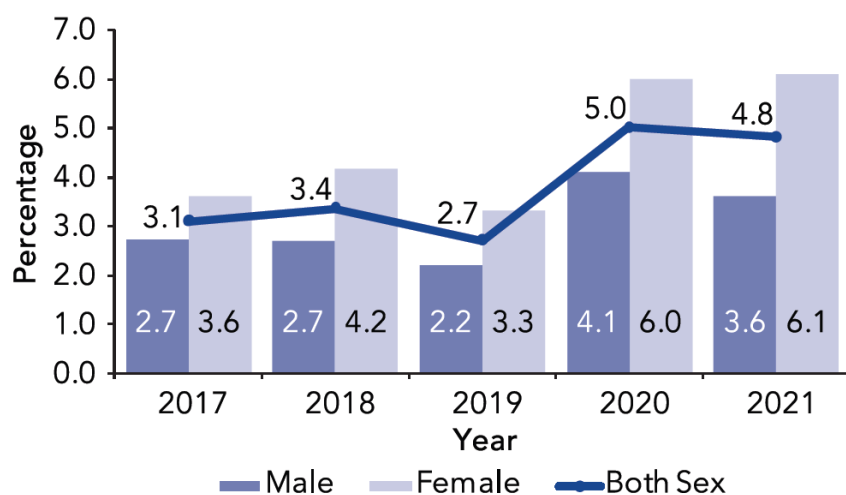
2.2.3 Employment: youth unemployment and informal labour

As mentioned previously, Bhutan's rapid structural transformation has not led to a commensurate shift in the sectoral share of employment. With low levels of productivity, the agriculture sector continues to employ and absorb the largest share of the labour force, at close to 49.2 per cent in 2021. Meanwhile, the services sector engages 36.6 per cent of the total workforce, and industries engage only 14.1 per cent of the total workforce.⁸² This has major implications for the country's aspirations for equitable growth.

While Bhutan has recorded an average unemployment rate of 2.9 per cent over the past ten years, unemployment has almost doubled to 5 per cent in 2021, from 2.7 per cent in 2019 (see Figure 11). COVID-19 containment measures further tightened labour market conditions, with a disproportionate impact on youth and other vulnerable groups who comprised the bulk of those pushed out of the labour market (see Figure 12).

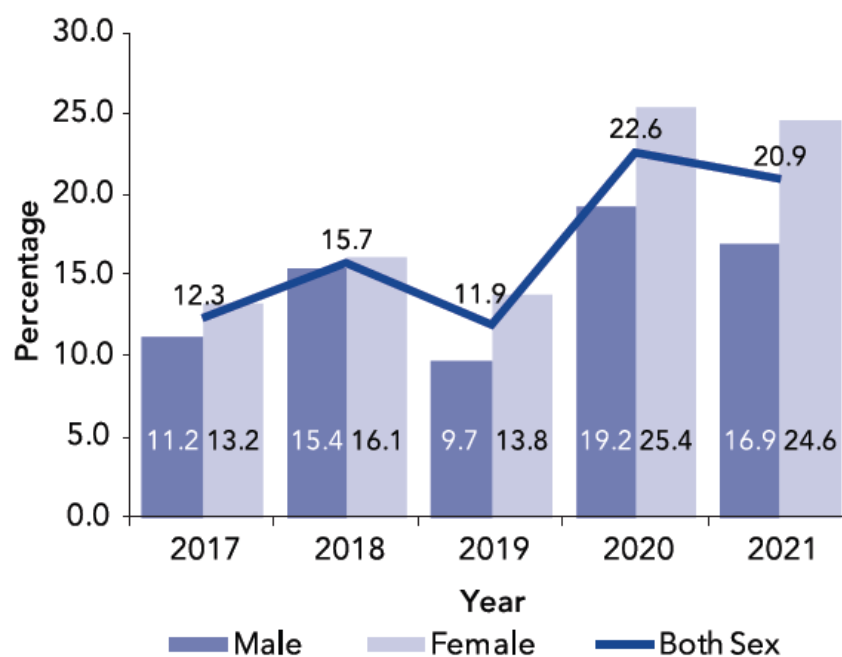
82 Bhutan, National Statistics Bureau, [Labour Force Survey Report](#) (Thimphu, 2021).

Figure 11: Unemployment Rate, 2017–2021



Source: Labour Force Survey Report, multiple years and monthly statistical bulletin, August 2022.⁸³

Figure 12: Youth Unemployment Rate, 2017 – 2021



Source: See Figure 11.

⁸³ Bhutan, National Statistics Bureau, [Labour Force Survey Report](#) (Thimphu, multiple years); and Bhutan, Royal Monetary Authority, [Monthly Statistical Bulletin](#) (Thimphu, August 2022).

(a) Youth unemployment

Although Bhutan's overall unemployment level is not high by conventional standards, the current levels and upward trend of youth unemployment is of critical concern (see also Section Two, Part 3.2.3, "Youth"). This is especially so, considering that Bhutan has a window for harnessing its demographic dividend, projected for the next two to three decades, following which that window will begin to close. A recent surge in the number of Bhutanese exiting the country in search of better opportunities adds to this worry, as this could ultimately impact Bhutan's productive capacity while possibly also having an impact on its traditionally strong social fabric. On a positive note, over the past few years, the economy witnessed a constant drop in the economically inactive population, from 37.4 per cent of the working-age population (WAP) in 2018 to 33.6 per cent in 2019 and 32.2 per cent in 2020.

The country's high youth unemployment rates have highlighted the need for improvements in the Bhutanese skills development system. In 2021, youth unemployment stood at 20.9 per cent, with female youth unemployment persisting at higher levels (24.6 per cent) over that of males (16.9 per cent).⁸⁴ Studies have indicated that youth in Bhutan generally lack the appropriate skillsets required in the current job market, which links back to the relevance and quality of mainstream, vocational and technical education accessible to young Bhutanese. Linkages between course offerings, economic realities and industry needs are noted to be weak.⁸⁵

An estimated 80 per cent of basic certificate training programs have no market value, and foreign workers predominantly take up occupations requiring middle and advanced-level skills.⁸⁶ Labour market surveys indicate the lack of employable skills among young people, resulting in skills mismatches. This represents a systemic, structural and hugely complex problem that predates the COVID-19 pandemic.

At the same time, there is a limited job market in the country, as the public sector continues to be the preferred choice of employment (as it is associated with security and prestige vis-à-vis uncertainties in a private sector that remains underdeveloped). Efforts to engage youth in agriculture has had limited success, considering the sector's association with high levels of drudgery and low returns; so-called blue-collar jobs are still not held in high regard by the general population.

Based on an Establishment Survey conducted in 2017, the 12th FYP Human Resource Development (HRD) Masterplan for the economic sectors estimated that about 16,000 jobs would be generated in the 12th FYP period by the services, production and tourism sectors. With over 66,000 new secondary and tertiary education graduates projected to enter the labour market, about 50,000 youth were projected to be without jobs in the country.⁸⁷ This

84 Bhutan, National Statistics Bureau, [Labour Force Survey Report](#) (Thimphu, 2021).

85 See for instance: Bhutan, Department of Human Resources, Ministry of Labour and Human Resources, [TVET Blueprint 2016 – 2026](#) (Thimphu, June 2106); and United Nations Development Programme, and Bhutan, Ministry of Labour and Human Resources, [Bhutan Workforce Futures: Stepping Stones to Industrial Strategic Propositions for the Agricultural, Creative and Digital Sectors](#) (Thimphu, December 2022).

86 Asian Development Bank, [Bhutan: Skills Training and Education Pathways Upgradation Project - Project Data Sheet](#) (2021 – 2022).

87 Bhutan, Ministry of Labour and Human Resources, [12th FYP Human Resources Development Masterplan for the Economic Sectors \(2018-2023\)](#) (Thimphu, 2018).

in addition to another 10,601 adolescents categorized as NEET (“not in education, employment or training) by another study.⁸⁸

Meanwhile, the COVID-19 pandemic exposed the vulnerability of the labour market in the country as unprecedented layoffs were reported, particularly in tourism and related sectors (reported by some sources at over 11,000 jobs⁸⁹). Overall, about 50,000 people were estimated to have been adversely impacted based on their direct or indirect dependence on tourism-related activities.⁹⁰ Youth and those working in the informal sector were particularly affected.

The rising pace of Bhutanese youth migrating to Australia, particularly as pandemic restrictions have eased, is a clear indication of the challenges to ensuring gainful employment in the country. This is not for lack of effort, as numerous programmes have been introduced over the past decade, including various skilling, up-skilling and entrepreneurship programmes; overseas employment programmes; the Build Bhutan Project⁹¹ as part of the pandemic response under the ECP; and multiple efforts at reforming the Technical and Vocational Education and Training (TVET) programme.

The latter has been particularly challenging, with the most recent efforts at TVET reform yet to chart a clear course forward.⁹² The Overseas Employment Programme, while providing opportunities for many young Bhutanese has also come with the risk of exploitation, including increased exposure to the risk of human trafficking (see also Section Two, Part 3.2.3, “Youth”).⁹³

The De-suung Skilling Programme (DSP)⁹⁴, which picked up pace over the course of the COVID-19 pandemic, has kept a large number of Bhutanese meaningfully engaged and has further expanded into accelerated integrated training programmes, providing targeted and higher-level skills. This, and the Gyalsung Programme⁹⁵ are some of the more recent and key initiatives to keep abreast of, for their anticipated contribution to a 21st century future-ready workforce in Bhutan.

(b) Informal labour

Informal labour is of particular concern as it is widespread among the general population and endemic in certain groups, such as individuals with low education, those from rural areas and those from poor households. The World Bank estimates put the informal labour rate at approximately 80 per cent in 2016, with Bhutan’s estimated informal labour output being 26.6 per cent of GDP for 2018.⁹⁶

88 Ernst & Young, India, commissioned by the United Nations Children’s Fund, South Asia, [Developing skills in youth to succeed in the evolving South Asian economy- background paper](#) (February 2019).

89 Kuensel, “[COVID-19 forces 11,235 people out of their jobs](#)”, 2 May 2020.

90 Bhutan, Prime Minister’s Office, [State of the Nation, Fourth Session, the Third Parliament of Bhutan](#) (Thimphu, 12 December 2020).

91 For more information, see: <https://www.molhr.gov.bt/?p=254795>.

92 See: The Bhutanese, “[Technical and Vocational Education reform initiatives to submitted to government this month](#)”, 19 June 2021.

93 See for instance: Kuensel, “[Labour minister leaves for Japan to meet Bhutanese youth](#)”, 17 April 2019.

94 See: <https://dss.desuung.org.bt/de-suung-skilling-programme-dsp/>.

95 Bhutan, Gyalsung Head Office, [Gyalsung Infra, the National Service](#) (2023).

96 World Bank, [Informal Economy Database](#) (8 September 2021).

The primary reason for individuals venturing into and/or remaining in informal employment is out of sheer livelihood necessity and survival (and not generally by choice for profiteering or tax evasion). This particular sector faces challenges such as low productivity and lack of accessibility to key government services.⁹⁷

The large majority of those holding informal jobs in the country, the highest number is among workers with no schooling. Informal labour is also closely related to poverty. Nearly all (98 per cent) of workers from households in the poorest quintile engage in informal work. Informal employment is frequently seen as a concern because informal workers tend to be less productive and lack social protections. Government policies meant to improve the living conditions of workers rarely reach the informal economy.⁹⁸

2.3 Priorities for building back better and ensuring a green and inclusive economic transformation

2.3.1 Sustainable graduation from the LDCs

Bhutan will likely continue to face exogenous and endogenous challenges for sustainable development and economic diversification, with or without Least Developed Country (LDC) graduation. These challenges include overcoming the country's high trade costs, small domestic market, investment gaps in infrastructure, limited global market access, high capital costs, the impacts of climate change and natural hazard risks, among others. Other challenges to a smooth transition from LDC status include mobilizing domestic resources, and prudent management of hydropower revenues to substitute for declining foreign grants, and for maintaining macroeconomic stability.

Bhutan must ensure that its macroeconomic and fiscal instruments help it to achieve equitable and sustainable growth; the country will need to diversify its economic base away from hydropower dependence. Deepening existing sources and exploring new innovative financing instruments will be critical in pursuing a post-graduation financing strategy. Vulnerability to natural hazards and economic shocks are thus some of the most critical issues deserving attention for Bhutan's sustainable growth post-LDC graduation.

2.3.2 Green recovery

Recovery efforts to transition to a more resilient and sustainable economy must be leveraged upon promoting green investments, including in alternative renewable energy, green jobs and the implementation of climate-resilient solutions. This also includes adaptation solutions, such as hardening the resilience of critical infrastructure to multiple hazards, and implementing mechanisms to improve dryland agriculture, including through low-carbon and resilient nature-based solutions.⁹⁹ At the same time, capacity for averting, minimizing and addressing climate losses and damages will be important.

Implementing Bhutan's ambitious second Nationally Determined Contribution (NDC) for climate action¹⁰⁰ to remain carbon neutral will require an estimated financing of USD \$3.5

97 Bhutan, Ministry of Economic Affairs, Department of Cottage and Small Industry, [Annual Report 2021](#) (Thimphu, 2022).

98 World Bank and Bhutan, Ministry of Labour and Human Resources, [Bhutan's Labour Market, Toward Gainful Quality Employment for All](#) (Washington, D.C., 2016).

99 United Nations Economic and Social Commission for Asia and the Pacific, [Asia Pacific Risk and Resilience Portal, Bhutan Country Profile](#).

100 Bhutan, [Kingdom of Bhutan, Second Nationally Determined Contribution](#) (Thimphu, 5 June 2021).

billion until 2030. This will require redoubling efforts to build and strengthen national mechanisms and institutions for new and innovative sources of climate finance, coupled with implementation of the National Adaptation Plan¹⁰¹ and the various sectoral low-emissions development strategies.

The potential for energy diversification through solar energy has been demonstrated when the first grid-tied 180 kW solar power project was implemented in 2021. Similarly, prospects are abundant in wind energy. Henceforth, efforts must be concentrated on scaling up investments in such projects. Likewise, emissions reduction in transportation through replacement of the internal-combustion engine (ICE) vehicles with electric vehicles must be accelerated, especially when there is openness to uptake in the current setting with the exorbitant rise in fuel prices. Greening the taxi system and establishing electric vehicle charging stations is a notable initiative primed for upscaling.¹⁰²

2.3.3 Transformative and green solutions for Bhutan's food system and local economy

Incorporating critical learnings from the COVID-19 pandemic, which had exposed deep deficiencies in the country's agriculture production and marketing system, the Ministry of Agriculture has been working with partners to chart out transformative pathways for Bhutan's food system. These are closely aligned with the Low Emission Development Strategy¹⁰³ (LEDS) for the agricultural-food sector, and present a significant way forward for an economic sector on which much of rural Bhutan depends.

The eight pathways identified are: (1) securing production; (2) enhancing value, standards and markets; (3) unleashing digital power, including a food-system dashboard; (4) securing financing and investments; (5) investing in science and technology; (6) boosting nutrition-positive initiatives; (7) adopting a nature-first approach by championing environmental conservation; and (8) building capacity and partnerships.¹⁰⁴

Aligned to this, the Ministry of Agriculture and Forests is currently working on a revised RNR Strategy that is modelled around five themes of GRASP, i.e., Grow, Revive, Accelerate, Sustain and Protect. The strategy is aimed at building a nimble and adaptive sector that is resilient to environmental and social shocks, amplifies the provision of gainful employment as well as empowering women, children and marginal groups.

2.3.4 Private-sector development and export promotion

Economic recovery will also hinge on implementing policies that are conducive to private-sector participation and investment, including FDI and private capital. The implementation of key strategies, such as the Diagnostic Trade Integration Strategy Update¹⁰⁵ (DTISU 2020) and the National Export Strategies¹⁰⁶ are critical for guiding trade diversification, supporting

101 United Nations Development Programme, [Project Document template for Adaptation Planning / NAP \(National Adaptation Plan\) projects financed by the Green Climate Fund \(GCF\)](#) (June 2019).

102 United Nations Development Programme, [Bhutan launches its first grid-tied solar power plant](#) (4 October 2021); and [Bhutan steps up efforts to remain carbon-neutral in the transport sector](#) (15 March 2019).

103 Bhutan, Ministry of Information and Communications, [Low Emission Development Strategy for Surface Transport](#) (Thimphu, 19 July 2021).

104 See: United Nations Food Systems Summit 2021, [Bhutan National Pathways: Process](#).

105 Bhutan, Ministry of Economic Affairs and United Nations Development Programme, [Diagnostic Trade Integration Strategy Update 2020](#) (December 2019).

106 Bhutan, Ministry of Economic Affairs and United Nations Development Programme, [National Export Strategy for the Kingdom of Bhutan](#) (Thimphu, 2022).

economic recovery and sustainable LDC graduation and accelerating SDG implementation. Collectively, these will provide critical impetus for the RGoB's transformational and bold interventions in support of Bhutan's Gross National Happiness (GNH) vision.

2.3.5 Human resource development and employment generation

To drive the 21st century economy as envisaged in the 13th FYP Concept Note, it will be critical to invest in human capital development, including in health and education, as well as skills development and know-how that can respond to 21st-century needs and challenges. Ongoing efforts towards developing entrepreneurship, specialized skills and enabling policies conducive for the creation of gainful employment must be continued. In doing so, particular attention must be paid to the empowerment of women and girls, youth, persons with disabilities and other vulnerable groups.

Box 2: Support Measures to Mitigate Economic and Livelihood Vulnerabilities during the COVID-19 Pandemic

Implementation of the government stimulus plan, including expansive fiscal and monetary policies and livelihood support, has secured livelihoods and cushioned the economy to a certain extent. Bhutan swiftly implemented one of the most comprehensive socio-economic responses through a national resilience fund of approximately USD \$415 million, equivalent to over 16 per cent of GDP.

This entailed an effective health response that focused on containment and management of the virus that ensured the country averted a public health crisis. Complementing the health response was a socio-economic response aimed at securing the livelihoods of the country's most vulnerable. The relief measures included:

- Income support – a monthly cash transfer that included child support, ranging from BTN 8,000 – 12,000.
- Fiscal and monetary measures – a waiver of interest payments on loans, access to financing for businesses and deferment of tax payments for affected sectors, among others.
- Economic Contingency Plan – accelerating interventions in the tourism, agricultural and construction sectors and engaging those displaced by the pandemic in productive sectors while contributing to longer-term objectives¹⁰⁷.

His Majesty's *Kidu* Grant has benefited 48,751 individuals (6,900 children), amounting to approximately BTN 3.6 billion (approximately USD \$40 million) in cash transfers. Likewise, almost 140,000 loan account holders, individuals as well as businesses, have benefited from interest waivers equivalent to BTN 14 billion.¹⁰⁸

107 Bhutan, Prime Minister's Office, [Economic Contingency Plan Series I: Redesigning Development – Attaining Greater Heights](#) (Thimphu, 2020).

108 For more information, see: Bhutan, [Druk Gyalpo's Relief Kidu](#).

III. Social Development and Exclusion

3.1 Investment and outcomes for human development

Bhutan has consistently given priority to the social sectors over successive FYPs, resulting in improved life conditions for its people. Significant investments have also been made in addressing the differentiated needs of women, children and youth through enactment of key legislation, including the *Child Care and Protection Act 2011*, the *Child Adoption Act 2012* and the *Domestic Violence Prevention Act 2013*. In 2020, the development of the first ever National Child Policy and the revision of the National Youth Policy and Action Plan provided an opportunity for reflection on child and youth rights in the country, and to better understand the current issues and gaps.

As of 2021, Bhutan has been assessed to be on track to achieve its targets under SDG 3 (*Good Health and Wellbeing*) and SDG 4 (*Quality Education*); and notable progress has been made towards SDG 6 (*Clean Water and Sanitation*). The past decade has also seen substantial progress in setting up and strengthening the (women and child) protection system, which caters to a range of groups, including persons with disabilities and LGBTQI individuals.

Nonetheless, key issues of quality, inclusiveness and sustainability remain to be fully addressed. Although key policies and strategies have been developed for youth, persons with disabilities, sexual and reproductive health, among others, many of these instruments have been fragmented or lack proper implementation, especially at the grassroots level. Insufficient human resource capacities and inadequate resources, at national and local levels, hinder transforming national policies into fully functioning plans. The resulting issues at disaggregated levels are discussed in more detail in Section Two, Part 3.2, “Population groups (at risk of being) left behind and the main drivers of exclusion”.

3.1.1 Health

Life expectancy in Bhutan had steadily increased from 51 years in 1990 to 72 years by 2020, on par with the global average.¹⁰⁹ Improving trends in maternal and child mortality rates validates achievements in access to health services, and the infant mortality rate has witnessed a similar decline, the rate having reduced by 75 per cent since 2000 to reach about 15 deaths per 1000 live births in 2017.¹¹⁰

Limited access (especially in rural areas) to skilled birth attendants and neonatal care are linked to a majority of such fatalities.¹¹¹ Reducing newborn mortality and morbidity remains a challenge in the country. Furthermore, unequal access to health services increases the burden on tertiary level hospitals where, for example, the majority of deliveries take place. While the Policy to Accelerate Mother and Child Health Outcomes was developed in September 2020, it has yet to be implemented.

109 World Bank, [World Development Indicators](#) (based on United Nations Population Division).

110 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, United Nations High-Level Political Forum, 2021).

The maternal mortality ratio has declined from 255 per 100,000 live births in 2000 to 89 per 100,000 live births in 2017.

The child mortality rate improved from 84 per 1000 live births to 34.1 per 1000 live births during the same period.

111 Ibid.

Though quick and effective mobilization of resources to contain the COVID-19 pandemic demonstrated the responsiveness of the country's health system, a diversion of funds has affected several key health-related investments allocated under the 12th FYP.¹¹² The Village Health Worker (VHW) system in Bhutan, a crucial link between the formal health care system and community-level early treatment, suffers from capacity limitations and funding constraints.¹¹³ Bhutan's overall health expenditure is currently about 4–4.5 per cent of the GDP, which is deemed less than sufficient to attain universal health coverage.¹¹⁴

Bhutan has shored up its capacity to control communicable diseases, showing a marked reduction in the spread of tuberculosis, malaria and hepatitis, with vaccinations, awareness-generation and improvements to early response systems. Still, as the country continues to struggle with communicable diseases, non-communicable diseases are on the rise, accounting for 69 per cent of Bhutan's disease burden and 71 per cent of deaths.

The 2019 Bhutan STEPS¹¹⁵ survey found that 34 per cent of adults in the country (ages 15 to 69 years) were overweight (women, 36 per cent; men, 31 per cent) and 11 per cent were obese (women, 15 per cent; men, 8 per cent). For the entire population, the proportion of individuals classified as overweight (27 per cent) and obese (6 per cent) increased significantly from the 2014 STEPS survey.¹¹⁶ Thus, Bhutan faces the triple burden of malnutrition with the co-existence of undernutrition, micronutrient deficiencies and overnutrition.

According to the World Health Organization's 2020 State of Food Security and Nutrition in the World¹¹⁷, 45 per cent of the Bhutanese population cannot access a healthy diet, indicating the inability of a large portion of the population to afford an energy-sufficient, nutrient-adequate and healthy diet. This in turn is linked to major issues and challenges with the RNR sector, affecting food and nutrition security; a need for greater awareness regarding nutrition and food safety, including behavioural changes and a need to revisit the food system and address essential human and institutional capacities (see also Section Two, Part 2.2.2, "Agriculture").

These issues are further compounded by the fast increasing trend of Bhutanese turning to ultra-processed, ready-to-eat, packaged food. The World Health Organization's *Global School-Based Student Health Survey 2016* showed that 40 per cent of school children consume carbonated drinks once per day; 32 per cent consume "fast foods" 4 times per week; only 42 per cent consume vegetables and fruits 3 times per day, while 12 per cent had not consumed fruits at all in the past 30 days.¹¹⁸ Malnutrition remains a public health concern in the country, with the situation expected to have deteriorated as a result of the COVID-19 pandemic.

112 Ibid.

113 United Nations Children's Fund, [Policy Brief for Bhutan](#) (2022, Kathmandu).

114 Bhutan, Ministry of Health, [Policy Brief: Healthcare Financing in Bhutan \(2018-2020\)](#) (Thimphu, May 2021).

115 Bhutan, Ministry of Health and World Health Organization, [Noncommunicable Disease Risk Factors: Bhutan STEPS Survey Report 2019](#) (Thimphu, 2020).

116 World Health Organization, NCD Microdata Repository, [STEPS 2014, Bhutan 2014](#) (13 May 2022).

117 Food and Agriculture Organization of the United Nations, [The State of Food Security and Nutrition in the World](#)

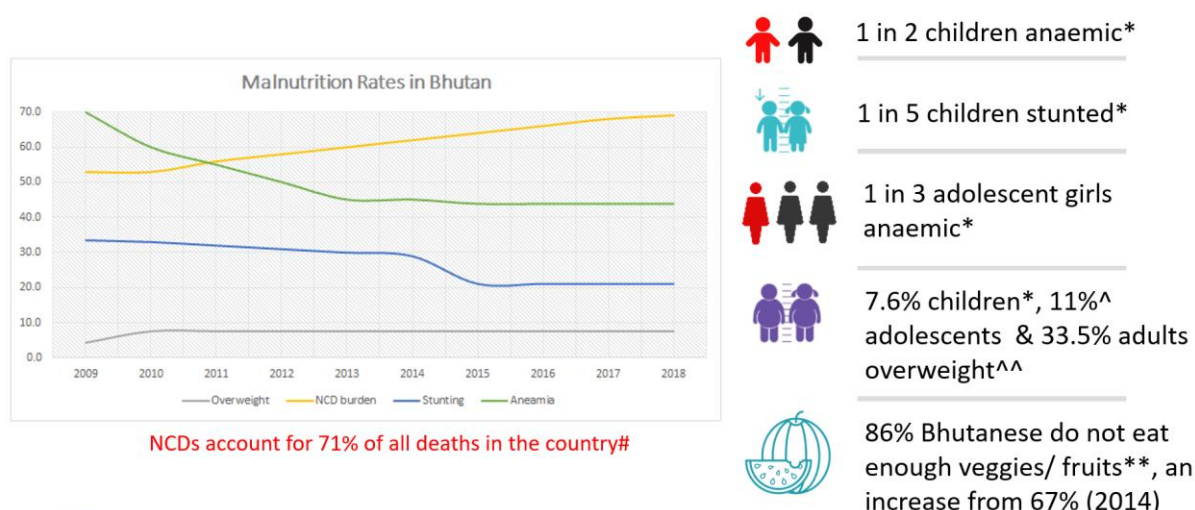
118 Bhutan, Ministry of Health, Department of Public Health, Health Promotion Division, Comprehensive School Health Programme and World Health Organization, Regional Office for South-East Asia, [Report on Bhutan Global School-Based Student Health Survey 2016](#) (2017).

With the existing dietary habits of Bhutanese, it is of no surprise that micronutrient deficiencies keep sporadically emerging among different population groups. Until 2017, peripheral neuropathy caused by Vitamin B1 and B12 deficiencies was a national issue among school children in the country. Anaemia still persists at high rates, especially among children and women.

Formative research to understand the dietary habits of school-aged children and their behavioural determinants showed that they possessed adequate knowledge regarding nutrition and healthy eating, however knowledge alone did not translate into consuming a healthy diet. Qualitative data collected at the national level show an increased consumption of junk food, for example, instant noodles, *momos* (a local variety of dumpling), chips, etc. for snacks, as well as more and more consumption of junk foods at mealtimes. At the same time, however, children reported enjoying fruits and home-cooked meals, indicating that Bhutan has the opportunity to reverse the trend of ultra-processed foods entering into the Bhutanese diet (see Figure 13).¹¹⁹

Figure 13: The Nutrition Paradox – The Triple Burden of Malnutrition

The nutrition paradox | Triple burden of malnutrition



Reference | * National nutrition survey, 2015 | [^]Bhutan global school-based student health survey 2016 | ^{^^}2nd NCD risk-factor survey, 2019 | ^{**} STEPS survey 2019 | #Annual health bulletin 2020

Source: Bhutan, Ministry of Health.¹²⁰

119 World Food Programme and Bhutan, Ministry of Education and Skills Development, *Report of the Social Behaviour Change: Knowledge, Attitudes and Practices Study* (forthcoming).

120 Bhutan, Ministry of Health, Department of Public Health, *National Nutrition Survey 2015* (2015).

The Rural Water Supply Schemes (RWSS), initiated in 1974, have expanded the reach of safe drinking water supply to rural households in Bhutan, with coverage of up to 94.75 per cent. The share of the urban population with access to improved water supply increased from 84.50 per cent in 2005 to 99.60 per cent in 2017. However, uninterrupted water supply and water quality remain persistent challenges among both urban and rural populations.¹²¹

Despite abundant fresh water sources and high per capita availability of safe drinking water, continued issues of water accessibility is indicative of inadequacies in water resource management and infrastructure gaps in the country. As of 2020, the proportion of the population with safely managed drinking water services is reported to be as low as 37 per cent, and lower still for rural areas at 28 per cent. Likewise, while access to sanitation services and infrastructure is found to be at about 65 per cent, poor standards and regional disparities in infrastructure affect the quality of access.¹²²

3.1.2 Education

Access to primary and secondary education has seen phenomenal improvement, and Bhutan is close to achieving universal primary education, with an adjusted net enrolment rate at 93.5 per cent as of 2021.¹²³ The gross secondary school enrolment rate increased from 30 per cent in 2000 to 92.5 per cent by 2021.¹²⁴ As a result, expected years of schooling almost doubled from 7.6 to 13 years during this period, currently higher than the averages for South Asia (11.7) and LDCs (9.9).¹²⁵

Ensuring equitable, inclusive and quality learning outcomes still remains a challenge in Bhutan. Gender parity at the tertiary level has yet to be achieved, and children with disabilities remain vulnerable with regard to stigma and exclusion. With only 31.8 per cent of children enrolled in early childhood care and development (ECCD) centres, Bhutan is far from reaching its goal of 50 per cent enrolment by 2024, and 100 per cent by 2030.¹²⁶

A low rate of mean years of schooling (MYS) (4.1 years) and a tertiary school enrolment rate of 16 per cent are indicative of high dropout rates. Though public expenditure on education in the country is about 5.3 per cent of GDP, slightly above the averages for South-Asian countries (2.9 per cent) and LDCs (3.1 per cent),¹²⁷ higher investments are required for skills development and vocational training for youth; for building and upgrading educational infrastructure; and to ensure the availability of qualified teachers.

Findings from Bhutan's 2019 PISA-D assessment,¹²⁸ which assesses the performance of 15-year-old students in reading, mathematics and scientific literacy, show that the average

121 Bhutan, Ministry of Works and Human Settlement: https://flagship.gnhc.gov.bt/wp-content/uploads/2020/05/Water-FS-Blueprint-V10_05.05.2020.pdf (Thimphu, 2020).

122 World Bank, [World Development Indicators](#); and based on World Health Organization/United Nations Children's Fund, [Joint Monitoring Programme for Water Supply, Sanitation and Hygiene](#) (2022).

123 Bhutan, Ministry of Education, Policy and Planning Division, [Annual Education Statistics 2021](#) (Thimphu, 2021).

124 Bhutan, National Statistics Bureau, [National Statistical Yearbook](#) (Thimphu, October 2021).

125 United Nations Development Programme, [Human Development Report 2020, Briefing note for countries- Bhutan](#) (2023).

126 United Nations Children's Fund, Bhutan Country Office and Bhutan, Ministry of Education, [An Evaluation of the Early-Childhood Care and Development Programme in Bhutan](#) (Thimphu, January 2020).

127 World Bank, [World Development Indicators](#).

128 See Bhutan, National Project Center, Bhutan Council for School Examinations and Assessment, [Finding from Bhutan's Experience in PISA for Development \(PISA-D\)](#) (2019).

solution rate is 45.3 per cent in reading literacy, 38.8 per cent in mathematical literacy and 45.1 per cent in scientific literacy. As such investments are particularly needed in developing skills for the future of work, with increasing numbers of Bhutanese students (including graduates from vocational and tertiary institutions) not adequately prepared to enter the workforce.

As a result of the COVID-19 pandemic, there has been concerted effort towards mainstreaming digital education and strengthening information and communications technology (ICT) infrastructure. As this gains momentum with digital learning taking on more prominence in ongoing education-sector reform, the digital divide continues to be a concern; it is critical to ensure that the availability of digital platforms for education continues to be increased for the sake of inclusiveness.

3.1.3 Gender equality

Bhutan is rated higher than the global average in terms of national legal frameworks for ensuring gender equality in the economic and social spheres,¹²⁹ providing a strong basis for furthering gender mainstreaming and prospects of achieving SDG 5 (*Gender Equality*). Gender equality is enshrined in the country's constitution and key legislation has enabled strengthened protection mechanisms for women and girls in this regard. The National Gender Equality Policy (NGEP) 2020¹³⁰ was put in place to address gender equality in the political, social and economic domains.

Gender disparities manifest to a lesser degree across many indicators among comparable country groups, with Bhutan's Gender Inequality Index (GII) of 0.415 being lower than the LDC average of 0.562 for 2021.¹³¹ Gender-based differences are less evident in terms of life expectancy, educational attainment (expected years of schooling) and asset ownership, reflected by marginal differences in Human Development Index values for men and women.¹³²

Despite this, Bhutan fares poorly among comparable country groups on indicators such as share of parliamentary seats held by women (16.7 per cent), and the number of managerial positions in civil service and the private sector. There is a considerable gap between labour-force participation rates among men (67.4 per cent) and women (51.6 per cent).¹³³ Key issues remain around maternal and reproductive health, and provision of quality and timely services to survivors of gender-based violence. Gender mainstreaming processes, implementation of key legislation, and capacities in terms of the collection and use of sex-disaggregated data continue to be critical needs.

Despite formal guarantees of equality, structural and cultural norms continue to obstruct the full realization of gender equality and women's empowerment as covered more extensively in Section Two, Part 3.2.1, "Women and girls".

129 United Nations Economic and Social Commission for Asia and the Pacific, [SDG Gateway, indicators for SDG 5 for Bhutan](#) (2022).

130 Bhutan, National Commission for Women and Children, [National Gender Equality Policy 2020](#) (Thimphu, 2020).

131 United Nations Development Programme, *Human Development Report 2021 – 2022*, [Uncertain Times, Unsettled Lives: Shaping Our Future in a Transforming World](#) (8 September 2022).

132 Ibid.

133 Ibid.

Share among respective working-age population of 15 years and older.

3.1.4 Poverty

A combination of factors, including high investment in health and education and expansion of rural road networks, coupled with the royal *Kidu*¹³⁴ programme, has resulted in Bhutan's exceptional achievements in reducing poverty, with rural poverty considerably reduced from 30.9 per cent in 2007 to 11.9 per cent in 2017.¹³⁵ As of 2020, the poverty headcount ratio under the international poverty line of USD \$1.90 per day stood at 1.5 per cent, substantially lower than corresponding figures for LDCs (35 per cent) and South Asia (18.2 per cent).¹³⁶ The poverty headcount ratio, per the previous national poverty line (which allows for trend comparison) has reduced to 8.2 per cent in 2017 from 23.2 per cent in 2007.¹³⁷ In December 2022, an upward-revised poverty line was released, though the new threshold of BTN 6,204 per person, per month (approximately USD \$78) does not allow for comparison with the previous poverty ratio since it is significantly higher than previous benchmarks, even accounting for inflation. These new data suggest that 12.4 per cent of the total population remains in poverty, with the poverty rate rural areas (17.5 per cent) being significantly higher than in urban areas (4.2 per cent).^{138,139}

Concurrently, the headcount ratio of multidimensional poverty, characterized by deprivations in health, education and standard of living, persists at 37.3 per cent, which is higher than the South-Asian aggregate of 29 per cent.¹⁴⁰ Multidimensional poverty is overwhelmingly concentrated in rural areas with limited employment opportunities outside agriculture and within lower reach of social services.¹⁴¹ Likewise, across districts, income poverty rates varied between 1 to 32 per cent, and were higher in rural areas (16.7 per cent) than in urban areas (1.8 per cent).

At the same time, increasing pockets of poverty and poor living conditions in urban settings are of critical concern requiring urgent policy attention. Bhutan's first Voluntary National Review (VNR) report noted that despite significantly lower rates of poverty in urban areas (3.16 per cent as of 2017),¹⁴² the increasing pace of urbanization has given rise to a number of vulnerabilities, with for example, an estimated 10 per cent of the capital city's population

134 *Kidu* can be understood as the provision of relief and is traditionally a royal prerogative. It is enshrined in the Constitution as a fundamental responsibility of His Majesty the King.

135 Bhutan, National Statistics Bureau, [Poverty Analysis Report 2012 & 2017](#) (Thimphu).

136 Figures are estimates from United Nations Development Programme (2020), United Nations Development Programme and Oxford Poverty and Human Development Index (2021) and United Nations Conference on Trade and Development (2021).

137 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, 2021); and

Bhutan, National Statistics Bureau with Oxford Poverty and Human Development Initiative, University of Oxford, [Bhutan: Multidimensional Poverty Index Report 2017](#) (Thimphu, 2017).

138 Bhutan, National Statistical Bureau, [Bhutan Poverty Analysis Report 2022](#) (Thimphu, 2022).

139 Such figures tend to match the general perception of households' wealth because when it comes to self-rated poverty: 14.2 per cent of households believe that they are either poor or very poor. This figure increases to 18.7 per cent in rural areas, while it stands at 7.5 per cent for those in urban centres. See Bhutan, National Statistical Bureau, [Bhutan Living Standard Survey Report 2022](#) (Thimphu, 2022).

