

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*

**Gross National Happiness Commission
Royal Government of Bhutan**

United Nations High-Level Political Forum 2021



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MINISTRY OF FOREIGN AFFAIRS
ROYAL GOVERNMENT OF BHUTAN
THIMPHU, BHUTAN

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Foreword

The Kingdom of Bhutan is honoured to present its second Voluntary National Review (VNR) report to the 2021 United Nations High Level Political Forum (UN HLPF). It has undertaken this second national review as it accords high importance to the conduct of timely assessments, as a means to facilitate effective implementation of the Sustainable Development Goals (SDGs). This has special significance to us as Bhutan marks the 50th anniversary of its membership in the United Nations.

This is in keeping with its commitment to the 2030 Agenda for Sustainable Development, which Bhutan endorsed along with other members of the United Nations in 2015. The 2030 Agenda has particular significance for Bhutan as it has long championed a higher purpose for development, as expressed by our development philosophy of Gross National Happiness (GNH), and based on which it has made important contributions towards shaping the Global Goals.

The Royal Government of Bhutan (RGoB) also considers this an important opportunity to share with the international community an update on progress and experiences since its first VNR in 2018. It is pleased to share that the *Dewa Platform*—an integrated dashboard to monitor GNH, SDGs and national development progress—has been developed. The RGoB is also pleased to report that with the ongoing implementation of the 12th Five Year Plan (FYP), it has been making broad-based progress across the SDGs.

Numerous programmes are underway towards meeting targets for the 12th FYP's 17 national key result areas (NKRAs), which are closely aligned to the SDGs. As presented in the first VNR report, the 12th FYP was formulated with GNH and the SDGs as a guiding basis, and represents a major step in implementing the 2030 Agenda. In particular, priority concerns and policy actions identified in the first VNR report are being addressed.

For instance—to improve key social outcomes—national policies on gender equality, disabilities, and mother and child health have been endorsed, and a health flagship programme is under implementation. Towards improving economic resilience and productive capacities, greater emphasis is being placed on sustainable tourism, organic agriculture, cottage and small industries, and digital transformation. The adoption of a national climate change policy, REDD+ strategy, updated environment strategy, and roadmap for disaster risk management, are part of larger efforts to reduce vulnerabilities and manage climate change impacts.

However, Bhutan, like the rest of the global community, has been greatly affected by the COVID-19 pandemic. Deep and far-reaching impacts are already evident, particularly on the economy and livelihoods, and on the revenue landscape and education. While health impacts have not been as severe, the health



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system’s capacity to deal with a prolonged pandemic is of great concern—with epidemiological changes already placing pressure on the sustainability of free healthcare services.

It is therefore expected that progress of several related SDGs is “at risk” today, as compared to 2018 when the first VNR assessed almost all SDGs to be “on track”. At the same time, however, it must be noted that Bhutan under the benevolent guidance of His Majesty the King has handled the pandemic remarkably well—with strong preventative and inclusive response measures in place since early 2020, owing to which adverse impacts are expected to have been mitigated to an extent.

Moving forward, Bhutan will continue to implement the 12th FYP to ensure that progress across the SDGs is sustained. It will also implement its smooth transition strategy, which is aimed at sustaining its upcoming graduation from the UN’s Least Developed Country (LDC) category in 2023; building resilience while addressing remaining structural challenges; and adjusting to the loss of LDC benefits.

At the same time, Bhutan is already drawing important lessons from responding to and dealing with the pandemic. These include, among others, the need and possibilities for long-term, transformative and green solutions for its food system, local economy, public services delivery, approaches to learning, data ecosystem, and preparedness for disasters and future pandemics. More importantly, the pandemic has also accentuated the strength of Bhutanese leadership and spirit of community cooperation at all levels.

Therefore, as Bhutan works to “build back better” from the pandemic, it will also continue to build on these collective strengths in order to accelerate the SDGs. In doing so, the RGoB looks forward to strengthening cooperation with its development partners, including civil societies and the private sector, so that progress towards an inclusive, low-carbon and resilient development pathway can be sustained.

To this end, the RGoB has the pleasure of presenting this report, which identifies opportunities for continued collaboration and partnership; and is structured around the theme of transformational processes that build on past achievements and draw lessons from the COVID-19 pandemic—as it moves towards LDC graduation, the SDGs and GNH.

Dr. Tandi Dorji

Foreign Minister

Royal Government of Bhutan

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Executive Summary

The second Voluntary National Review Report for Bhutan is prepared at the backdrop of a very challenging year due to the COVID-19 pandemic, not only for Bhutan but globally.

In Bhutan, with detection of the first imported positive case of COVID-19 in March 2020, various restrictions were put in place to contain the spread of virus – such as closure of international borders, closure of schools, social distancing, mandatory quarantine for people moving from high risk areas to low risk areas and nationwide lockdowns. The restriction have affected the implementation of the 12th Five Year Plan and SDGs.

As of 14th June 2021, Bhutan recorded 1,813 confirmed COVID 19 cases, of which 1,467 have recovered, 345 active cases and one death. More than 93 percent of the eligible population have been vaccinated and efforts are underway to ensure administration of the second dose which is due by end June 2021.

Under the selfless leadership and compassionate guidance of His Majesty The King, Bhutan put in place strong preventative and inclusive response measures since early 2020—due to which potential impacts of the pandemic have been minimised. Between April 2020 and March 2021, the Druk Gyalpo’s Relief *Kidu*—an important social protection prerogative of His Majesty The King—has helped sustain livelihoods of about 45,766 individuals and child support *kidu* has also been granted to over 18 percent of these applicants. It has also supported interest waiver of more than 139,096 loan account holders. In addition, several monetary and fiscal measures are in place. An Economic Contingency Plan of Nu. 4.492 billion provides priority support to the tourism and construction sectors, agriculture and livestock production, and towards stocking essential food and non-food items.

Going forward, Bhutan is drawing important lessons from the pandemic—including the need and possibilities for long-term, transformative and green solutions for its food system, local economy, public services delivery, approaches to learning, data ecosystem, and preparedness for disasters and future pandemics. Therefore, while working to “build back better”, Bhutan remains committed to accelerating the SDGs so that progress towards an inclusive, low-carbon and resilient development pathway—as envisioned by its GNH approach—is sustained.

RGoB has undertaken this second voluntary national review of its implementation of the SDGs, for presentation to the UN HLPF in July 2021. The report is structured around the theme of transformational processes that build on past achievements and draw lessons from the COVID-19 pandemic—as Bhutan works to “build back better” while also moving ahead towards LDC graduation, the SDGs and GNH.

This takes into consideration key national developments since 2018, which includes the launch of the 12th FYP, preparations for graduation from LDC category by 2023, His Majesty The King’s recent Royal Decrees to reform the civil service and education system, and lessons learned from dealing with the pandemic. Given their relevance to this overarching context, Bhutan has decided to undertake detailed thematic analysis for all nine SDGs identified for discussion at this year’s HLPF i.e. SDGs 1, 2, 3, 8, 10, 12, 13, 16 and 17.

Adopting a participatory and inclusive approach, the VNR process has engaged stakeholders from across a wide range of Government and non-Government agencies. Strategic objectives

were to gather contributions and collect updated data towards the VNR report; and to deepen societal awareness and strengthen ownership of the SDGs.

SDG awareness, indicator adoption, and data availability have improved since the first VNR. The *Dewa Platform*, an integrated dashboard to monitor GNH, SDGs and FYP progress, has been developed. However, there is broad agreement on the need to further strengthen awareness of the SDGs, particularly beyond the government sector.

As Bhutan's GNH philosophy resonates strongly with the SDGs and forms the basis of the FYPs, priority concerns identified in its first VNR are being addressed through the 12th FYP. These are the "last mile challenges" of improving key social outcomes, building economic resilience, and managing the impacts of climate change.

Towards ensuring quality and inclusiveness of key social outcomes, a health and education flagship programmes are under implementation. National policies on gender equality, disabilities, and mother and child health have been endorsed. Flagship programmes on sustainable tourism, organic agriculture, cottage and small industries, drinking and irrigation water, waste management, and digital transformation are being implemented to enhance productive capacity of the economy.

Meanwhile, emphasis on improved efficiency and sustainable use of natural resources will be reinforced by the recently developed *Sustainable Consumption and Production Strategy*.

A national climate change policy, REDD+ strategy, and updated environment strategy, among others, have been adopted in 2020 as part of efforts to manage climate change impacts. Bhutan has submitted its Third National Communication to the UNFCCC in January 2021, and its second Nationally Determined Contribution alongside sectoral low-emission strategies which was launched on June 5, 2021 by Her Majesty the Queen Jetsun Pema Wangchuck, coinciding with the World Environment Day. Gender-climate analyses have been initiated; and a roadmap for disaster risk management is in place.

When Bhutan undertook its first VNR exercise in 2018, all SDGs with the exception of SDG 17 were assessed to be on track. Given this base, and with identified priority issues being addressed, broad-based progress is expected across most SDGs. However, given significant impact of the pandemic on education, livelihoods, economy and revenue landscape, it is likely that progress of several related SDGs is "at risk" today i.e. SDGs 1, 4, 8, 10, 17.

The impacts of the pandemic have been deep and far-reaching. While GDP had grown from three percent in 2018 to 5.46 percent in 2019, and was projected to grow to 6.9 percent in 2020, growth projection decelerated to -6.1 percent by year-end with strict implementation of pandemic containment measures. A large number of people dependent on tourism and allied sectors were displaced, and many Bhutanese working overseas returned home. Overall unemployment reached 5 percent in 2020 as compared to 2.7 percent in 2019; and youth unemployment, a long-standing concern, has reached an all-time high of 22.6 percent as compared to 11.9 percent in 2019.

Domestic violence and protection issues has reportedly increased with COVID-19 pandemic. Issues of online safety, cyber security and the digital divide were highlighted, as education and public services went online. Concerns over food and nutrition security were amplified as weaknesses in value chain management and distribution became apparent. The health system's

capacity to deal with a prolonged pandemic is an additional concern—with epidemiological changes already placing pressure on the sustainability of free healthcare services.