140 Bhutan, National Statistics Bureau and Oxford Poverty and Human Development Initiative, University of Oxford, [Bhutan Multidimensional Poverty Index 2017](#) (Thimphu, 2017).

141 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, 2021).

More than 93% of Bhutan's multidimensionally poor reside in rural areas.

142 Bhutan, National Statistics Bureau, [Bhutan Poverty Analysis Report 2017](#) (Thimphu, 2017).

living in informal settlements without proper access to basic amenities.¹⁴³ Despite the perception of expanded opportunities, many young migrants, ill-equipped and unprepared for mainstream jobs, end up working in the informal economy and are thus more vulnerable to exploitation (see Section Three, Part 5.1.3, “Urban resilience”, and Section Two, Part 2.2.3, “Employment: youth unemployment and informal labour”).

Meanwhile, the economic downturn in the aftermath of COVID-19 has reversed, at least in the short term, some of the progress made in this area. An initial impact assessment found that with the onset of the COVID-19 pandemic, a large number of people have been directly or indirectly affected with job losses and pay cuts, mostly among those in the tourism and hospitality industry, with increased vulnerability across different dimensions.¹⁴⁴

In addition to persistently high multidimensional poverty, overall progress towards SDG 1 (*No Poverty*) is dragged down by suboptimal performance in targets such as enhancing social protection coverage, and reducing vulnerabilities to natural disasters.¹⁴⁵ Poverty reduction has a strong positive correlation with economic growth, and it is also a key outcome variable for social-sector spending in areas such as health and education, while also bearing direct and/or indirect consequences of how climate action and other areas of sustainable development are addressed.

Hence, both current and future directions of progress in SDG 1 will remain closely related to corresponding progress made across all of the other SDGs; and progress can be achieved only by taking an integrated, holistic approach to development, considering the interconnectedness between the SDGs.

3.1.5 Setbacks emanating from the COVID-19 pandemic

Meanwhile, as the COVID-19 pandemic unfolded, critical gaps in the country’s protection systems were revealed, with attention drawn to issues such as trafficking in persons, increasing reports of domestic violence and mental health issues. As education and public services went online, concerns over online safety for children, cyber security and the digital divide were highlighted.

Attention has also been drawn to the health system’s capacity to deal with prolonged and concurrent states of emergencies, with the sustainability of free healthcare services already under pressure from epidemiological changes. Moreover, with the closure of schools, school children missed out on nutritious school meals during that period.¹⁴⁶

143 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan’s Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, 2021).

144 Bhutan, National Statistics Bureau and United Nations Development Programme, Bhutan, [Rapid Socio-Economic Impact Assessment of COVID-19 on Bhutan’s Tourism Sector; An analysis of the vulnerability of individuals, households and businesses engaged in the tourism sector](#) (May 2020).

145 United Nations Economic and Social Commission for Asia and the Pacific, [SDG Gateway, indicators for SDG 1 for Bhutan](#) (2022). Bhutan has comparatively low social protection coverage and the highest disaster vulnerability, measured by economic losses due to disasters. Respective indicators of these targets are covered in subsequent sections.

146 The National School Feeding and Nutrition Programme (NSFNP) is a well-integrated and holistic programme where nutritious school meals are provided along with nutrition education through school curriculum, social and mass media messages regarding healthy eating, strong farm-to-school linkages, incorporation of fortified foods into school meals and micronutrient supplementation, combined with regular training and follow up to ensure appropriate food quality and safety measures are followed in the schools.

With the provision of health, education and protection services already marked by issues with quality, inclusiveness and sustainability, critical gaps in reaching the unreached and those most vulnerable is thus expected to have widened. Many of these persisting and emerging issues that Bhutan faces are cross-cutting and underlie key disparities and vulnerabilities, which, if left unaddressed, could exacerbate constraints to the country's effective and sustainable development.

3.2 Population groups (at risk of being) left behind and the main drivers of exclusion

Despite good policies as highlighted above, geographical, social, cultural and financial barriers impede access to social services, with disparities between population groups by wealth quintile, location, gender and age continuing to challenge achievement of the SDGs. Rights-holders, specifically vulnerable groups such as persons with disabilities, the illiterate, rural women and young people, are often not even aware of their basic human rights; and there continues to be low level of awareness among service providers regarding the various policies and strategies.

This poses a serious concern about the differential impacts of shocks when they occur, especially when breadwinners are separated from their families, because these vulnerable groups have diminished capacities to cope with catastrophic events. The limited access to relief and recovery services, if such groups are not part of the existing financial services safety net, further compounds these risks. Also, persons with disabilities and the uneducated often will not know what to do when an early warning is provided, for example with GLOFs.

ESCAP's Report on Inequality in Asia and the Pacific in the era of the 2030 agenda for sustainable development shows that the groups the furthest behind belonged to the bottom 40 per cent of the wealth distribution; are mostly women; often live in rural areas; have low education levels; and in terms of access to contraceptives, those most left behind are among 15-24 years old.¹⁴⁷ Scaling up shock-responsive social protections will be crucial to preventing thousands of children and women in Bhutan from falling into poverty.

For Bhutan, the disaggregated data to ensure that *no one is left behind* is inadequate for most of the SDG indicators, and there are significant gaps in the availability of comprehensive and comparable data. Many of the survey data for the social sector are outdated, and available administrative data are insufficient to inform the progress or regress of SDG indicators.

Efforts to *leave no one behind* are thus hindered by an inability to adequately identify vulnerable groups, given this dearth of up-to-date data, especially for key social indicators. As such, many more potentially vulnerable groups are not included in this CCA, and even for the vulnerable groups identified below, data issues pose a challenge to devising appropriate interventions.

In addition to challenges with disaggregated data for SDG sectors, there is also no known capacity for monitoring and reporting loss and damage, particularly for climate-related, non-economic losses. A more serious gap is the inadequate geospatial information that can inform

147 Economic and Social Commission for Asia and the Pacific, [Inequality in Asia and the Pacific in the Era of the 2030 Agenda for Sustainable Development](#) (2018).

territorial disaggregation of hazards, vulnerabilities, exposures, public and private assets and ecosystems critical for mitigating and reducing risks associated with climate change.

For the purpose of this CCA, additional information analysis of UN Bhutan COVID-19 Socio-Economic Response Plan (SERP) 2020¹⁴⁸, Bhutan's second Voluntary National Review (2021), and other human rights reports were used to identify population groups who are most at risk of being left behind. The assessment and analysis for *leave no one behind* was also based on an adaptation of the human rights-based approach (HRBA) framework provided in the CCA Companion Package, as provided in Box 3, as well as by consultations with civil society organizations.

Based on these sources, six vulnerable groups have been identified by the Leave No One Behind (LNOB) Working Group: women and girls; children and adolescents; youth; senior citizens; LGBTQI; and persons with disabilities (with further classification of their vulnerabilities listed in the following Table 2). As noted, however, there is a dearth of data available for these population groups.

Box 3: Framework for Assessment and Analysis of Leave No One Behind

1. Geography: Isolation, risk or exclusion due to location, including environmental degradation and access to transport, technology.

Consider: SDG outcomes and opportunities broken down by sub-national locality; inequities in mobility related to transport and internet access.

2. Discrimination: On the basis of assumed or ascribed identity or status.

Consider: SDG outcomes and opportunities by sex, age, disability and social group (as specified in 2030 Agenda); evidence and recommendations from international human-rights mechanisms, national human-rights institutes.

3. Vulnerability to shock: Includes conflict, climate and environmental shocks.

Consider: Places or populations that endure more frequent and or severe setbacks due to natural or environmental disasters, violence, crime or conflict, economic or other shocks.

4. Geography: Isolation, risk or exclusion due to location, including environmental degradation and access to transport, technology.

Consider: SDG outcomes and opportunities broken down by sub-national locality; inequities in mobility related to transport and internet access.

5. Discrimination: On the basis of assumed or ascribed identity or status.

Consider: SDG outcomes and opportunities by sex, age, disability and social group (as specified in 2030 Agenda); evidence and recommendations from international human-rights mechanisms, national human-rights institutes.

6. Vulnerability to shock: Includes conflict, climate and environmental shocks.

Consider: Places or populations that endure more frequent and or severe setbacks due to natural or environmental disasters, violence, crime or conflict, economic or other shocks.

148 United Nations Sustainable Development Group, [Socio-economic Response to COVID-19 for Bhutan](#) (August 2020).

7. Governance: Laws, policies, institutions, voices and participation (includes informal and traditional governing systems).

Consider: Impact of laws, policies, taxes, budgets, formal and traditional practices by sub-population and locality (i.e., distributional impact); ability to participate in government and decision making, and civic space.

8. Socio-economic status: Multidimensional poverty; inequalities.

Consider: Multidimensional poverty of women, men and children; gain coefficient; inequalities-weighted human-development index; SDG outcomes and opportunities by income (and or multidimensional poverty index) quintile; sources on informal and vulnerable employment.

Source – adapted from the HRBA framework, CCA Companion Package¹⁴⁹

Table 2: Vulnerable Groups

| 1. Women and Girls | 2. Children and Adolescents |
|---|--|
| <ul style="list-style-type: none"> • Survivors of domestic and gender-based violence • Unemployed or working in unsafe/difficult environments • Abusing substances (drugs and alcohol) • Engaged in sex work • At risk or victims of trafficking • With disability/disabilities • Single parent • Living with HIV/AIDS • With advanced and terminal illnesses • Working and living around hydropower projects and mega construction sites • Roadside workers • Working in the entertainment sector • Economically disadvantaged, both in rural and urban areas • At risk of/affected by/survivors of natural and conventional hazards/disasters | <ul style="list-style-type: none"> • Child monks and nuns • In difficult circumstances (orphans, broken family, family abuse/dysfunctional family) • In conflict with the law • Teenage pregnancy • Child marriage • Abusing substances (drugs and alcohol) • Afflicted with mental health issues • With disability/disabilities • Out of school • Engaging in risky sexual behaviour • Children living with and affected by HIV/AIDS • With advanced and terminal illnesses • At risk of/affected by/survivors of natural and conventional hazards/disasters |

149 United Nations Sustainable Development Goals, [Cooperation Framework Companion Package](#) (May 2020).

Table 2: Vulnerable Groups, continued

| | |
|---|---|
| <p>3. Youth</p> <ul style="list-style-type: none"> • Unemployed youth • Out-of-school youth • With disability/disabilities • In conflict with the law • Abusing substances (drugs and alcohol) • Afflicted with mental health issues • Living with HIV/AIDS • With advanced and terminal illnesses • Engaging in risky sexual behaviour • Unwanted pregnancies and unsafe termination of pregnancies • Working in unsafe/difficult environments • Engaged in sex work • At risk of trafficking/exploitation • Working and living around hydropower projects and constructions (working poor) | <p>4. Senior Citizens</p> <ul style="list-style-type: none"> • Living alone • Living in a rural area • Single • Without social protections • Monks and nuns • Family abuse • Abandoned • Afflicted with mental health issues • Abusing substances (drugs and alcohol) • With advanced and terminal illnesses • At risk of/affected by/survivors of natural and conventional hazards/disasters |
| <p>5. LGBTQI</p> <ul style="list-style-type: none"> • Survivors of domestic/GBV • Unemployed • Engaged in sex work • With disability/disabilities • Living with HIV/AIDS • Abusing substances (drugs and alcohol) • Afflicted with mental health issues | <p>6. Persons with Disabilities</p> <ul style="list-style-type: none"> • Survivor of domestic/GBV • Unemployed • Living with HIV/AIDS • Abusing substances (drugs and alcohol) • Afflicted with mental health issues • Not in education, employment or training • Limited disability-inclusive social protection and disability-specific support services • At risk of/affected by/survivors of natural and conventional hazards/disasters |

3.2.1 Women and girls

As mentioned, structural and cultural norms continue to obstruct the full realization of gender equality in the country, despite formal guarantees of equality. Bhutan's Gender Inequality Index rating in 2019 remained high at 0.421.150. With a score of 0.637 on the Global Gender-Gap Index, Bhutan ranked 126th out of 146 countries in the 2022 rankings.¹⁵¹

(a) Education

The number of girls enrolled in tertiary education is lower than that of boys (19.1 per cent as compared to 23.7 per cent, respectively), with larger gender gaps in science, technology,

150 United Nations Development Programme, [The Next Frontier: Human Development and the Anthropocene. Human Development Report 2020](#) (December 15, 2020).

The Gender Inequality Index reflects gender-based disadvantages in reproductive health, empowerment and the labour market and shows the loss in potential human development due to inequality between female and male achievements in these dimensions. It ranges from 0, where women and men fare equally, to 1, where one gender fares as poorly as possible in all measured dimensions.

151 World Economic Forum, [Global Gender Gap Report 2022](#) (July 2022).

engineering and mathematics (STEM) subjects, and in the technical and vocational fields. Poor academic performance due to domestic commitments and early pregnancy impede girls' access to tertiary education. High rates of adolescent pregnancies and the increasing feminization of HIV/AIDS is a concern.¹⁵² Women in rural communities are more vulnerable and have limited access to resources.

Women and girls with intersecting deprivations are more likely to be excluded or to be at risk of being excluded. Analysis of various UN agency interventions have further identified sub-population groups most at risk of facing discrimination, exclusion and invisibility.

(b) Sexual and reproductive health and rights (SRHRs)

Sexual and reproductive health and rights are central to sustainable development. Critical to maternal, newborn, child and adolescent health, SRHRs are also intricately linked to gender equality and women's empowerment, as well as poverty reduction and environmental sustainability¹⁵³. Bhutan has made considerable progress in improving maternal health over the past two decades. Maternal mortality has declined from 255 maternal deaths per 100,000 live births in the year 2000 to 89 per 100,000 in 2017. There has been an extremely high coverage of skilled antenatal care and institutional deliveries. As mentioned previously, however, the quality of care remains inadequate. The maternal near-miss ratio stands at 6.7 per 1,000 live births and potential life-threatening conditions for the mother stand at 12.8 per 1,000 live births.¹⁵⁴

Regional and district-level disparities remain in health status, healthcare coverage and outcomes, including for institutional deliveries and skilled birth attendants, requiring focused interventions to ensure adequate care during pregnancy, childbirth and preconception phases.¹⁵⁵ Gaps in comprehensive knowledge among mothers and neonatal health among healthcare providers, as well as poor documentation of essential maternal and child health (MCH) services remain key concerns in terms of quality and last-mile maternal health indicator achievements.

Challenges surrounding contraceptive use and child marriage remain, including concerns about rising cases of child marriage during the COVID-19 pandemic. Recently, it was estimated that over one-third of married women are not using an effective method of contraception. The unmet need for contraception is higher among adolescents (27.4 per cent). One quarter of young women in the country entered a marital union before the age of 18 years. The adolescent birth rate (births per 1,000 women aged 15-19 years) remains high at 25.7 per mille. Administrative data records the number of morbidity cases related to pregnancy, childbirth and puerperium in girls among 10-19 years at 343 in 2020 and 328 in 2021.¹⁵⁶

152 Bhutan, National Commission for Women and Children, [National Gender Equality Policy 2020](#) (Thimphu, 2020).

153 Starrs A.M., Ezeh A.C., Barker G., et al, *Accelerate progress-sexual and reproductive health and rights for all: Report of the Guttmacher-Lancet Commission*. Lancet 2018; 391(10140):2642-92. doi: 10.1016/S0140-6736(18)30293-9 [published Online First: 2018/05/14].

154 United Nations Population Fund, [Bhutan 7th Country Programme \(2019-2023\)](#) (Thimphu, February 2022).

155 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century; Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, 2021).

156 Bhutan, Ministry of Health, [Annual Health Bulletin 2021](#) (Thimphu, 2021); and [Annual Health Bulletin 2022](#) (Thimphu, 2022).

The greatest disparities in SRHR are by wealth and education status. Poorer and less educated women have much lower levels of SRHR-related knowledge; a higher prevalence of adolescent childbearing and a largely unmet demand for modern methods of contraception; as well as lower rates of HIV testing during pregnancy. Women with no education or only primary education also had higher proportions of entering a formal marital union before the age of 18, a rate almost five times higher than that of the most educated women in the country. The most marked inequities were in adolescent childbearing and HIV testing during pregnancy. A quarter of adolescent girls from the poorest households have commenced childbearing, a rate at least seven times higher than that of the wealthiest. Just over 10 per cent of the poorest women received an HIV test and result during pregnancy, a rate almost five times lower than that of the wealthiest.¹⁵⁷

There were critical data gaps: data for unmarried people, particularly in relation to contraceptive use, childbearing and maternal care, were extremely limited, despite evidence that unmarried people (particularly adolescents) face considerable barriers to accessing SRH services. There were also no data for some key areas, notably unintended births, decision-making autonomy with respect to contraceptive use and sexual activity, skilled postnatal care, abortion, sexually-transmitted infections (STIs), violence, financial protection and health insurance.

While there is increasing evidence that women and girls disproportionately experience the impacts of climate change and environmental disasters, unavailability of quality gender-disaggregated data at the gender-environment nexus hinders policy actions to advance effective action in response to climate change and gender equality, including ensuring SRH and rights and ending gender-based violence (GBV).

Additionally, as mentioned previously, data regarding people with diverse sexual orientations or gender identity/expression, or data regarding migrants are not available. However, global evidence indicates that these populations experience a significant burden of poor SRH and rights violations, and thus have been included in this CCA's current listing of vulnerable groups. Addressing these data gaps is important when it comes to informing responsive policy and programs, as well as to track progress.

GBV and domestic violence are persistent issues that impact women's mental health, economic participation and overall quality of life. Two in every five women (44.6 per cent) in Bhutan have experienced one or more forms of partner violence in their lifetime, while almost one in three (30 per cent) have experienced at least one of these types of violence in the past 12 months, with the violence often starting early in life. Almost one in ten women and girls (6.9 per cent) reported being sexually abused as a child. Overwhelmingly, more than half of all women and girls (53.4 per cent) agreed that a man is justified in hitting his wife, however the prevalence is higher among older women, indicating that attitudes towards gender roles are changing.¹⁵⁸

157 United Nations Population Fund, *Who is Being Left Behind? A Quantitative Analysis of Sexual and Reproductive Health and Rights Inequities in Asia and the Pacific*, Bhutan Report (forthcoming).

158 Bhutan, National Committee for Women and Children, [National Survey on Women's Health and Life Experiences 2017; A Study on Violence Against Women and Girls in Bhutan](#) (Thimphu, 2017).

A link also exists between childhood exposure to violence and adult experiences of partner violence.¹⁵⁹ Of ever-partnered women and girls who experienced physical and/or sexual violence, 20.4 per cent reported that her mother had experienced physical partner violence while she was growing up, and 5.6 per cent stated that her partner's mother had experienced physical violence. Similarly, 45 per cent of the women and girls surveyed reported that they had experienced physical violence as children. These proportions were lower among women without partner violence.

Women and girls with disabilities are twice as likely to experience partner physical and sexual violence, as compared to those with no disability. Almost one-third (32.4 per cent) of women and girls with a disability in the country reported experiencing controlling behaviours in the past 12 months, compared with 23.7 per cent of those with no disability. Women and girls who experienced partner violence reported more problems with their general health, reproductive and mental health. The school dropout rate of children whose mothers had experienced physical and/or sexual violence was higher than for those whose mothers had not.¹⁶⁰

Despite legislation and institutional mechanisms to prevent and address GBV, the implementation of such ideas into action is challenged by additional social and cultural barriers. These include: restrictions on women's and girls' autonomy, mobility and access to economic opportunities; a culture of silence that discourages community members from speaking out against child marriage; violence against women and children; a culture of resistance against SRHR; and a lack of comprehensive sexuality education for adolescents and youth.¹⁶¹

In and around the country's mega projects and construction sites, where large numbers of expatriate labour groups reside, there are reported claims of local women and girls engaging in risky sexual behaviour, and those working on the projects being subjected to sexual harassment and abuse. Such concerns, upon validation, will need to be addressed with appropriate policy and action responses for the protection of these vulnerable groups.¹⁶²

Women's economic empowerment, including through participation in the labour force and in decision-making positions are impacted by persistent gender-role stereotypes and the belief that women are better caregivers than men. The National Commission for Women and Children (NCWC) study on accounting for unpaid care work in Bhutan found that women performed 71 per cent of unpaid care work, which amounted to 2.5 times more time (218 minutes) than men (87 minutes) per day. Women spent more time on unpaid household and care work than men, regardless of income, age cohorts, residency, the number of people in the household and employment status. This double burden impedes women's participation in productive employment and in availing other opportunities outside of their households.¹⁶³

159 Bhutan, National Commission for Women and Children, [National Review Report on the Implementation of Beijing Declaration and Platform for Action](#) (Thimphu, June 2019).

160 Ibid.

161 Bhutan Broadcasting Service, "[Comprehensive Sexuality Education integrated into education curriculum](#)", 29 December 2021.

162 Local government members and principals of schools located near various hydropower projects had shared these concerns during workshops. RENEW also had a few anonymous complaints, apparently from female victims in 2017-2018 (as reported by members of the LNOB working group for this CCA).

163 Bhutan, National Commission for Women and Children, [Accounting for Unpaid Care Work in Bhutan 2019](#) (2019).

Today, only 15.3 per cent of parliamentary seats in Bhutan are held by women, and female representation is similarly low at 11.6 per cent in local government. Women account for 38.16 per cent of the civil service workforce, and representation at the executive levels with influence on policy and decision-making is especially low at only 10 per cent. Even as 23.3 per cent of adult women have reached at least a secondary level of education (compared to 31.4 per cent of adult men), female participation in the labour force continues to lag behind at 65.3 per cent (compared to 73.1 per cent for males). More than half of females (57.6 per cent) as compared to 42.4 per cent of males are economically inactive. Though the unemployment rate has decreased slightly to 4.8 per cent in the general population, and to 20.9 per cent in the youth population, the proportion of female unemployment in both categories has remained twice as high as that of males.¹⁶⁴

Disruptions in the job market brought on by the COVID-19 pandemic resulted in unprecedented layoffs in the country, particularly in the tourism and related sectors, amounting to over 11,000 job losses as of May 2020.¹⁶⁵ Since the majority of the hospitality and entertainment sectors and street vendors engage women and girls, and as many of them come from economically challenged and low educational backgrounds, the prolonged lockdowns over 2020 - 2022 could have pushed them further into poverty. The emergence of GBV and protection issues as a “shadow pandemic” was reported¹⁶⁶, with some sources indicating that GBV in Bhutan increased by 36.6 per cent towards the end of 2020, as compared to 2019.¹⁶⁷

At the same time, interventions in the agricultural sector, where a feminization of agriculture has been reported,¹⁶⁸ have largely been gender-neutral and void of attention to the differentiated needs of vulnerable groups. According to a study by the NCWC¹⁶⁹, this reflects the varied approach to integrating gender and social inclusion concerns in policies and strategies related to the sector, with only the Food and Nutrition Security Policy of the Kingdom of Bhutan 2014¹⁷⁰ and the RNR Marketing Policy of the Kingdom of Bhutan 2017¹⁷¹ (with a revised strategy in 2021) containing specific gender-mainstreaming goals and guiding principles.

Analysis of the 2012 - 2013 budget for the agricultural sector had revealed that the impact of budget results for women and men were not very visible, despite agriculture being one of the pilot sectors for gender-responsive planning and budgeting (GRPB). Similarly, despite numerous gender-related initiatives carried out through project-tied activities in the sector,

164 Bhutan, National Statistics Bureau, [Labour Force Survey Report](#) (Thimphu, 2021).

165 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, 2021).

166 Ibid.

167 See for instance: Kuensel, [“Gender-based violence increases by 36.6 percent this year”](#), 26 November 2020. and The Bhutanese, [“235 plus complaints of domestic violence reported to multiple agencies during 2nd lockdown”](#), 9 January 2021.

168 For instance, see: Bhutan, National Commission for Women and Children and United Nations Development Programme, [Gender and Climate Change in Bhutan with a Focus on Nationality Determined Contribution Priority Areas: Agriculture, Energy and Waste](#) (9 March 2020).

and Bhutan, Ministry of Agriculture and Forests, [RNR Strategy 2040](#) (Thimphu, March 2021).

169 Ibid.

170 World Health Organization, Global Database on the Implementation of Nutrition Action, [Policy- Food and Nutrition Security of Bhutan](#) (2014).

171 Bhutan, Natural Resources and Environment Committee, [Review Report on the RNR Marketing Policy, 26th Session of the National Council](#) (Thimphu, 27 November, 2020).

gender integration through national development plans has been constrained by limited institutional capacity to connect agriculture and gender issues, as well as a lack of gender-disaggregated data on agriculture and related research. One of the conclusions of the study is that empowering and building the leadership of female farmers is a critical need that must be addressed.¹⁷²

3.2.2 Children and adolescents

Bhutan's Child Multidimensional Poverty Index (C-MPI) shows that children are especially vulnerable. Data from 2017 shows that about 5.1 per cent of adolescents (10-17 years) are multi-dimensionally poor (across the dimensions of health, education and living standards). C-MPI is highest for children aged 0-9 years, of whom 7.1 per cent are poor, indicating the need to analyse and address child poverty further.¹⁷³

While the proportion of households with food insufficiency is reported to be less than 3 per cent by the latest available national survey,¹⁷⁴ there is a relatively higher proportion of stunting among children under 5 years of age (21.2 per cent), which is indicative of underlying issues of lack of dietary diversity and nutritional deficiencies, as data from 2015 shows.¹⁷⁵ Higher rates of child stunting are reported in rural areas and households belonging to the lowest economic strata. Adequate nutrition is both an outcome and a requirement for social and economic development as it supports learning and cognitive abilities, overall wellbeing, as well as labour productivity and economic growth.

Progress in overall living conditions, particularly for children, is largely determined by amenities in urban areas. About 39 per cent of the population in Bhutan live in urban areas, with numbers increasing rapidly over the last decade.¹⁷⁶ This rapid urbanization has strained municipal services resulting in several accelerating issues, including water supply, sanitation, waste management, air quality, transportation and public health issues. Legal and policy gaps related to urbanization have meant that the urban poor are largely overlooked.

Without advocating for a child perspective in urban planning, particularly for the most vulnerable (women/girls, children with disabilities and migrants), local authorities, planners, infrastructure developers and the private sector are unlikely to make children's rights and needs a central tenet of their work. Thus, evidence-based planning and intervention regarding children and vulnerable groups in urban areas needs to be strengthened.¹⁷⁷

Studies show that violence against women and children is widespread in Bhutan, and is deeply entrenched in social and gender norms which perpetuate the use and acceptance of violence to discipline children.¹⁷⁸ The shadow impact of COVID-19 has exacerbated existing child-

172 Ibid.

173 Bhutan, National Statistics Bureau and Oxford Poverty and Human Development Initiative, University of Oxford, [Bhutan Multidimensional Poverty Index 2017](#) (Thimphu, 2017).

174 Bhutan, National Statistics Bureau, [Bhutan Living Standards Survey 2012](#) (Thimphu, 2012).

175 Bhutan, Nutrition Programme, Department of Public Health, Ministry of Health, [Bhutan National Nutrition Survey 2015](#) (Thimphu, 2015).

176 Bhutan, National Statistics Bureau, [Bhutan Living Standards Survey Report 2017](#) (Thimphu, 2017).

177 United Nations Children's Fund, Bhutan, *Situation Analysis of Children, Adolescents and Young People, and Women in Bhutan* (2022, unpublished draft).

178 Bhutan, National Committee for Women and Children, [National Survey on Women's Health and Life Experiences 2017: A Study on Violence Against Women and Girls in Bhutan](#) (Thimphu, 2017).

protection risks and made children more vulnerable to violence, abuse, neglect and exploitation, as well as worsening mental illness.

A study by the NCWC points to severe impacts stemming from the COVID-19 pandemic, particularly among women and children. With movement restrictions in place, the number of hours devoted to unpaid care and domestic activities increased, with a slightly higher proportion for women and girls. Prolonged school closures caused difficulties, particularly in rural areas and southern Bhutan, with online learning and self-study mode made difficult by limited internet access, and the affordability of smartphones and data packages. Many children dropped out of school altogether during the pandemic.¹⁷⁹

The same study found that the number of violent incidents against children increased, leading to protection and safety issues. Around 5 per cent of children reported experiencing one or more forms of violence, with many of them experiencing emotional violence. A slightly higher proportion of girls reported experiencing violence as compared to boys.¹⁸⁰ Additionally, child protection online is an emerging issue of great concern.

Despite the country's commitment to protecting all children and women from violence and abuse, physical punishment and abuse remain prevalent and goes largely unreported to authorities. This fact was unfortunately exacerbated by COVID-19 pandemic restrictions. More than 6 out of 10 children in the country experience some form of physical violence, including that perpetrated against them in schools, and nearly 1 in 8 children experience sexual violence.¹⁸¹ Children in the monasteries, especially young novice monks, are particularly disadvantaged, with insufficient mechanisms to ensure their rights are upheld in terms health, safe water and sanitation, education and protection.

As covered in previous sections, there are challenges surrounding adolescent contraceptive use, high adolescent birth rates and concerns over child marriage. A 2016 school-based survey among students ages 13-17 years showed that 15 per cent had had sexual intercourse, of which just 59 per cent reported that they had used a condom during their last sexual encounter. It is worrisome that among those who had ever had sexual intercourse, nearly half (49.3 per cent) reported that their first sexual activity was before the age of 14 years. Awareness of HIV/AIDS among students is high, with 86.3 per cent reporting that they had heard about it.¹⁸² Teenage pregnancy and unwanted pregnancy in general is a key concern, although issues with data collection and information access make it very difficult to gauge the magnitude of the situation.

3.2.3 Youth

More than 41 per cent of the Bhutanese population residing in the country are below the age of 24.¹⁸³ A significant portion of that age group is currently living abroad, though there is no

179 Bhutan, National Commission for Women and Children, [Covid-19 Impact on Women and Children Study \(Bhutan\)](#) (1 December 2021).

180 Ibid.

181 Bhutan, National Commission for Women and Children, and United Nations Children's Fund, [Research on Violence against Children in Bhutan – A Report](#) (Thimphu, 2016).

182 Bhutan, Ministry of Health, Department of Public Health, Health Promotion Division, Comprehensive School Health Programme and World Health Organization, Regional Office for South-East Asia, [Report on Bhutan Global School-Based Student Health Survey 2016](#) (2017).

183 The youth age definition in Bhutan is 13-24 years, per the *National Youth Policy 2011*.

accurate monitoring of their numbers, despite improved monitoring by the RGoB in recent years.

Youth have one of the highest literacy rates of any age group in the country, at 93.3 per cent, with almost equal rates among girls and boys. Male youth tend to have higher educational attainment, with the largest proportional gender differences at the highest levels of education. Rural youth (ages 10-24 years) were more likely to complete only primary education, while urban youth have mostly completed upper-secondary and higher education.

As discussed in Section Two, Part 2.2.3, “Employment: youth unemployment and informal labour”, the youth unemployment rate in the country is high at 20.9 per cent, and many young people end up unemployed long-term.¹⁸⁴ Of particular concern, youth unemployment in urban areas had massively increased during the pandemic to reach 29 per cent in 2020 and 2021 (25 per cent for males, 32 per cent for females), roughly 10 percentage points higher than in 2019 for both sub-groups.

The labour-force participation rate for males in the country remains higher compared to that of females. The highest proportion of employment-to-population ratio (EPR) was among males (36.1 per cent) compared to females (26.1 per cent). EPR was higher in urban areas, implying greater potential and partly more active involvement by males in the labour market compared to those in rural areas.

The highest unemployment rates were found in the capital of Thimphu, followed by Chukha, Samdrup Jongkhar and Paro. Gasa and Trongsa have the lowest unemployment rates. Female unemployment was higher in all the *Dzongkhags*¹⁸⁵. Failure to complete a basic cycle of school clearly limits future opportunities for young people. The phenomenon of fewer rural young people completing upper secondary and higher education is partly due to the fact that there are fewer employment opportunities in the rural areas.

The analysis of census data for migration indicates an extremely elevated level of rural-urban migration by young people, and of their high rates of movement from eastern to western regions for employment and education. It will thus be critical to work towards balanced regional development, minimizing backwash effects and expansion of employment opportunities.

Increasing vulnerability to human trafficking is also linked with rising unemployment. Desperate young people will often take any opportunity to earn money and may get trapped in false promises of attractive jobs overseas. At one time, there were 11 overseas employment agencies in Bhutan, but licenses for five of those were cancelled and one was suspended in 2019 for unethical practices.¹⁸⁶

Youth are at risk of unsafe sexual behaviour and its consequences, such as teenage pregnancy, early marriage, low use of contraceptives, contracting HIV/AIDS and STIs due to lack of awareness and access to SRHR information and services.¹⁸⁷ Early marriages among 15-24

184 Bhutan, National Statistics Bureau, [Labour Force Survey 2021](#), (Thimphu, 2021).

185 The Kingdom of Bhutan is divided into 20 *Dzongkha*, or districts.

186 Bhutan, Department of Law and Order and United Nations Office on Drugs and Crime, *Country Assessment on Human Trafficking in Bhutan 2020*.

187 Bhutan, National Statistics Bureau, United Nations Children’s Fund and United Nations Population Fund, [Bhutan Multiple Indicator Survey 2010](#) (May, 2011).

year-olds were more common among females (10.3 per cent) compared to males (5.9 per cent).

The general fertility rate (GFR) among reproductive 15-24 year-olds was 49.9 per cent, indicating that there are about 50 births per 1,000 females. The GFR for rural areas of 60.9 per cent was significantly higher than that of urban areas 37.6 per cent. Among *Dzongkhags*, the proportion of children born alive was highest in Thimphu, with 19.4 per cent, followed by Chhukha (10 per cent), Samtse (8.3 per cent) and Wangduephrodrang (6.6 per cent).

Only 23.2 per cent of youth in the country aged 15-24 years have a comprehensive knowledge of HIV/AIDS. The contraceptive prevalence rate among 15-24 year-olds is 52.4 per cent, with an unmet need of 18.4 per cent (Bhutan Multiple indicator survey¹⁸⁸). Many initiatives have been implemented in Bhutan to protect the rights of young people. However, the current trends related to the sexual and reproductive health of young people indicate the need to adopt a rights-based approach to their protection. Comprehensive sexuality education (CSE) has been integrated in the national school curriculum from class PP-12 in 2021 and was implemented across the entire school system beginning in 2022.

The high incidence of early marriages, teenage pregnancies, the high unmet need for contraception among 15–19-year-olds and the higher incidence of STIs and HIV underline the need for enhanced provision of high quality SRH and family planning services, especially for young people. Therefore, improving access to youth-friendly SRH information and services is fundamental to ensuring Bhutan's continuous progress on critical indicators, such as adolescent pregnancy, HIV/AIDS and maternal mortality and morbidities.

The data for young people by disability indicates that of the total number (212,653 youth) enumerated in 2017, 4.2 per cent (8,923) were reported as having some sort of disability. Young people with cognitive and physical disabilities, and those who fare poorly academically, were found to be vulnerable to all forms of violence. Not understanding academic lessons or not being able to complete assigned homework frequently leads to children being beaten, scolded or humiliated by their teachers and sometimes by their school principals.

(a) Youth in conflict with the law

The Royal Bhutan Police's 2018 records showed that young people aged 13-24 years constituted 46.9 per cent (2,203) of the arrests; among those, the overwhelming majority were males (95 per cent). Of the total number of young people arrested between 2017 - 2019, more than 74 per cent were unemployed and the rest were students.¹⁸⁹ The large share of young people with crime and delinquency records also indicates the lack of awareness among young people regarding the law and the life-long consequences of breaking it.

There is a clear relationship between age and criminal offences; first crimes are usually committed early in life. Understanding delinquency among young people has become critical for Bhutan, and evidence-based studies are needed for designing appropriate policy interventions to address issues associated with young people committing crimes.

188 Ibid.

189 Bhutan, Royal Bhutan Police, Planning and Research Division, [Statistical Yearbook 2018](#) (Thimphu, 2018).

(b) Mental health and emotional resilience

An increasing trend in suicides and attempted suicides among youth in the country is of great concern, especially, among young women. The National Suicide Registry recorded a total of 323 suicide cases in 2016 and 2017, i.e., 191 individuals, who had taken their own lives, and 132 who had attempted suicide, with youth and adolescents comprising 18.6 per cent and 20.8 per cent of these cases, respectively. While the cause was 'unknown' for the majority of suicide cases, the main reasons attributed to the rest were social, psychological and economic issues.¹⁹⁰ With regard to the young females, it is possible that many take their own lives because they cannot reconcile or cope with issues related to their sexual and reproductive concerns.

Drug use among young people was curiously associated with higher education. This observation could be due to the influence of television and the Internet amongst the educated. Substance abuse among youth is a concern as their social relationships, finances, basic functioning and multiple aspects of learning are compromised, putting them at elevated risk of violence and coming into conflict with the law. The prevalence of alcohol and marijuana abuse was highest in Bhutan among adolescents aged 13-17 years, as compared to three other South-Asian countries.¹⁹¹

The national prevalence of drug use among teenagers and young adults in Bhutan was 3.2 per cent. The majority are men in the age group of 18-24 years. Risk factors include: being single, having higher education, being a blue-collar worker, often feeling lonely, having ever consumed alcohol and having ever smoked. Those who drink alcohol in the early teenage years are more likely to use drugs later in life, therefore, delaying the use of alcohol can also prevent drug use in teenagers.¹⁹²

Efforts must be made to generate and provide evidence-based information for the improvement and revision of mental health policies, and to develop a coherent strategy for mental-health service delivery in line with international standards and other legal instruments. Drug-use prevention efforts should be made in conjunction with those aimed at the prevention of alcohol use and unhealthy diets.