Meanwhile, Bhutan remains highly vulnerable to climate change impacts and natural disasters, which pose serious threats to its nature-dependent livelihoods and hydropower- and agriculture-based economy. As it maintains its carbon neutral status in the face of mounting pressure to accelerate economic growth, the additional burden of adaptation and mitigation entail huge costs.

1. Introduction

1.1 Background

The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) provide a visionary roadmap—for all countries and stakeholders to work towards a world of sustainable prosperity, social inclusion and equality, while preserving the planet and leaving no one behind.

In September 2015, Bhutan, along with other members of the international community, adopted the 2030 Agenda and the SDGs during the 70th Session of the United Nations General Assembly (UNGA).¹ It was identified then as an SDG priority country, or an “early mover”, for the implementation of the SDGs alongside several others in the Asia-Pacific region.

With its holistic approach to development based on the principles of Gross National Happiness (GNH), Bhutan’s development framework as executed through its Five-Year Plans (FYP) presented high levels of synergy with the SDGs and a strong foundation for their integration and implementation.

The Royal Government of Bhutan (RGoB) volunteered to present its first Voluntary National Review (VNR) report to the United Nations High-Level Political Forum (HLPF) in July 2018.² Efforts in implementing the SDGs were discussed and progress towards the SDGs were reported to be broadly on track. At the time, the 11th FYP (2013-2018) was ongoing, and with the nationalisation of the SDGs initiated midway through its implementation, it was assessed to be highly aligned to the SDGs. In addition, it was reported that Bhutan viewed the VNR process more broadly as a means to engage with stakeholders, and to create ownership of the SDGs.

In keeping with its commitment to the 2030 Agenda, Bhutan has for the second time volunteered for a VNR to be presented during the HLPF in July 2021. The theme for the 2021 HLPF is *"Sustainable and resilient recovery from the COVID-19 pandemic that promotes the economic, social and environmental dimensions of sustainable development: Building an inclusive and effective path for the achievement of the 2030 Agenda in the context of the decade of action and delivery for sustainable development"*.

At this session of the HLPF, Bhutan will be among 44 countries presenting their first and subsequent VNRs.³ Bhutan takes this opportunity to present an update on progress made, remaining issues and implementation challenges, and next steps for the way forward.

1.2 Context

Since Bhutan’s presentation of its first VNR report, several important developments have taken place. With the successful conduct of its third parliamentary elections, the new Government assumed office in November 2018. The 12th FYP was launched, with an overarching objective

¹ The 2030 Agenda for Sustainable Development and its 17 SDGs provide a visionary roadmap for all countries and stakeholders to work towards a world of sustainable prosperity, social inclusion and equality, while preserving the planet and leaving no one behind.

² VNRs are part of the follow-up and review of the 2030 Agenda which make it possible for countries to share experiences as well as facilitate with accelerating the implementation of the SDGs.

³ *Handbook for the Preparation of Voluntary National Reviews. The 2021 Edition.* Department of Economic and Social Affairs (DESA), United Nations.

of working towards a “*Just, Harmonious and Sustainable Society through enhanced Decentralisation*”.

Given that the 12th FYP was formulated with both GNH and the SDGs as a guiding basis in its preparations, Bhutan’s development programmes continue to be highly aligned with the 2030 Agenda for Sustainable Development. As conveyed in its first VNR report, the 12th FYP represents its first major step towards implementing the SDGs.

In addition, with the 73rd Session of the UNGA endorsing Bhutan’s graduation from the Least Developed Country (LDC) category by 2023—and a recent review by the UN Committee for Development Policy noting Bhutan’s graduation to be on track with good progress in its preparations for a smooth transition—the 12th FYP has assumed further significance as the “last mile plan” towards graduation.⁴

As the 12th FYP represents a key strategy in ensuring that the transition is both smooth and sustainable, within the plan period and following graduation, a key area of focus is to enhance capacities towards strengthening the country’s economic and environmental resilience.

Meanwhile, *Bhutan’s 21st Century Economic Roadmap* is under formulation. As a long-term strategy, it is expected to contribute to a transformation of the Bhutanese economy, while ensuring that the principles of GNH and the SDGs—including inclusiveness and sustainability—are upheld.

Of further national significance is the reformation of the country’s civil service and education system, which will be initiated with the establishment of a Civil Service Reform Council and a time-bound Council for Education Reform. His Majesty The King’s Royal Decrees for these reforms provide the required impetus to fundamentally transform these major institutions, to be more suited to navigate through the 21st century. This, in turn, bears huge significance for achieving national goals and meeting international commitments towards an inclusive and sustainable development trajectory.

Meanwhile, like other countries, Bhutan has been deeply impacted by the global COVID-19 pandemic. Following the detection of the first COVID-19 positive case in the country in March 2020, borders were sealed, schools were closed, and arrangements were made to repatriate Bhutanese living abroad.

Owing to the selfless leadership of His Majesty The King who has the welfare of the people foremost in mind, and a populace that exhibits remarkable cooperation, Bhutan moved quickly to put in place early preventative and response measures. As a result, it has been fortunate to have been spared the scale of transmissions and death experienced in most parts of the world.

As part of the coordinated national response, an education in emergency and adapted curriculum was rolled out. A National Resilience Fund was established, and several monetary and fiscal measures are in place. Those whose livelihoods have been most affected by the pandemic continue to be supported by the Druk Gyalpo Relief *Kidu*. Under the Economic Contingency Plan, the tourism, construction and agriculture sectors are being provided priority support.

⁴ *Monitoring of Countries Graduating from the Least Developed Country Category: Bhutan*. CDP 23rd Plenary Session, United Nations. 22-26 February 2021 Virtual Meeting.

Nevertheless, the impacts have been significant and it is expected that progress on the SDGs, especially with regard to improving economic vulnerability and key social outcomes, will have been affected. Even as it managed to ensure routine health services besides attending to COVID-19 cases, the economic and education sectors were greatly impacted. As containment measures necessitated two nation-wide lockdowns and other restrictions on daily life, economic growth, which was projected at 6.9 percent in 2020, was revised downwards to negative 6.1 percent by December 2020.⁵

Theme and structure of the report

It is in the context of these key developments that Bhutan has undertaken its second voluntary national review process. This report, therefore, is invariably structured around the theme of transformational processes that build on past achievements and draw lessons from the pandemic—as Bhutan works to “build back better” while also moving ahead towards LDC graduation, the SDGs and GNH.

Following this introductory chapter, the next chapter (2) provides a closer look at Bhutan’s unique response to the pandemic—which has been a coordinated national effort under the benevolent guidance of His Majesty The King. It focuses on key Royal initiatives, and draws lessons that the Government could build upon, to improve implementation of sustainable development policies and programmes.

Chapter 3 looks at Bhutan’s overall approach to implementing the SDGs, including an update on processes and a broad overview on progress across the SDGs since the first VNR in 2018. Chapters 4 and 5 take a closer look at progress across the nine SDGs identified for discussion at this year’s HLPF—and for which Bhutan has decided to undertake more detailed thematic analysis given their particular relevance to Bhutan’s context as presented above.

The nine SDGs are: SDG 1 on no poverty; SDG 2 on zero hunger; SDG 3 on good health and well-being; SDG 8 on decent work and economic growth; SDG 10 on reduced inequalities; SDG 12 on responsible consumption and production; SDG 13 on climate action; SDG 16 on peace, justice and strong institutions; and SDG 17 on partnerships. Key conclusions and next steps for consideration are offered in the concluding chapter (6).

1.3 Methodology and report preparation process

In spite of the restrictions imposed by the COVID-19 pandemic, the VNR process has adopted a participatory and inclusive approach by engaging stakeholders from across key government agencies including line ministries, constitutional bodies and autonomous agencies; as well as local governments, parliamentarians, political parties, development partners, civil society organisations including women and youth groups, private sector, academia, and the media.

Given that the consultation phase coincided with the second nation-wide lockdown (December 2020 – February 2021) due to the pandemic, most of the consultations were conducted online. To enable a wider range participation within the available timeframe, a number of stakeholders were also invited to provide written inputs. Once restrictions eased, several focused-group discussions and bilateral meetings were conducted in-person. In addition, all stakeholders were

⁵ *State of the Nation Report. Fourth Session, The Third Parliament of Bhutan.* December 12, 2020. Prime Minister, RGoB.

requested to recommend and share relevant data and documents to support the VNR report preparation process.

The strategic objectives of stakeholder engagement were to: gather contributions, collect updated data and inputs towards the VNR report; and to deepen awareness and strengthen ownership of the SDGs. Some of the common topics for consultation were regarding SDG awareness; key issues and challenges concerning SDGs relevant to the stakeholders; impact of the COVID-19 pandemic on various sectors and related SDGs, including key lessons/takeaways; and data needs and availability, use of technology and innovation, and multi-sectoral/stakeholder partnerships/engagement towards implementing the SDGs.

Discussion and data collection questions were formulated based on desk reviews of relevant reports, and by adapting questions suggested in the *Handbook for the Preparation of Voluntary National Reviews*—which has been prepared by the UN Department of Economic and Social Affairs (DESA). As such, key questions were geared towards capturing progress made since the first VNR and the inception of the 12th FYP in 2018; challenges to date especially in context of the global COVID-19 pandemic; and steps being taken to address any shortfalls in 12th FYP and SDGs implementation.

Data analysis was guided by key questions suggested for each of the VNR topic areas, as provided in the UN DESA guidelines.⁶ The analytical frame of the VNR is based on GNH and the SDGs, including the common principles of leaving no one behind; gender equality and women’s empowerment; sustainability and resilience; and accountability. Given that the 12th FYP represents Bhutan’s localisation of the SDGs, the process has invariably entailed a review of progress in implementing key 12th FYP programmes across all key sectors.

Based on the available data, the assessment has aimed at providing an evidence-based description of Bhutan’s status on SDG implementation—illuminating underlying causes of critical development challenges and risks. Besides drawing upon relevant documents and data sources, the analysis has also relied to a significant extent on the written and other inputs/contributions of key stakeholders. It has also drawn on several other key reports that were being prepared in parallel to the VNR process.

The detailed list of stakeholders consulted is provided in Appendix 1.

⁶ *Handbook for the Preparation of Voluntary National Reviews. The 2021 Edition.* Department of Economic and Social Affairs (DESA), United Nations.