(c) Violence

About 64 per cent of young people in Bhutan aged 13-17 years have experienced physical violence in some form at least once in their lifetime, with 44.8 per cent having faced violence before reaching the age of 13 years, both in schools (67.3 per cent) and at home (43.6 per cent).¹⁹³ Among young people aged 18-24 years, a larger proportion of males than females first experienced physical violence before the age of 13 (30 per cent of males vs. 24 per cent of females), and more often in rural areas (30 per cent) than in urban areas (21 per cent).¹⁹⁴

190 Bhutan, National Suicide Prevention Program, Ministry of Health, Department of Public Health, [Review Report on the Implementation of the Suicide Prevention Plan of Bhutan \(July 2015-June 2018\)](#) (Thimphu, June 2018).

191 World Health Organization, Regional Office for Southeast Asia, [Report on Bhutan global school-based student health survey 2016](#) (2018).

192 Wangdi, Kinley & Jamtsho, Tshering, "[Drug Use Among Teenagers and Young Adults in Bhutan](#)", Indian Journal of Psychological Medicine, 41. 535. 10.4103/IJPSYM.IJPSYM_348_19.

193 Bhutan, National Commission for Women and Children, and United Nations Children's Fund, [Research on Violence Against Children in Bhutan- A Report](#) (Thimphu, May 2016).

194 Ibid.

More than 1 in 10 young people reported experiencing at least one incident of sexual violence in their lifetime (12.8 per cent), with a slightly larger proportion of females (13.5 per cent) than males (11.9 per cent), with 4.8 per cent having experienced such trauma before the age of 13 years. In the home, sexual abuse was more prevalent against young females than males, usually committed by fathers, stepfathers, brothers-in-law or family friends.¹⁹⁵

Divorce was found to be the most significant risk factor associated with violence against children/young people as it leads to family restructuring, increased likelihood for children to be with single parents and the resulting increased risk of physical, emotional and/or sexual violence. Profiling of human trafficking victims reveals that dysfunctional families are often precursors to vulnerability.¹⁹⁶

3.2.4 Senior citizens

Per the 2017 Population and Housing Census (PHCB), persons aged 65 years or older accounted for about 6 per cent of the population. With senior citizens comprising 7 per cent of the population in rural areas as compared to 3.3 per cent in urban areas, ageing is a rural phenomenon in Bhutan.¹⁹⁷ An ageing population is likely to have significant consequences for progress towards the fulfilment of GNH and the accomplishment of the SDGs, as the trend could lead to increased risk of poverty and social exclusion. It can also increase pressure on public revenue and expenditures for social security support, with free medical services impacting the cost and quality of services.

The share of older persons will increase to about 13.4 per cent of the total population by 2047. The projections indicate that by 2047, about 18 per cent of the rural population will be aged 65 years and above, as compared to 9.9 per cent in urban areas. The report also estimates that about 7 per cent of senior citizens live alone, about 14 per cent live with their spouse or partner only, with a slightly higher proportion in rural areas and among males in both cases.¹⁹⁸

Senior citizens face various issues affecting the quality of their lives, from old-age related health issues to the lack of universal social safety mechanisms, and the weakening of traditional support systems. Senior citizens who are not covered by formal social security mechanisms must rely on other means for their sustenance. While there are some who are fortunate enough to be supported by children and families, there are those who live alone and are more vulnerable. Older people living in rural areas also face challenges accessing healthcare.

Per the Bhutan Vulnerability Assessment Mapping 2016, senior citizens in need face major societal, health and economic vulnerabilities, either due to being left alone by their children/caretaker or due to improper care being provided to them when they are living with their children/caretaker. Some reported being subject to physical abuse and neglect, even when they are living with their children, aggravating their vulnerabilities.¹⁹⁹

195 Ibid.

196 Bhutan, Department of Law and Order and United Nations Office on Drugs and Crime, *Country Assessment on Human Trafficking in Bhutan 2020*.

197 Bhutan, National Statistics Bureau, [Bhutan Population and Housing Census 2017](#) (Thimphu, 2017).

198 Bhutan, National Statistics Bureau, [Population Projection Bhutan 2017–2047](#) (Thimphu, 2019).

199 Bhutan, Gross National Happiness Commission and United Nations Development Programme, [Vulnerability Baseline Assessment for Bhutan 2016/17](#) (Thimphu 2017).

Although there are currently no comprehensive national plans or policies for older persons in Bhutan, there are various programmes under implementation, including His Majesty the King's *Kidu* (monthly grants) for senior citizens and old-age homes. The Ministry of Health has also initiated various health programmes for older people, including according them priority while visiting hospitals. To complement these ongoing initiatives and to address the needs of older people in an effective manner, the RGoB is currently in the process of developing a comprehensive national policy for senior citizens.

3.2.5 LGBTQI

LGBTQI communities around the world continue to be at risk of hate crimes, lower health and education outcomes, discrimination, bullying and harassment in most spheres of life. In Bhutan, while homosexuality was only decriminalized in 2021, there have been no reports related to the prosecution of members of the LGBTQI community. However, there are reports of these communities being subjected to discrimination, stigma and abuse in various spheres of life, as well as self-discrimination. Owing to this, these communities remain largely hidden, which in turn limits their access to services, with negative impacts on life outcomes. There are currently no policies or laws promoting or protecting the rights of the LGBTQI community in Bhutan. As such, the RGoB recently directed the revision of the gender-equality policy to integrate their specific needs and concerns.

A 2019 gender review assessment²⁰⁰ revealed that myths, misconceptions, stigma and discrimination perpetuate all forms of violence (sexual, physical, mental and economic) against key populations and that public institutions, including schools and health services, have limited awareness on the issues of sexual orientation, gender identity and expression.

Per the assessment, the transgender community and men who have sex with men (MSM) suffer particular health issues, including a higher risk of contracting HIV and STIs, and critical mental health issues, including depression, anxiety and suicide associated with stigma, discrimination, workplace discrimination and harassment. The transgender population often faces early termination of schooling, as well as limited employment opportunities resulting from gender identification and workplace discrimination. MSM commonly experience violence. Young MSM are often unable to access health services and legal protections requiring parental consent. The assessment also showed an increasing trend in substance abuse (particularly alcohol), misuse of emergency contraception in lieu of hormone replacement therapy (HRT), and procurement of HRT from across borders without appropriate medical advice.

According to a needs assessment on LGBTQI in the country,²⁰¹ members of this community often limit their usage of available health services due to fear of discrimination and stigma, exploitation and abuse and differential treatment. In some cases, especially among younger people, this was due to a lack of awareness of available services. The assessment revealed that they often faced intimate partner violence, domestic violence and rape. Sexual abuse and exploitation within the community is on the rise, but often the survivors themselves are not aware that they have been abused. Prevalence of prejudice and stigma within society

200 Australian Federation of AIDS Organizations and the Multi-Country Sustainability of HIV Services for Key Populations in Asia, Regional Programme, 2019, "[Report on Gender Review for Countries Participating in the Global Fund Sustainability of HIV Services for Key Populations in Asia \(SKPA\) Program within the Context of HIV: BHUTAN](#)", Thimphu, 2019.

201 RENEW, *A Needs Assessment Study on the LGBTIQ+ Community in Bhutan* (Thimphu, January 2022).

deters them from availing themselves of critical services, including SRH services, which increases their risk of contracting HIV/AIDS and other STIs.

Most of the respondents in the aforementioned assessment had dropped out of school primarily because of their inability to cope with the indifferent treatment and social stigma. All transgender men and women in the group had been bullied or harassed by their peers in schools. To address the needs and concerns of this community, it will be critical to:

- Review and revise the national Gender Equality Policy²⁰² and its associated action plan, to guide the integration of LGBTQI issues in policies and plans;
- Develop and implement strategies and plans to create awareness amongst service providers, including those in the health and education sectors, regarding the needs and concerns of the LGBTQI community and on the provision of services to this community; and
- Develop and implement programmes to improve uptake of SRH services by the LGBTQI community, by building the capacity of health workers to provide services to this community, while also empowering individuals to access these services.

3.2.6 Persons with disabilities (PWD)

According to the 2017 PHCB, 2.1 per cent of the population or 15,567 persons (8,111 females and 7,456 males) have one or more disability, with the prevalence rate higher in rural areas across all *Dzongkhags*. The disability prevalence rate is higher in more remote and poorer districts, with Zhemgang (at 3.8 per cent), Lhuntse, Tsirang and Trashigang (at 2.9 per cent), and Dagana (at 2.2 per cent), indicating the correlation between remoteness, disability and socio-economic status. Poverty puts persons with disabilities into vicious cycles, with their conditions exacerbated by lack of means for nutritious meals, lack of access to knowledge about nutrition and health and educational opportunities, often coupled with low self-esteem.

Persons with disabilities are still stigmatized in Bhutan due to cultural and religious beliefs that disabilities are a result of past life deeds or *karma*; generic beliefs that one's work capacity and wellbeing is permanently reduced due to disability; and social norms that exacerbate a sense of shame borne by parents of children with disabilities, who often prefer to keep them at home either to protect or to hide them.²⁰³

As mentioned previously, disability intersects with gendered risks and vulnerabilities, with women and girls with disabilities more at risk of experiencing GBV, especially sexual violence, and being denied basic freedoms and services. Environmental, institutional, attitudinal, social, psychological and emotional barriers that obstruct the full and meaningful participation of persons with disabilities are the main drivers of exclusion.

Despite commendable efforts, the absence of an enabling environment, in the form of disabled-friendly infrastructure, assistive technology, special educators, care-givers, non-adaptive school curriculum and examination, and the prevalence of stigma and discrimination

202 Bhutan, National Commission for Women and Children, [National Gender Equality Policy](#) (Thimphu, 2020).

203 Bhutan, Gross National Happiness Commission and United Nations Development Programme, [Vulnerability Baseline Assessment for Bhutan 2016/17](#) (Thimphu 2017).

at school, limits access to education as well as employment opportunities for persons with disabilities.²⁰⁴

Many with severe forms of disability are not enrolled in school, with critical gaps in school and teacher capacity to address their needs being the biggest drivers of exclusion. Stigma and discrimination, and the belief that disability is a result of past sin (a deeply entrenched belief in Hindu-Buddhist tradition) is another cause of exclusion, with persons with disabilities deliberately excluded from all development activities.²⁰⁵

Without a pathway to higher education for children with disabilities, it is impossible for them to attain decision-making positions. The built environment and community structures are mostly inaccessible. While prospects of minimizing and reversing disabilities are impeded by a lack of early identification, intervention diagnosis and referral to appropriate services, the lack of therapists and other specialists also contributes to this. For sign language users, there are no trained interpreters in the country to assist with the presentation of public information. Children and adolescents with disabilities are the first to be affected by disasters, but usually remain unattended or are the last to be attended to, while their resilience to absorb various shocks is limited.

In the absence of legislation, there are no mechanisms to ensure that the rights of persons with disabilities are upheld. While Bhutan is a signatory to the UN Convention on the Rights of the Persons with Disabilities (UNCRPD), it has yet to ratify the convention. Children and adolescents with disabilities are always more vulnerable to a variety of threats than those without disabilities. Representation of children and adolescents with disabilities in local, regional or national governance structures is almost non-existent.

This unfortunate circumstance is closely linked to education and employment opportunity in the country. In the absence of any forum for persons with disabilities to voice their issues, there is limited representation of their concerns in national plans and programmes. The slogan of “Nothing about us without us” can only be translated into action if there is an adequate number of organizations of persons with disabilities with their capacity built sufficiently to lobby and represent themselves.

As Bhutan has yet to ratify the UNCRPD, it may be necessary to complete a comprehensive review of national laws and legislation in order to accommodate international human-rights treaty protocols. While the National Policy for Persons with Disabilities 2019²⁰⁶ is in place, there is inadequate funding allocated for its full implementation. Even as the policy calls for the “full inclusion” of persons with disabilities in the provision of social protection and support services (Article 9), there are no explicit social protection schemes incorporating specific disabilities. In the absence of a dedicated national nodal agency or act to address the needs of disabled persons, coordination problems and bottlenecks in translating the intents of the policy into action arise. At the same time, it remains essential to have a holistic disability-inclusion approach in both government and UN programming.

204 Ibid.

205 Bhutan, Ministry of Education and United Nations Children’s Fund, [Knowledge Attitudes and Practices Study on Children with Disabilities](#) (Thimphu, 2017).

206 Bhutan, Gross National Happiness Commission, [National Policy for Persons with Disabilities 2019](#) (Thimphu, 2019).

3.3 Priorities for addressing the needs of vulnerable groups

3.3.1 A systemic approach with the right capacities

While vulnerable groups and sub-groups have been identified in order to cast greater attention on their needs, it is apparent from the range of issues they face (involving SRH, mental health, violence, lack of access to social services, etc.) that there are huge overlaps. Many of the factors associated with vulnerability do not exist in isolation, but intersect, including, for example, poverty, dysfunctional families, harmful cultural beliefs and low awareness levels. It is especially apparent when looking at youth as a group that the whole range of issues and factors that may face other vulnerable groups come together for this group.

Such intersections and interactions make it increasingly clear that the approaches and systems intended to address the differentiated needs of vulnerable groups cannot possibly function in isolation. The recent move to consolidate services for mental health and protection with the establishment of the Pema Secretariat²⁰⁷ signals a move towards a more systemic approach. Such an approach, however, still hinges on coordination and collaboration, and will depend on the capacities of the available human resources. Other persisting gaps in the protection system will also need to be addressed, to enable the success of a systemic approach.

For example, one of the key gaps in the protection system today is the absence of government intervention for reintegration services, for young people coming out of rehabilitation, youth in conflict with the law as well as for rescued victims of human trafficking. Another is the lack of a coordinating agency for vulnerable persons. With different agencies looking at different issues related to youth, there is duplication of effort towards addressing some issues, while for others there is no coverage at all.

3.3.2 Formulation and implementation of a policy for Bhutan's senior citizens

Progress towards the SDGs is intricately linked to demographic trends. The 76th session of the UN General Assembly (2021) adopted a resolution stating that it “encourages Member States to intensify efforts towards identifying ageing as an opportunity, and recognizes that older persons make substantial contributions to sustainable development efforts, including through their active participation in society”. The year 2020 marks both the launch of the “Decade of Action to achieve the UN’s Sustainable Development Goals”, and the “Decade of Healthy Ageing” led by the World Health Organization.

The Madrid International Plan of Action on Ageing (MIPPA)²⁰⁸ calls for changes in attitudes, policies and practices to ensure that older persons are not viewed simply as welfare beneficiaries, but as active participants in the development process whose rights must be respected. The United Nations Decade of Healthy Ageing (2021-2030) is a global collaboration aligned with the last ten years of the SDGs that brings together governments, civil society, international agencies, professionals, academia, the media and the private sector to improve the lives of older people, their families and the communities in which they live.

207 For more information, see: Kuensel, “[Pema Center secretariat established](#)”, 17 June 2022.

208 For more information, see: United Nations, [Madrid Plan of Action and its Implementation](#).

A key priority will be to ensure the robust formulation and effective implementation of the RGoB's policy for senior citizens. This would allow their needs to be mainstreamed across all plans and programmes, including those related to social security, employment and physical and mental health and nutritional or dietary needs, as well as to ensure they have access to all these. It would be important to include interventions that strengthen traditional social safety mechanisms, and focused programmes for those living alone and with no source of income, while also taking into consideration the anticipated increase in the proportion of senior citizens in the population in the future.

3.3.3 Ensuring access to adolescents and youth-friendly SRH services

The National Strategic Framework on Comprehensive Sexuality Education (CSE) 2021 has been developed to guide CSE implementation for both in and out-of-school youth. It will be important to ensure that by 2023, adolescents and youth-friendly SRH services are provided by all public health facilities, with adequate budget allocations for essential expenditures in SRH services. Further, services must be inclusive to cater to adolescents and youth with disabilities, as these population groups are often overlooked, and given their vulnerability to sexual violence, and pregnancy, it is important they also have access to knowledge and awareness of the issues surrounding SRH.

Knowledge, information and counselling regarding contraceptive methods will need to be made accessible to both married and unmarried young males and females; and interventions aimed at reducing fertility rates should target young females. Improved access to education and family planning among young people, both male and female, would positively affect sexual behaviour by creating awareness of alternative economic opportunities, thereby empowering them to choose the timing of births for when they are ready and able to take care of their children.

3.3.4 Strengthening institutions and services to ensure inclusiveness

Bhutan is the only country in South Asia that has not ratified the UNCRPD, which could otherwise provide the required impetus for ensuring inclusive national institutions. However, as the National Policy for Persons with Disabilities 2019²⁰⁹ was developed in close alignment with the UNCRPD, its core policy directives outline a comprehensive set of priorities that would go a long way to addressing the needs and rights of persons with disabilities in the country. Hence it will be important to ensure the policy's implementation with an action plan that is adequately financed. The range of issues, needs and gaps that remain to be addressed is enormous, making it imperative to scale up efforts and finances so that PWDs have access to essential services (health, education, social protection, urban planning and transportation) incorporating disability-friendly infrastructure and professionals that can cater to special needs.

209 Bhutan, Gross National Happiness Commission, [National Policy for Persons with Disabilities 2019](#) (Thimphu, 2019).

IV. Environment and Climate Change

4.1 State of the environment and key issues

With a traditional reverence for the natural environment and reliance on climate-sensitive livelihoods, environmental conservation has long been at the centre of Bhutan's development policies. It is one of the four pillars of the philosophy of Gross National Happiness, and environmental stewardship is enshrined in the country's constitution as a fundamental duty of all Bhutanese. Currently about 71 per cent of the country is forested, against the constitutional requirement to maintain at least 60 per cent coverage for all time. Of this forested land, 51 per cent is made up of protected areas that form a conservation network of 10 protected divisions, 1 botanical park and 7 connecting biological corridors.²¹⁰

This strong conservation ethos has enabled Bhutan to maintain its rich biodiversity and to provide clean air, water and other ecosystem services. With flourishing populations of some of the rarest flora and fauna on earth, the Biodiversity Statistics of Bhutan for 2017 records 11,248 species of all biodiversity groups, including vulnerable and endangered species.²¹¹ Bhutan is also a carbon sink, and continues to be committed to remaining carbon neutral in perpetuity.²¹²

Despite being a carbon negative country, Bhutan faces increasing vulnerabilities as global and regional average temperatures continue to rise. The Intergovernmental Panel on Climate Change (IPCC) has indicated that South-Asian countries, including Bhutan, will experience an increase in average temperatures, with increases in daily minimum and maximum temperatures mostly taking place at higher altitudes, by 2100. For Bhutan, the IPCC's projection shows a stable increase in temperature across the country, with a rise in temperature of about 0.8°C– 2.8°C between 2021 - 2100 under representative concentration pathway (RCP) 4.5; and increases of about 0.8°C to more than 3.2°C towards the end of the century under RCP 8.5.²¹³

The United Nations Framework Convention of Climate Change (UNFCCC) identifies countries with mountainous ecosystems as among the most vulnerable, with vulnerabilities exacerbated by their size and limited resource base as well as erratic weather events such as heavy monsoon rainfall and dry-season drought. Bhutan as a Least Developed Country has limited resources to reduce its vulnerability to climate-change impacts, and despite its imminent graduation from LDC status in 2023, continues to be challenged with high economic

210 Bhutan, Ministry of Agriculture and Forests, Department of Forests and Park Services, [National Forest Inventory Report, Stocktaking Nation's Forest Resources, Volume I](#) (Thimphu, 2017).

211 Bhutan, Ministry of Agriculture and Livestock, National Biodiversity Centre, [Biodiversity Statistics of Bhutan 2017](#) (Thimphu, 2018).

212 Bhutan first declared its commitment to remain a net carbon sink in perpetuity at the 15th Conference of Parties (COP) to the UN Framework Convention on Climate Change (UNFCCC) in 2009. The country reaffirmed this pledge at COP 21 in Paris in 2015 and reiterated its commitment in its first and [second Nationally-Determined Contribution](#) (NDC) to tackling climate change.

213 A representative concentration pathway (RCP) is a greenhouse gas concentration (not emissions) trajectory adopted by the Intergovernmental Panel on Climate Change (IPCC).

vulnerability, which in turn is closely linked to its susceptibility to the impacts of climate change.²¹⁴

Bhutan is the 46th most vulnerable country and the 64th most ready country with regard to climate change impacts according to the ND-GAIN Index.²¹⁵ The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) estimates that the current average annual losses for Bhutan based on probabilistic impacts of population exposure to natural and biological hazards under current scenarios to be at 6.3 per cent of GDP. This is projected to be at 8.4 per cent under RCP 8.5, with droughts and floods costing the highest losses.²¹⁶ Climate projections for Bhutan suggest an increase in temperatures likely to trigger heat waves and droughts and contribute to glacial and snow melt.²¹⁷ The latter is likely to change patterns of river discharge and water availability and cause an increased occurrence of glacial-lake outburst floods (GLOFs) in the region.²¹⁸

Such impacts of climate change, which include natural and other hazards, pose serious threats to the country's nature-dependent livelihoods, as well as to its hydropower and agriculture-based economy. It can also lead to an increase in non-economic losses, usually unreported, including degradation of biodiversity, ecosystem services and societal or cultural wealth, as well as disproportionate impacts on vulnerable groups.

Meanwhile, development imperatives and growing demands for water, energy and food place increasing pressure on the natural environment and resources. The situation has been compounded, especially in recent years, with rapid urbanization and increasing population density in major town areas, which has been accompanied by the increasing use of fossil fuels, waste generation and additional vulnerabilities to natural and man-made disasters. These vulnerabilities further intersect with emergent urbanization issues, such as pressure on urban amenities, lack of voice, particularly for informal settlers, mismatch of skills with job opportunities and the exacerbation of gender-based inequality.

As such, Bhutan faces the critical challenge of managing co-benefits and trade-offs, as well as balancing conservation with development. This complex interaction of pressures emanating from global and local realities translates into a host of interrelated challenges and issues for Bhutan's inclusive and sustainable development trajectory. At the same time, it also offers an opportunity for integrated approaches in cross-cutting issues of job and livelihood creation, disaster risk reduction, climate action and transformative inclusion and equality efforts in an urban environment, in line with the UN's focus on people-centred planetary action.

214 United Nations Conference on Trade and Development, [Vulnerability Profile of Bhutan, Draft 11](#) (December 2017). Prepared by UNCTAD for the 2018 review by the Committee for Development Policy of the List of Least Developed Countries. This vulnerability profile prepared by UNCTAD, examining Bhutan's structural progress against the indicators incorporated in these three LDC criteria, concludes that "Bhutan is economically more vulnerable than it appears to be on the methodological and statistical grounds the United Nations presently leans on".

215 Available at: <https://gain.nd.edu/our-work/country-index/>.

216 United Nations Economic and Social Commission for Asia and the Pacific, Asia Pacific Risk and Resilience Portal, [Bhutan Country Profile](#).

217 World Bank and Asian Development Bank, [Climate Risk Country Profile, Bhutan](#) (Washington D.C., 2021).

218 Anirudha Mahagaonkar et al., "[Glacier Environment and Climate Change in Bhutan—An Overview](#)", *Journal of Climate Change* 3, no. 2 (2017): 1–10.

4.2 Implications for inclusive and sustainable development

4.2.1 Deteriorating water resources and impacts on livelihoods and economy

Although Bhutan is rich in water resources with an annual average generation of 70 billion cubic meters and a high per capita water availability, access to these water resources is a major issue causing seasonal, localized shortages. In addition to the highly dispersed nature of settlements and low population densities of the country, water access is also affected by issues with distribution systems. Lack of sustained and uninterrupted water availability is an issue in the growing urban setting as well, especially in Thimphu. Furthermore, water sources face increasing risks with changing weather patterns and the increased melting of glaciers.

Water resources as a sector most likely to be severely affected by climate change will have far reaching implications relating to drought, floods, access to water, water quality and health. This has serious implications for the Bhutanese economy, which is mainly driven by the hydropower sector, on rural livelihoods which depend primarily on agriculture, as well as on the tourism. Water access for household requirements can also be undermined, as current water distribution infrastructure is disrupted and may potentially become chronic if integrated solutions to water management are not planned and implemented.

The projected variability in rainfall patterns and intensity is expected to affect agriculture activities in particular, through its impact on irrigation, change in crop diversity, delayed sowing with shifting seasons, decrease in agricultural yield brought about by drought, loss of soil fertility due to erosion and loss of nutrients due to seepage, and increased risk from existing and new diseases and pests.²¹⁹ In the same manner that water scarcity affects households in remote areas, it also affects wildlife, with elephants, boar and deer encroaching on farmland in search of food and water, resulting in agriculture losses.²²⁰

Hydropower infrastructure in the country is highly susceptible to the risks associated with, with most of the hydropower plants in the country being “run-off-the-river” types. ESCAP analysis shows that almost 14 per cent of Bhutan’s hydropower plants will be exposed to medium to high risk of hazards under RCP 4.5, and more than 26 per cent, more than a quarter of its hydropower capacity, will be exposed to medium to very high risk under RCP 8.5.²²¹ Electricity production fluctuates with seasonal variations in river discharge, resulting in Bhutan exporting electricity cheaply during summer months and importing expensive electricity during the winter.²²²

Based on qualitative assessment and modelling exercises, an assessment of climate change impacts on water resources for Bhutan’s National Adaptation Plan indicates that the hydropower sector will be impacted in several ways:²²³

219 United Nations Development Programme, [Preparation of a National Adaptation Plan \(NAP\) for Bhutan, with a focus on the water sector, Project Document template for Adaptation Planning/NAP \(National Adaptation Plan\) projects, financed by the Green Climate Fund](#) (Thimphu, June 2019).

220 United Nations System in Bhutan, [Common Country Analysis \(Bhutan\)](#) (16 January 2018).

221 United Nations Economic and Social Commission for Asia and the Pacific, [Asia Pacific Risk and Resilience Portal, Data Explorer, Bhutan](#).

222 United Nations Development Program, annotated [Project Document for projects financed by the Green Climate Fund](#) (10 September 2021).

223 Deltares, [“Assessment of climate risks on water resources for the National Adaptation Plan \(NAP\) in Bhutan: Priority risks and recommendations for adaptation”](#), 7 December 2021.

- Positive impacts of accelerated glacier melt for the short term with more flow available for hydropower (under the RCP 8.5 scenario), but no water available for the long term with glacier stock eventually disappearing (under the RCP 4.5);
- Erratic and heavy rainfall causing floods that affect water quality by increasing siltation and sedimentation, thereby increasing operation and maintenance costs of hydropower plants; less flow and low generation during winter when demand is high, with both the 1/10 and 1/30 peak flow events projected to occur more often in the future, especially under an RCP 8.5 scenario;
- In case of low flow and dry spell events, difficulty in maintaining environmental flows which are necessary to maintain the health and biodiversity of the river basins; and
- Uncertainty in funding due to the vulnerability and increased sensitivity of the hydropower sector, as well as possibility for decreased investment in hydropower projects (although there is still potential).

4.2.2 Urban pressures on land, air and water

Bhutan saw intensified migration from rural to urban areas due to rapid industrial and other socio-economic activities in the past couple of decades. The growth rate of Bhutan's urban population was the highest among South-Asian countries at 5.7 per cent per year from 2000-2010, with the urban population reaching 37.8 per cent of the total population in 2017, and further projected to reach 56.8 per cent in 2047. Unlike much of the rest of South Asia, this suggests that rural-urban migration has played a key role in driving the growth of Bhutan's towns and cities.²²⁴

Inappropriate land use and construction practices, especially in urban centres, further aggravate vulnerability to disasters and hazards in the country. As highlighted in the United Nations Conference on Trade and Development (UNCTAD)'s vulnerability profile of Bhutan,²²⁵ the increasing urbanization in the country has been haphazard, with insufficient planning and enforcement of regulations, owing in part to a lack of appropriate technical expertise in disaster-resistant construction practices. Capacity to mitigate impacts of possible disasters and to respond to such events, especially at local levels, also remains a major concern (see also Section Three, Part 5.1.3, "Urban resilience").

Rapid urbanization has posed significant challenges that have become more complex in recent years, mainly in Thimphu and surrounding areas, compounding the existing economic, social and environmental issues. Simulated spatiotemporal dynamics of land use and land cover changes in the city of Thimphu have revealed that the landscape of the city of Thimphu has changed considerably during the study period (2002 - 2018), and the changing trend is predicted to continue into 2050.²²⁶

The study observed a significant increase (12.77 per cent) in the built-up area from 2002 (52.88 per cent) to 2018 (65.5 per cent), followed by a slight increase in the cover of bare ground. On the other hand, forest cover declined drastically (by 15.25 per cent), followed by agriculture (by 1.01 per cent). Rapid population growth triggered by rural-urban migration,

224 World Bank, [Leveraging Urbanization in Bhutan, Country Fact Sheet](#) (24 September 2015).

225 United Nations Conference on Trade and Development, [Vulnerability Profile of Bhutan, Draft 11](#) (December 2017).

226 Wang et al 2021, "[Land use and land cover change detection and prediction in Bhutan's high altitude city of Thimphu, using cellular automata and Markov chain](#)", Environmental Challenges, Volume 2, 2021, 100017, ISSN 2667-0100.

coupled with hasty socio-economic development, has driven these changes. These changes have fragmented forest cover, increased soil/gully erosion, surface runoff and storm-induced floods of storm and sanitation drains, thereby impinging on the overall quality of life in the city.

The lack of efficient public transport, energy-efficient buildings, inadequate water and waste management plans and facilities, and dependency on fossil fuels-based energy and transport systems have rapidly increased the emissions rate and deteriorated the quality of the environment. There is a strong need to counteract these development trends, not just to maintain the goal of carbon neutrality, but also to improve the quality of life for urban populations in the country.

While Bhutan's CO₂ emissions are considered negligible on a global scale, the trend of increasing emissions poses risks to its carbon-neutral commitment. The industry sector, including industrial process and product use (IPPU), is the primary source of GHG emissions and is responsible for 71 per cent of the energy sector emissions, amounting to approximately 1.64 million metric tonnes of CO₂ emissions in 2019.²²⁷ The transport sector is also a major source of GHG emissions, with CO₂ emissions from the sector likely to increase to 1.25 million metric tonnes of CO₂ by 2050 under a business-as-usual scenario, with the most significant rise in GHG emissions expected from light vehicles (3.8 times), followed by medium vehicles (3.6 times) and heavy vehicles (3 times).²²⁸

Currently, light vehicles (including taxis) and two-wheelers combined account for more than 81 per cent of total registered vehicles in the country, while heavy and medium public transport buses together constitute less than 1 per cent. In terms of fuel type, almost 99.9 per cent of motor vehicles in Bhutan use diesel or petrol as their primary source of energy. Diesel import is almost three times higher than petrol (50,882 kL of petrol versus 149,905 kL of diesel imported in 2019), since the former is also used for many other purposes besides transport. In 2021, about BTN 8.3 billion worth of petroleum products were imported, compared to almost BTN 9 billion in 2017, though the decline is partly due to the COVID-19 related measures.²²⁹

Increasing waste generation and poor waste management practices are other issues of concern. A National Waste Inventory Survey conducted in 2019 revealed that the country's total solid waste generation in a day was 172.16 metric tonnes, and a per capita waste generation of 0.23 kilogram a day.²³⁰ Waste management in sub-urban areas and rural areas has not received much attention. Presently the country's system of waste collection only covers urban and municipal areas and there is no specific area for waste disposal in rural areas.

With increasing public and political awareness, the handling of solid waste management has been gaining attention. Policy frameworks include the National Strategy for Integrated Solid

227 Calculations based on: United Nations Economic and Social Commission for Asia and the Pacific, [Energy Transition Pathways for the 2030 Agenda: SDG 7 Roadmap for Bhutan](#) (adjusted for 2019) (11 May 2022).

228 Bhutan, Ministry of Information and Communications, [Low Emission Development Strategy for Surface Transport](#) (Thimphu, 19 July 2021).

229 Ibid.

and: Bhutan, National Statistics Bureau, <https://www.nsb.gov.bt/publications/statistical-yearbook/> (Thimphu, 2022).

230 Bhutan, National Statistics Bureau, [Nation's waste on the scale, National Waste Inventory Survey 2019, Bhutan](#) (Thimphu, 2019).

Waste Management 2007, the *Waste Prevention and Management Act of Bhutan 2009*, the National Waste Management Strategy 2019, and Waste Management and Regulation 2012²³¹.

Civic responsibility is, however, a key challenge to proper waste management, with littering, lack of segregation at source, scarcity of land for landfills and illegal dumping of mixed waste recurrent issues. The 12th FYP's Waste Flagship Programme, with its principle of circular economy through "reduce, reuse and recycle", aims to address this concern.²³²

4.2.3 Energy-security concerns

Despite abundant electricity production in Bhutan, approximately 70 per cent of the country's energy demand continues to be met by fossil fuels and biomass. Fuelwood remains the primary energy source at the residential level (57 per cent), followed by electricity (16 per cent), petroleum (19 per cent) and coal (8 per cent).²³³ Imported fuels are used for transportation and thermal fuel for heating and mechanical production. Bhutan's reliance on hydropower to meet its electricity demand could make the country vulnerable in the long term to increasing seasonal variations in river discharge from the impacts of climate change, thus raising energy security concerns.

In this context, the SDG7 Roadmap for Bhutan found that transition to electric vehicles will be very important for enhancing Bhutan's energy security and reduction of emissions from the transport sector.²³⁴ Bhutan's intensive electrification programme has led to a 99.7 per cent electrification rate,²³⁵ helping shift consumption away from biomass (mainly fuelwood) to electricity.

However, the country continues to rely heavily on fossil fuels, as mentioned previously. It has been reported that as of 2016, only 53 per cent of the population had access to clean fuels and technologies for cooking.²³⁶ Electricity access and quality is also reported to be highly variable across districts (for example, the share of households experiencing a power outage ranges from 11 per cent in Tsirang to 95 per cent in Dagana, and the overall average is just below 60 per cent).²³⁷

231 Bhutan, Royal Institute of Management, [Waste Management in Bhutan: Bhutan deserves a new policy approach](#) (Thimphu, 17 December 2021).

232 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, 2021).

The Waste Flagship Programme, launched in June 2019, proposes to institute a holistic and effective system of waste management technologies for wet, dry, household hazardous, biomedical and other specialized wastes.

233 World Bank Group and Asian Development Bank, [Climate Risk Country Profile, Bhutan](#) (Washington D.C., 2021). And Bhutan, [Economic Development Policy 2016](#) (Thimphu, December 2016).

234 The SDG7 Roadmap for Bhutan presents an in-depth analytical study on ways to diversify the country's energy systems to reduce dependence on imported fossil fuels, as well as to limit the rise of emissions in the country. For more details, see: Bhutan, Ministry of Economic Affairs, Department of Renewable Energy and United Nations Economic and Social Commission for Asia and the Pacific, [Energy transition pathways for the 2030 ESCAP agenda: SDG 7 roadmap for Bhutan](#) (11 May 2022).

235 Bhutan, National Statistics Bureau, [2022 Bhutan Living Standards Survey](#).

236 World Bank, [Access to clean fuels and technologies for cooking \(% of population\) – Bhutan](#).

237 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, 2021).

As the demand for electricity grows rapidly and the threats of climate change loom large, there is a need to explore other clean and renewable energy sources to broaden the country's energy mix. The SDG7 Roadmap for Bhutan suggests that seasonal variation of hydropower can be compensated with installation of solar and wind power systems. According to the Renewable Energy Management Master Plan 2016, while the current installed capacity of non-hydro renewables is only 9 megawatts (MW), it is technically feasible for Bhutan to produce 12 gigawatts (GW) of solar and 760 MW of wind energy.

As such, the 180 kW Grid-Tied Ground Mounted Solar PV Plant in Rubesa brings Bhutan a step closer to achieving energy security through a diversified and sustainable supply mix.²³⁸ This, in addition to a 600kW wind farm, was initiated as part of the RGoB's COVID-19 response and recovery plans as a pilot project. In addition, the installation of 3 major renewable power plants (30 MW and 17 MW solar power plants and a 23 MW wind power plant) are reported to be under negotiation.²³⁹

To ensure Bhutan remains carbon neutral, the Low Emission Development Strategy²⁴⁰ (LEDS) for Surface Transport has been approved, with electric vehicles (EVs) being one of the most important pathways. The estimated GHG emissions-mitigation potential (by 2050) with the implementation of a particular identified intervention varies significantly, ranging from 73,397 metric tonnes of CO₂e to 5,684,962 metric tonnes CO₂e.²⁴¹

LEDS prioritizing mitigation efforts have also been developed for the agriculture, human settlement and industry sectors. Bhutan's second NDC states that while these LEDS will serve as the basis for the sectors to integrate low carbon measures into development priorities, implementation of the identified priority programmes and actions is contingent upon continued support from the RGoB and development partners.

4.2.4 Risks to gender equality and to *leaving no one behind*

As population groups that are already made vulnerable by a range of intersecting factors (see Section Two, Part 3.2, "Population groups (at risk of being) left behind and the main drivers of exclusion", children, women, persons with disabilities, senior citizens and other vulnerable groups are disproportionately affected by the impacts of climate change. Women in particular living in the mountainous rural areas of Bhutan face an extra burden from the effects of climate change as their regular chores of collecting water, fuelwood and fodder become more tedious and riskier; any disruptions to water and sanitation could impede women's health prospects, in turn impacting their ability to nurture children and provide care to the sick and the elderly.²⁴²

238 International Renewable Energy Agency, [Renewables Readiness Assessment: Kingdom of Bhutan](#) (December 2019).

239 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, 2021).

240 Bhutan, Ministry of Information and Communications, [Low Emission Development Strategy for Surface Transport](#) (Thimphu, 19 July 2021).