2. A Pandemic Response that Inspires Improved Implementation of GNH and the SDGs

Across the world, the COVID-19 pandemic has caused immense social and economic difficulties, and the loss of precious lives. Such a tragic situation is unprecedented in recent human history, and like other countries, Bhutan has been deeply affected. However, it has been fortunate to have been able to keep the potentially devastating health, social and economic impacts of the pandemic to a minimum. As of 14th June 2021, Bhutan recorded 1,813 confirmed COVID 19 cases, of which 1,467 have recovered, 345 are active cases and one death. More than 93 percent of the eligible population have been vaccinated and efforts are ongoing to ensure administration of the second dose.

This would not have been possible without the personal efforts of His Majesty the King, who since the beginning of the pandemic has been at the forefront of the national preparedness and response plan through His selfless, compassionate and dynamic leadership. In addition to providing the Government with practical guidance to ensure that no one is left behind in these uncertain times, His Majesty has initiated specific measures and continues to make personal sacrifices—to ensure a coordinated and effective national response to the pandemic. As a result, the Government has been able to continue with the implementation of the 12th FYP, and every effort is being made to ensure that progress towards GNH and the SDGs is sustained.

2.1 His Majesty the King leading the fight against COVID-19

2.1.1 Ensuring preparedness and securing high-risk areas

Even prior to the first case of COVID-19 in the country, His Majesty was constant in reminding the Government of the need to ensure safety and that no lives are lost to the disease. After the first confirmed case was reported, His Majesty worked closely with the Health Ministry to ensure that contingency plans were implemented. His Majesty's close attention to details on the ground, practical guidance on overcoming difficulties, and support to the National COVID-19 Taskforce have been instrumental in strengthening national coordination efforts and ensuring appropriate responses.

The frequency of Royal visits to areas identified as at high risk of COVID-19 have intensified over the past year—particularly to the southern and other remote parts of the country often on foot. With His Majesty spending more time at the frontlines and away from the Royal Family, frontline workers continue to draw inspiration and are motivated to remain resilient in the face of prolonged difficulties. People from all walks of life have also been inspired to come together and offer support in cash and in kind, and to serve in various forms and capacities in the fight against the pandemic.

2.1.2 Reducing vulnerabilities triggered by the pandemic

Upon the Royal command, a National Resilience Fund of Nu. 30 billion was set up in April 2020 to provide economic relief to those whose livelihoods have been affected by the pandemic. The ***Druk Gyalpo Relief Kidu (DGRK)***, which has been supported by this fund, has provided: income support to individuals; and support for interest payment to loan account holders for an initial one-year period (April 2020 to March 2021).

During this period, as also covered in later sections of the report, Nu. 2.25 billion has been granted as income support to over 45,766 individuals. The amount includes child support *kidu*

of Nu. 70.89 million covering a total of 15,464 children. The immediate granting of the Royal Kidu for affected individuals, combined with other interventions of the government, has alleviated the economic difficulties and uncertainties faced by a large number of people.

In terms of support for interest payment, as also covered in subsequent sections of the report, interest waiver was granted starting from 29 February, 2020—for loans availed before April 10, 2020. Full interest waiver was granted until September 2020, followed by a partial interest waiver (50%) for six months from October 2020 to March 2021. The relief also included deferment of loan repayment for the first three months.

Financial institutions have supported 50 percent of the total interest payment as a show of solidarity to the people and the nation in these testing times. The total of 112,024 individuals (with 139,261 loan accounts) across 20 *dzongkhags*, with personal and business loan accounts including those accounts listed as non-performing loans have benefitted. The cost of the interest payment for the last six months was Nu 4.38 billion, which is fully granted from the National Resilience Fund.

With the country continuing to face economic difficulties and uncertainties due to the pandemic, the DGRK will continue for an additional period of 15 months from April 2021. His Majesty has advised that efforts to replenish the DGRK should neither disrupt the economy nor affect development plans and projects; and has also advised against any further internal or external borrowings.

Thus, from here on, the Relief Kidu is being financed in its entirety by His Majesty's *Kidu* Fund and *Sungchob* (Security) Fund. His Majesty's *Kidu* Fund provides the ultimate social safety net, and has been used to grant *Kidu* to thousands of Bhutanese to alleviate various forms of hardships. The *Sungchob* Fund was established by Their Majesties The Kings as a security fund for the country during times of need.

2.1.3 Strengthening capacities for a multi-purpose human resource pool

The *De-Suung* (Guardian of Peace) Programme was conceived and instituted by His Majesty over a decade ago—as a value-based personal development programme to encourage greater citizen engagement in nation-building. Built on the spirit of volunteerism, it advocates for sense of community, harmony and cooperation. Since its inception, the trainees/graduates or *De-Suups* have actively engaged in various voluntary initiatives, especially in post-disaster relief operations.

With the onset of the COVID-19 pandemic, *De-Suups* have been providing voluntary services as frontline workers. Services range from assisting security forces in patrolling border areas, to assisting with coordination efforts for public services, delivery of essential items during lockdowns, facilitating the enforcement of COVID-19 protocols in public places, among other essential tasks.

In view of the critical role being played by these volunteers in supporting national efforts to deal with the pandemic, the *Accelerated and Specialized Training Programme for Desuups* was initiated with a focus on engaging unemployed youth. Thousands of young Bhutanese signed up to join the programme, and today there more than 22,000 *De-suups* in the country.

In addition, the *De-Suung National Service Water Project* has been instituted. In an address to the nation amid the pandemic, His Majesty said: “*Bhutan has abundant water resources compared with most of the countries in the world. Yet, there is no water in many places where*

it is needed, leaving large tracts of productive land fallow. Water is also a cause of conflict between communities and a predicament for rural and urban settlements alike. Our food import in the past year was over Nu. 7 billion while about 78,000 acres of arable land remained fallow”.

To address these concerns, which have persisted over the various FYPs, water projects are currently being executed across the country under Royal command, as a part of the *De-Suung* National Service. Through such efforts to ensure safe and reliable drinking water, and adequate water for farming, Bhutanese youth are being trained with skills in essential areas. In addition, the water projects are expected to greatly enhance WASH facilities across the country.

2.1.4 Ensuring access to essential public services and leaving no one behind

Under His Majesty’s close guidance and command, no effort has been spared to ensure the safety and wellbeing of every Bhutanese.

Soon after the onset of the pandemic, senior citizens throughout the country were provided vitamin C supplements to boost immunity. Stranded Bhutanese from about 50 countries across the world were repatriated home. An apartment was purchased in New York to provide support to those infected by the virus in the United States. The Royal Guest House in Mongar was converted to a COVID-19 hospital for Eastern Bhutan, with instructions to develop it as a mother and child hospital for the eastern region once the pandemic is over.

With the enforcement of the first nationwide lockdown in August 2020, arrangements were made for the delivery of essential commodities to the doorsteps. *Kidu* in kind was provided to those receiving relief *kidu*. Essentials and medicines were delivered to people undergoing retreat (as a spiritual practice) in secluded places. Those homeless in the capital city Thimphu were provided food, shelter and clothing. Provisions were made to feed stray canines on the streets so that they would not go hungry.

Based on the experience of the first lockdown, concerted efforts continue to be made to improve logistical arrangements and coordination among essential service providers. A zoning system of districts and cities was initiated and refined over time, to minimise disruptions and improve the management of subsequent lockdowns and other containment measures.

2.2 Key lessons to take forward

The Royal initiatives described above not only address immediate impacts of the pandemic, but can have long-term benefits across multiple SDGs—including enhanced social outcomes and productive capacities, and improved governance. The fact that such initiatives have not been deferred due to the substantial costs involved, but have in fact been prioritised, speaks to the importance of good leadership and strength of the Bhutanese social fabric. These are important values that must be upheld by Bhutanese society.

True to the spirit of GNH and the SDGs, Bhutan’s response to the pandemic has been to ensure the wellbeing of the entire population as its top most priority, while also ensuring that the most vulnerable sections of society are protected—as they could otherwise have easily fallen through the cracks. Key to this unique and inspiring approach is His Majesty The King’s personal efforts and compassionate leadership.

An important lesson and inspiration here, is that His Majesty has consistently maintained a ‘larger picture’ perspective, while simultaneously paying close attention to details on the

ground. This provides impetus for the Government and bureaucracy to constantly improve its own approaches to governance.

The experience of responding to the pandemic over more than a year has also made it apparent that, with clear purpose and integrity, coordination and collaboration is possible. This is something that has otherwise been identified recurrently, as a persistent challenge to effective implementation of policies, plans and programmes (as covered in subsequent sections of the report).

3. Bhutan’s Development Towards Agenda 2030 and GNH

Based on development philosophy of GNH, Bhutan’s approach to development has been to balance economic growth with environmental sustainability, social progress, and cultural vibrancy, underpinned by a framework of good governance. For a country that has long championed a higher purpose for development, as expressed by GNH, the adoption of the 2030 Agenda for Sustainable Development at the United Nations Headquarters in 2015 was a significant milestone.

The strong consonance between the two frameworks have been noted in the 12th FYP document, as well as in various other government reports. The SDGs advocate the pursuit of development in its three dimensions—social, economic and environment—in a balanced and integrated manner. GNH encompasses those dimensions as well the additional dimensions of cultural diversity and resilience, community vitality, psychological wellbeing, and time use— as developmental guide and outcomes.

3.1 Policy and enabling environment

3.1.1 Integration of the 3 SDG dimensions and incorporation of SDGs in the national framework

Bhutan’s pursuit of GNH has enabled a relatively smooth integration of the SDGs into the national development framework, and the five-year plans provide a natural avenue through which to pursue the SDGs. With the FYPs formulated at the central, sectoral, *dzongkhag* (district), *gewog* (block) and *Thromde* (Municipality) levels, and further translated into annual performance agreement and budgets⁷, the prospects for SDG integration at all levels is high.

A Rapid Integrated Assessment of the 11th FYP (2013-2018) had illustrated that of the 143 relevant SDG targets, 134 were aligned with the indicators of the 11th FYP. Further, the SDGs along with GNH served as a guiding basis in the preparation of the 12th FYP. As such, the 17 National Key Result Areas (NKRA) are closely aligned to the SDGs, with their targets and indicators integrated into the 12th FYP.⁸

3.1.2 Creating ownership for the SDGs

The importance of a participatory and inclusive process in the implementation and follow-up of the SDGs is one of the founding principles of the 2030 Agenda. The UN DESA guidelines emphasizes the need to raise awareness and disseminate information about the SDGs across all levels and sectors of government, civil society, private sector, parliament, and other stakeholders—as a way to build wider societal ownership and participation in the implementation, reporting and monitoring of the SDGs.