241 GHG emission reduction potential is studied along with the economic assessment of the intervention in the form of multi-criteria analysis (MCA), which is one of the key parameters to prioritizing the list of identified interventions in the LEDS-transport sector.

242 United Nations Children's Fund, Bhutan, [Situation Analysis of Children, Adolescents and Young People, and Women in Bhutan](#) (2022, unpublished draft).

A recent study on gender and climate change by the NCWC confirms the presence of such trends. The survey component of the study captured that more women see decreases in household income; change consumption patterns including buying water; and that their workloads have increased more than that of men. These increased vulnerabilities are likely to be compounded by the feminization of agriculture due to male out-migration.²⁴³

The climate crisis also impedes the realization of children's needs, as captured in the United Nations Convention on the Rights of the Child (CRC)²⁴⁴, and is therefore also a child rights crisis. Bhutan ranks 111th out of 163 countries on the Children's Climate Risk Index (CCRI).²⁴⁵ While children in Bhutan are at a relatively lower risk to climate change impacts as compared to those in neighbouring countries, community dependence on climate-sensitive sectors and vulnerability to natural hazards can negatively affect their access to key essential services, including protection services, thereby reducing their resilience and adaptive capacity, and further increasing vulnerability.

Investments made in water, sanitation and hygiene (WASH) infrastructure are especially at risk with the growing incidence of extreme weather phenomena. A key health risk stemming from disruptions in WASH services is the incidence of waterborne disease due to the drying up of water sources, contamination from flooding, inadequate sanitation, poor hygiene, unsafe drinking water and poor wastewater management (diarrhoea alone contributed to about 10–15 per cent of the morbidity burden in Bhutan, 2021). There can also be indirect impacts on the education sector, through effects on food and nutrition security, livelihoods, air pollution, energy, water and sanitation,²⁴⁶ thereby risking the health and wellbeing of children, adolescents and young people in the country.

When risks are taken into account only as actual disasters occur, and without a *leave no one behind*-sensitive crisis management effort that addresses needs of rural and urban women, children, persons with disabilities, older people and other vulnerable groups, these gaps widen and contribute to the vicious cycle of inequality and exclusion.

243 Bhutan, National Commission for Women and Children, [Gender and Climate Change in Bhutan with a Focus on Nationality Determined Contribution Priority Areas: Agriculture, Energy and Waste](#) (9 March 2020).

244 United Nations Human Rights, Office of the High Commissioner, General Assembly resolution 44/25, [Convention on the Rights of the Child](#) (20 November 1989).

245 United Nations Children's Fund, [The climate crisis is a child rights crisis; Introducing the Children's Climate Risk Index](#) (August 2021).

246 Bhutan, National Environment Commission and United Nations Development Programme, Bhutan, [Assessment of climate risks on health for National Adaptation Plan \(NAP\) formulation process in Bhutan](#) (Thimphu; October 2021).

4.2.5 Climate-induced disasters and natural hazards

Bhutan lies in one of the most active seismic zones in the world, and could potentially face severe and widespread damage from future earthquakes. With some 567 glacial lakes, of which 17 are identified as potentially dangerous,²⁴⁷ the country faces increased risk of glacial-lake outburst floods (GLOFs) due to global warming and melting glaciers.

Bhutan also remains vulnerable to other natural hazards, such as landslides and forest fires; climatic impacts, including extreme drought and severe fluctuations in seasonal weather patterns, could have huge consequences for the highly nature-dependent livelihoods of its population. The risks are compounded with relatively low awareness of resilience-building issues and lack of preparedness; limited capacities to mitigate impacts of possible disasters, and to respond to such events, especially at the local and national levels.

Given its small economy, population and land area, such climate induced and potentially manmade disasters could jeopardize Bhutan's hard earned development gains in an instant. Building its resilience to the impacts of climate change and scaling up efforts at conventional disaster preparedness are therefore urgent priorities that need to be addressed. Bhutan's vulnerability to natural and conventional hazards is discussed further in Section Three, Part V, "Disaster Risk Reduction".

4.3 Priorities for Climate Action

4.3.1 Implementation of key policies and strategies

Bhutan's second Nationally Determined Contribution (NDC) for climate action²⁴⁸ identifies priority mitigation actions in the form of low-emissions development strategies (LEDS) for agriculture; human settlement; industries and surface transport; roadmaps and strategies for forest conservation and management (National REDD+ Strategy²⁴⁹); waste management; sustainable hydropower development; alternative renewable energy; and a green hydrogen roadmap.

Building on its first NDC, Bhutan has carried out processes to support the formulation of its first NAP, with a draft NAP underway. The NAP covers priority needs and actions in the areas of water, agriculture, forests & biodiversity and health. Implementing these mitigation actions and the NAP will require substantial and sustained support, as Bhutan continues to uphold its carbon-neutral status and thus its contributions to global climate health.

4.3.2 Building and strengthening capacities for action

An assessment of climate risk for the NAP points to a clear need for building the capacity, knowledge and expertise of people as the "primary resource for adapting to the effects of climate change to determine the most appropriate modes of adaptation."²⁵⁰ Overall, climate-change adaptation is presented strongly in Bhutan's policies and strategies, but there are huge gaps in the integration of climate efforts into local plans, and this must be urgently addressed.

247 Kuensel, "Bhutan records 567 glacial lakes, 17 potentially dangerous", 1 April 2021.

248 Bhutan, *Kingdom of Bhutan, Second Nationally Determined Contribution* (Thimphu, 5 June 2021).

249 See: <https://redd.dofps.gov.bt/wp-content/uploads/2022/06/REDD-Strategy-Action-Plan.pdf>.

250 Bhutan, National Environment Commission, *National Adaptation Plan* (Draft).

4.3.3 Strengthening climate data and research

A roadmap and strategy for strengthening climate-change research in Bhutan has been prepared²⁵¹. A key requirement for its implementation is guaranteed financial support in order to ensure that studies addressing the most urgent and critical issues are robustly executed, and that results find expression in policy and in practice.

Data gaps that need to be addressed include: activity data on greenhouse gas emission inventorization from energy, industry, waste, agriculture and forests; climate projections and observed data; and socio-economic data from all relevant sectors for vulnerability and adaptation assessment measures taken or planned.²⁵²

4.3.4 Integrating climate change into education

Climate change in education in Bhutan has not become a priority. A study from the UNICEF Regional Office for South Asia recommends teaching climate change concepts and skills to children from a young age. Incorporating climate change risk reduction and resilience building into the National Education Policy and the Education Roadmap for the 21st Century could be a good opportunity, as education reforms are ongoing.

Integrating education, health, nutrition, WASH and child-protection interventions more robustly to protect student health and wellbeing from the adverse effects of the changing climate is recommended by the study²⁵³. Building on the existing Environmental Science subject in the school curricula, mainstreaming environmental and climate-change education from the early grades will yield long-term dividends for the country in championing a climate-smart citizenry.

4.3.5 Environmental justice

Although Bhutan has championed efforts to conserve the environment, the comprehension and implementation of international environmental legal instruments has been a challenge due to lack of technical capacity, which hampers commitment to international environmental legal instruments, their domestication and effective implementation. Thus, Bhutan will need to keep abreast of environmental justice as an emerging aspect of environmental conservation.

251 Bhutan, National Environment Commission, Green Climate Fund and United Nations Development Programme, [A Roadmap and Strategy for Strengthening Climate Change Research in Bhutan, 2021 – 2025](#) (Thimphu, November 2020).

252 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century; Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, 2021).

253 United Nations Children's Fund, Regional Office for South Asia, [The Heat is On! Towards Climate Resilient Education Systems in South Asia](#), (Kathmandu, 2022).

Section three

resilience and capacities for sustainable Development

V. Disaster Risk Reduction

5.1 Natural and conventional hazards

5.1.1 Natural hazards

As highlighted in Section One, Part 1.4, “Risk profile” and Section Two, Part IV, “Environment and climate change”, Bhutan is vulnerable to several natural hazards given its steep terrain, fragile geological conditions, vulnerable ecosystems, wide differences in elevation, variable climatic conditions and dependence on climate-sensitive economic sectors.

The country is particularly prone to weather and water-induced hazards, such as glacial-lake outburst floods (GLOFs), flash floods, riverine floods, landslides, landslide dam outburst floods, river erosion, cloudbursts, windstorms and wildfires. Such hazards are of great concern, as over 70 per cent of human settlements in the country are located along the main drainage basins²⁵⁴; additionally, most critical infrastructure, such as hydropower plants and fertile agriculture land is at high risk of flooding. The country’s urban areas are vulnerable to urban flooding, landslides and extreme heat in the south (see Figure 14).

Moreover, given Bhutan’s location in the eastern Himalayas, it is one of the most seismically active regions of the world; as the entire country lies near a major earthquake fault, earthquakes can potentially cause severe and widespread damage. In the past 50 years, Bhutan has experienced 12 earthquakes, with many reaching a magnitude 7.0 on the Richter scale, including a 2009 earthquake that resulted in USD \$97 million in losses and needs.²⁵⁵ Collectively, the moderate earthquakes of 2009 and 2011 also caused 13 deaths and many injuries. The impact could be much worse in the event of a stronger earthquake.

The risk of GLOFs is exacerbated by climate change, causing glaciers to retreat at faster rates, resulting in the formation of many supraglacial and proglacial lakes.²⁵⁶ Floods triggered both by glacial-lake outbursts and by the increased frequency of extreme rain events during the monsoon, are the most significant climate related hazards. Bhutan lost 23.3 ± 0.9 per cent of its glacial area between 1980 and 2010.²⁵⁷ Warming trends, particularly at higher altitudes and during winter months, are likely to further accelerate glacial melt, which additionally threatens the country’s water-dependent economy.

The most recent breaching of glacial lakes was that of Thorthormi lake on 20 June 2019 which was mainly caused by a rise in average temperatures, with recorded temperatures for the

254 Bhutan, Ministry of Agriculture and Forests, [The Renewable Natural Resources Sector Adaptation Plan of Action, 2016](#) (Thimphu, June 2016).

255 World Bank, Climate Change Knowledge Portal, [Country Bhutan](#) (2021).

256 Bhutan, National Center for Hydrology and Meteorology, [Reassessment of Potentially Dangerous Glacial Lakes in Bhutan](#) (Thimphu, 2019).

257 Bajracharya et al., “[The Status and Decadal Change of Glaciers in Bhutan from the 1980s to 2010 Based on Satellite Data](#)”, *Annals of Glaciology* 55, no. 66 (2014): 159–66.

months of April, May and June of 2019 being the highest over the past nine years.²⁵⁸ While this breach of Thorthormi lake did not result in any damage downstream, past experience has already shown the potentially devastating impacts of such events.²⁵⁹

In addition, the risks to human lives from GLOFs, flash floods and landslides impose significant mental stress on affected populations. The disease burden from climate-sensitive diseases is also on the rise.²⁶⁰ Despite sustained containment efforts, malaria continues to be a serious concern. Emerging diseases such as dengue and chikungunya are on the rise. With increasing temperatures and disturbed rainfall patterns, a high risk exists for the expansion of mosquito breeding sites to other non-endemic places, which are historically cold and not typically favourable for malaria and dengue transmission.

Besides the sustainability of water resources that feed the country's hydropower plants, there are concerns regarding the adequacy of social and environmental impact assessments and proposed mitigation measures. Geological "surprises," and potential impacts, on the safety of dams and other hydropower-related infrastructure, as well as on downstream habitats and inhabitants in case of catastrophic failures, are also of concern.²⁶¹

Such trends and risks suggest a need for strategic planning and regionally appropriate adaptation practices for the important agricultural sector as well, which is the dominant source of livelihoods, but under which only three per cent of the country's land area is cultivated given the rugged terrain. However, a lack of information on regionally-specific climate change impacts on key crops constrains many adaptation strategies for the sector. Previous analyses of climate change impacts have been generic, and the wider South-Asian region has been taken as a reference for Bhutan.²⁶²

At the same time, extended dry periods and the absence of precipitation during winter increases the risk of wildfires, with fire incidents averaging about 57 events annually, scarring an average of about 200 hectares. Forest fires are projected to become more intense with the increasing possibility of more crown fires, faster rates of spread and the high probability of larger fires burning over longer periods of time. A total of 18,490 households, and 549 religious structures (under RCP 4.5), are estimated to be at increased risk from forest fires as we approach 2050. Such projected trends align closely with unfolding fire events globally and require proactive adaptation as changes in the climate continue.²⁶³

258 Bhutan, National Center for Hydrology and Meteorology, [Report on the Rapid Assessment of Thorthormi Lake and the Restoration of Automatic Water Level Sensors for the GLOF Early Warning System](#) (Thimphu, 2019).

259 A severe GLOF from the Luggye Tsho in Lunana in 1994 claimed 21 lives and caused huge agricultural and essential infrastructure damage in the Punakha-Wangdue Valleys. Bhutan also suffered significant damage to roads, bridges, irrigation channels and homes when major rivers swelled to record levels in 2009 owing to the tropical cyclone Aila. Hydropower projects were affected, with massive clogging and silting. An unusually intense monsoon flooding and related landslides of July 2016 claimed 4 lives, destroyed towns and agriculture lands, cut off water to Bhutan's third-largest urban centre, Gelephu, and washed away sections of Bhutan's main trade artery with India, cutting off access to essential commodities, including fuel and essential medicines.

260 For more information, see: Borgen Magazine, "[Climate-Sensitive Diseases in Bhutan](#)", 24 August 2017.

261 Rinzin, Dasho Chhewang, "[Sustainable Energy: Is Hydropower the Answer?](#)", The Druk Journal (28 June 2017).

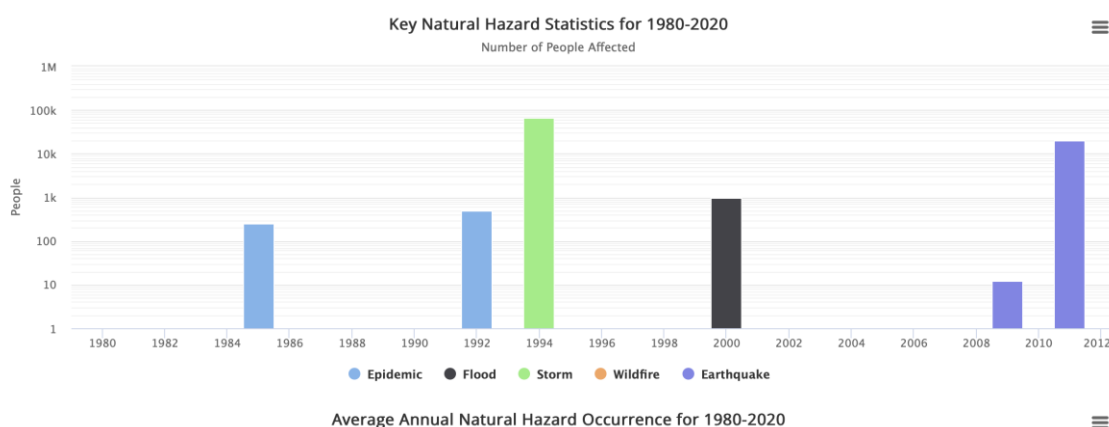
262 Parker L; Guerten N; and Thi Nguyen T., "[Climate Change Impacts in Bhutan: Challenges and opportunities for the agricultural sector](#)", Working Paper No. 191, CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS), Wageningen, The Netherlands.

263 Bhutan, National Environment Commission, [Assessment of climate risks on forests and biodiversity for National Adaptation Plan \(NAP\) formulation process in Bhutan](#) (Thimphu, August 2021).

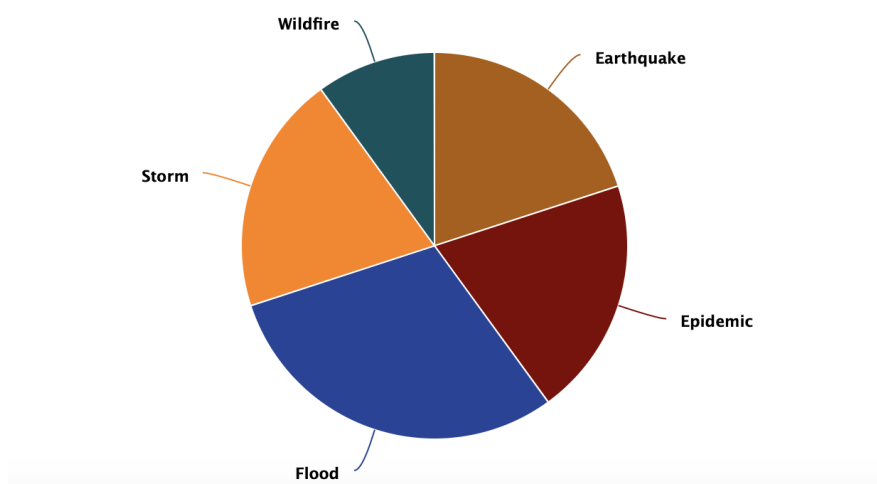
Bhutan’s vast tracts of forest have historically provided an important source of food, fuel, fodder, medicine and building materials, especially to the poor. Moreover, forests help to cushion the impacts of climate change-induced hazards such as landslides and flash floods, and thus their importance is expected to increase as the impacts of climate change become more visible. However, in addition to issues of poaching and other illegal harvesting of forest resources, recurrent incidents of forest fires undermine the long-term sustainability of forests and biodiversity resources.

Despite apparent risks, investment towards effective management of forest fires is severely lacking in Bhutan, which could lead to significant economic and ecological costs, including loss of property, disruptions to ecosystems, loss of biodiversity and increased carbon emissions from more frequent and more intense fires. There is therefore a need to secure substantive investment towards a proactive fire mitigation and adaptation program.²⁶⁴

Figure 14: Natural Hazard Occurrence



Average Annual Natural Hazard Occurrence for 1980-2020



Source – World Bank²⁶⁵

264 Ibid.

265 World Bank, Climate Change Knowledge Portal, [Bhutan Country Overview](#) (2021).

5.1.2 Public health events

Bhutan is prone to many public health events, including emerging and re-emerging diseases associated with natural hazards. With COVID-19 global travel restrictions now relaxed, there is an increased risk of disease entering from abroad which could escalate the cost of curative as well as preventive interventions.

A gap in strengthening the core capacity of International Health Regulations (IHR) will delay the timely mitigation of risks. Robust information management, including proper documentation of public-health events such as the COVID-19 pandemic, plays a vital role in timely response, decision making and risk mitigation.

Bhutan's geographic terrain and landlocked position pose extra challenges to providing uninterrupted essential health services during pandemics and disasters. Travel restrictions, supply disruptions and border closures present huge challenges, since the country does not have the domestic capacity to produce medicine and other medically necessary items.

Likewise, the country lacks the capacity to monitor, detect and mitigate chemical, radiological and biological hazards. In parallel, several diseases related to online gaming addictions, cyber-bullying and abuse and, more broadly, mental health issues amongst young people are emerging as well.

As covered in previous sections, there is also a prevalence of high-risk sexual behaviour amongst adolescents and youths in the country, including within the LGBTQI community. With low uptake of testing/screening services for HIV/STIs by high-risk populations, there is a critical need for SRH education especially amongst young people (see Section Two, Part 3.2, "Population groups (at risk of being) left behind and the main drivers of exclusion". Services for GBV prevention and response will also need to be integrated as a critical part of any public health emergency response.

With major public health emergencies such as the COVID-19 pandemic bound to repeat in the future, it is important for Bhutan to ensure that its development plans and programmes are designed to be more risk resilient, i.e., with forward-looking assessments of possible risks and contingency plans in place. In particular, building health system resilience while also putting in place national response systems has become critical.²⁶⁶

To strengthen the country's preparedness and responsiveness for possible future pandemics, it will be important to: ensure that proper mechanisms are in place to link public health and security authorities, such as law enforcement, border control and customs, during a suspected or confirmed biological event; send and receive medical countermeasures, as well as health personnel, during a public health emergency; and increase the effectiveness of the country's public health response at points of entry, by building on Bhutan's own lessons responding to the COVID-19 pandemic.²⁶⁷

266 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, United Nations High-Level Political Forum, 2021).

267 Ibid.

5.1.3 Urban resilience

Sustainable urban development can be an engine for economic growth, deliver improved living conditions for all and have a positive catalytic impact on human development. Well planned urbanization can help drive the sustainable development agenda across economic, social and environmental dimensions. However, with nearly 38 per cent of the population living in urban areas (as of 2017)²⁶⁸, and with an annual population growth of 2.7 per cent²⁶⁹, there is an ever-increasing concentration of socio-economic vulnerabilities and amplification of conventional risks from extreme weather events, geological hazards and urban fires.

With climate change, pandemics and the interconnectedness of vulnerabilities, the role of urban systems becomes more crucial. Any direct impacts of exogenous shocks to the larger urban centres of Thimphu and Paro can trigger cascading and wider effects to the rest of the country, including disruptions to essential services, government functions, financial and social sector systems, among many other possibilities.

Economically, the country's current model of urbanization is unsustainable given the challenge in addressing widespread unemployment, particularly among urban youth (over 28 per cent);²⁷⁰ and the proliferation of unstable and low-paying jobs and informal income-generating activities, which create economic hardship, unequal access to urban services and amenities and poor quality of life for many. Furthermore, female labour force participation remains low in urban areas (57.2 per cent) compared to males (74 per cent).²⁷¹

Bhutan's leading cities are underperforming with respect to private-sector job creation, a key enabler of urban resilience. In Bhutan's cities, the share of public employment exceeds 46 per cent and manufacturing contributes only about 10 per cent of GDP, consisting almost entirely of small and medium-size enterprises (SMEs) with less than 100 workers.²⁷² Furthermore, SMEs and entrepreneurs face multiple challenges in developing and/or scaling their businesses as mentioned in Section Two, Part 2.2, "Structural challenges and issues".

Socially, Bhutan's current model of urbanization fails to address the multiple forms of inequality, exclusion and deprivation in the country, which creates spatial inequalities. Thimphu and Paro, for instance, are experiencing an unprecedented increase in informal settlements that lack decent services and have substandard and impermanent dwelling units. Data on expenditures and rental-rate increases indicates that urban housing is unaffordable for the average median-income household.²⁷³

Environmentally, urbanization is a key accelerator of increases in exposure and vulnerability to shocks as well as the impacts of climate change. Bhutan has seen intensified migration from rural to urban areas due to rapid industrial and other socio-economic activities in the past couple of decades. Climate-induced migration has the potential to add to the urban pressure when sectors such as agriculture become increasingly impacted by climate change. Thus, there is an increase in assets, population and urban amenities that are exposed to

268 Bhutan, National Statistics Bureau, [Population Projections Bhutan 2017-2047](#) (Thimphu, 2019).

269 World Bank estimates based on the United Nations Department of Economic and Social Affairs, [World Urbanization Prospects: 2018 Revision](#) (16 May 2018).

270 Bhutan, National Statistics Bureau, [Labour Force Survey Report 2021](#) (Thimphu, 2021).

271 Ibid.

272 World Bank, Open Knowledge Repository, [Bhutan Urban Policy Notes: Affordable Housing Policy](#) (Washington, D.C., 2019).

273 Ibid.

climate, geological, urban and forest fire risks (see also Section Two, Part IV, “Environment and Climate Change”).

In urban areas, unusually high temperatures, heatwaves and urban heat are already impacting the ability of households to cope, with building designs requiring the use of air conditioning, placing increased pressure on the energy sector. Impacts on infrastructure could grow significantly in the second half of the 21st century as Bhutan continues to invest in growth and mobility. While water scarcity and uninterrupted supply is already an issue in urban towns like Thimphu, the demand for clean drinking water, management of storm-water runoff, waste water, sewage as well as solid waste management is increasing, with resultant pressures on and pollution of the natural environment, such as rivers and drainage basins. In addition, denser urban populations increase the risks of forest fires around cities, with Thimphu and Paro being particularly vulnerable to such threats.

As mentioned previously, Bhutan is a highly seismically active country. A study in 2021²⁷⁴ showed that the densely populated urban areas such as Thimphu, Phuentsholing and Paro are at the highest risk of experiencing earthquake-related casualties, with a combined probability of 66-79 lives lost out of 10,000 per year. The expected annual economic loss due to earthquake-induced building damage is about USD \$35 million (BTN 2.6 billion). Should Bhutan face the worst-case scenario, similar to the 8.1 magnitude quake in the year 1714, up to 18 per cent of Bhutan’s population (approximately 150,000 people) could be affected.

5.2 DRR systems and institutions in place

As a national and cross-cutting concern, major efforts have gone into developing several legal and administrative disaster management systems linked to emergency preparedness efforts since the 10th FYP (2008 - 2013). Progressive efforts have since been made, with the 11th FYP mainstreaming disaster risk reduction (DRR) across sectors; the identification of “carbon-neutral, climate- and disaster-resilient development” as a national key result area of the current 12th FYP. The importance of disaster and resilient development is strongly reflected in Bhutan’s first and second NDCs, and in its current formulation of the NAP.

Progress has also been made in setting up key institutions since the enactment of the *Disaster Management Act 2013*²⁷⁵ and the establishment of the National Disaster Management Authority (NDMA). Disaster Management Committees have been set up in all 20 *Dzongkhags* (districts), which along with all 4 *Thromdes* (municipalities) have disaster management contingency plans (DMCPs) in place.

Despite ongoing efforts, significant gaps and challenges remain in enhancing the resilience of the country at all levels to face disasters, including the following:

- (i) Legal and policy frameworks and institutional mandates: A 2016 Performance Audit report identified shortcomings in implementing the *Disaster Management Act 2013*, including functionality and establishment of key Disaster Risk Management (DRM) institutions. Other emerging challenges include the applicability of *the Disaster*

274 Robinson, Dr. Tom, “Earthquake Impact Planning for Bhutan: The Risk from Future Large Earthquakes in the Land of the Thunder Dragon” (Newcastle University-Durham University, UK, February 2020).

275 Bhutan, Parliament of Bhutan, [Disaster-Management Act of Bhutan 2013](#) (Thimphu, 2013); available at (Dzongkha language).

Management Act to pandemics, its inclusiveness with regard to gender and disability, and the definition and classification of disasters.²⁷⁶

(ii) Understanding disaster risks and early warning systems: There is no national-level multi-hazard risk assessment that provides a panoramic view of the disaster risks that Bhutan faces. Risk assessments conducted in certain geographic locations or hazards are underutilized in making decisions. With the increasing frequency of floods, medium- and extended-range-weather forecasts for weather and water-sensitive sectors is needed. This includes a need to improve rainstorm flood forecasting and early warning systems, including for GLOFs, as well as enhancing the Bhutan-specific climate projections to inform the planning and development of climate-sensitive sectors.

(iii) Mainstreaming disaster risk management in infrastructure planning and development: There is no legal framework to support the existing rules, regulations and guidelines for planning and development of infrastructure, leading to leniency in the application of these policies. The capacity of engineering departments/units in the RGoB are limited to monitoring and inspecting the quality of construction work. With limited research on both seismology and the structural strength and resilience of buildings in the country, there is limited understanding on the suitability of directly adopting Indian standards for seismic building codes in Bhutan, which is the current practice. Furthermore, there are no specific fire-safety guidelines for buildings or settlements.

(iv) Preparedness and immediate response mechanisms: Bhutan's limited capacity for emergency-logistics preparedness is exacerbated by its highly vulnerable roads, which are often blocked due to landslides during the monsoon rains. Bhutan's connectivity with neighbouring countries is also challenged, with limited international connectivity, capacity limitations of the airport and flights and operating restrictions, with Paro International Airport being one of the most dangerous in the world. Apart from the National Strategic Food Reserves (NSFR) and logistics support equipment, there is an urgent need to establish and preposition core relief items at strategic locations across Bhutan to ensure adequate sectoral readiness to respond to a national emergency situation (level III)²⁷⁷.

At the local level, the implementation of *Dzongkhag* DMCPs is impeded by resource constraints and the low visibility of the plan as a part of broader development plans. The Department of Disaster Management (DDM) and the National Centre for Hydrology and Meteorology (NCHM) both lack adequate planning and critical infrastructure to function efficiently as 24/7 emergency facilities.

Medical services are also challenged by insufficient numbers of health workers, as evidenced during the COVID-19 pandemic. Firefighters dedicated to fighting both forest and structural fires need additional training and safety gear. Emergency response

276 Bhutan, Royal Audit Authority, [Performance Audit of Disaster Management](#) (Thimphu, 2016).

277 For more information about what constitutes different levels of emergency, see: Bhutan, Ministry of Health, Emergency Medical Services Division, Department of Medical Services, [Guideline for Establishing Emergency Medical and Trauma Centers, 1st Edition, 2020](#) (Thimphu, 2020).

teams, such as search and rescue and engineers for post-earthquake safety evaluation of buildings, are not adequately coordinated.

Through the support of the field-based preparedness project initiated by the Global Logistics Cluster, a national logistics preparedness working group was formed in August 2021²⁷⁸ to identify capacity gaps and establish a five-year action plan under the coordination of the Ministry of Agriculture.

Despite these collective efforts, challenges remain with regard to the prioritization and availability of resources to implement identified action items, and in sustaining the working group's collective actions towards strengthening the nation's logistics-preparedness capacity.

Cross-cutting factors: The UNDRR's status report on DRR in Bhutan²⁷⁹ identifies multi-sector coordination and lack of a strategic overview as core challenges to putting in place the necessary procedures, policies, guidelines and standards per the *Disaster Management Act*. The absence of a central database and risk-relevant information systems hinders the use of existing information, leading to data loss and duplication of efforts.

Moreover, there is limited understanding of the specific impacts of disasters on men, women, children and persons with disabilities, specifically in Bhutan's context, as the links between gender and disability and disasters has not been studied in depth. At the same time, there is an urgent need to integrate issues of GBV, SRHR and the differentiated but intersecting needs of women, children, persons with disabilities and senior citizens in disaster prevention, management and response plans (see also Section Two, Part 3.2, "Population groups (at risk of being) left behind and the main drivers of exclusion").

Disaster risk reduction remains a cross-cutting issue, though its importance is often most visible only when a disaster occurs, and funding remains challenging due to competing priorities. The RGoB does not currently have a disaster risk finance strategy that can inform the selection of disaster risk financial instruments suitable to the country's particular context.

5.3 Priorities for disaster risk reduction and strengthening resilience

5.3.1 A proactive approach to resilience building

To strengthen Bhutan's disaster risk preparedness and resilience, a proactive approach is needed. The UNDRR Working Groups²⁸⁰ have identified a suite of priorities, listed below, to enable Bhutan to make the shift from a reactive to a proactive approach:

- Strengthening of DRR coordination and information-sharing mechanisms among stakeholders;

278 For more information, see: <https://logcluster.org/preparedness/bhutan>.

279 United Nations Office for Disaster Risk Reduction, Regional Office for Asia and the Pacific, Asian Disaster Preparedness Center, *Disaster Risk Reduction in the Kingdom of Bhutan: Status Report 2020* (Bangkok, Thailand, 2020).

280 For more information, see: <https://www.undrr.org/countries-regions/asia/bhutan>.

- Inclusion of pandemics in the DRR sector;
- Information-based decision making, such as land use planning and upgrading of physical infrastructure;
- Preparedness and response capacity at central and local government levels;
- Provision of reliable medium-term (10-14 days) weather forecasts;
- Science-based DMCPs supported by adequate capacity;
- Reliable emergency communications systems and processes;
- Long-term research to provide scientific evidence in order to reinforce and expand the capacity of technical agencies;
- Diversification of economic activities and risk-transfer mechanisms.

Strengthening the supply chain and logistics capacity is particularly important to improving disaster readiness. As the supply chain represents approximately 73 per cent of humanitarian response spending, investing in supply chain preparedness carries the opportunity to reap significant benefits in terms of response time.²⁸¹ This underscores the importance of effective coordination among all national stakeholders across the public, defense, business and humanitarian sectors.

It is also imperative that Bhutan undertake a risk-informed development approach (prioritizing the risks faced by those who are most vulnerable). This will require an optimum and context-driven mix of prevention/preparedness, reducing and/or eliminating risks and systemic approaches to building resilience in all elements at risk. A crucial starting point is in strengthening 'risk governance' that provides the enabling environment for risk-informed development at the national and local/urban levels.

In addition, it remains important for the RGoB to continue coordinating with key institutions and volunteers that support its efforts in DRR. When disaster events occur in the country, a major source of relief support comes from the *DeSuung*, comprised of voluntary recruits who undergo a value-based personal development programme, including disaster response. Given the acute shortage of trained personnel to deal with disasters in the country, their contributions, often as first responders during as well as post-disaster, are critical. In addition, the Royal Secretariat also manages a *Kidu* Relief Fund²⁸², and *Kidu*, or welfare officers, are stationed in all districts to facilitate timely intervention during times of disaster.

To strengthen urban resilience and address the multiple challenges associated with urbanization, a robust model for urban and territorial development is required that considers the following:

²⁸¹ World Economic Forum, *The vital role played by logistics during humanitarian crises* (19 February 2020).

²⁸² For more information, see: <https://royalkidu.bt>.

- (i) An integrated approach to urban resilience: The cross-cutting nature of urban challenges require an integrated approach. The United Nations 2030 Agenda and the SDGs provide a viable framework to tackle urban challenges in an integrated manner. Approximately 65 per cent of the SDG targets are linked to territorial and urban development.²⁸³ Aligning city plans and strategies with the SDG targets, with consideration paid to the economic, social and environmental dimensions, can help pave the way for addressing a range of issues. Coordinated urban and territorial planning, and cross-sectoral cooperation is also critical to strengthening urban resilience. Through measures that address several interlinked SDGs and by working in a cross-sectoral manner, an integrated approach helps to reduce trade-offs between development goals and the increasing effectiveness of measures and resources.
- (ii) A system-design process based on a whole-of-society approach provides an opportunity to connect these resilience-building elements on all scales. This can be done through addressing near-term challenges and opportunities, building capacities and resilient urban systems to address uncertainty and future risks. While not self-evident in Bhutan, the development of solution pathways should make it apparent that in today's world, the notion of risk goes beyond impacts of disaster and climate change; it is evolving to be increasingly multi-dimensional and systemic with high levels of interdependency, non-linearity, feedback loops and the resultant uncertainty. Experiences in various countries have shown that such integrated approaches can help address interconnected root causes and intersectional vulnerabilities, which constitute complex development challenges.
- (iii) An area-based/territorial and portfolio approach: UN Bhutan could consider such an approach that could be demonstrated in an urban setting. This would support the RGoB's urban development strategy (a "well-tempered Thimphu") and will feature enhancement of its social compact and citizens' engagement in green and resilient development. Robust monitoring, evaluation and learning will need to be incorporated to ensure knowledge development for scaling up into other urban areas.
- (iv) Principles of the 2030 Agenda for Sustainable Development: Interventions to build urban resilience must consider the key principles of the 2030 Agenda, including *Leave No One Behind* and *Partnerships*. The commitment to *leave no one behind* should underpin all aspects of urban and territorial development. Critically, vulnerable groups, including women, youth, informal workers, persons with disabilities and migrants, should be involved in decision making or at least be consulted on their priorities. City data systems should disaggregate data to assess the extent to which these groups are making progress. Strengthening urban resilience will also require refocusing attention on building effective partnerships that span national and local governments, as well as the private sector and civil society. A people-centred urban future is integral to the transformation of cities and human settlements. This requires a radical shift, with people seen as change agents rather than mere beneficiaries.
- (v) Political and institutional leadership: Political buy-in, local leadership and the commitment of cities are key to strengthening urban resilience. It is the local

283 UN Habitat, Knowledge and Innovation Branch, [Financing Sustainable Urbanization: Counting the Costs and Closing the Gaps](#) (Nairobi, 24 February 2020).

authorities that are ultimately in charge of providing basic public goods and services, investing in critical infrastructure and expanding economic opportunities within cities. While local governments are key to advancing urban resilience, central governments have an important role to play in managing the process of urbanization. The establishment of the Royal Commission on Urban Development (RCUD) has been a critical step in enhancing leadership as well as inter-sectoral coordination in the areas of urban development and resilience. The functioning of the RCUD should include enhanced citizen engagement and participation, to ensure that decision making is gender and socially inclusive, with practical mechanisms for more meaningful and ongoing participation, allowing for informed decision making at the community and household levels as well.

- (vi) **Robust data and monitoring:** Strengthening urban resilience requires reliable, relevant and up-to-date disaggregated data on urban trends and conditions. There is a need for down-scaled, location-specific and temporal, multi-dimensional vulnerability data to be combined with multi-hazard and long-term climate information to inform decision making at the national policy level, as well as locally. However, there are challenges in the availability of coherent and comparable data, as well as in accessibility and sharing of data across sectors and partners. There is a critical need for data on intra-urban as well as on inter-urban conditions, which is crucial for enabling local governments to develop more focused and effective policies.
- (vii) **Human capital development:** Bhutan's efforts to drive economic growth and strengthen urban resilience through transitioning to a low-carbon and digital economy will require: (a) local human-capital development policies that address challenges in education and skills development and that are in line with market needs; (b) the strengthening of education systems, including technical and vocational education and training (TVET) programs to support the transition; (c) ensuring that vulnerable populations have access to infrastructure (service centers, educational and health facilities, etc.) as well as skills-development training to prepare them for the green and digital transitions; and (d) engaging the private sector in developing apprenticeship programmes to enable vulnerable populations in school to transition to work.
- (viii) **SME/entrepreneurship development:** Given that SMEs and entrepreneurs are critical for job creation and economic growth and are key enablers of urban resilience, efforts should be made to support the development and scaling of their businesses. This would entail creating an enabling environment for them to effectively operate; enabling access to finance and markets (both domestic and international); and lending support to business and skills development that are in line with the green and digital transitions. The creation of an enabling environment is important for private sector participation as service delivery partners, as well as to unlock newer funding avenues and investments for climate and climate-sensitive initiatives.

VI. Governance and Institutional Capacities

6.1 Trends in democratic governance and outcomes

Good governance is indispensable for Bhutan's aspirations to be a society based on gross national happiness (GNH). While all aspects of GNH and the SDGs are critical, their impact and effectiveness will ultimately depend on how well or poorly governance is executed. Building on good governance foundations laid by successive monarchs, Bhutan continues to strengthen democratic institutions at the local and national levels.

6.1.1 Bhutan's 'learning' democracy

A vibrant democracy and effective governance are critical for Bhutan's human development and the fulfilment of the GNH philosophy. Since the promulgation of the country's constitution in 2008, its political systems and governance institutions have made transformative progress, with stronger checks and balances, improved decentralization and service delivery as well as more robust citizen engagement. Bhutan ranks comparatively highly across a sample of governance indices, including (by way of example) 38 of 137 countries in the BTI Transformation Index²⁸⁴ and ranking 72 of 209 countries for 'government effectiveness' and 61 of 209 countries for 'rule of law' in the World Bank's Worldwide Governance Indicators for 2020.²⁸⁵

These indicator-based assessments are confirmed by citizens' perceptions about the state of democracy in Bhutan, including those captured in a UNDP-supported 2018 public survey.²⁸⁶ Approximately 16 per cent and 34 per cent, respectively, of sampled citizens strongly agreed and agreed that democracy had narrowed the gap between the rich and poor; and 29.5 per cent and 46.4 per cent, respectively, strongly agreed and agreed that citizens were able to exercise their fundamental rights in the country. As a "learning democracy" this momentum must be built upon, with particular attention to gaps and to emerging challenges.

6.1.2 Exercising democracy – from frameworks to practice

Bhutan is a democratic constitutional monarchy, and legislative power is vested in a bicameral parliament with an Upper House (National Council) and a Lower House (National Assembly). The country has seen three rounds of general elections since 2008, broadly assessed as "free and fair", with its political parties switching between ruling and opposition functions, indicating a degree of democratic accountability. Voter participation rates started at 53.05 per cent in 2008, falling to 45.1 per cent in 2013 and rising again to 54.3 per cent in 2018.²⁸⁷ This speaks to increasing citizen engagement in the country's democracy, and to the impact of voter education, voter registration and electoral and procedural reforms, such as provisions for postal voting and mobile voting stations that have incrementally increased the ease of electoral participation.

Two key gaps persist, however: geographic accessibility and the legal requirement to vote at the place of one's civic registration. The latter is particularly worrying in a context where high numbers of Bhutanese live outside their native villages in urban areas and are effectively

284 Bertelsmann Stiftung Transformation Index, Country Dashboard Bhutan, "[Bhutan Country Report 2022](#)", 2022.

285 Knoema, *World Bank Worldwide Governance Indicators*; available at: <https://knoema.com/uyggkzc/new-page>.

286 Bhutan, Parliament of Bhutan and United Nations Development Programme, [Bhutan National Human Development Report, Tens Years of Democracy in Bhutan](#) (Thimphu, 2019).

287 Bertelsmann Stiftung Transformation Index, Country Dashboard Bhutan, "[Bhutan Country Report 2022](#)", 2022.

disenfranchised as a result.²⁸⁸ In the above-referenced public survey, 83.9 per cent of sampled respondents believed that all persons above the age of 18 living and working in the *Thromde* should vote in the *Thromde* elections, indicating high public support for this piece of electoral reform.²⁸⁹ As Bhutan's democracy grows, it will be important to strengthen citizen awareness about democracy and to create more spaces, including digital platforms, beyond the ballot box where citizens and civil society organizations (CSOs) can engage productively with politicians and with each other in debate and dialogue, without necessarily viewing differences of ideology and opinion as being divisive or creating disharmony.

6.1.3 An effective and connected parliament

While the country's parliament demonstrates comparatively high legislative productivity for a small country, there is a gap in monitoring the implementation of plans and policies, including, critically, at the local level, with benefits accruing directly to the people. Other areas for strengthening the effectiveness of the country's parliament include a stronger role for parliamentary committees and improved technical capacities of Members of Parliament (MPs) and staff.

With respect to their legislative and oversight functions, MPs will benefit from strengthened institutionalized outreach to citizens, including through public hearings. An advanced needs assessment undertaken by International IDEA recently found that the National Assembly of Bhutan 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.²⁹⁰

The country's topography also remains a challenge for elected representatives to engage with their constituencies regularly, though the adoption of digital tools, including video conferencing, has helped bridge these physical divides. It is understood that the further uptake of digital tools, spurred by the COVID-19 pandemic, could facilitate more engagement between the Parliament and the public.

6.1.4 Advancing the rule of law and access to justice for disadvantaged groups

Bhutan's constitution sets-up a 4-tier court system (*Dungkhag*, *Dzongkhags*, the High Court and the Supreme Court) and includes guarantees of non-interference and judicial independence. Over the past decades, records show high levels of judicial productivity, with 8,394 cases decided nationwide, 1,806 cases pending in 2021 and no cases pending beyond 12 months in 2021,²⁹¹ indicating that case management is functioning relatively well.

Additionally, state policy and deeply rooted cultural beliefs support local level mediation of community disputes (*Nangkha Nangdrig*, literally meaning "internal settlement"), that further help ease the burden placed on the court system). Between January and October

288 For example, the capital Thimphu has a population of about 150,000 and only 8,000 registered voters.

Bhutan Today, "[Thromde elections and the neglected majority](#)".

289 Bhutan, Parliament of Bhutan and United Nations Development Programme, [Bhutan National Human Development Report, Tens Years of Democracy in Bhutan](#) (Thimphu, 2019).

290 International Institute for Democracy and Electoral Assistance, "[Workshop encourages Bhutan's Parliament to adopt public hearings, engage with citizens](#)", 9 June 2022.

291 Bhutan, Supreme Court of Bhutan, [Judiciary of Bhutan, Annual Report 2021](#) (Thimphu, 2021).

2021, based on reports from 205 *Gewogs*, a total of 3,824 disputes were mediated at the local level, primarily matrimonial, land and monetary disputes.²⁹²

In their observations following a 2019 visit, the UN Working Group on Arbitrary Detentions noted encouraging developments, including those adopted from their past recommendations.²⁹³ These include; (a) the inclusion of section 188.1 in the Civil and Criminal Procedure Code of Bhutan 2001: the requirement to present those arrested in court within 24 hours of their arrest, the deduction of time already served in detention from prison terms at the time of sentencing and the right to a speedy trial; (b) providing support to civil society organizations, including those that work on access to justice, and for the training of more social workers with professional education in social work and counselling; (c) the creation of open-air prisons (OAPs) reducing the overcrowding of prisons and facilitating the smoother reintegration of prisoners into their communities; and (d) improvements to the juvenile justice system.

At the same time, the Working Group highlighted key areas for improvement, including streamlining custody registers, improving non-custodial alternatives, improving conditions for child and women detainees and raising the awareness of the legal-aid fund established to provide free legal representation in criminal matters, and making greater use of alternative mechanisms for resolving disputes (such as mediation or resolution of minor criminal matters at the *Gewog* level) to reduce pressure on the legal-aid fund and on the legal system overall.

To date, three serious barriers persist in the equitable access to justice for all citizens: an incomplete legal framework, limited physical accessibility of courts for those living in remote areas and limited legal-aid provisions. While the country's civil and criminal codes provide for the right to legal assistance and a legal-aid fund has been established, and some pro-bono assistance is provided by the NCWC and some CSOs such as RENEW, legal aid is not fully accessible nor available to all in Bhutan.

Work currently underway on the development of a legal aid programme promises to benefit the country's vulnerable groups in their access to justice. There is also scope for specific interventions aimed at engaging with law enforcement agencies to introduce more inclusive and gender-sensitive practices through trainings, such as those addressing basic human rights, gender sensitivity, the special needs of children, women and people with disabilities.

6.1.5 Tackling corruption – building on results

According to the 2021 Corruption Perception Index (CPI), Bhutan ranks as a top performer in being corruption free (with a CPI score of 68),²⁹⁴ a feature that is mirrored in the World Bank's Governance Indicators, which indicate that Bhutan is comparatively clean, with a percentile rank of 92.75 in "control of corruption" in 2022 (compared to the South-Asian average of 37.98²⁹⁵).

292 Bhutan, Bhutan National Legal Institute, [Promoting Mediation Nationwide: A Path to a Better Future; National Mediation Report 2021](#) (Thimphu, 2021).

293 United Nations Human Rights Office of the High Commission, [Bhutan's human rights record to be reviewed by Universal Periodic Review](#) (Geneva, 3 May 2019).

294 Transparency International, ["Corruption Perceptions Index"](#).

295 World Bank, [Worldwide Governance Indicators](#).

Notwithstanding this notable result, and the positive profile of the country's Anti-Corruption Commission and Royal Audit Authority²⁹⁶, there is room for further and continuous improvement to strengthen the independence and institutional capacities of these agencies to address more sophisticated types of corruption; reduce political interference; introduce digital tools for combating corruption and promoting transparency, accountability and interaction with citizens; and build a zero-tolerance culture against corruption.

6.1.6 Decentralization

A progressive trend in governance has been decentralization, a process that was initiated to enhance participatory governance at the grassroots level since 1981, at the *Dzongkhag* (district) level, and since 1991 at the *Gewog* (block/sub-district) level. This is demonstrated in Bhutan's achievements in both poverty reduction and social development. Relatively clear mandates for local governments, decentralized planning functions and provisions for civil society and citizen engagement in planning are enabling factors for effective local level governance.

Local governments are empowered by the *Local Government Act 2009*²⁹⁷ with a set of administrative, regulatory, service-delivery and financial powers to provide governance at the community level. A division-of-responsibilities framework (DoRF), developed as part of the 11th FYP and since revised, has been used to determine capital grant allocations for the 12th FYP, which has devolved 50 per cent of total capital grants for local governments.²⁹⁸

The doubling of budget allocations to districts and sub-districts in the 12th FYP compared to the 11th FYP²⁹⁹ has necessitated an urgent need for building capacity among local level institutions and for local governance processes, especially for development planning and budgeting, as well as budget execution. Efforts in this respect are coordinated by the Department of Local Government (DLG) with support of the (then) GNHC's Local Development Division (LDD).

6.1.7 Women's participation in politics and governance – towards meaningful engagement

While trends are generally positive, comparatively speaking, Bhutan lags in the meaningful participation and representation of women in politics and governance. Large parts of the country practice matrilineal cultural traditions, and women have significant decision-making authority in the household. Bhutan has also acceded to all major international gender conventions, however women are often "unseen" in senior leadership roles.

Although women constitute 39 per cent of the country's civil service workforce, only 15 per cent serve in executive or specialist categories.³⁰⁰ The percentage of women elected to Parliament in 2018 was 15.2 per cent, jumping from 8.3 per cent in 2013. Only 2 of 205 elected county leaders, and 24 of 205 elected deputy county leaders are women; in total, women hold only 11.9 per cent of all elected posts in local government. There are still too few women in decision-making roles in political parties, and still too few women candidates put forward

296 For more information, see: <https://www.acc.org.bt>; and <https://www.bhutanaudit.gov.bt>.

297 Available at: <https://www.mohca.gov.bt/download/LGAct2018Final.pdf>.

298 Bhutan, Gross National Happiness Commission, *12th FYP Guidelines* (Thimphu).

299 Bhutan, Gross National Happiness Commission, *Twelfth Five-Year Plan 2018-2023* (Thimphu, 2019).

300 Bhutan, National Statistics Bureau, Social Statistics Division, *Gender Statistics Report 2021* (Thimphu).

by those political parties. During the COVID-19 pandemic, however, Bhutan saw an average of 33 per cent representation of women on COVID task forces.³⁰¹

The reasons for women’s low participation in most aspects of governance are interconnected. Bhutan does not have quotas or special measures to ensure women’s full participation, as practiced by several countries in the region, which, although advocated for by some groups, has not found general acceptance, with Bhutanese women themselves opposed to quotas and supporting a meritocracy. There are few efforts to mobilize women to stand for public office or to seek senior positions in government, to strengthen their capacities or to nurture networks, including alliances between aspiring candidates and seasoned politicians, or junior and senior female civil servants. Lastly, harmful gender norms and limited public consciousness about the value of gender equality and women in leadership impedes Bhutan’s ability to shift the needle on this critical issue.

6.1.8 Youth engagement, empowerment and employability

With about half of Bhutan’s population under age 25, it is critical to increase the participation of young people in politics and governance, including by integrating more civics-focused curricula in the country’s education system and by expanding avenues through which young people can participate in decision making, as well as providing them market-informed livelihood skills with a focus on the digital as a response to the 21st century needs and challenges.

Youth education and employment are therefore key priorities of the RGoB. The issue of the ever-increasing youth unemployment rate is further complicated by an intensified trend of out-migration. Ongoing education reform aims, among other things, to modernize the education system through the introduction of the Bhutan Baccalaureate System, strengthened technical and vocational education training (TVET), and accelerated skills development for youth.

6.1.9 Advancing civic freedoms

Bhutan’s constitution ensures fundamental freedoms such as free speech, free assembly and free association. While most governance indices rate the country highly on civic space and free speech, a few limitations remain, in practice. For example, protests must be pre-approved by the state, and associations are only for purposes that are deemed “not harmful for the peace and unity of the country”. Given the country’s largely agricultural base and still relatively small private sector, there are no trade unions in place.

Bhutan’s civil society may fulfil vital service provision roles, including accessing vulnerable groups and remote communities that the State is unable to reach. The potential of the CSOs in Bhutan has yet to be fully realized. This partly results from the fact that civil servants often see themselves as the “most appropriate” service provider. At the same time, newer forms of organizations are emerging that are elevating citizen aspirations to decision makers and providing platforms for participation and dialogue. Examples of civil society participation in policymaking, creating civic space and accountability processes also remain few and far

301 United Nations Women, [Government responses to COVID-19; Lessons on gender equality for a world in turmoil](#) (2022). This publication provides insights from the United Nations Development Plan [COVID-19 Global Gender Response Tracker](#).

between, which are lost opportunities given their contextual insights and ability to bridge state-citizen relations.

The 2022 Reporters Without Borders Barometer ranks Bhutan 33 of 180 countries (climbing from 65 in 2021), indicating improving conditions for free media.³⁰² In the 2018 perceptions survey mentioned previously, 33 per cent and 38 per cent of sampled respondents strongly agreed and agreed respectively that media in Bhutan was free to express the truth.³⁰³ At the same time, investigative journalism is still weakly developed; some see the use of provisions covering defamation and related offences under the country's penal code, the newly constituted Media Council with relatively broad authority, difficulty in accessing state information, and a tendency for journalists to avoid covering sensitive issues, as potentially undermining the principle of free speech and hindering the media's ability to play important watchdog functions in the country.

Social media is growing and evolving in Bhutan, with an estimated 91 per cent of active users on at least one platform and the average citizen spending approximately 163 minutes every day on social media (higher than the global average).³⁰⁴ Social media functions as an enabler of public discourse and social dialogue in the country, especially among its youth, and is serving as a vital connector between the state and citizens. During the COVID-19 pandemic, for example, the state tapped into social media extensively to communicate with the public. However, the role of social media as a constructive social accountability, feedback and deliberation mechanism still needs to be strengthened.

The country's relatively fragile economic climate poses sustainability challenges to both media organizations and CSOs. It is likely that this challenge will worsen given the current global economic contraction and potentially reduced external assistance. With hitherto limited regulation and still limited digital literacy, cyber security is a concern and there is a high risk of persons being exposed to social media harms, including abuse, cybercrimes, misinformation and hate speech. Bhutan ranks 134th globally for its commitment to cybersecurity according to the Global Cybersecurity Index 2020.³⁰⁵

6.2 Institutional capacities to implement GNH and the SDGs

6.2.1 Evidence-based decision making

For development policy to become more impact focused with timely feedback loops, and for communities to derive more sustainable benefits from decentralized service delivery, data collection for evidence-based decision making must keep pace. SDG data for Bhutan has seen improvement over the years with more than half (117 indicators of the total 231, across 17 SDGs) having sufficient data availability as of 2021, compared to 91 indicators in 2019. However, this is still lower than the Asia-Pacific average, where only 25 indicators out of 231 had no data availability at the regional level, against 85 indicators for Bhutan (See Figure 15).

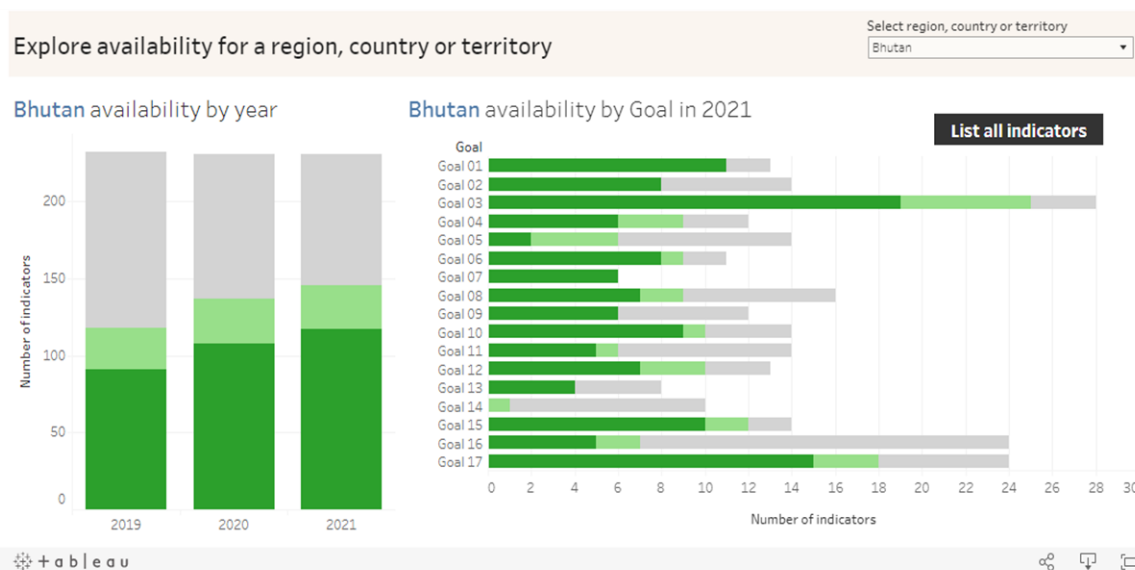
302 Reporters without Borders, *Barometer*; available at: <https://rsf.org/en/index>.

303 Bhutan, Parliament of Bhutan and United Nations Development Programme, *Bhutan National Human Development Report, Tens Years of Democracy in Bhutan*, (Thimphu, 2019).

304 Bhutan Media Foundation, "[Social Media Landscape in Bhutan](#)".

305 International Telecommunication Union, *Global Cybersecurity Index 2020* (Geneva, 2023).

Figure 15: SDG Data Availability for Bhutan



Source: ESCAP SDG Gateway³⁰⁶

Despite the significant quantity of data being collected, gaps persist with respect to critical topics (e.g., agriculture data in household surveys) as well as harmonization (e.g., education data against comparable global indicators).³⁰⁷ Given the high mobility of Bhutan’s population, development planning and programming efforts are likely better served by a more effective population registry, where registration considers place of dwelling (instead of exclusively, place of origin), allowing a better assessment of needs and more accurately targeted service delivery.³⁰⁸

The RGoB’s ability to respond to its most vulnerable is hampered by the limited availability of disaggregated and up-to-date data, particularly in the economic and social sectors. Much of the available data pertaining to the situation of women, children, persons with disabilities and other vulnerable groups are dated, with for example the last Bhutan Multiple Indicator Cluster Survey (BMICS) conducted in 2010³⁰⁹, the last National Health Survey in 2012³¹⁰, and the National Nutrition Survey in 2015³¹¹. Spatial data presentation of development opportunities and challenges, as well as a comprehensive picture of progress as measured by the GNH Index is also lacking, with the latest data being from the GNH survey in 2015³¹². Impediments include the high costs associated with such surveys in a climate of decreased funding.

At the same time, there is also a need to strengthen capacities for utilizing the available data and platforms, for strategic decision making and to facilitate multi-stakeholder coordination. For example, the DEWA Platform launched by the RGoB in early 2021, as an integrated dashboard to monitor GNH, progress towards the SDGs and development planning in the

306 United Nations Economic and Social Commission for Asia and the Pacific, SDG Gateway, [SDG Data Availability](#).

307 World Bank Group, [Bhutan Systematic Country Diagnostic : Taking Bhutan’s Development Success to the Next Level](#) (30 January 2020).

308 Bhutan, National Statistics Bureau, [Policy Brief: Rural-Urban Migration and Urbanization in Bhutan](#) (Thimphu, February 2020).

309 Available at: <https://www.aidsdatahub.org/sites/default/files/resource/bhutan-mics-2010.pdf>.

310 Available at: <https://www.moh.gov.bt/wp-content/uploads/moh-files/nationalHealthSurvey2012.pdf>.

311 Available at: <https://maternalnutritionsouthasia.com/wp-content/uploads/Bhutan-NNS-2015.pdf>.

312 Available at: <https://www.bhutanstudies.org.bt/publicationFiles/2015-Survey-Results.pdf>.

country, has yet to take off as a source of up-to-date analysis of SDG indicator status given the low engagement of key stakeholders.

With critical gaps in the national statistical system³¹³ revealed by a comprehensive review of Bhutan's data ecosystem in 2016 - 2017, improving data and statistics management has been an operational priority action. As this requires strengthening relevant policies and legislation, aside from technical capacities, the National Statistics Bureau (NSB) prepared a draft *Statistical Bill* to address impediments arising due to the lack of a legal instrument. This, however, has not materialized and the outcome remains uncertain. At the same time, the NSB, in accordance with its Strategic Plan to Improve Statistics in Bhutan (July 2020 - June 2023)³¹⁴ is making efforts to strengthen data governance and enabling factors.³¹⁵

6.2.2 Public service delivery and inclusive governance

(a) Civil service

A critical component of effective and accountable public institutions lies in the proper delivery of public services. Bhutan's public administration is generally regarded as well functioning. At the same time, analysts believe that the civil service could be more fit-for-purpose, and complemented by an increased role of both the private sector and civil society in service delivery (e.g., health, infrastructure, education, etc.). The total number of civil servants as of 2020 is 31,219 (26,698 regular employees and 4,433 working on contract); the civil service remains the country's largest employer.³¹⁶

While the civil service has certainly matured through sustained efforts at performance management, leadership management and staff wellbeing, a new reform initiative was launched formally in 2020. It identifies the need to move beyond formulating strategies and input-driven plans, towards accountability for delivering actual multi-sectoral results for people. Additional needs include overcoming bureaucratic fragmentation, strengthening organizational and staff competencies and generally to mitigate complacency stemming from weak performance accountability and job security.

Institutional reform is anticipated with, for example, a merger of government ministries and the creation of new ones to create better synergy on cross-sectoral development priorities. Generally, reforms are aimed at creating smaller, more efficient, accountable, inclusive and effective institutions. A key entry point for such reform has also been a new vision on leadership qualities required to drive the new institutions, for which an assessment process was designed, leading to about 40 per cent of senior managers being managed out and a new leadership performance system being introduced for continuous performance measurement. In addition the reform process aims to create more adaptive and innovative capacities for

313 The main producers of official statistics in the country are the National Statistical Bureau (NSB), the Royal Monetary Authority (RMA) and ministries and other government agencies. Collectively they constitute the Bhutan Statistical System (BSS), which is a highly decentralized statistical operation. The NSB operates as the central authority for the collection, compilation, release and custodianship of any official data, under an Executive Order issued in 2006. The BSS provides key statistics on economics, the environment, population and social statistics, while also promoting greater use of statistical information for informed decision making.

314 Available at: <https://www.nsb.gov.bt/plans/strategic-plan-to-improve-statistics-in-bhutan/>.

315 Bhutan, Gross National Happiness Commission, *Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development* (Thimphu, United Nations High-Level Political Forum, 2021).

316 Bhutan, Royal Civil Service Commission, *Civil Service Statistics 2020* (Thimphu, December 2020).

building resilience and better leveraging digital currency, artificial intelligence and other useful innovations.³¹⁷

Ultimately, reform initiatives to improve Bhutan’s public sector must translate into positive outcomes for local communities in which the most vulnerable reside. Local governments and civil society organizations are usually best suited to outreach and delivery of essential social services for people at the grassroots level.

(b) Local government (LG)

A key contextual barrier for local government (LG) performance is its limited influence on national policies and strategies, as well as its limited capacity for local development interventions. The decentralization of increased budgets under the 12th FYP has led to a need for LGs to focus their efforts largely on plan implementation, while existing shortcomings in implementation capacity have been left unaddressed. This has led to a further emphasis on implementation of new plan activities, mostly infrastructure, thereby leaving the sustainability of existing LG and community assets in question.

Decentralization efforts have thus far been lacking a holistic strategy to empower and add capacity to local governments, as well as to create agency for more inclusive local governance. For instance, by the start of the 12th FYP, relevant trainings had not been provided to enable effective delivery of the economic, social and welfare services specified in the DoRF. Despite public service delivery being a core function of LGs, an assessment carried out to support the formulation of the Local Government’s Capacity Development Strategy and Plan 2022 - 2024³¹⁸ found that skills for strategic development planning, vulnerability targeting, annual project planning and project execution (especially for procurement and M&E) were under-developed.³¹⁹

An independent assessment further identified a lack of technical capacity given the short supply of engineers to guide LGs in development and adaptation planning.³²⁰ Communication with local constituents was also found to be far from ideal, with half of the LG functionaries failing to keep people informed about development activities in the *Gewogs*. With a reliance on face-to-face meetings, a key capacity gap identified was in the use of ICTs, owing in part to the underutilization of LG websites and other outreach tools, especially by elected officials.³²¹

Given the provision of regular trainings in recent years in these critical areas by the Department of Local Government (DLG) and the Local Development Division (LDD), with the

317 Bhutan Broadcasting Service, “[Royal Kashos on Education Reform and Civil Service Reform](#)”, 2 February 2021.

318 Available at: <https://www.dlg.mohca.gov.bt/storage/upload-documents/2022/6/9/yumv5TvFQn.pdf>.

319 Bhutan, Ministry of Home and Cultural Affairs, Department of Local Governance, *Local Government’s Capacity Development Strategy and Plan 2022-2024* (Thimphu, June 2022).

320 Dorji C, Dinshaw A and McGinn C, “Local Government and Climate Change Adaptation in Bhutan: A Review of the Performance and Potential of the LoCAL Mechanism”. Report for UN Capital Development Fund (July 2021).

321 Bhutan, Ministry of Home and Cultural Affairs, Department of Local Governance, [Local Governments’ Capacity Development Strategy and Plan 2022-2024](#) (Thimphu, June 2022).

support of development partners, improvements in overall LG capacities can be expected, but efforts must still be scaled up and sustained.³²²

Recent assessments confirmed persisting gaps in LG capacities to integrate and mainstream issues related to climate change or to disasters and poverty initiatives into their plans and budgets.³²³ In this context, strengthening the capacity of LG functionaries to effectively discharge their duties, especially from a *leave no one behind* perspective, continues to be a key priority.

(C) Civil society

CSOs are making visible contributions in areas ranging from improving livelihoods to provision of essential social services and welfare, to creating an engaged citizenry by addressing thematic elements of governance such as gender equality and women's empowerment, civic education, media literacy and vibrancy and corruption, among others. In recent years, CSOs have also engaged in providing shadow reporting on key international commitments like the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)³²⁴ and the 3rd cycle of the Universal Periodic Review³²⁵; as reported in Bhutan's 2nd VNR report, the possibility of providing one with regard to implementation of the SDGs is being explored.

Civil society in Bhutan thus complements and supplements government efforts, with particular value added in delivering essential development as well as protection services to the vulnerable and those hardest to reach. However, consultations for Bhutan's 2nd VNR process has indicated a need for more awareness among local leaders and functionaries on the added value of CSOs; and that government's degree of engagement with civil society has declined in the 12th FYP. A guideline for collaboration between CSOs and the RGoB has been developed; once officially endorsed and implemented, it is expected that it will provide some clarity on the way forward.

Furthermore, public-sector reform is expected to introduce more collaborative ways of working towards jointly formulated results between ministries, departments, local governments, civil society and the private sector. This is expected to lead to a more natural drive to build on complementarity, as well as more external performance monitoring and accountability for agreed-upon commitments.

322 For instance, the United Nations Capital Development Fund's *Local Climate Adaptive Living Facility* (LoCAL), which is a mechanism to channel climate financing to local government, is working closely with the national government in building the capacity of local government with regard to mainstreaming climate change and other cross-cutting issues into local development plans and programmes. With the provision of performance-based climate-resilient grants to local governments with budget support from the EU, regular trainings are being provided to local government in the areas of financial management, prioritization and vulnerability assessment of climate impacts on an annual basis. This effort has so far reached 100 of 205 *Gewogs*, with local government trainings implemented by the Department of Local Governance (DLG). Additionally, DLG's implementation of LoCAL programmes provides training on vulnerability targeting and project execution, which while currently limited to 100 LoCAL *Gewogs*, will be gradually upscaled to all *Gewogs*. Similarly, the erstwhile Gross National Happiness Commission's Local Development Division carries out regular trainings for local government on the Local Government Planning Manual, Results-Based Management and other planning-related issues.

323 For instance, National Environment Commission, Green Climate Fund and United Nations Development Plan, [Stocktaking for National Adaptation Plan \(NAP\) formulation process in Bhutan](#) (Thimphu, 27 August 2022), and a skills assessment for the same.

324 Available at: <https://www.ohchr.org/en/instruments-mechanisms/instruments/convention-elimination-all-forms-discrimination-against-women>.

325 Available at: <https://www.ohchr.org/en/hr-bodies/upr/bt-index>.

While there is greater opportunity now for CSOs to raise issues through the Executive Committee of Bhutan Civil Society Network³²⁶ (an internally formalized body), a broader understanding and acceptance of civil society's role is still lacking, particularly in terms of enhancing democratic culture and practices through the promotion of democratic values, social accountability and influence in decision making. Without an overarching CSO sector-strengthening mechanism and strategy, key capacity constraints within the sector and individual CSOs go unrecognized. The civil society investment case therefore remains unrecognized by the RGoB, and issues of growth and sustainability continue to be major challenges for the sector.

(D) Coordination

The principle of “triple C” (coordination, consolidation and collaboration) has been identified as foundational for implementing the 12th FYP, requiring meaningful stakeholder engagement. However, across the board (i.e., between government and non-government agencies and between central and local government and agencies) this continues to be a key challenge to effective programme implementation and efficient service delivery. At the same time, coordination issues with and between development partners and donors also presents another dimension to this challenge.

The challenge of “triple C” is evident, for example, from the gaps in implementing the National Youth Policy 2011,³²⁷ a policy that hinges on coordination and collaboration, as matters concerning youth cut across all domains and can never be successfully addressed in isolation.³²⁸ Also, a central-local disconnect has been reported, for example with LG disaster management contingency plans (DMCP) not budgeted for nor linked to disaster plans at the central level, affecting implementation.

6.3 Priorities for strengthening inclusive and effective governance

6.3.1 Data and knowledge for evidence-based decision making and risk-informed development

Bhutan's progress towards improving its data ecosystem has been incremental. While a clearer basis for vulnerable group classification is needed, data particularly for key social indicators and vulnerabilities is lacking. To effectively address the needs of the most vulnerable, more robust data and analysis is required. The Bhutan Vulnerability Assessment conducted in 2016³²⁹ needs to be urgently updated to better understand and address the needs of vulnerable groups post-pandemic.

Further, a risk-informed approach to development is necessary. The range of climate and disaster risks Bhutan faces, as outlined throughout this CCA, should inform policy, programming and financing solutions for risk management so as to reduce vulnerability and exposure and to strengthen the country's resilience.

Work is underway on data integration for the justice sector, with a key objective being a fit-for-purpose and sustainable justice system. This initiative looks at standardizing data and making it consistent across the key justice institutions, i.e., Royal Bhutan Police, the Anti-

326 For more information, see: <https://www.civilsocietybhutan.org>.

327 Available at: https://www.youthpolicy.org/national/Bhutan_2011_National_Youth_Policy.pdf.

328 Choden, Tashi, “Bhutan's National Youth Policy: A Gap Between Commitment and Output?”, *Druk Journal*, Volume 2, Issue 2, Bhutan Centre for Media and Democracy, Thimphu (Winter 2016).

329 Available at: <https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/CDP-PL-2018-6a.pdf>.

Corruption Commission, the Office of the Attorney General and the Judiciary. While the process has been initiated with consensus on the need and the approach, this initiative will require substantial investments in digital infrastructure for the institutions of justice in the country.

6.3.2 Law-making ecosystem

The Rules of Procedure for Legislative Impact Assessment 2020³³⁰ provides an enabling environment for developing a basis and rationale for legislation, through processes that analyse the root causes of issues and possible solutions based on evidence. While this instrument is the successor to Rules and Regulations for Mainstreaming Regulatory Impact Assessment (RIA) System in Bhutan 2011, the process outlined in it has not been fully realized.

As such, investments are required for building capacity and to introduce digital mechanisms to improve the ecosystem of law making in the country, from concept inception to citizen engagement, and access to all publications relevant to any legislation tabled before the parliament.

6.3.3 Working committee for strengthening the justice sector

The Justice Sector Working Committee Secretariat currently situated at and managed by the Office of the Attorney General was established in August 2021. This Secretariat coordinates joint planning and projects with the possibility of becoming an extended mechanism for finding technical solutions for areas that affect the sector.

Furthermore, since all the justice-sector institutions are members of this committee, these institutions are represented by a dedicated Working Committee Member that enables a conducive environment for the growth of institutional memory. This working committee is an opportunity for strengthening the justice sector in the upcoming 13th FYP, and also presents an opportunity for co-creation and reengineering of justice-sector systems and processes.

6.3.4 Making decentralization work for *leaving no one behind*

Bhutan's decentralization agenda must better respond to the country's uneven poverty-reduction and social-development gains across different *Dzongkhags*, as well as to the trend of poverty and unemployment in the country's ever expanding urban areas. This will require strengthening inter-sectoral and intra-governmental coordination and planning; simplifying procedures and reducing overlaps; and engaging civil society more robustly and substantially strengthening implementation capacities at the local government level. This also calls for better scenario planning around emerging trends, such as delivering improved services in urban settings, improving services and diversifying livelihood opportunities in rural areas, tackling unemployment (especially youth unemployment) in urban areas and engaging young people in decision making.

6.3.5 Testing institutional capacities— lessons from the COVID-19 pandemic

Like other countries in 2020, the COVID-19 pandemic had marked, multidimensional impacts on Bhutan. The country's COVID containment strategy, and perhaps more so its vaccination efforts, demonstrated the comparative effectiveness and resilience of its institutions and service-delivery capacities, including at the local level. Notwithstanding difficult terrain and

330 Available at : <https://www.cabinet.gov.bt/wp-content/uploads/2021/04/RoP-Legislative-Impact-Assessment-.pdf>.

limited health services in remote areas, health authorities, with the help of volunteers, successfully delivered vaccination programmes across the country, vaccinating 66 per cent of the population by June 2022.³³¹

While many factors contributed to this result, among them were effective planning, strong outreach, as well as trust in political leadership. A key learning from Bhutan's response to the pandemic is that with clarity in purpose and with integrity, coordination and collaboration is possible.³³² Beyond data platforms and systems to facilitate the "triple C", a willingness to coordinate and collaborate is essential for success. His Majesty the King's approach of maintaining a "larger picture" perspective that is informed by realities on the ground, is both a learning and impetus for improving approaches to governance.

6.3.6 Systems thinking:

The challenges Bhutan faces today show that now more than ever, the inspiration and principles of GNH must be applied. The fragmented nature of key policies and strategies of relevance to *leave no one behind* groups indicate that the holistic-thinking approach of GNH is largely missing. As the issues and challenges to be addressed become more complex and nuanced, capacities (all around) for systems thinking and application will be critical.

There is value in learning from the experience of those making the shift from working on single issues to moving towards systems change. The UN system in Bhutan has already piloted several initiatives geared towards this, including with key government agencies (e.g., youth innovation hubs and an accelerator lab). With civil service reform underway, there needs to be a progressive pivot towards these institutions for partnerships in the areas of public service delivery, innovation, foresight and anticipatory governance in the 13th FYP as well as SDG financing and tax reforms.

6.3.7 Innovation, digitalization and anticipatory governance

In times of unprecedented change brought about by climate-related crises, rapid digitalization of economies and societies, emerging social pathologies and new forms of economic and social shocks, it will be critical for the RGoB to adopt a planning or policymaking approach that integrates anticipatory thinking and weighs future opportunities and threats from emerging trends. Embracing an anticipatory governance approach would improve Bhutan's ability to prepare for and effectively respond to unexpected developments and would also enhance accountability through the use of data and effective M&E frameworks. There is also a need to leverage the opportunities of the digital transformation while ensuring that those who remain unconnected can come online, to reap the benefits of digitalization and the opportunities of emerging technologies. However, this cannot be done in siloes; there is a need to utilize a whole-of-government approach to advance digital transformation, including through data dashboards, such as the one being developed for the Prime Minister's Office.³³³

331 World Health Organization, [Emergency Dashboard, Bhutan](#).

332 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, United Nations High-Level Political Forum, 2021).