As one of its operational priority actions, Bhutan’s first VNR had identified a need to improve SDG awareness and ownership—which was noted to be inadequate even at the implementing agency level. Therefore, a draft communications strategy was developed. This will continue to be taken forward based on relevance and resource availability. To date, several activities outlined in the draft strategy have been implemented, including sessions with parliamentarians

⁷ 12th FYP Volume I: Main Document, 2019. GNHC, RGoB.

⁸ Ibid.

to enhance SDG awareness; and the creation of a dedicated section on SDGs' status and progress in the GNHC's annual report since 2020.

Bhutan's second VNR process has also been leveraged as a means to sensitise and engage the whole of government and society on the SDGs. As mentioned, the process entailed extensive engagement and consultations with a wide range of stakeholders at the early stages. Further engagement was ensured through discussions on early drafts of the VNR report, which occurred through workshops as well as feedback sourced remotely.

Overall, the second VNR consultations suggest that most stakeholders are broadly aware of the SDGs and view them as closely aligned with GNH—owing to which the SDGs are considered to be under implementation through the FYPs. However, detailed understanding and capacity to align sector/agency plans and programmes to SDG targets and indicators remain limited.

A possible contributing factor is the limited use of the “SDG language” in the detailed process of adopting the FYP planning framework or result matrix; and in the guidelines on plan formulation, which are issued by the sectors to respective departments and Local Government (LG) agencies. As LGs and agencies identify activities in line with this framework—which includes all national visions and international commitments including SDGs—implementation of the activities contributes to SDG implementation.

Stakeholders indicated that not much has been done in terms of sustained awareness-raising and capacity-strengthening programmes, to enable greater SDG fluency. LGs in particular require more support, given the decentralised set-up and relatively limited opportunities for SDG-specific workshops targeting LG functionaries. At the same time, the need for implementing agencies at the central level to take greater initiative—in exploring, understanding and integrating SDG targets/indicators into respective plans and programmes—was highlighted.

There is a general recognition that being more conversant on the SDGs can be beneficial, especially as a means to communicate on mandates, coordinate with relevant institutions and organisations, and to access support. On the other hand, some of the stakeholders were of the view that given the indivisibility of GNH and the SDGs, it is not entirely necessary to “speak the language of the SDGs”. What mattered more is that GNH-aligned plans and programmes are well-implemented and monitored, with intended outcomes delivered.

By and large, however, the feedback from across central government agencies, LG representatives, and non-government entities including youth, the private sector, civil society, media, academia and political parties—is that awareness and ownership of the SDGs can and need to be further strengthened.

Moving forward, the GNH Commission (GNHC) will continue to provide and coordinate SDG awareness programmes, especially at the LG level where planning officers can be better capacitated. Capacities of SDG focal persons across all ministries and agencies will also be enhanced. These initiatives will ensure that stakeholders are more conversant with the language of the SDGs and their close alignment to GNH, and on how these principles guide sustainable development activities in the country.

3.1.3 Institutional mechanisms

As reported in its first VNR report, the RGoB did not find it necessary to create a separate

institution to drive SDGs implementation in the country, considering “the indivisibility of GNH and the SDGs”. To provide dedicated executive guidance and administrative support towards SDG implementation, several committees were identified.

The GNH Commission functions concurrently as the High-Level SDG Committee, and is chaired by the Prime Minister. Other members are the Finance Minister as the Vice-Chair, Cabinet Secretary, Secretaries of all ten Ministries, the Secretary of the National Environment Commission and the Secretary of Gross National Happiness Commission, as member Secretary.

The GNHC Secretariat is the Lead Coordinating Agency, and has the responsibility to coordinate, advise, monitor, evaluate and report progress on the implementation of the SDGs. Within the GNHC Secretariat, a dedicated SDG Working Committee with the mandate to oversee, facilitate and guide integration and implementation, and to report on progress of SDGs. The SDG Working Committee are appointed based on relevance. The Committee meets on a quarterly basis. Since 2019, SDG focal persons have been nominated across all ministries and agencies at the central level.

With the SDGs well-integrated into national plans and programmes, their implementation is monitored annually and through mid-term reviews of the FYPs, as per the existing national monitoring system.

To support the preparation of Bhutan’s second VNR report, a multi-sectoral VNR Task Force was formed to provide technical input and guidance—especially with regard to processing updated data across the nine SDGs covered in detail.

The second VNR task force is comprised of professionals from the Ministries of Foreign Affairs, Economic Affairs, Health, and Agriculture and Forests; and the National Statistics Bureau, National Environment Commission, National Commission for Women and Children, Anti-Corruption Commission, Royal Audit Authority, Judiciary, Cabinet Secretariat, GNHC Secretariat, and others relevant to the 2021 HLPF thematic SDGs.