333 See, for example: [Rules for Procedure for Legislative Impact Assessment 2020](#).

VII. Partnerships and Financing for Sustainable Development

The inter-connected and ambitious goals of the 2030 Agenda clearly emphasize the catalytic role of the United Nations in revitalizing and promoting partnerships with all stakeholders, and in creating a conducive environment, at national and global levels, for effective cooperation of development assistance. The transversal goal of SDG 17 (*Partnerships for the Goals*) revolves around a holistic approach to development, where a broad range of stakeholders from every segment of society pool resources and expertise in addressing today's complex challenges. This means leveraging partnerships with not only the host government, but also with stakeholders from different sectors, including CSOs, academia, parliaments, the private sector and development partners.³³⁴

7.1 Key stakeholders contributing to Bhutan's GNH and the 2030 Agenda

Globally, the COVID-19 pandemic has exposed fragilities and systemic inequalities, undoing decades of development gains. The path to stronger and more resilient societies lies in making major structural transformations, and in developing common solutions that are guided by and rooted in the 2030 Agenda for Sustainable Development. In this context, the achievement of such goals requires unprecedented levels of cooperation and collaboration among key development stakeholders. It also highlights the need for the United Nations system to be agile and catalytic in its role as a neutral convener and broker of multi-stakeholder partnerships.

In Bhutan, the key stakeholders contributing towards sustainable development are the following:

7.1.1 The Royal Government of Bhutan

In accordance with the principles of effective development cooperation,³³⁵ the UN in Bhutan supports the RGoB's pursuit of GNH through implementation of the country's FYP - the current one being the 12th FYP (2018 - 2023) - with the objective of "a just, harmonious and sustainable society through enhanced decentralization".³³⁶ The UN will likewise continue to support the RGoB through the 13th FYP, currently under formulation and with which the new United Nations Sustainable Development Cooperation Framework (UNSDCF) will be aligned.

As mentioned previously, the RGoB is undertaking a series of reforms in the public sector, including civil service and education, with the aim of driving transformation and creating future-ready human capital.³³⁷ The ongoing civil service reform aims at driving performance and efficiency within and across systems, which would entail major reorganization and the restructuring of government agencies.³³⁸

This effort is expected to clarify roles and functions, to enhance coordination and service delivery and to provide opportunities for further mainstreaming and accelerating

³³⁴ United Nations Department of Economic and Social Affairs, [Transforming our world: the 2030 Agenda for Sustainable Development](#).

³³⁵ Organisation for Economic Co-operation and Development, "[Best Practices in Development Co-operation](#)".

³³⁶ Bhutan, Gross National Happiness Commission, [Twelfth Five-Year Plan 2018-2023](#) (Thimphu, 2019).

³³⁷ Bhutan, Prime Minister's Office, [State of the Nation, Sixth Session, The Third Parliament of Bhutan](#) (Thimphu, 24 December 2021).

³³⁸ Bhutan, Royal Civil Service Commission, [Press Release of 1 July 2022](#).

achievement of the SDGs, thereby also addressing the “need for planners and implementers to be more conversant with the SDG language.”³³⁹

7.1.2 Parliament

As a key institution of democracy, the Parliament of Bhutan plays a central role in overseeing the implementation of the SDGs (as well as providing parliamentarians with an opportunity to demonstrate their commitment to improving people’s lives³⁴⁰). The two houses of the Parliament of Bhutan, the National Assembly (NAB) and the National Council (NC) use the SDGs and the 12th FYP as guiding frameworks for enhancing democracy and sustainable development in Bhutan.

As an example, the NAB has incorporated the SDGs and the 12th FYP priorities into its strategic plan and oversight function, based on which it coordinates and guides SDG implementation in the country.³⁴¹ Critically, Parliament also collaborates with the government and civil society, including media.³⁴²

Development partners, such as the European Union, International IDEA, Helvetas and UN Bhutan, continue to play a vital role in strengthening parliamentary capacities and functions in the country, including the integration of public participation, engagement of civil society in parliamentary business and mainstreaming the SDGs into legislative processes.³⁴³ The standing committees of the NAB have SDG oversight functions, which require more robust mechanisms to be put in place, including specialized trainings and capacity building.³⁴⁴

Bhutan’s first Voluntary National Review Report (2018) had identified a need to improve SDG awareness and ownership, including sessions with parliamentarians to enhance SDG awareness. CSOs play a significant role in bringing people’s voices to the fore through events such as Bhutan Democracy Forum and the Bhutan Women Parliamentary Caucus, fostering partnerships between parliamentarians, members of political parties, journalists, academics and local leaders. Such events organized by CSOs seek to engage political parties outside of Parliament, who otherwise have limited roles and are rarely included in stakeholder consultations.³⁴⁵

339 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan’s Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, United Nations High-Level Political Forum, 2021).

340 United Nations Development Programme, Thailand, [Parliaments and the Sustainable Development Goals, A Self-Assessment Toolkit](#) (14 January 2022).

341 Bhutan, National Assembly of Bhutan, [Strategic Development Plan 2019-2023](#) (Thimphu, 2019).

342 Ibid.

343 United Nations Development Programme, Bhutan, [Engaging parliamentarians in Bhutan on Sustainable Development Goals](#) (Thimphu, 9 April 2021).

344 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan’s Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, United Nations High-Level Political Forum, 2021); and

Bhutan, National Assembly of Bhutan, [Strategic Development Plan 2019-2023](#) (Thimphu, 2019).

345 Ibid.

7.1.3 Civil society

CSOs play a vital role in the realization of human rights which is intrinsically linked to the 2030 Agenda for Sustainable Development and anchored in national ownership.³⁴⁶ CSOs are critical to *leaving no one behind* as they provide services in areas that are complementary to those provided by the state and their constituents are mostly vulnerable groups.³⁴⁷ Promoting and protecting civic space makes societies stronger and more resilient.³⁴⁸

At the country level, UN Bhutan's role in strengthening civic space and engagement centres around the 3Ps³⁴⁹, forming an indispensable part of the landscape for collective action towards SDG achievement.

Among development partners, the United Nations and the European Union (support routed through Helvetas and International IDEA) are key players in improving the policy environment and capacity for expansion and protection of civic space in Bhutan. For instance, UN Bhutan and Helvetas have supported the development of a Guideline for CSO-Government Collaboration, to address the current lack of clarity and collaborative, systemic approach between CSOs and government agencies.

With the guideline having received in-principle support from the Prime Minister and the Cabinet, formalizing the collaboration (followed by public advocacy) will be vital to creating clearer avenues for civil society participation in the country's pursuit of GNH and the fulfillment of the SDGs.

Furthermore, ongoing civil-service reform is also expected to clarify which services CSOs can collaborate on or implement. The Prime Minister, during a CSO-Government Meet in November 2021, emphasized the greater role expected of CSOs in mobilizing resources for the country and in enhancing accountability. Given the huge need for investment in the 13th FYP, CSOs could be strategically organized to mobilize external resources, including bilateral, multilateral and philanthropic foundations.

The role of CSOs in advocating for the SDGs will be important going forward. UN Bhutan's ongoing engagement to this end needs to be sustained in terms of capacity building, such as training for the Universal Periodic Review (UPR), the Voluntary National Review (VNR) and the Common Country Analysis (CCA)). One such engagement is the UN Partner Portal³⁵⁰, an innovative online platform, which was rolled out in 2021 to harmonize and strengthen the UN's support to CSOs in Bhutan and serve as a resource for global UN efforts for empowering, promoting and protecting civic space.

7.1.4 Academia

As a catalyst to collective action and to strengthen multi-stakeholder platforms for creating collaborative advantage, meaningful participation among academia and associated networks is critical. Academic institutions provide important convening platforms for research, innovation and evidence-based analysis, offering scientific approaches and solutions for

346 United Nations Secretary-General, António Guterres, on the occasion of the seventy-fifth anniversary of the United Nations, *The Highest Aspiration: A Call to Action For Human Rights* (New York, 2020).

347 Organisation for Economic Co-operation and Development, "[Best Practices in Development Co-operation](#)".

348 United Nations Secretary-General, *Our Common Agenda – Report of the Secretary General* (New York, 2021).

349 United Nations, *Guidance Note on Protection and Promotion of Civic Space* (New York, September 2020).

350 Available at: <https://www.unpartnerportal.org/landing/opportunities/>.

achieving the SDGs.³⁵¹ In Bhutan, academia's role in initiating and generating knowledge and innovation is recognized in policy circles, and efforts are being made to expand and enhance this role.³⁵²

For instance, the Centre for Bhutan and GNH Studies, a think tank, advised the RGoB on the relevance of the duration of FYP projects, their alignment with the timeframe of development partners and that of the Parliamentary elections.³⁵³ The 12th FYP's NKRA 16 on Effective Justice Services was an outcome of collaboration between the Justice Sector and the Jigme Singye Wangchuck School of Law (JSW Law).³⁵⁴

Climate studies and research are increasingly incorporated into college curricula.³⁵⁵ Tertiary institutions, where future leaders are nurtured, are an important platform for advocating and creating awareness regarding sustainable development. UN Bhutan, in partnership with the Royal University of Bhutan (RUB) and JSW Law presented a youth declaration to the RGoB in 2021 calling for and pledging climate action in realizing the vision of becoming a zero-waste society by 2030.^{356, 357}

As part of capacity building in the social services sector, the RUB has instituted a Social Policy Certificate³⁵⁸ which several cohorts of participants have already completed, including parliamentarians, civil servants, non-governmental- and CSO- leaders. Additionally, the Samtse College of Education has also introduced a Bachelor's degree in Social Work.

Upon request by the Ministry of Economic Affairs of Bhutan, ESCAP has been conducting a series of training programmes since 2019 to support the establishment and capacity building of development policy think tanks. These training programmes for researchers and policymakers have focused on evidence-based policy making, research methodologies, analytical skills, organizing stakeholder consultations and information dissemination. The Centre for Bhutan Studies and Gross National Happiness Research, the Bhutan Centre for Media and Research, and the Tarayana Foundation Center of Bhutan are among the beneficiaries of the programme.

Much remains to be done, however, to realize the full potential of academia and research institutions in the country, with greater effort and coordination required on the part of government as well as within the academic institutions themselves. The creation of a research endowment fund, outlined as a priority in the 12th FYP, remains to be fully realized.³⁵⁹ To reap the full potential of academia for Bhutan's 21st-century needs, and to align with ongoing education reforms, the RUB is undertaking major reforms in terms of course content, the

351 United Nations, Department of Economic and Social Affairs, Sustainable Development, [Make the SDGs a Reality](#).

352 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, United Nations High-Level Political Forum, 2021).

353 Bhutan, Prime Minister's Office, [State of the Nation, Sixth Session, The Third Parliament of Bhutan](#) (Thimphu, 24 December 2021).

354 Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development (see above).

355 Ibid.

356 Bhutan Broadcasting Service, ["Schools present Bhutan Youth Declaration on Climate Action to the government"](#), 11 December 2021.

357 Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development.

358 For more information, see: <https://www.sherubtse.edu.bt/certificate-course-on-social-policy/>.

359 Ibid.

teaching and learning environment, human resources and innovation across all colleges in the country.

One such reform is the establishment of business-incubation centres in five colleges to impart entrepreneurial skills and to increase enrolment in STEM programmes.³⁶⁰ There are opportunities for the UN to further strengthen and deepen partnerships that incorporate the SDGs into the learning content, thus providing students with the knowledge, skills and scientific culture necessary to address the complex challenges of sustainable development throughout their careers. These include, for instance, collaboration with the University of Oxford (which has supported the development of Bhutan's multi-dimensional poverty index (MPI), and Durham University, which supported the Bhutan Earthquake Impact Planning and Assessment.³⁶¹

7.1.5 The private sector

The 2030 Agenda provides opportunities for the private sector to become a partner in sustainable development with its unparalleled reach and agility. The private sector has the potential to accelerate the achievement of the SDGs through innovation, investment, customer base and labour force, looking beyond short-term financial gains to building longer-term business and societal values.³⁶² The SDGs not only identify where the country needs to be in 2030 to create a sustainable world, they also outline new markets and opportunities for businesses to stay ahead of the curve.³⁶³

In Bhutan, the full potential of the private sector has not yet been realized; this nascent sector requires investment in the asset base of both physical and human capital, as well as in institutions.³⁶⁴

Foreign direct investment (FDI) is important to Bhutan as a source of capital and in enabling access to external markets. However, FDI inflows to Bhutan, at about 1 per cent of GDP, are much lower as a share of GDP than in other South-Asian countries.³⁶⁵ FDI policy has been amended but targeted reforms will be critical to removing the barriers of equity restrictions and cumbersome registration processes to attract investment. While the legal and policy framework for private-sector development is relatively robust, implementation gaps reduce their effectiveness.

Although private sector development has been a priority for more than a decade, the sector itself has had suboptimal engagement in formulation of relevant policies. The UN and international finance institutions (IFIs) can provide technical support in creating an enabling environment for the private sector to contribute and reduce development risk by facilitating conducive public policies that will allow the sector to become vibrant. This would provide opportunity for embedding sustainable development into their business models and working on creating shared values which augment the 2030 Agenda.

360 Bhutan, Prime Minister's Office, *State of the Nation, Sixth Session, The Third Parliament of Bhutan* (Thimphu, 24 December 2021).

361 Available at: <https://dro.dur.ac.uk/31289/1/31289.pdf>.

362 United Nations, Department of Economic and Social Affairs, Sustainable Development, *Make the SDGs a Reality*.

363 United Nations Global Compact, *Everyone Benefits from a Better World; Advancing Sustainable Development*.

364 World Bank Group, *Bhutan Systematic Country Diagnostic: Taking Bhutan's Development Success to the Next Level* (30 January 2020).

365 Ibid.

As an example, the UN in Bhutan supports the RGoB in revising the Public-Private Partnership (PPP) Policy which aims to leverage private sector financing and partnerships to revitalize the economy and help finance the fiscal deficit. The policy will help bring coherence and coordination between the RGoB and the private sector in building back better and encourage private financing for the realization of the SDGs. The PPP Policy revision will further simplify the process and create an investor-friendly system to activate and increase project uptakes under the PPP framework. Meanwhile, the Asian Development Bank (ADB) will pilot the pre-feasibility of PPP Policy.

It is also notable that in partnership with the Bhutan Chamber of Commerce and Industries and the National Commission for Women and Children, UN Bhutan has made headway in mainstreaming gender in the private sector, deepening public-private partnerships in service to the principle of *leaving no one behind*.³⁶⁶

Moving ahead, the private sector's engagement, including regional linkages and networks with the UN Global Compact, should be encouraged, adhering to the "Ten Principles"³⁶⁷ of doing business, to ensure the fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption, while aligning investments with development priorities and the SDGs.

7.1.6 Development partners – bilateral, multilateral and international financial institutions (IFIs)

The support of development partners will continue to be critical for Bhutan's achievement of the SDGs and its GNH aspirations. The need for continued assistance has assumed greater significance amidst the adverse impacts of the COVID-19 pandemic, the country's impending graduation from the LDC category in 2023 and the ambitious 13th FYP (2024 - 2029).

As covered in subsequent areas of this report, the 13th FYP's initial investment need is estimated at over three times the size of the current FYP,³⁶⁸ while the fiscal deficit is projected to continue into 2024 - 2025, alongside declining external borrowings due to lack of commitments.³⁶⁹ Bhutan's external borrowings are exclusively with multilateral development banks and bilateral partners, including the ADB, the World Bank, the International Fund for Agricultural Development (IFAD), and Japan International Cooperation Agency (JICA).³⁷⁰ The role of IFIs such as the ADB, the World Bank, and the International Monetary Fund (IMF) will remain key for financing SDG delivery in Bhutan; the recent ratification of the country's framework agreement between the RGoB and the European Investment Bank will provide an additional financing window.³⁷¹

India remains Bhutan's main development partner (providing approximately 70 per cent of total grants), followed by the European Union, Japan, the World Bank, the ADB and UN agencies.³⁷² The criticality of official development assistance (ODA) came through clearly

366 Bhutan, Prime Minister's Office, [State of the Nation, Sixth Session, The Third Parliament of Bhutan](#) (Thimphu, 24 December 2021).

367 United Nations Global Compact, [The Ten Principles of the UN Global Compact](#).

368 Kuensel, "[13th Plan budget to increase significantly](#)", 26 May 2022.

369 Bhutan, Ministry of Finance, [National Budget Financial Year 2022-23](#) (Thimphu, June 2022).

370 Ibid.

371 Bhutan, Ministry of Foreign Affairs and External Trade, [Signing the Statement Acknowledging the Ratification of the Country Framework Agreement between Bhutan and the European Investment Bank](#) (Thimphu, 1 February 2022).

372 United Nations Economic and Social Commission for Asia and the Pacific, [Resource mobilization for sustainable LDC Graduation of Bhutan in the context of emerging challenges to development financing](#) (10 February 2022).

when the RGoB carried out a series of reprioritization exercises that required plans and programmes of development partners to be revised, and enabled Bhutan to manage the COVID-19 pandemic while continuing to implement the 12th FYP.³⁷³

International development cooperation is vital for the revival and sustenance of financing strategies and planning in the current context. External aid and financial assistance being mobilized as part of COVID-19 relief measures by multilateral development banks (MDBs), intergovernmental organizations and development partners can be vital sources for meeting the country's emergency resource requirements.

The integrated support package being mobilized by the United Nations Development System (UNDS), in the form of a comprehensive socio-economic response framework, including the United Nations COVID-19 Response and Recovery Fund³⁷⁴, gives due priority to the needs of LDCs. The COVID-19 Emergency Fund established under the South Asian Association for Regional Cooperation (SAARC) is a similar initiative at the sub-regional level in South Asia. Aside from the mobilization of grants and concessional finance, engaging with multilateral creditors for debt relief through debt service suspensions or debt swaps for development is a priority for Bhutan to contain external debt vulnerabilities.

Although ODA to Bhutan is not tied to its LDC status, concerns remain with the phasing out of traditional development partners such as the Korea International Cooperation Agency (KOICA) (Republic of Korea, temporary closure) in 2021, the Swiss Agency for Development and Cooperation (SDC) in 2016, the Danish National Development Agency (DANIDA) in 2014, the Canada International Development Agency (CIDA) in 2008, the German Agency for Technical Cooperation (GTZ) in 2006 and the Austrian Development Agency's (ADA) planned phase-out by 2023.³⁷⁵ Therefore, it is vital for development partners to deliver on long-standing commitments, and the ODA targets reaffirmed under SDG 17 of the 2030 Agenda.³⁷⁶

To enhance the effectiveness of development assistance and aid coordination, development partners' coordination mechanisms, such as the Round Table Meeting (RTM)³⁷⁷, the highest forum for policy dialogue and aid coordination between the RGoB and its development partners³⁷⁸ and the Development Partners Group meeting are essential. These platforms will

373 Ibid.

374 For more information, see: <https://unsdg.un.org/resources/secretary-generals-un-covid-19-response-and-recovery-fund>.

375 - Bhutan, Royal Bhutanese Embassy, Dhaka, Bangladesh, [Bhutan-Republic of Korea Relations](#).

Bhutan, The Permanent Mission of the Kingdom of Bhutan to the United Nations, Geneva and the Royal Bhutanese Embassy, Switzerland, Norway, Austria, [Bhutan-Switzerland Relations](#).

Bhutan, Ministry of Foreign Affairs and External Trade, Press Release: [Bhutan-Denmark Partnership Transition Event](#) (28 November 2014).

Bhutan, The Permanent Mission of the Kingdom of Bhutan to the United Nations, New York and the Royal Bhutanese Embassy: Canada, Brazil, [Bhutan-Canada Relations](#).

Bhutan, Royal Bhutanese Embassy, Brussels, Belgium; Belgium, The Netherlands, Denmark, Spain, Sweden, Finland, Germany and European Union, [Bhutan- The Federal Republic of Germany Relations](#).

Bhutan, The Permanent Mission of the Kingdom of Bhutan to the United Nations, Geneva and the Royal Bhutanese Embassy, Switzerland, Norway, Austria, [Bhutan-Austria Relations](#).

376 United Nations Economic and Social Commission for Asia and the Pacific, [Resource mobilization for sustainable LDC Graduation of Bhutan in the context of emerging challenges to development financing](#) (10 February 2022).

377 See [15th Round Table Meeting in September 2021](#) for more information.

378 Bhutan, Prime Minister's Office, [State of the Nation, Sixth Session, The Third Parliament of Bhutan](#) (Thimphu, 24 December 2021).

continue to play an important role and will require periodic reviews to remain relevant and meaningful.

7.2 Financing Bhutan's development

Over the decades, Bhutan has partially departed from a traditional reliance on development partners to fund its public-sector investments. As compared to its first five FYPs, which were almost entirely funded by development partners, domestic resource contributions have grown with each successive FYP, to finance about 63 per cent of total expenditure for the 11th FYP. Still, grants and ODA continue to be critical, especially as Bhutan gears up for graduation from LDC status, while also addressing vulnerabilities exacerbated by the COVID-19 pandemic.

Bhutan's upcoming 13th FYP is the country's most ambitious plan yet, with investment requirements exceeding BTN 750 billion, almost three times more than the financing needs of the 12th FYP. While an assessment of actual SDG costs for Bhutan has not yet been carried out, and financing the gaps for implementing the SDGs in the "last decade of action" remains uncertain, it is estimated that Bhutan will need to mobilize more than 50 per cent of its investment needs for the 13th FYP from sources beyond grants and public finance. This represents a major challenge and calls for innovative and sustainable sources of financing, based on a clear understanding of the country's financing landscape and priorities for broadening its portfolio.

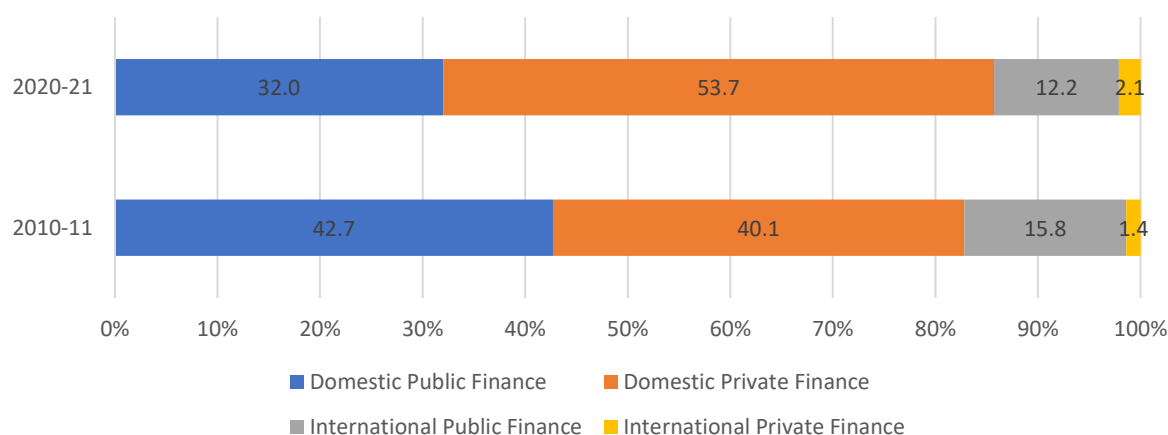
7.2.1 Financing landscape

The volume of aggregate development finance has seen steady growth in Bhutan over the past decade, while its composition has not changed substantially. The total available financing for development, public, private, domestic and international, increased by approximately 5.8 per cent per annum, to reach almost USD \$3.3 billion in FY 2020/21.³⁷⁹ The rise in volume of domestic financing, particularly private domestic financing (i.e., SOE/private-sector equity, domestic borrowing and national NGOs, foundations and faith-based organizations), underpinned this growth. As a result, the share of domestic private financing in the aggregate financing portfolio, including investments by government-linked companies and domestic credit flows to the private sector in general,³⁸⁰ has surpassed domestic public financing in volume; collectively the share of domestic financing, both public and private, accounted for about 86 per cent of total development finance in 2020-2021, marginally increasing over the years (see Figure 16).

379 United Nations Economic and Social Commission for Asia and the Pacific, [Resource mobilization for sustainable LDC Graduation of Bhutan in the context of emerging challenges to development financing](#) (10 February 2022).

380 The private sector in Bhutan is dominated by large government-linked companies (GLC), overseen by Druk Holdings and Investments (DHI), which play a strategic role in providing infrastructure and public services in the country. DHI has shares in 19 different companies operating in the manufacturing, energy, natural resources, financial, communication, aviation, trading and real-estate sectors.

Figure 16: Composition of Development Finance



Source: ESCAP (2022)³⁸¹

(Note: In this figure, domestic private finance includes investments by government-linked companies.)

Aside from supply-side reforms to encourage domestic savings and to build the capacity of the country’s commercial banking system,³⁸² facilitative reform measures, such as the establishment of the Credit Information Bureau (CIB) to improve access to credit for both individuals and corporate borrowers, has led to an increase in private investments, for which more than one quarter relate to residential and commercial housing.

Turning to domestic public resources, the robust performance of both tax and non-tax revenue streams has contributed to a doubling of these resources during the past decade. Prior to the onset of the COVID-19 pandemic, tax revenue reached BTN 24.9 billion in 2019 - 2020, up from from BTN 11.1 billion in 2010 - 2011.³⁸³ The relative share of tax and non-tax components in total domestic public revenue stood at 64.8 per cent and 35.2 per cent, respectively in 2019 - 2020, closely resembling the figures for 2010 - 2011.³⁸⁴

While anticipated economic recovery would help in reducing the resource gap in the near-term, sustainable development financing requires resource mobilization on a larger scale than current plans.

A comprehensive approach to financial resource mobilization is required, ensuring that all sources are utilized to their maximum potential, and by taking post-COVID-19 realities into

³⁸¹ United Nations Economic and Social Commission for Asia and the Pacific, [Resource mobilization for sustainable LDC Graduation of Bhutan in the context of emerging challenges to development financing](#) (10 February 2022).

³⁸² Three new banks (Druk PNB, T-Bank and Bhutan Development Bank) have been established since 2010, adding to the two previously operational banks.

³⁸³ Bhutan, Ministry of Finance, [Budget Reports \(various years\)](#).

³⁸⁴ In this paragraph, long-term trends in these numbers before the COVID-19 pandemic are discussed, and hence national Budget Reports until 2021 - 2022 are referred to (which gives actual numbers until 2019 - 2020). As 2020 - 2021 is an anomalous year (due to sharp changes in revenue and expenditure trends as a result of the pandemic, and as reflected in Figure 17, quoting Budget Report 2022 - 2023 may distort the picture. For the same reason, Figure 16 also quotes Budget Report 2021 - 2022 rather than the last Budget Report 2022 - 2023. In other parts of this section, updated numbers from the latest Budget Report are quoted as appropriate.

account. Bhutan's 2nd VNR report³⁸⁵ notes that the impact of pandemic has had far-reaching implications for the achievement of the SDGs.

The financing gap for implementation of the SDGs remains uncertain at this stage, underlining the importance of an SDG costing exercise for informing resource-mobilization strategies. Such an exercise will be timely as the country prepares for the 13th FYP, which is expected to further guide the country's economic recovery and transition. Deepening existing sources and exploring new innovative financing instruments will be key for Bhutan in pursuing a post-graduation financing strategy.

7.2.2 Challenges to expanding the financing portfolio

(a) Domestic public finance

The scope for the broadening and deepening of the country's tax base remains underutilized. The tax-to-GDP ratio of Bhutan averaged around 14 per cent during the last decade (Figure 18)³⁸⁶ which is higher than the average for LDCs at below 10 per cent, and the average for South-Asian economies at around 11 per cent. However, this remains far below the country's potential, and an ESCAP study shows that the gap between actual and potential tax revenue generation could be as high as 6 per cent of GDP for Bhutan.³⁸⁷

General structural features, characterized by low levels of sectoral diversification, together with the predominance of small- and cottage- scale industries, as well as the significant agricultural and informal sectors (which are often less amenable to taxation), have been constraints to the expansion of the tax base in Bhutan. Moreover, inefficiencies and leakages in the tax system, and weaknesses in enforcement, result in low responsiveness of tax revenues. Though certain major tax reforms are underway, principally by way of enactment of the *Goods and Services Tax (GST) Act of Bhutan 2020*³⁸⁸ implementation (which will replace the conventional sales tax subsuming multiple tax-rate structures into a single standard rate) has been delayed due to capacity constraints and operational readiness. Also, in late 2022, Bhutan's Finance Minister presented the *Property Tax Bill of Bhutan 2022*.³⁸⁹ Going forward, land tax will no longer be charged based on the area but based on the value of the land as well as building(s) on that land. With the new property tax of 0.1 per cent on the actual value, it is expected that tax property revenues will be much higher than in previous years.³⁹⁰

385 Bhutan, Gross National Happiness Commission, [Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development](#) (Thimphu, United Nations High-Level Political Forum, 2021).

386 Bhutan, Ministry of Finance, [National Budget, Financial Year 2022-23](#) (Thimphu, 2022).

The tax-to-GDP ratio for Bhutan declined to 11.7 per cent in FY 2020-2021, from 12.6 per cent and 15.7 per cent during the previous two consecutive years. The ratio was at its highest in a decade at 16.5 per cent in FY 2018-2019.

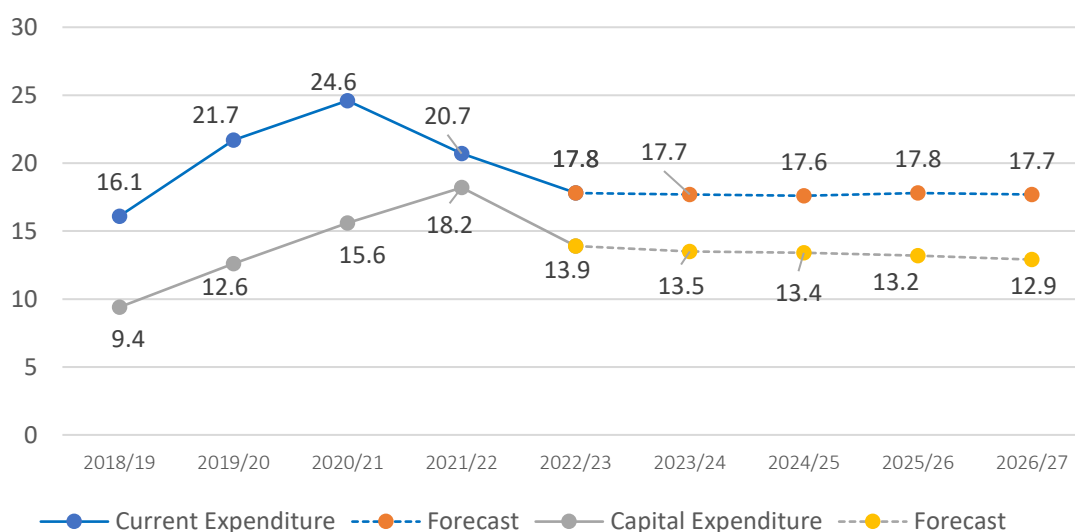
387 Ibid.

388 See: <https://www.mof.gov.bt/wp-content/uploads/2020/07/GSTAct2020.pdf>.

389 For more information, see: <https://kuenselonline.com/na-adopts-property-tax-bill/>.

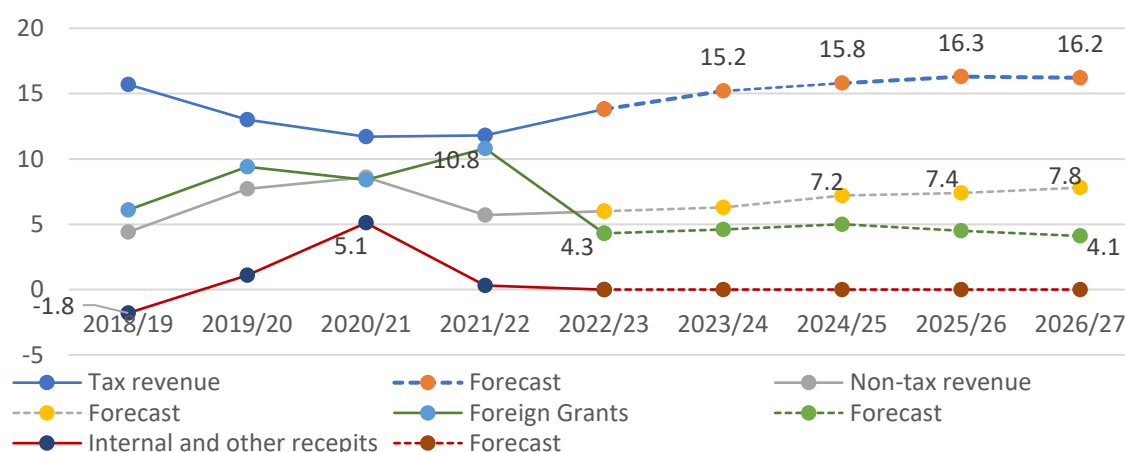
390 The Bhutanese, "[Property taxes to go up as Bill says 0.1% land and building tax based on actual value of land and building](#)", 10 November 2022.

Figure 17: Government Expenditure as a Share of GDP



Source: IMF.³⁹¹

Figure 18: Revenue and Grants as a Share of GDP



Source: See Figure 17.

A slowdown in tax revenue post COVID-19 and the resultant surge in the budget deficit has re-invited attention to debt vulnerabilities. As discussed in Section Two, Part 2.1.3, “External Sector”, public debt in FY 2022 continues to be high in Bhutan, at 133.5 per cent of GDP, and though the country is still assessed as being at risk of ‘moderate debt distress’, the ability to absorb shocks and the capability of fiscal expansion is very limited.³⁹²

Domestic borrowing is emerging as a major channel for deficit financing in Bhutan, with new instruments opening up space for mobilizing funds. While domestic borrowing has scarcely been used, it was a source of funding for emergency COVID-19 response measures. A major

391 International Monetary Fund, *Staff Country Reports, Bhutan: 2022 Article IV Consultation- Press Release; Staff Report; and Statement by the Executive Director for Bhutan* (May 2022).

392 International Monetary Fund, *Staff Country Reports, Bhutan: 2022 Article IV Consultation- Press Release; Staff Report; and Statement by the Executive Director for Bhutan* (May 2022).

instrument that is used in the country is T-Bills, issued by the Ministry of Finance every month through competitive auction. Increased gross financing needs led to the introduction of sovereign bonds in September 2020, with the RGoB announcing its first-ever sovereign bond issuance for public subscription (see Box 4). The issuance received positive response from investors, indicating future potential for the government securities market. The RGoB also developed a Bond Issuance Strategy in 2019.

Box 4: Beginnings of the Sovereign Bond Market in Bhutan

The lack of a well-developed domestic capital market and interbank money market has been preventing Bhutan from utilizing sovereign bonds as a viable option to finance public-sector borrowing requirements at a competitive cost.

In September 2020, with the technical support of ESCAP,³⁹³ the RGoB successfully issued its first-ever sovereign bond of BTN 3 billion (USD \$41 million) in September 2020 at an annual coupon rate of 6.5 per cent. The bond was oversubscribed by over 300 per cent by both institutional and individual investors from the Bhutanese private sector. This demonstrated the viability of bonds as a necessary financing instrument to tap domestic resources, while providing an investment opportunity for the private sector. This initiative was followed by the issuance of a 10-year government bond in February 2021 using a yield-based auction.

Establishing a benchmark yield curve of government-backed bonds is an important step in leveraging private-sector financing. Bhutan should continue to develop the yield curve by issuing more bonds with different types and maturity, and by developing the secondary market for bonds in the process. The development of a sovereign bond market is necessary to create a diversified financial market to attract foreign investment.

Source: ESCAP (2020)³⁹⁴

The country's domestic bond market is still at an early stage of development, however. Fixed-rate bonds are prioritized as the preferred instrument in view of their simplicity. In the future, specialized instruments such as "green bonds" could be considered. There are also capacity constraints in dealing with bond issuance and managing risks associated with market-based financing instruments. While several corporate bonds are listed on the stock market, trading in the secondary market is currently minimal.

(b) International public finance

While the dependence upon grants and ODA, measured by share of GDP, has steadily declined over the past three decades, it continues to be a critical source of financing for Bhutan. ODA constitutes more than 50 per cent of the capital expenditure of both the 11th and 12th FYPs.³⁹⁵

393 United Nations Economic and Social Commission for Asia and the Pacific, *Bhutan's First Sovereign Bond; Financing Lessons during the Pandemic* (6 October 2020); available [here](#). ESCAP has provided technical assistance to Bhutan since 2017, leading up to the issuance of Bhutan's first sovereign bond, including institutional support that led to the establishment of the Working Committee on Government Bond Issuance (April 2019), the development of a Government Bond Issuance Strategy (September 2019) and the enforcement of the Rules and Regulations for Issuance of Government Bond (June 2020).

394 Ibid.

395 United Nations Economic and Social Commission for Asia and the Pacific, Working Paper Series, Macroeconomic Policy and Financing for Development Division, *Graduation of Bhutan from the group of least developed countries: potential implications and policy imperatives* (May 2020).

A substantial portion of capital expenditure is sustained through bilateral and multilateral official development assistance (ODA), external grants or borrowing.

ODA inflows have averaged around 12.6 per cent of GDP in the last decade, while constituting approximately 16 per cent of GDP, and 61 per cent of capital expenditures in FY 2020 - 2021.

External grants and concessional financing served as vital sources of funding for a significant portion of the country's COVID-19 response. The long-term trend of declining share of ODA reflects the national objective of economic self-reliance, envisioned since the 5th FYP (1981-1986). However, as experience during the ongoing pandemic has shown, external assistance (financial and in-kind) from development partners to support COVID-19 measures were of vital assistance. Bhutan also utilized external borrowings to fund the unexpected surge in budget deficits following the outbreak of the pandemic.

While LDC graduation may entail loss of access to some of the concessional funding windows, many of the external funding streams for Bhutan are not tied to LDC status. India is by far the largest development partner for Bhutan. Budgetary grants (excluding the bilateral hydropower transactions) from India constitutes around 70 per cent of total grants, the rest being received from other bilateral and multilateral development partners. The EU, Japan, the World Bank, ADB and UN agencies are other significant sources of grants and concessional loans.

(C) Domestic and international private finance

Private sector investment has registered vibrant growth during the past decade, fuelled by growth in domestic savings and development of the domestic financial sector. Credit to the private sector, excluding government-linked companies, increased more than two-fold from USD \$743 million in 2010 - 2011 to USD \$1,767 million in 2020 - 2021, reaching 70 per cent of GDP, and constituting over 50 per cent of aggregate domestic finance.³⁹⁶ The housing sector continued to remain the highest in terms of its share of total loan portfolio, at 27.4 per cent in 2019 - 2020, mainly due to high demand for residential and commercial housing, closely followed by the tourism sector. Comparatively high rates of domestic savings, averaging annually about 30 per cent of GDP during 2010 - 2020 (almost 10 percentage points higher than the corresponding figure for LDCs) along with the expansion and development of the domestic commercial banking system, facilitated growth in credit flows.

While credit flow to the private sector has increased in volume, access to credit for micro, small and medium enterprises (MSMEs) needs improvement. Alongside a concentrated number of large firms, the private sector in Bhutan is dispersed over a large number of small-scale enterprises. Credit flows to rural-agrarian sectors and to MSMEs have been hindered by a number of factors, such as risk-averse credit disbursement, a lack of adequate financial-services penetration in rural areas and financial illiteracy on the part of small-scale and individual credit seekers.

Bhutan has had only limited success in harnessing the potential of FDI. Annual inflow of FDI has been less than 1 per cent of GDP over the past decade. As of 2021, Bhutan recorded a total of 96 FDI projects, with 6 new projects approved during the year.³⁹⁷ Most of these are from Asian countries, with India remaining the major source of investment (47 per cent), followed by Singapore (19 per cent) and Thailand (11 per cent). While service sectors

396 United Nations Economic and Social Commission for Asia and the Pacific, [Resource mobilization for sustainable LDC Graduation of Bhutan in the context of emerging challenges to development financing](#) (10 February 2022).

397 Bhutan, Ministry of Economic Affairs, Department of Industry, [FDI Annual Report 2021](#) (Thimphu, 2021).

dominate overall FDI at 69 per cent, the hotel (38 per cent) and IT/ITES (22 per cent) sectors command 60 per cent of share in total FDI stock.

Approximately 84 per cent of the approved FDI projects fall into the priority sectors specified in the FDI Policy³⁹⁸, and FDI projects are mostly located in the urban areas of Thimphu, Paro and Chhukha Dzongkhag. Limited sectoral diversification and the size of markets have been constraints in promoting FDI and in creating a conducive investment climate for foreign investors. Following the setbacks faced by the tourism industry in the aftermath of the COVID-19 outbreak, FDI in the country's hospitality industry has experienced a decline.

The role of remittances as a private funding source unfortunately registered a year-on-year decline of 11 per cent during the first 8 months of 2022,³⁹⁹ despite the RMA's initiatives to improve remittance inflow from Bhutanese living abroad (including the introduction of Remit-Bhutan⁴⁰⁰ in 2016.⁴⁰¹), Remittances into the country had gradually increased to reach a record-high of 3.6 per cent of GDP in 2020, mostly owing to a sudden increase in the number of overseas returnees as a result of the pandemic, before plateauing in 2021. This declining trend is likely to reflect a structural change in the way Bhutanese apprehend outward migration. In the past, Bhutanese used to relocate abroad temporarily to work or study, especially in Australia. Nowadays, growing anecdotal evidence suggests that such migration is more likely to be permanent as Bhutanese established abroad tend to bring their extended families along, amid a lack of opportunities at home.

7.3 Priorities for strengthening development finance and partnerships

7.3.1 Reforms to enhance the tax base and to improve the efficiency of tax systems

The scope for expanding the tax base through progressive wealth-based taxes and by introducing new instruments, such as environmental taxes, must be explored. Sustained efforts are needed to improve the overall efficiency of taxation in the country, such as rationalization of tax structures, institutional reforms, simplification of procedures, use of e-platforms and digital payee-registration systems.

The introduction of the GST, which is under process, will help to strengthen the tax administration system, simplify business processes, improve taxpayer services, minimize revenue leakages and enhance tax collection. Full implementation of the GST as a consumption-based mode of taxation is expected to generate additional revenue of BTN 3 136 billion annually.⁴⁰² GST implementation is to be supported by the Bhutan Integrated Taxation System (BITS), an IT-based platform.⁴⁰³

7.3.2 Maintaining access to ODA and related forms of external assistance, for contingency sources of development financing and for building long-term development partnerships

398 Available at: <https://www.moea.gov.bt/wp-content/uploads/2017/07/FDI-Policy-2019.pdf>.

399 Kuensel, "Remittance drops by 11 percent", 13 December 2022.

400 See: <https://www.remitbhutan.bt>.

401 Bhutan, Royal Monetary Authority, *Royal Monetary Authority of Bhutan Annual report 2020* (Thimphu, 2020). Remit-Bhutan provides a platform for non-resident Bhutanese to remit their savings and earnings to Bhutan through the formal banking channel.

402 Bhutan, Gross National Happiness Commission, *Transformations for Sustainable Development in the 21st Century: Bhutan's Second Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development* (Thimphu, United Nations High-Level Political Forum, 2021).

403 Ibid.

The country's transition from LDC status would lead to a loss of some sources of development assistance, including the phasing out of the LDC Fund (LDCF), however, Bhutan would still have access to many ODA streams that are not tied to LDC status. Particularly important are several green-finance sources, established in collaboration with several multilateral development partners, which would continue to have special significance for Bhutan. These include: the Bhutan Trust Fund for Environmental Conservation (BTFEC)⁴⁰⁴, the Bhutan for Life Programme⁴⁰⁵, the Biodiversity Finance Initiative (BIOFIN) Project⁴⁰⁶, the Reducing Emission from Deforestation and Forest Degradation (REDD)+ Readiness Project⁴⁰⁷, the Climate Investment Funds⁴⁰⁸, the Global Environment Facility (GEF)⁴⁰⁹ and the Green Climate Fund (GCF)⁴¹⁰.

7.3.3 Ensuring a transparent, reliable and conducive regulatory environment to attract FDI

Strong market signals and potentially improved credit ratings following LDC graduation may provide opportunities for attracting FDI. However, domestic reforms for enabling a reliable and conducive regulatory environment are a necessary precursor. The RGoB's initiative in revising the FDI Policy in 2019 in order to realign the FDI regimen with changing needs, is a step in the right direction.

The regimen could also encourage FDI inflows tied with technology transfer to ensure maximum spillover effects in terms of skills upgrading, improving productivity and better management practices. The role of FDI in expanding exports and promoting export diversification is prominent from the experience of many developing countries in Asia. Proper incentive structures, transparency of terms and conditions and risk sharing, as well as guarantees have helped such countries to encourage FDI inflows.

7.3.4 Leveraging instruments for private capital, including PPPs, blended financing and equity financing to their full potential

The Public Private Partnership (PPP) Policy and Rules and Regulations⁴¹¹, initiated in 2016 and 2017 respectively, and the establishment of the PPP Unit under the Ministry of Finance require addressing capacity gaps in assessing and identifying feasible PPP projects.

The Jabchor Initiative⁴¹², instituted by the Royal Monetary Authority of Bhutan in 2018 for creating a unique platform for matching investors to potential businesses, is a step forward in promoting equity financing. Blended financing, which is a combination of concessional public finance with profit-seeking private investments, has the potential to open new possibilities, with its advantages over PPPs in terms of broader sectoral coverage and flexibility.

Various measures to promote business opportunities and encourage investment by the domestic private sector are underway in the country. To address issues of access to financing

404 For more information, see: <http://www.bhutantrustfund.bt>.

405 For more information, see: <https://www.greenclimate.fund/document/bhutan-life-glance>.

406 For more information, see:

https://www.biofin.org/sites/default/files/content/knowledge_products/BIOFIN%20Bhutan%20brochure.pdf.

407 For more information, see: https://redd.dofps.gov.bt/?page_id=36.

408 For more information, see: <https://www.cif.org/country/bhutan>.

409 For more information, see: <https://www.thegef.org/projects-operations/country-profiles/bhutan>.

410 For more information, see: <https://www.greenclimate.fund/countries/bhutan>.

411 Bhutan, Ministry of Finance, *Public Private Partnership Policy* (Thimphu, March 2016).

412 For more information, see: <https://jabchor.bt>.

faced by CSIs, the Priority Sector Lending (PSL) Programme initiated in January 2018 offers concessional financing at preferential interest rates without requirements for collateral.⁴¹³ Institutions such as the Bhutan Development Finance Corporation (BDFC) and Microfinance Bhutan Private, Ltd. promotes access to finance for rural communities. In addition to initiatives to improve the supply side of private-sector financing, demand-side constraints must also be addressed through entrepreneurship development programmes.

7.3.5 Employing digital finance tools to help promote financial inclusion

The COVID-19 pandemic has led to greater use of digital payments and e-commerce, providing opportunities for small businesses to remain open amid lockdowns and social-distancing measures. Digital finance has also led to improvement in the delivery of government cash transfers, as well as lowering the costs for promotion of such services. To support the expansion of digital finance in Bhutan, barriers such as lack of access to digital services and technologies, low penetration of broadband and devices, risks of security breaches of digital payment systems, etc. will need to be addressed.

7.3.6 Employing innovative approaches to address the growing mismatch between needs and actual supply of development financing

Against the substantially escalated financing requirements in the post-COVID-19 context, a mix of strategies, including prudent resource management and new modes of resource mobilization, must be adopted. Given the severe resource constraints faced by developing countries and LDCs, efficient resource management is a priority, making it necessary to align crisis recovery and SDG actions, and thereby exploring synergies in development spending.

For instance, investing in health-sector infrastructure and services, and increasing public support to those in severe economic distress through social protection, are not only immediate priorities in the context of the COVID-19 crisis but are also long-term goals of sustainable development. It is important to channel investments, as part of the expansionary fiscal policies in the aftermath of COVID-19, into the health and education sectors, basic infrastructure, social protection, rural development, renewable energy generation, etc., with the objective of extracting maximum advantage from synergies with corresponding SDG targets.⁴¹⁴

Equally as important is financing climate action. Bhutan is inherently vulnerable to the impacts of climate change and its economic vulnerability will only escalate if appropriate mitigation and adaptation measures are not implemented. Bhutan's second nationally determined contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC) clearly outlines the need for international support for its identified actions to materialize. As a carbon sink, and as the only carbon-negative country in the world, Bhutan is already contributing substantially towards climate action by foregoing quick economic gains. For the country to be able to continue on this path, financial and capacity support is necessary. Bhutan's financing needs to implement the second NDC is estimated at USD \$3.6 billion.

413 United Nations Economic and Social Commission for Asia and the Pacific, Working Paper Series, Macroeconomic Policy and Financing for Development Division, [Graduation of Bhutan from the group of least developed countries: potential implications and policy imperatives](#) (May 2020).

414 United Nations Economic and Social Commission for Asia and the Pacific, [Achieving the SDGs in South Asia; an integrated approach to accelerate SDG progress and COVID-19 recovery](#) (15 November 2021).

Besides taking steps for domestic fiscal consolidation and rationalizing spending, it is important that the RGoB explore potential new instruments, such as offshore sovereign bonds or diaspora bonds to mobilize funds. Innovative climate and digital finance instruments and strategies, such as green bonds and debt-for-climate swaps, are being increasingly used in developing countries of the Asia-Pacific region.⁴¹⁵

A major limitation for both public and private capital investments is underdeveloped capital markets and limited access to international capital markets. Regional cooperation for gaining access to domestic enterprises in more developed overseas capital markets can provide more options for them to build their productive capacities.⁴¹⁶ The ongoing process of developing the Integrated National Financing Framework (INFF) provides an opportunity for Bhutan to frame a forward looking development financing strategy, incorporating some of the consultation with UN agencies and development partners.⁴¹⁷

7.3.7 Strengthening partnerships

Given the suboptimal engagement of the private sector in the formulation of relevant policies for its (own) development, there is scope for the UN and IFIs to engage in the creation of an enabling environment, both for private-sector contributions to mitigate development risk, and to create shared values that augment the 2030 Agenda. Regional cooperation is also crucial for gaining access for domestic enterprises in more developed overseas capital markets, which can provide more options for them to build their productive capacities.

Private-sector engagement, including regional links and networks with the UN Global Compact, should thus be encouraged, ensuring fundamental responsibilities in the areas of human rights, labour, the environment and anti-corruption, while aligning investments with development priorities and the SDGs. Maintaining access to ODA and related forms of external assistance also remain a key priority, for contingency sources of development financing as well as for building long-term development partnerships.

With the public-sector reform initiative providing opportunities to clarify roles and functions to enhance coordination and service delivery (including for further mainstreaming and accelerating achievement of the SDGs), and considering the RGoB's expectation that CSOs play a greater role in mobilizing resources for the country and in enhancing accountability (as expressed by the Prime Minister during a CSO-Government Meet in November 2021⁴¹⁸), civil society could be strategically organized to mobilize external resources, including bilateral, multilateral and philanthropic foundations.

415 United Nations Economic and Social Commission for Asia and the Pacific, Financing for Development Series, [Financing the SDGs to build back better from the COVID-19 pandemic in Asia and the Pacific](#) (2021).

The 2021 issue builds on previous explorations and takes a deep dive into innovative climate and digital finance instruments and strategies.

416 While steps are being taken to develop domestic capital markets, gaining access for local enterprises to list and to raise capital in more developed capital markets such as that of neighbouring India, and access for cross-listing their securities on overseas stock exchanges for secondary market participation, can be viable options for Bhutan.

See: United Nations Economic and Social Commission for Asia and the Pacific, [Unlocking the Potential of Regional Economic Cooperation and Integration in South Asia; Potential, Challenges and the Way Forward](#) (2017).

417 The INFFs are planning tools to help countries overcome obstacles to financing sustainable development at the national level. Bhutan's INFF is under development with support from the UN Joint SDG Fund. Building on Bhutan's development finance assessment (DFA), the INFF will help to identify and facilitate the mobilization of alternative sources of financing to support the SDGs.

418 See: <https://ms-my.facebook.com/bhutantoday/videos/cso-government-meet-2021/1260036091074972/>.ene

With the Guideline for CSO-Government Collaboration having received the in-principle support of the Prime Minister and the Cabinet, formalizing collaboration (followed by public advocacy) will be vital to creating clearer avenues for civil society participation in the country's pursuit of GNH and the realization of the SDGs. The role of CSOs in advocating for the SDGs will be important, and UN Bhutan's ongoing engagement needs to be sustained in terms of capacity building (such as training for Universal Periodic Review, Voluntary National Review and Common Country Analysis) and creating an enabling environment.

In this regard, CSOs, during a consultation workshop for the CCA, shared several expectations of the UN system in the country. These included: advocating with government and other international agencies for more meaningful engagement with CSOs; actively supporting the creation of an enabling environment, especially for "weaker" CSOs (for example, by including the thematic area of arts and culture in key policy documents); upscaling technical/capacity strengthening support to CSOs, particularly towards resource-mobilization capacities; and exploring practical means to streamlining working modalities between CSOs and the UN system in the country. (See also Annex 2 (a) for the CSO consultation summary).

At the same time, the full potential of academia and research institutions in the country remains to be realized, with greater effort and coordination required on the part of the RGoB as well as within academic institutions. Key priorities include the creation of an adequate research endowment fund (identified in the 12th FYP) as well as major reforms across all colleges to meet 21st century needs. This provides opportunities for development partners to facilitate the knowledge, skills and scientific culture necessary to address the complex challenges of sustainable development.

With the impacts of the COVID-19 pandemic exacerbating multiple risks for Bhutan's sustainable development trajectory, a comprehensive approach to financial-resource mobilization is essential, ensuring that all sources are utilized to their maximum potential while accounting for post-pandemic realities. The ongoing process of developing the INFF provides an opportunity for Bhutan to frame a forward-looking development financing strategy. Development partners' coordination mechanisms, such as the Round Table Meeting (RTM) and the Development Partners Group Meeting, will continue to play an important role. They will, however, require periodic reviews to remain relevant and meaningful to ensure the effectiveness of development assistance and aid coordination.

Conclusions

Bhutan's impressive socio-economic advancements are reflective of its sustained investments, with the support of its development partners, in promoting balanced, inclusive and sustainable development over the past six decades. This progress, however, has also been marked with persistent challenges of high economic vulnerability, issues of quality and inclusiveness in key social outcomes and challenges in terms of balancing conservation with development imperatives, while also managing the impacts of climate change.

More recently, the economy of Bhutan suffered serious setbacks from the COVID-19 pandemic and faced inflationary pressures during FY 2021, owing to the negative effects of the Russia-Ukraine war on food and fuel prices. This reflects, among other things, Bhutan's economic fragility to external and sectorial shocks, due to its difficult terrain, remoteness and fragile mountain ecosystems, high dependence on India for trade and transit and strong reliance of a handful of key sectors for value-added creation. Altogether, these shocks are expected to have potentially long-term consequences on education and health outcomes, the economy and development financing, particularly for vulnerable populations.

Uncertainties associated with the ongoing civil-service reform and other risks further compound the challenges. Meanwhile, low preparedness to natural and conventional hazards threatens to undo decades of hard earned development gains. Many of these persisting and emerging issues that Bhutan faces are cross-cutting and underlie key disparities and vulnerabilities which if left unaddressed, could exacerbate constraints to its effective and sustainable development.

Emerging Top Priorities for Advancing the Decade of Action— Summary of Key Development Opportunities and Challenges for Bhutan

Based on the analysis in preceding sections of this CCA, priority development challenges and issues that the RGoB and all other stakeholders (including the UN) should address are highlighted below. These are articulated in the form of four key opportunities for realizing Bhutan's vision for sustainable development and achieving the SDGs of the 2030 Agenda.

Opportunity #1: Transformation towards more equitable, diversified, green and sustainable economic growth

Bhutan's rapid economic growth, averaging 7.5 per cent since the 1980s, dropped to a historic low of -10 per cent in 2020. This has compounded the persistent challenge of high economic vulnerability, with public-sector investments in hydropower and electricity generation continuing to drive growth, a sector that is not directly and immediately relevant for the poor while also being vulnerable to climate change impacts. Efforts to diversify the country's narrow economic base is challenged by a small domestic market and sheer geographic remoteness.

The private sector in Bhutan, including CSIs, remains underdeveloped in the face of unfavourable investment conditions, limited skills and markets. The agriculture or RNR sector, while engaging almost half of the population, remains challenged, with low returns due to productivity and marketing issues. The tourism sector has been disproportionately impacted by the COVID-19 pandemic and continues to face uncertainties linked to amended legislation and regulations that make it more expensive for visitors to the country.

Enhancing productive capacity and transformation of Bhutan's economy to become more resilient and sustainable remains a key priority. This will require transforming the country's food systems and enhancing productivity of the local economy through implementation of the eight pathways identified by the draft RNR strategy 2030; diversifying the country's economic base with a focus on private-sector development and export promotion through key strategies such as DTISU 2020 and the National Export Strategies; and leveraging on promoting green investments, including in alternative renewable energy, green jobs and the implementation of climate-resilient solutions.

Ensuring gainful employment remains a key challenge, as the job market in the country is limited, with a continued preference for public-sector jobs associated with security and prestige vis-à-vis uncertainties in a private sector that remains underdeveloped; an agriculture sector that is associated with drudgery and low returns; and "blue-collar" jobs that are not held in high rank. Protection issues associated with informal employment is an additional challenge.

At the same time, the high levels and upward trend of youth (and especially female youth) unemployment in the country is a key concern, especially as Bhutan's window for harnessing its demographic dividend is projected for the next two to three decades. Linked to the relevance and quality of mainstream as well as vocational and technical education, most youth are not equipped with the skills currently sought by potential employers. Although overseas employment programmes benefit many young Bhutanese, incidences of trafficking and other protection issues have arisen in this sphere as well. The recent surge of youth and adults of prime productive age migrating to Australia adds to this concern.

To drive a 21st-century economy as envisaged by Bhutan in its 13th FYP, it will be critical to invest in human-capital development, skills development and know-how that can respond to 21st-century needs and challenges. In parallel, investments in entrepreneurship development, specialized skills and enabling policies that are conducive to creating gainful employment and thus developing the private sector to absorb this well-educated and trained labour force remain key priorities.

While an assessment of actual SDG costing for Bhutan has not yet been carried out, Bhutan's ambitious 13th FYP requires investments in excess of BTN 750 billion, almost three times more than the financing needs of the 12th FYP. With a fiscal deficit projected to continue into 2024 - 2025, Bhutan will need to mobilize more than 50 per cent of its investment needs for the 13th FYP from sources other than grants and public finance. This calls for innovative and sustainable sources of financing, as well as strengthened efforts in terms of broadening the country's financing portfolio.

Key areas identified in the analysis include:

- Improving access to credit for MSMEs;
- Ensuring a transparent, reliable and conducive regulatory environment to attract FDI;
- Developing the domestic bond and capital markets, together with facilitating access to international capital markets.

With regard to public finance and grants, there is a need for:

- Broadening and deepening of the tax base and improving the efficiency of the country's tax systems;
- Leveraging instruments for private capital, including PPPs, blended financing and equity financing to their full potential; employing digital finance tools to help promote financial inclusion and employing innovative approaches to address the growing mismatch between needs and actual supply of development financing, including for financing climate action.
- Strengthening partnerships for the country's sustainable development and periodically reviewing the various development-partner coordination mechanisms for ensuring the effectiveness of development assistance and aid coordination.

Opportunity #2: Accelerating more inclusive and equitable human development

Bhutan has made impressive socio-economic advancements over the past six decades, leading to significant improvements in life conditions and imminent graduation from LDC status by 2023. Nonetheless, the quality, inclusiveness and sustainability of key social sectors are a concern, with critical issues remaining at disaggregated levels, many of which are intersecting and underlie key vulnerabilities. While income poverty and multidimensional poverty are overwhelmingly concentrated in rural areas, emerging pockets of poverty in urban areas are a concern.

The specific sub-groups of highly vulnerable people under six broad categories identified in this CCA (i.e., women and girls; children and adolescents; youth; senior citizens; persons with disabilities and LGBTQI) face common issues and barriers to full realization of their human rights and the freedom to lead fulfilled, dignified lives. These include experiencing multiple and overlapping forms of poverty; discrimination and stigma leading to exclusion from access to quality social services and livelihood opportunities; realization of all of their rights; being at risk of or experiencing violence or abuse and facing challenges with psychosocial health, among others.

Issues with the quality, inclusiveness and sustainability of health services in the country is illustrated by the shortage of appropriate human-resource capacities and funding for the village health worker system; lack of access to skilled birth attendants and neonatal care, especially in rural areas, with which majority of such fatalities are linked and persistent challenges with uninterrupted water supply and water quality in both urban and rural areas.

Concurrently, non-communicable diseases are on the rise in Bhutan, while the country continues to struggle with communicable diseases. Bhutan today faces the triple burden of malnutrition with the co-existence of undernutrition, micronutrient deficiencies and overnutrition. This, in turn, is linked to major issues and challenges with the RNR sector, affecting food and nutrition security; a need for greater awareness regarding nutrition and food safety, including behavioural changes; a need to revisit the country's food systems; and to address essential human and institutional capacities.

Likewise, ensuring equitable, inclusive quality and relevant educational learning outcomes remains a challenge. Gender parity at the tertiary level has not been achieved; school dropout

rates remain high; and increasing numbers of Bhutanese students, including graduates from vocational and tertiary institutions, are not adequately prepared to enter the workforce.

Despite formal guarantees of equality, structural and cultural norms continue to obstruct the full realization of gender equality and women's empowerment. Key issues remain around maternal and reproductive health; enrolment in and completion of tertiary education; low participation in public decision making and political spheres; and gender-based violence. Gender mainstreaming processes, implementation of key legislation and capacities for collection and use of sex-disaggregated data continue to be critical needs.

Critical gaps in the country's protection systems for women and children were also revealed as the COVID-19 pandemic unfolded, with attention drawn to issues such as trafficking in persons, increasing reports of domestic violence and mental health issues. As education and public services went online, concerns over online safety for children, cyber security and the digital divide were highlighted. With the sustainability of free healthcare already under pressure from epidemiological change, the capacity of the country's health system to deal with prolonged as well as concurrent states of emergency is an additional concern.

Meanwhile, efforts to *leave no one behind* are hindered by an inability to adequately identify vulnerable groups, given a dearth of up-to-date data, especially for key social indicators. Even as many more potential vulnerable groups are thus not included in this CCA, data issues pose a challenge to devising appropriate interventions for the six vulnerable groups identified.

To achieve the SDGs, greater and focused investment in human development is critical. A robust approach to identifying those (at risk of) *being left behind* and ensuring a fully functioning comprehensive social protection system are fundamental requirements towards sustainable human development. Investments are also needed to ensure access to adolescent- and youth-friendly health services, including for those with disabilities; a culturally sensitive and practical strategy for addressing the needs of senior citizens; ensuring the relevance and quality of education and learning for livelihood and employment opportunities; strengthening institutions and services to ensure inclusiveness; a coordinated strategy for investing in the country's youth; and for harnessing the demographic dividend.

Opportunity #3: Protecting the environment and building more resilient systems and communities

Environmental protection, natural resource management and climate change:

While a strong conservation ethos has enabled Bhutan to maintain its rich biodiversity with the provision of clean air, water and other ecosystem services, rising global and regional average temperatures render the country increasingly vulnerable to the impacts of climate change. With water resources as the sector most likely to be severely affected by climate change, there are far-reaching implications for Bhutan's nature-dependent livelihoods, as well as to its hydropower- and agriculture-based economy, to its biodiversity, ecosystem services and societal wellbeing. At the same time, with development imperatives placing increasing pressure on the natural environment and resources, Bhutan faces the critical challenge of managing co-benefits and trade-offs, while balancing conservation with development.

While Bhutan's CO2 emissions rate is considered negligible on a global scale, heavy reliance on fossil fuels and a trend of increasing emissions poses risks to its carbon-neutral commitment. Additionally, energy security is a key concern given rapid growth in demand for electricity amid risks to the hydropower sector, thereby necessitating investments in other clean and renewable energy sources. These are compounded by the rapid and haphazard nature of urbanization, further intersecting with emergent issues, such as amplification of conventional risks and hazards, the increasing concentration of socio-economic vulnerabilities, among others.

Disaster Risk Reduction

The challenges to enhancing Bhutan's disaster resilience at all levels are significant. The lack of a strategic overview, poor multi-sector coordination, the absence of a central database and risk-relevant information systems hinder effective implementation of the *Disaster Management Act of Bhutan 2013*. Key institutions lack critical infrastructure and capacity; the absence of a national-level multi-hazard risk assessment impedes the country's ability to understand disaster risks and early warning systems. Bhutan has limited capacity for integration of DRR in infrastructure planning and development, severely lacks in emergency logistics preparedness and faces an urgent need to establish and preposition core relief items at strategic locations across the country.

In the absence of a *leave no one behind*-sensitive crisis management policy to address the needs of rural and urban women, children, persons with disabilities and other vulnerable groups, gaps are at risk of widening and contributing to the vicious cycle of inequality and exclusion. Attention to pandemics and other public health emergencies has also been lacking. As a cross-cutting agenda, coupled with the fact that disasters are often visible only as they occur, DRR faces challenges in accessing adequate funding due to competing priorities. Meanwhile, there is no disaster risk finance strategy that can inform the RGoB with regard to selecting disaster risk financial instruments suitable to its context.

Taking Climate Action and Strengthening Resilience

Ensuring effective implementation of mitigation actions outlined in Bhutan's second NDC, including LEDS for the surface transport, agriculture, human settlement and industry sectors, as well as adaptation measures outlined in its NAP will be critical. These, however, are contingent upon support of development partners and the international community.

Additionally, gaps in integration of climate change issues into local plans need to be urgently addressed, especially for Bhutan's key urban centres. This will require building and strengthening capacities for action, which entails strengthening climate data and research; greater integration of climate change into education, including for children; technical capacities for understanding and implementing international environmental legal instruments, among others.

Building resilience to the impacts of climate change and scaling up efforts at conventional disaster preparedness are urgent priorities for Bhutan. This requires adopting a proactive approach to DRR and preparedness, accounting also for pandemics and other public-health emergencies, sensitivity to the differentiated needs of vulnerable groups and strengthening supply chains and logistics capacity as central to improving the country's disaster readiness. Undertaking a risk-informed development approach will require an appropriate mix of

prevention/preparedness, reducing and/or eliminating risks and systems approaches to building resilience in all elements at risk.

A crucial starting point is in strengthening risk governance that provides the enabling environment for risk-informed development, at the national and local/urban levels. Considering the inter-connectedness of climate change impacts, pandemics and vulnerabilities, it will be particularly important to strengthen the resilience of urban systems. Any direct impacts of exogenous shocks to major urban centres such as Thimphu and Paro can trigger cascading and wider effects to the rest of the country, including disruption of essential services, government functions, financial and social-sector systems, among many other possibilities.

Opportunity #4: Ensuring more inclusive and efficient governance

Bhutan's political system and governance institutions have made transformative progress since the adoption of its constitution and transition to a democratic constitutional monarchy in 2008. Deepening the country's democratic culture remains critical and will require sustained investments in initiatives that enhance the capacities of both rights holders and duty bearers, towards greater consultative processes and enabling environments for citizen engagement.

This includes addressing the effective disenfranchisement of a large number of Bhutanese living in urban areas (such as Thimphu); strengthening citizen awareness and creating more spaces for debate and dialogue, including digital platforms and strengthening the capacity of public officials, such as members of Parliament, in order to more effectively deliver their oversight roles and that of anti-corruption officials in order to deal with more sophisticated forms of corruption. Efficient management of the justice system and legal aid remain to be fully practiced in the country, and media's ability to play important watchdog functions needs strengthening.

Bhutan has yet to see meaningful participation and representation of women in politics and governance, while youth participation and engagement in governance and decision making is minimal. While the institutions of local governments and civil society are particularly well-suited to delivering essential services at the grassroots level and for ensuring that *no one is left behind*, their potential is constrained by critical gaps in the enabling environment, capacities and resources, including their largely unrecognized role in strengthening democratic governance.

Meanwhile, the need for a more fit-for-purpose civil service is being addressed with a major reform initiative of the public sector. This process could benefit from revisiting the wisdom offered by its GNH philosophy, to incorporate an appropriate "systems thinking" and anticipatory approach that helps weigh future opportunities and threats from emerging trends. To do so, "triple C" remains a key challenge to be overcome, requiring first and foremost a willingness to coordinate and collaborate among all levels of government and across all sectors.

This will need to be supported by continued efforts in strengthening the country's data ecosystem, including capacities for data generation and utilization of big data, especially for effective identification of vulnerable groups, sound preparedness and response to multidimensional risks and for taking climate action. Substantial strengthening of implementation capacities at the local-government level and engaging civil society more robustly will also be critical.

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Annexes

Annex 1: Architecture of Working Groups for this CCA

| CF Task Team |
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Information provided was correct as of 29/08/2022

Annex 2: Summary of CCA Consultation Inputs from CSOs

CSO consultation and validation workshop on the draft CCA report

The UN Resident Coordinator's Office (RCO) organized a half-day workshop with CSOs on 22 September 2022, as part of the CCA report preparation process. The workshop, to which all registered CSOs in the country were invited, was attended by the following CSOs:

- 1) Ability Bhutan Society
- 2) Bhutan Association of Women Entrepreneurs
- 3) Bhutan Cancer Society
- 4) Bhutan Ecological Society
- 5) Bhutan Kidney Foundation
- 6) Bhutan Media Foundation
- 7) Bhutan Network for Empowering Women
- 8) Bhutan Stroke Foundation
- 9) Bhutan Taxi Association
- 10) Bhutan Toilet Organization
- 11) Bhutan Youth Development Fund
- 12) Bhutan Transparency Initiative
- 13) Centre for Research on Bhutanese Society
- 14) Chithuen Phendhey
- 15) Clean Bhutan
- 16) Construction Association of Bhutan
- 17) Evaluation Association of Bhutan
- 18) Film Association of Bhutan
- 19) GNH Centre Bhutan
- 20) Lhak-Sam
- 21) Music of Bhutan Research Centre
- 22) Nazhoen Lamtoen

- 23) Organization for Youth Empowerment
- 24) Pel Drukdraling Foundation
- 25) Pride Bhutan
- 26) Queer Voices of Bhutan
- 27) RENEW (Respect, Educate, Nurture and Empower Women)
- 28) Royal Textile Academy
- 29) SABAH (SAARC Business Association of Home-Based Work)
- 30) Tarayana Foundation
- 31) VAST Bhutan (Voluntary Artists Studio, Thimphu)

The workshop was designed both as a consultation and as part validation of the draft CCA report. Accordingly, an overview of the draft CCA was presented by the consultant, Ms. Tashi Choden, with a focus on components of particular relevance to CSO engagement, i.e., report sections on social development and exclusion (*leave no one behind*); governance and institutional capacity; and partnerships.

To facilitate CSO inputs into the draft CCA and for validation of the draft report presentation, three broad guiding questions were provided for group work as well as open-floor discussion. The following is a summary of discussion points and inputs, based on which the draft CCA has been revised, with key points integrated into relevant sections of the report.

Q1. Are the issues concerning the six identified vulnerable groups adequately captured? Are there any other population groups that you are working with who are at risk of being left behind and that have not been reflected in the CCA?

CSOs acknowledged the intersectionality of various issues among the identified vulnerable groups. Several sub-groups were identified as missing (and therefore to be included under the relevant groups), i.e., economically-disadvantaged women (both rural and urban); persons affected by advanced and terminal illnesses; sex workers; and children living with and affected by HIV/AIDS. It was suggested that abuse of drugs/alcohol be included as a vulnerability affecting all six identified vulnerable groups.

It was pointed out that the official terminology for older persons in the country is “senior citizens”, with a policy for senior citizens under development, and therefore to use this Bhutan-specific term in the CCA. The sub-group “women and girls working in *Drayangs*” was no longer applicable, given that *Drayangs* have recently been done away with, and therefore to update it as “working in the entertainment sector”. It was also suggested that the term “commercial sex work” is inappropriate, and that it simply be referred to as “sex work”.

There was concern over the persistence of inadequate data, especially for vulnerable groups, and questions as to why Bhutan is still unable to address issue, even after 10 years of discussion around it. CSOs suggested that the CCA also reflect the recent surge in Bhutanese

youth out-migration to Australia, as well as financial stress as a form of poverty occurring in pockets across both rural and urban parts of the country. It was mentioned that the role of art and creativity is missing from the CCA; additional areas such as youth and environment, and the high incidence of suicides among farmers (as reflected in past media reports) was noted as needing consideration.

Q2. (a) Are the issues and challenges regarding CSO roles and civic space in the country adequately captured in the CCA presentation? (b) What are your expectations of the government in terms of enabling CSOs to fulfil their anticipated (greater) role in the 13th FYP?

As shared by the CSOs, additional issues and challenges faced in deepening civic space in the country (other than those mentioned in the presentation of the draft CCA) include: CSO roles not clearly defined; difficulties with accessing financing; lower/no recognition of CSO roles in promoting art, creativity and culture; no specific inclusion of people living with chronic diseases/advanced illnesses in the country's development plans (therefore requiring inclusion in the 13th FYP); and CSO capacity gaps in supporting working mothers (and therefore gender equality and women's empowerment), given a general lack of qualified child-care services and facilities in the country, especially for infants and toddlers.

With the RGoB indicating that CSOs will play a greater role in mobilizing resources and enhancing accountability (Prime Minister/Government – CSO Meet in November 2021); and the 13th FYP Concept Note stating expectations of “close engagement with CSOs to harness their potential and partnerships”, the workshop identified several enabling factors that are required for CSOs to better fulfil their anticipated (greater role) in the 13th FYP.

While the Guidelines for CSO-Government Collaboration has received in-principal support of the Prime Minister and the Cabinet, it still requires official endorsement and implementation. Meanwhile, there is still a need for adequate recognition of CSO contributions, and for them to be acknowledged as key development partners.

In order to strengthen collaboration and partnerships between government agencies and CSOs, there is a need streamline communication between the two; CSOs are of the view that government in general can be more open to new ideas, support CSO initiatives and work with them with a greater spirit of trust and transparency.

Partnerships can be enhanced by government leveraging CSO experience, expertise and ground presence for greater reach to the most vulnerable sections of society, and by outsourcing delivery of relevant services to CSOs. Engagement of CSOs in the country's social and economic development can be made more robust by engaging CSOs throughout planning, implementation and evaluation processes.

With regard to CSOs working towards economic empowerment of farmers and vulnerable groups, this includes, for example, the process of identifying cash crops with export potential; pathways for obtaining relevant certification from target markets and securing the required accreditation; and demonstrating clear linkages between various initiatives and their accrued benefits for concerned groups.

Specific needs for CSO capacity strengthening include HR technical support; facilitating the registration of informal CSOs; thematic allocation of funds where possible; facilitating linkages with donors and partners, including inclusion of relevant CSOs in trade fairs and other such regional/international opportunities, etc.

Q3. Please share your top three expectations of the UN System in Bhutan in systematically engaging with CSOs.

A key expectation of the UN system in Bhutan is that it advocates for more meaningful engagement between CSOs, government and other international agencies; and that it actively supports the creation of enabling environments, especially for weaker CSOs in the country. This includes, in particular, the initiation of need-based projects; inclusion of arts and culture as a thematic area in policy documents and provision of equal opportunities for all CSOs.

CSOs also expect that the UN system will continue to upscale its technical and capacity building/strengthening support to CSOs, along with providing technical backstopping where required. More specifically, UN support in strengthening CSO resource-mobilization capacities was identified as a key need, including the sharing of reliable information regarding potential funding sources/donors/partners.

In addition, some CSOs continued to express the expectation of direct financial assistance from the UN, for example through dedicated budget allocation for CSOs in Bhutan's FYPs; and consideration for instituting direct partnerships to streamline working modalities between the UN system and CSOs in the country.

Focus group discussions with persons with disabilities

The RCO, in collaboration with the Disabled People's Organization of Bhutan (DPO), organized a focus group discussion (FGD) for this CCA on 9 September 2022. A total of 10 persons with various types of disabilities and one parent of a child with a disability took part in the discussion. Also in attendance were key programme personnel from the Ability Bhutan Society (ABS), Bhutan Stroke Foundation (BSF), the Ministry of Education (MoE) and the DPO.

The discussion was facilitated by Mr. Bishnu B. Mishra from UNICEF, with interpretation support provided by Ms. Tashi Yuden of the DPO; and note-taking support provided by members of the UN's Human Rights and Disability Working Group, Mr. Tashi T. Dukpa (RCO) and Ms. Phuntsho Wangmo (WFP). The following is a summary of the discussion, as recorded by the notetakers:

Challenges and opportunities

Respondent 1: "For wheelchair users, living in Thimphu is expensive, especially high rental for apartments. Then, we do not get apartments on the ground floor where barriers for mobility would be minimal. So, we usually live on top floor of the houses which are inaccessible. Access to public transport like city buses are severe challenges as the bus routes are far away from their residential place. There is lack of employment, hardly any jobs, limited or no training at all. There is issue of having no caregivers and non-availability of custom-made wheelchairs. Shared an example of a girl with physical disability in Trashigang (east Bhutan) who was not gone to school, has no confidence and no support. Meets over social media to chat and provide peer support. Sometimes, raise small funds in Thimphu to send financial support to the girl".

Respondent 2: "Nationally and internally, we always talk about inclusion, but we do not interpret it properly. For example, we don't have proper ramps in the school and institute while we mention inclusive in the guideline. A person on wheelchair or mobility issue cannot access it, thus becomes exclusive. Although policy and strategy are based on inclusiveness, but people cannot get or access it. For example, in Bhutan we say that health and education is free, but the free service does not reach to PWDs. We are a resource constraint society and PWDs are scattered across the country, so when we talk about inclusion and interpret it, we should also consider some specialized services for people who cannot get inclusive services. This is a great challenge and experience in other parts of the country".

"Service-oriented institutions like banks, schools and hospitals should provide inclusive services. I am blind and in Bhutan we have 25 or 26 inclusive schools. But until I have learnt Braille and confident with my skills, inclusive will be difficult. Like the school for the blind (Khaling), there should be for particular disability. So, inclusion should be mainstream as well as target (twin-track approach)".

Respondents 3 and 4: "We all know that people in general cannot be ill-treated or verbally abused. One of my friends (with disability) is a domestic helper and she is verbally abused and ill-treated by the owner. She has not been physically abused or beaten. This is an issue of access to justice. There is another case where a painter (with hearing and speech impairment) lodged a complaint to police and there was no interpreter. The complaint was about payment

issues. There should be sign language focal or interpreter provided by government or the Disabled Persons Organization (DPO)".

Respondent 5: "I am a person with disability, and I receive *Kidu* (social protection service provided by His Majesty in terms of financial and in-kind support), and I want to serve my country. So, I registered for *Dessung* (national service) training, but I was not considered despite my requests reasoning that I am not eligible. I felt discriminated. I lost a hand only and I can serve my country as *Dessup* in many different capacities (in school or town where many *Dessups* work) since I do not have any work and am a *Kidu* recipient".

Respondent 6: "I am a parent of a child with disability. My child is a hyperactive one (looks normal with ADHD) and when availing services such as being in queue, people do not understand as my child is not able to stay or stand in one place. Maybe a signage for such disability would help so that people would not stigmatize and understand while availing services. There is also need for more ECCDs who provide specialized services. There is need for specialized education centre. Maybe a unit focusing on disability in every district would help".

Respondent 7: "Most of the private ECCDs do not accept children with disabilities. Those who do, charge double or triple the amount of fees as compared to a normal child. Recently, there was a case where a parent of a child with disability was charged BTN 11,000 as compared to BTN 3000 per month for a normal child as that ECCD cited that individual caregiver's attention (one-on-one) is required. On another case, a single parent (who is a vegetable vendor) has three dependents, one being a child with disability. While the child got admission into Changangkha School (SEN school), the parent had to withdraw the child from school as the parent had to be with child in the school from 9-3PM and the demand does not make it conducive for as a vegetable vendor. So, caregivers in the school would be helpful".

Respondent 8: "Need more capacity building for teachers in all SEN schools and also the caregivers need more training. There is need in adjustment or tailor curriculum based on the disability of a child like Down Syndrome. For intellectual disability, simplify curriculum as science subjects like chemistry are difficult to catch up. Absence of such curriculum has led to children with disability having less qualification. There is need of a reasonable accommodation".

Respondent 9: "In Bhutan, there are only a handful of certified interpreters for deaf. This is an issue. Also, Bhutan Broadcasting Service (national radio and TV) has only once a week (Friday only) sign language interpretation. We miss out on important speeches of His Majesty and the Prime Minister. There is also issue of deaf people not getting jobs".

Respondent 10: "As a person of disability operating a small business to sustain livelihood, there is issue of money transaction where we must use thumbprint and go to the bank repeatedly which has ceiling of BTN 5000 [Note: It was later clarified that the ceiling of BTN 5000 is applied across-the-board for illiterate people who uses thumbprints to make transactions in the bank]. Banking applications like MBOB also has transaction limits for people who use thumbprints as main authentication medium. Repeatedly going to bank asking for some help from friends is not sustainable and they tend to give up too. So, an assistant robot would be ideal".

Respondent 11: “For visually impaired, accessibility in and around Thimphu is a big issue and concern as there are number of unmarked potholes and poles along footpath. Thimphu’s footpath has improved a lot. Also, there is challenge of stray dogs. There is concern around people who are misusing the names of PWDs and raising funds illegally. Need to streamline and issue permits accordingly. Concerns around government institute (Royal Academy of Performing Arts) competing with private firm offering music classes, which are offered group of people with visual impairment”.

Respondent 12: “Government and development partners need to invest in infrastructure of schools to make it more accessible. Investment in early interventions and ECCDs are important as this has opportunity to reverse disability or reap the benefit of investment as half or significant disability could be corrected or treated at an early stage. There is huge gap in early intervention. The next five-year plan should look into this urgently. Capacity building across the sectors is important. Right now, Bhutan has issues of not having adequate human resource and capacity. National curriculum by international standards needs to be same but mode or approach of delivery can be tailored or different. There is need of a national disability act which would mandate organizations to come up with inclusive policies and approaches. The act could be the guiding star and things would fall in place. Based on the act, PWDs can demand services and organizations can deliver the services”.

Respondent 13: “Disability has become everyone’s concern but nobody’s responsibility. But there are some opportunities. For example, there was some trainings provided for PWDs where five OPDs came together along with government agency (GNHC and MoLHR) and UNDP to provide training and equipment. There is lack of family support in cases where PWDs showed interest but at the same time, PWDs also need to own up and come forward to avail such opportunities. There are job opportunities but PWDs lack confidence in coming forward. Whose responsibility is it then”?

Respondent 14: “Human rights are there for all in Bhutan, especially for PWDs. However, there is no human-rights based approach. There is equal opportunity being provided but human-rights based approach is not there. For example, trainings are provided but after that there is no human-rights based approach for further employment. Employment opportunities are there but in terms of qualification (persons with blindness are comparatively advanced) there are barriers for different types of disabilities. Even if a PWD is hired, there is issues of accessibility of environment and information within the workplace. There are challenges of communication within the workplace”.

“For future, we need a resource centre for PWDs in Bhutan, which can be an example for other organizations to replicate. We also need better disability data in Bhutan which should include types of disability so that we can plan ahead during disasters. Need a lead agency from the government side like NCWC for women and children, which would help provide services in all districts and *gewogs* (block level). The National Policy for Disability which was approved in 2019 has helped improve services for PWDs in Bhutan. For future, UNCRPD ratification by the government will bring about a lot of benefit and opportunities for PWDs”.

Respondent 15: “There is stigma and discrimination in the society, but this may not be solely due to your disability. It depends on oneself. If you can live independently (being employed),

there is no discrimination, rather more appreciation from society. There are people willing to help you”.

(Question posed): What should the UN focus on in the next five years?

Respondents 1,2,3,4,5:

- Employment: **The** UN should lead by example. Try to employ as many PWDs as possible.
- Nothing about us without us: When you make plans and programmes, always involve PWDs in addition to organizations for persons with disabilities (OPDs) that are usually invited.
- Implementation: Make sure that the maximum funds go to PWDs and target groups as most of the funds are lost in the middle for making policies and meetings.
- Focus more in rural areas.
- UNCRPD ratification: The UN should push for UNCRPD ratification in collaboration with OPDs.
- Focus on women with disabilities – health and hygiene.

Annex 3: Overview of International Commitments and Engagements

List of HR conventions signed and ratified, or not ratified by Bhutan

| Treaty Description | Treaty Name | Signature Date | Ratification Date |
|---|-------------|----------------|-------------------|
| Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment | CAT | - | - |
| Optional Protocol of the Convention against Torture | CAT-OP | - | - |
| International Covenant on Civil and Political Rights | CCPR | - | - |
| Second Optional Protocol to the International Covenant on Civil and Political Rights aiming to the abolition of the death penalty | CCPR-OP2-DP | - | - |
| Convention for the Protection of All Persons from Enforced Disappearance | CED | - | - |
| Convention on the Elimination of All Forms of Discrimination against Women | CEDAW | 17 Jul 1980 | 31 Aug 1981 |
| International Convention on the Elimination of All Forms of Racial Discrimination | CERD | 26 Mar 1973 | - |
| International Covenant on Economic, Social and Cultural Rights | CESCR | - | - |
| International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families | CMW | - | - |
| Convention on the Rights of the Child | CRC | 04 Jun 1990 | 01 Aug 1990 |
| Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict | CRC-OP-AC | 15 Sep 2005 | 09 Dec 2009 |
| 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 Sep 2005 | 26 Oct 2009 |
| Convention on the Rights of Persons with Disabilities | CRPD | 21 Sep 2010 | - |

Multilateral environmental agreements (MEAs) to which Bhutan is party

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

UN peacekeeping

After joining the United Nations as a member in 1971, Bhutan joined the UN peacekeeping fraternity in 2014. In 2017, Bhutan was the first troop-contributing country to sign a Rapid Deployment Level Agreement with the UN. Under this agreement, Bhutan annually pledged a Force Protection Company, consisting of a military unit of 200 troops in the highest state of readiness, to be deployed within 60 days of receiving a notification from the UN. Bhutan is currently ranked 84 out of the 123 contributing countries. As of December 2021, 230 Bhutanese peacekeepers had completed their assignments.⁴¹⁹

419 United Nations, Bhutan, 2021 [UN Country Annual Results Report](#) (13 April 2022).

Annex 4: UN High Commissioner's Letter to Bhutan

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28 November 2019

Excellency,

I have been following the third cycle of the Universal Periodic Review (UPR) of the Kingdom of Bhutan and welcome the constructive engagement of your Government during the 33rd session of the UPR Working Group in May 2019.

As the final outcome report on the review of Bhutan has been recently adopted by the Human Rights Council at its 42nd session, I would like to take this opportunity to follow up on a number of areas raised in the two reports that my Office had prepared for the review of Bhutan – the Compilation of United Nations information and the Summary of Stakeholders' submissions – which I consider in need of particular attention over the next four and a half years, until the next cycle of the UPR. In identifying those areas, I have considered the statements and/or recommendations made by 94 delegations and the presentation made and responses provided by the delegation of Bhutan. I have also considered the actions taken by the Government to implement the 109 recommendations supported during the second cycle of the UPR. The aforementioned areas cover a range of issues, which appear in the annex to this letter.

I welcome that Bhutan has expressed its commitment to institute a national mechanism with technical assistance from OHCHR to monitor the progress of the implementation of the recommendations from the third cycle UPR. In this regard, I welcome the work of the National Commission of Women and Children that could be strengthened to act as a national mechanism for reporting and follow-up.

I also welcome the various legislative and policy measures taken by your Government, which aimed at better protecting the human rights of the Bhutanese people in line with Bhutan's international obligations under international human rights treaties. These include laws on the Office of Attorney-General, access to information, bio-safety, and tobacco control, as well as anti-corruption measures adopted by the Anti-Corruption Commission, among others. I also commend your Government for the adoption of the Rules of Procedure for Treaty Making aimed at streamlining the treaty making process and the ratification of conventions.

I am concerned, however, at the low level of ratification of the core international human rights treaties and related human rights protection challenges affecting individuals and groups. I, therefore, encourage ratification of the remaining core human rights treaties, which would help the Government to address human rights concerns affecting individuals and groups more effectively.

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H.E. Lyonpo (Dr) Tandi Dorji
Minister for Foreign Affairs
Kingdom of Bhutan



I encourage Bhutan to adopt a new implementation matrix for the recommendations received during the 3rd cycle of the UPR and to effectively implement it in order to achieve concrete results in the areas highlighted in the annex to this letter and to facilitate the preparations for Bhutan's fourth cycle of the UPR. My advice to all Member States is to implement national action plans in close consultation and cooperation with all stakeholders, in particular all civil society organizations and, where necessary, with the support of international organizations, including my Office and other United Nations entities, under the leadership of the United Nations Resident Coordinator.

I also encourage Bhutan to make further efforts to strengthen the existing National Commission of Women and Children into a functioning national mechanism for comprehensive reporting and follow-up in relation to recommendations received from all international and regional human rights mechanisms and to treaty obligations, linking this to the Sustainable Development Goals. I strongly recommend the use of the OHCHR practical guide on this topic, which is available at:

http://www.ohchr.org/Documents/Publications/HR_PUB_16_1_NMRF_PracticalGuide.pdf.

Please, kindly note that I am sharing my advice with all Member States as they go through the third cycle of the UPR with a view to assisting them with the implementation of the recommendations, following the review. An important measure that can contribute positively to follow-up action is voluntary mid-term reporting. Therefore, I strongly encourage all Member States to submit a voluntary mid-term report two years after the adoption of the UPR outcome report. In this regard, I encourage Bhutan to consider submitting a mid-term report on follow-up to the third cycle of the review, by 2022.

As stated by the Secretary-General in his 2017 report on the work of the Organization (A/72/1, paragraph 98): *"The Human Rights Council's universal periodic review process is now entering a new cycle, with every Member State scheduled for a third round of scrutiny. We will work to strengthen the relevance, precision and impact of the Council's recommendations, including by providing better support to Member States in implementation, stronger collaboration with United Nations country teams and the establishment of national mechanisms for human rights reporting and follow-up to link the universal periodic review to the implementation of the Sustainable Development Goals."*

I look forward to discussing with you ways in which my Office may assist Bhutan in relation to the areas identified in this letter and its annex, and welcome the request already made for technical assistance.

Please, accept, Excellency, the assurances of my highest consideration.

Michelle Bachelet
High Commissioner for Human Rights

Annex

Scope of international obligations and cooperation with international human rights mechanisms and bodies

- Ratifying the core international human rights instruments to which Bhutan is not yet a party, including the International Covenant on Civil and Political Rights; the Second Optional Protocol to the International Covenant on Civil and Political Rights, aiming at the abolition of the death penalty; the International Covenant on Economic, Social and Cultural Rights; the International Convention on the Elimination of All Forms of Racial Discrimination; the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment and its Optional Protocol; the Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women; the International Convention for the Protection of All Persons from Enforced Disappearance; the Optional Protocol to the Convention on the Rights of the Child on a communications procedure; the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families; and the Optional Protocol to the Convention on the Rights of Persons with Disabilities.
- Ratifying the Convention on the Prevention and Punishment of the Crime of Genocide; the Rome Statute of the International Criminal Court; the Additional Protocols to the Geneva Conventions; the International Labour Organization (ILO) Domestic Workers Convention, 2011 (No. 189); and the UNESCO Convention against Discrimination in Education.
- Extending a standing invitation to all Special Procedures mandate holders of the Human Rights Council.

National human rights framework

- Establishing an entity with the mandate of coordinating all activities related to the implementation of human rights treaties, to which Bhutan is a party.
- Establishing an independent national human rights institution in full compliance with the Paris Principles.

Implementation of international human rights obligations, taking into account applicable international humanitarian law

A. Cross-cutting issues

Equality and non-discrimination

- Amending relevant anti-discrimination legislation so as to include discrimination based on sexual orientation, gender identity and expression and sex characteristics.
- Decriminalizing same-sex sexual conduct between consenting adults.

Development, the environment, and business and human rights

- Elaborating targeted interventions along with the existing good practices, aimed at reducing the income disparity and other forms of inequalities.
- Continuing efforts to fight corruption.

- Continuing to implement policies and measures aimed at strengthening environmental conservation efforts, as well as expanding the actions of preparedness for natural disasters, emergency situations and adaptation to climate change.
- Enabling of greater inclusion and participation of women, children, persons with disabilities, and other marginalized communities in devising holistic strategies towards managing climate change and its impact on livelihoods.

B. Civil and political rights

Fundamental freedoms

- Intensifying efforts to protect and promote freedom of religion or belief and the rights of persons belonging to religious minorities.
- Preventing the misuse of defamation laws to unduly constrain freedom of expression both online and offline.

Prohibition of all forms of slavery

- Developing a national action plan on trafficking in persons, through wide consultation with governmental and non-governmental stakeholders.
- Continuing its engagement to ensure the rehabilitation and social integration of victims of trafficking, including through provision of access to shelters, and legal and medical assistance.

C. Economic, social and cultural rights

Right to work and to just and favourable conditions of work

- Continuing to expand rural access to quality education and enhancing the job prospects of the youth, including through technical and vocational education training, as well as continuing efforts to address the issue of youth unemployment, including through creation of productive and gainful employment.

Right to an adequate standard of living

- Continuing to promote social policies aimed at increasing the quality of life of the Bhutanese people.
- Accelerating efforts towards effective solutions for the provision of basic services in rural areas such as health, education and potable water.

Right to health

- Further strengthening public healthcare system, including by enhancing physical infrastructure and allocating resources to healthcare facilities benefiting rural communities.
- Adopting a comprehensive health policy and increasing support to reproductive health and family planning services.

Right to education

- Continuing to improve the quality and access to education for all children, especially children from the rural communities and children with disabilities.
- Continuing interventions targeting the right to education, including through non-formal education and access to technical and vocational training.
- Taking all appropriate steps to encourage and facilitate women's participation in tertiary education.

D. Rights of specific persons or groups

Women

- Continuing its efforts to promote gender equality and empower women and girls through enhanced participation of women and girls in political, economic and social activities.
- Revising the 1980 Marriage Law to increase the age of marriage for women to 18 years of age in line with SDG target 5.3.
- Preparing a national action plan to prevent all forms of violence against women and allocating sufficient resources for its implementation.
- Taking measures to better protect women and children from domestic violence, in particular through legislative reform.
- Continuing efforts to improve women's participation in political and public life and strengthen their representation in decision-making bodies.

Children

- Explicitly defining and criminalizing the sale of children and developing mechanisms to address child trafficking.
- Eradicating child and early forced marriage, by providing incentives to girls and their families to remain in school and by addressing rural poverty.
- Reviewing the laws, including the Penal Code, the Child Care and Protection Act, the Child Adoption Act and the Domestic Violence Prevention Act with a view to prohibiting all forms of corporal punishment in all settings.

Persons with disabilities

- Expediting the development of an action plan for the National Policy for Persons with Disabilities.
- Adopting the legislative and policy framework for disability, aimed at providing adequate educational services to persons with special needs, children with a higher risk of disability and with mental disorders.

Refugees and asylum seekers

- Enhancing its efforts in negotiations to find peaceful and prompt solutions for either the return or resettlement of children living in refugee camps in Nepal, with particular attention to reunification with their families.
- Ensuring the transparency of the procedure for the determination of the nationality of child refugees based on the right to a nationality and the right to leave and return to one's country, with due consideration to the best interests of the child.

Stateless persons

- Reviewing the Citizenship Act (1985) to extend citizenship to children born to at least one Bhutanese parent.
 - Identifying and correcting practices that might discriminate against children of ethnic Nepalese origin who lacked adequate documentation to access education and health services.
 - Recognizing the rights of children of ethnic Nepalese origin to enjoy their own culture, practise their religion and use their language.
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Annex 5: Multidimensional SDG Risk Analysis Framework⁴²⁰

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|-----------|---------------------|--|---|---|------------|--------|---|
| 16 and 17 | Political stability | Risks to the stability of established political and government structures in the territory, resulting from politically-driven factors. | Challenges to political system/government; Politically compromised government/institutions; Irregular changes to governance structures or principles. | Changes in the government every five years impacting changes in priorities and results. Systemic and structural changes as a result of civil service reform may create uncertainty in delivery of priorities and results. Affected population groups: Entire population. | Low | Medium | Annual Report – Anti Corruption Commission of Bhutan; (Non-) compliance with agreements/human rights obligations; Increased out-migration or rapid in-migration from neighbouring countries; RCO and agency specific media and social media monitoring; Review of the 12th FYP; Voluntary National Report. |
| 16 and 17 | Democratic space | Risks to democratic and human rights institutions and to civil and | Undue limits on democratic rights or freedoms; | Registered civil societies are actively engaged as implementing partners in the development process; | Low | Low | World Press Freedom Index (RSF); Freedom in the World Report; |

⁴²⁰ This framework will need to be revisited, taking into account economic and financial risks.

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|-----------------|---|---|--|---|------------|--------|--|
| | | political rights resulting from shrinking civic space, exclusion, repression and intimidation. | Constraints on civil society, rights actors or rights institutions; Active repression of civil society, rights actors and others. | Limited representation of women in Parliament; Low level of CSO and private-sector engagements in development discourse; Affected population groups: Entire population, including LGBTQI, persons with disabilities, women and girls. | | | Slow delivery and poor quality of services delivered. |
| 1, 5, 10 and 17 | Social cohesion, gender equality and non-discrimination | Risks to social unity and equality resulting from direct and indirect discrimination, horizontal inequalities and demographic trends. | Discriminatory practices; Power imbalances within society; Gender-based violence; Demographic pressures. | Limited opportunity and youth unemployment is a growing concern; Power imbalances, gender inequality based on social norms, and gender-based violence; Inflation (food and fuel prices), rising inequalities, declining reserves (INR, US\$), external debt situation, GDP growth, jobless growth and low productivity; Limited representation of women in Parliament; | Medium | Medium | Youth employment rate; Women's participation rate in government; GBV cases; RCO and agency specific media and social media monitoring; Poverty Index; CPI data from NSB (for food costs/inflation); Where available, the indicators should be disaggregated by sex, age and/or disability. |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|--------|-----------|-------------|-------|---|------------|--------|--------------------------|
| | | | | <p>Discrimination and stigmatization based on sexual orientation still prevalent in the country;</p> <p>Access to healthcare services, higher education opportunities and employment remains one of the key challenges among LGBTIQ communities (RENEW, needs assessment study on the LGBTIQ communities in Bhutan 2022);</p> <p>Lack of social security for older persons;</p> <p>Missed opportunities to reap demographic dividend;</p> <p>Access to sexual and reproductive health services, including for STIs/HIV for adolescents is limited;</p> <p>Access to comprehensive sexuality education for youth both in and out of school is limited;</p> | | | |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|--------|-----------|-------------|-------|---|------------|--------|--------------------------|
| | | | | <p>Implementation of gender - quality policy and capacity of gender focal points are inadequate;</p> <p>No data for unplanned/unwanted pregnancy, illegal abortions;</p> <p>Limited data on vulnerable groups and risks faced by the vulnerable groups;</p> <p>Gender-based violence among women and LGBTIQ is prevalent;</p> <p>Access to and utilization of essential services are limited for persons living with disabilities;</p> <p>Decreasing Total Fertility Rate and increasing dependency ratios;</p> <p>Poverty is still a rural phenomenon: 17.5 per cent of the population face rural poverty compared to 12.4 per cent facing poverty nationally;</p> | | | |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|-----------|--------------------------------|---|--|---|------------|--------|--|
| | | | | <p>Majority of farming communities are made up of smallholder farmers;</p> <p>Ageing rural population, increasing rural-urban migration and agricultural feminization;</p> <p>Affected population groups: All identified vulnerable groups.</p> | | | |
| 16 and 17 | Regional and global influences | Risks to the integrity, stability, safety and prosperity of the territory and its people because of the actions of external actors or the influence of external events. | <p>International tensions;</p> <p>Fragility in neighbouring countries;</p> <p>Sanctions, exploitation or dependencies.</p> | <p>Easy access to psychotropic substances and unsafe abortions across the border;</p> <p>Supply chain disruptions/import disruptions and increased inflation, exacerbating fiscal deficits due to regional/global events; changes in food imports or trade policy (e.g., India's export ban) and impacts on food and nutrition security;</p> <p>Global/regional trends and signals: the protracted crisis - pandemic, compounded by war, conflicts, pressure on natural resources, climate change and natural hazards/disasters exacerbates</p> | High | High | <p>Tension in neighbouring countries;</p> <p>Violations of regional agreements;</p> <p>Monthly Consumer Price Index (National Statistics Bureau);</p> <p>Import and export data from the National Statistics Bureau.</p> |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|-----------|-------------------------|---|--|---|------------|--------|--|
| | | | | poverty, increases cost of living, etc.; | | | |
| | | | | Affected population groups: Entire population, including youth, women and girls and persons with disabilities. | | | |
| 16 and 17 | Internal security | Risks to the security of the territory, its people and infrastructure, and to the ability of the international community to operate effectively as a result of security issues. | Internal conflict and insecurity; Non-state armed groups and militia; Crime and terrorism; Cross-border insecurity; Border management. | | | | |
| 16 and 17 | Justice and rule of law | Risk to the fair, effective and comprehensive implementation and application of the principles of justice, the rule of law and accountability. | Weak or compromised institutions; Security forces who act outside of or do not respect the law; A culture of denial of rights or impunity. | Need to ensure fulfilment rights of LGBTIQ community, persons with disabilities and other vulnerable groups per global commitments; Timely access to legal and justice services; | | | Disaggregated quantitative data on access to justice in civil and criminal matters; Non-implementation of recommendations of treaty bodies, UPR and special procedures; |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|--------------------|--|---|--|---|------------|--------|---|
| | | | | <p>Limited availability or lack of child-friendly and gender-sensitive investigation and court procedures;</p> <p>Limited services for rehabilitation and reintegration;</p> <p>Affected population groups: All identified vulnerable groups.</p> | | | <p>Macroeconomic indicators;</p> <p>Volatility of FDI flows in relation to DGP;</p> <p>Forex reserves;</p> <p>Debt-servicing ratio;</p> <p>Share of domestic firms in total exports;</p> <p>Tax revenue share in total revenue.</p> |
| 4, 6, 9, 11 and 17 | Infrastructure and access to social services | Risks to society and the population resulting from a lack of availability or limitation on access to physical infrastructure, and/or basic social services. | <p>Inadequate provision of basic services or technologies;</p> <p>Disruption to services, infrastructure, energy or transportation;</p> <p>Inequitable access to basic services or infrastructure.</p> | <p>Quality and timely delivery of infrastructure can be improved;</p> <p>Quality of essential healthcare services and competency of service providers need to be improved (last data availability for International LPI is in 2018; no domestic LPI data available);</p> <p>Infrastructures and social services need to be made accessible for persons with</p> | Medium | High | <p>Disaggregated social-service indicators by area and ethnicity;</p> <p>Logistics Performance Index (LPI);</p> <p>World Competitive Index (indices on infrastructure);</p> <p>Absence of/disruption to power or energy supply;</p> |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|--------|-----------|-------------|-------|---|------------|--------|--|
| | | | | <p>disabilities as well as age/gender-friendly services;</p> <p>Poor digital literacy, particularly amongst the rural population, thus impacting uptake and scaling of digital services/digitalization;</p> <p>Many rural schools are not digitally connected;</p> <p>Schools are at risk of closure due to earthquakes and climate change or pandemics like COVID-19; school children will miss out on school meals if schools close;</p> <p>Limited social service workers;</p> <p>Non-recognition of social service workforce;</p> <p>Hotspots of at-risk critical infrastructure under various climate-change scenarios (rrp.unescap.org);</p> <p>Affected population groups:</p> | | | <p>Absence of/ disruption to key communications/ IT;</p> <p>Absence of/disruption of financial services, extension services in rural areas;</p> <p>Unequal access to services for minorities and the vulnerable;</p> <p>Restrictions on availability/use of infrastructure;</p> <p>Disruption to key air, ground or water transport;</p> <p>Lack of public safe spaces for women that does not help in effort to eliminate violence against women.</p> |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|-----------|----------------------------|--|--|---|------------|--------|---|
| | | | | Entire population, including LGBTQI, persons with disabilities, senior citizens. | | | |
| 16 and 17 | Displacement and migration | Risks to the entire population and to the stability of the territory resulting from pressures associated with displacement and/or migration. | <p>Movement of people within, into or from the territory;</p> <p>Level of rights and protections afforded to migrants;</p> <p>Social economic, cultural and environmental impact of migration.</p> | <p>High level of rural-urban migration;</p> <p>Increased rural-urban migration, mainly by the younger people;</p> <p>Increasing pressure on urban spaces;</p> <p>Increased exodus/overseas migration of Bhutanese for better economic opportunities.</p> <p>Affected population groups: Entire population, including youth.</p> | Medium | High | <p>IOM Early-Warning Reports;</p> <p>Migration outflows.</p> |
| 3 and 17 | Public health | Risk to the population, the economy and stability of the territory resulting from actual and emerging health emergencies. | <p>Increase in preventable or treatable health issues;</p> <p>Increased NCDs due to unhealthy diets and lifestyle;</p> <p>Epidemics, pandemics and infectious diseases;</p> | <p>Global food crisis and inflation, decreasing family purchasing power of nutritious food;</p> <p>The morbidity and mortality related to NCDs are increasing due to changes to dietary and physical exercise habits;</p> | High | High | <p>Sudden rise in infections and NCDs-disaggregated by regions/population groups;</p> <p>Monitoring increases in BMI/data on Food consumption and micronutrient</p> |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|--------|-----------|-------------|---|---|------------|--------|---|
| | | | Chemical, radiological and other biological agents. | <p>With the relaxing of travel restrictions globally and Bhutan's opening of its borders, there is increased risk of importing diseases;</p> <p>Emerging transboundary diseases/zoonotic diseases;</p> <p>Gaps in strengthening International Health Regulation (2005) core capacities will delay timely mitigation of risk;</p> <p>Availability of timely surveillance data and monitoring and response capacity for timely detection and response to any epidemics and/or pandemics;</p> <p>Providing uninterrupted essential health services during the pandemic and disasters, being a landlocked country.</p> <p>Lack of capacity to monitor, detect and mitigate chemical, radiological, and biological reagents;</p> | | | <p>deficiencies if available, e.g., STEPs survey;</p> <p>Crisis in health-sector due to COVID-19 outbreak;</p> <p>Price of pharmaceutical and healthcare products;</p> <p>Number of specialized services;</p> <p>Proportion of health facilities that have a core set of relevant essential medicines available and affordable on a sustainable basis;</p> <p>Proportion of the population with large household expenditures on health as a share of total household expenditure or income;</p> <p>Coverage of essential health services;</p> |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|--------|-----------|-------------|-------|--|------------|--------|---|
| | | | | <p>Robust surveillance, including information management;</p> <p>Need to improve multi-sectoral coordination for comprehensive response and to avoid duplication;</p> <p>Timely availability of medicine and testing kits due to global shortages, and in some cases huge stockpiles by some countries for future use;</p> <p>Sustainability of preventive and public-health services which are donor dependent;</p> <p>Need to be prepared to address diseases related to growing online gaming addiction, cyber bullying and abuse, and more broadly mental health issues among young people;</p> <p>Prevalence of high-risk sexual behaviour among adolescents and youth, LGBTIQ and low testing/screening service uptake by high-risk populations;</p> | | | <p>Mortality and morbidity rates attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease and other NCDs;</p> <p>Proportion of the target population covered by all vaccines included in the national programme.</p> |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|--------|-----------|-------------|-------|--|------------|--------|--------------------------|
| | | | | <p>Low comprehensive knowledge regarding prevention of HIV/AIDs, STIs and barriers to accessing condoms and contraceptives by adolescents and young people;</p> <p>Uncoordinated and inadequate multi-sectoral response to gender-based violence, including sexual violence;</p> <p>Gender-based violence prevention and response services to be integral part of any emergencies;</p> <p>Global uncertainty with COVID-19 pandemic and emergence of new pandemic-like cases (e.g., “monkey pox”);</p> <p>Risk of more disease outbreaks, including pandemics, in the future with rampant globalization;</p> <p>Natural and biological hazards under various climate-change scenarios;</p> | | | |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|----------|---|--|---|---|------------|--------|---|
| | | | | <p>Rising trend of mental health/ psychosocial cases during pandemic and post-pandemic phase;</p> <p>Reduction of allocation for health-sector budget will have an impact on quality service provision and to address the multi-layer emergencies in conjunction with health-system strengthening;</p> <p>Reopening the country's border to international tourists/visitors doubles pandemic-related risks;</p> <p>Affected population groups: Entire population, including all identified vulnerable groups.</p> | | | |
| 2 and 17 | Food and nutrition security, agriculture and land | Risk to food and nutrition security, agriculture and/or production in the territory, resulting from crop, food production, | <p>Insufficient arable land, crops or;</p> <p>The use of and rights over land;</p> <p>Inadequate food supply;</p> <p>Poor food utilization.</p> | <p>Fragmented and small holding of land by farmers which can be steep;</p> <p>Limiting farm mechanization;</p> <p>Crop destruction by pests (army worms);</p> | Medium | High | <p>Crop diseases and decrease in yields, animal diseases;</p> <p>Extreme weather events;</p> <p>Inflation/increases in food prices;</p> |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|--------|-----------|---|-------|--|------------|--------|--|
| | | livestock, climate change and related issues. | | <p>Erratic weather patterns resulting in crop destruction/no productivity;</p> <p>Water expected to be insufficient to meet increasing demand for agriculture;</p> <p>Imports dependent on food commodities, pandemics, such as COVID-19, wars, policy restrictions on importing countries can negatively affect food and nutrition security; inflation of food prices;</p> <p>Limited arable land with steep slopes (limited scope for mechanization) which seasonally limits production of diverse nutritious food;</p> <p>Loss of prime agriculture land to urbanization and other development activities;</p> <p>Low productivity and higher cost of food production, especially for nutritionally-dense food;</p> | | | <p>Food inflation (imported and local food) - National Statistical Bureau;</p> <p>Land degradation;</p> <p>Forest degradation;</p> <p>Food safety data from BAFRA;</p> <p>Agriculture statistics;</p> <p>KAP data (if and when they become available);</p> |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|--------|-----------|-------------|-------|---|------------|--------|--------------------------|
| | | | | <p>Lack of adequate marketing infrastructure and logistics services, including for the food-supply system;</p> <p>Poor resilience of farm infrastructure to external shocks, such as climate extremes, natural hazards, disasters (irrigation, roads, post-harvests infrastructure, etc.);</p> <p>Increasing cost of imported food commodities;</p> <p>Transboundary hazard risk to various sectors, including agriculture; poor food hygiene and safety;</p> <p>Poor dietary practices by consumers (due to inadequate knowledge, attitudes and preferences, availability and affordability);</p> <p>The above risks collectively contribute to food and nutrition insecurity;</p> | | | |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|---------------------|-------------------------|--|---|---|------------|--------|--|
| | | | | Affected population groups: Entire population, including persons with disabilities, senior citizens, youth, children and pregnant women. | | | |
| 12, 13,14,15 and 17 | Environment and climate | Risks to the ecology of the territory, its ecosystem and its people, resulting from issues associated with the environment, climate and natural resources. | Natural hazards or extreme weather events; Ecological damage and climate impacts; Exploitation of natural resources; Climate change and conflict-related insecurity. | Increased frequency and intensity of natural hazards (landslides, forest fires, windstorms, floods and earthquakes); Requirement to strengthen the country's disaster knowledge, preparedness and response measures, including WASH and nutrition in emergencies; Increased climate-change impacts; Disproportionate burden of impact of climate change on women and girls and persons with disabilities; Disaster risk knowledge and capacity; Limited capacity to assess climate-induced multi hazards | High | High | Met data; RCO/humanitarian actors to monitor (OCHA); State of the environment/thematic reports; Extreme weather events; Sendai framework; Sub-regional data; DRR and Response Plans at national and community levels; National and sub-national disaster management mechanisms; |

| SDG(s) | Risk Area | Description | Scope | Risk Factors (future problems) | Likelihood | Impact | Early Warning Indicators |
|--------|-----------|-------------|-------|--|------------|--------|--|
| | | | | <p>and exposure of people and assets/coping capacities;</p> <p>Water availability becoming scarce – water springs drying up; increase in extreme weather patterns; uncertain precipitation patterns with high interannual variability;</p> <p>Human-wildlife conflicts;</p> <p>Increase in emerging and re-emerging diseases due to climate change;</p> <p>Inadequate/unmanaged urban infrastructure exposed to climate-induced shocks – hazards and disasters;</p> <p>Social, economic and environmental hotspots and impacts of extreme weather and climate-related hazards;</p> <p>Affected population groups: Entire population, including all identified vulnerable groups.</p> | | | <p>State of the environment/thematic reports;</p> <p>Annual Greenhouse Gas Emission Report (World Bank).</p> |