3.2 Tracking progress of goals and targets

3.2.1 SDG indicators and dashboard

As part of its VNR exercise in 2018, Bhutan conducted an in-depth examination of all 17 SDG indicators to ascertain the level of indicator adoption, data availability and gaps. At the time, only 25 percent (62 out of 244 indicators) had been fully adopted; and 13 percent (32 indicators) had been partially adopted. About 44 percent (107) of the SDG indicators were found to be relevant but not adopted; and the rest (43 indicators) were found not relevant to Bhutan’s context.⁹

Table 1: Adoption of SDG Indicators

Criteria	VNR 2018		VNR 2021	
	Number of Indicators	% Share	Number of Indicators	% Share

⁹ ‘Adopted’ means relevant global SDG indicators were used in national plans and programmes to track FYP and SDG progress. ‘Partially adopted’ means the essence of the indicators were captured through nationally equivalent indicators; these indicators are used as proxy to the global SDG indicators.

Fully adopted	62	25%	93	38%
Partially adopted	32	13%	35	14%
Relevant but not adopted	107	44%	74	30%
Not relevant	43	18%	45	18%
Total	244		247	

A similar exercise carried out by the GNHC for the second VNR indicates an improvement in level of indicator adoption, both in terms of proportion and numbers of indicators. As provided in [Table 1](#), the percentage of indicators ‘fully adopted’ has risen to 38 percent (93 out of 247 indicators), and 14 percent have been ‘partially adopted’ (35 indicators). Correspondingly, the number of indicators that are ‘relevant but not adopted’ has dropped substantially to 30 percent (74 indicators). SDG indicators that are ‘not relevant’ to Bhutan’s context remains at 18 percent (45 indicators).

A slight improvement in data availability is also noted, as presented in [Table 2](#). Currently, data is available for 40 percent of the indicators (100 indicators), as compared to 34 percent (84 indicators) in 2018. Correspondingly, data unavailability has dropped to 35 percent (86 indicators), as compared to 39 percent (94 indicators) in 2018.

Table 2: Data availability for SDG Indicators

Criteria	VNR 2018		VNR 2021	
	Number of indicators	% Share	Number of indicators	% Share
Available	84	34%	100	40%
Partially available	66	27%	61	25%
Not available	94	39%	86	35%
Total	244		247¹⁰	

Since the first VNR, Bhutan has developed the DEWA Platform—an integrated dashboard to monitor GNH, SDGs and development management in the country. It will enable more up to date analysis of SDG indicator status as well as current state of data gaps and availability. The dashboard aims to bring together into a consolidated platform data across a wide spectrum in Bhutan, and thus also includes updated data for indicators in the 12th FYP NKRA and GNH.

Among other features, it will provide a common geographic information system (GIS) interface platform for geo-spatial analysis and district-, block- and sub-block data visualisation. Going forward, it will be useful to exchange lessons learned and best practices with other countries in the region that have good systems for data capture and analysis to support SDG implementation.¹¹

¹⁰ The global indicator framework includes 231 unique indicators. Please note that the total number of indicators listed in the global indicator framework of SDG indicators is 247. However, twelve indicators repeat under two or three different targets

¹¹ For instance: Cambodia developed the Cambodian SDG’s Framework in a participatory manner, with outcome level metrics agreed with relevant ministries and agencies, and linked with budgeting processes. A template for

Figure 1: DEWA Platform



3.2.2 Summary of progress on the 17 SDGs

In the first VNR, Bhutan reported that implementation of the SDGs was well on track. This was based on a set of broad criteria as ‘achieved’ (all targets achieved); ‘on track’ (enabling policy and legal framework is put in place, resources are available, implementation of intervention/s is underway, current progress is good and on a positive trajectory); or ‘at risk’ (enabling policies and legal framework not in place, absence of concrete implementation of intervention/s, resources not available, limited to no notable progress). Based on these broad set of criteria, 16 of the 17 SDGs were assessed to be on track, with only SDG 17 assessed to be at risk.

It was noted that given SDG implementation was at an early stage at the time, coupled with complexities associated with indicator adoption and data availability, the progress of each goal could not be assessed accurately. Data challenges continues to be a major constraint today as covered in more detail in [section 5.1.2](#).

Since the first VNR report, important developments have taken place, alongside new and emerging challenges, that will have a bearing on the country’s progress towards Agenda 2030. The 12th FYP was launched to start from November 2018 until October 2023, which is the primary means through which Bhutan is implementing the SDGs.

Like all other countries, Bhutan has been deeply impacted by the COVID-19 pandemic and has much to do to recover from the various social and economic fallouts, and to “build back better” in a sustainable manner. Therefore, it is expected that progress across almost all SDGs will have been affected—especially with regard to improving economic vulnerability, development financing, and key social outcomes.

Since nine of the 17 SDGs are covered in depth under the thematic section of this report, the summaries below pertain to the remaining eight SDGs i.e. SDG 4 on quality education; SDG

collecting inputs for the VNR from key stakeholders was developed to facilitate and standardize data format and data collection process. National capacity and data systems are being strengthened through the National Strategy for Development of Statistics (NSDS), which is an important complementary initiative to designing and monitoring the C-SDGs. Some of these approaches which are working well in Cambodia may be useful to inform the ongoing data collection, analysis and tracking efforts in Bhutan.

5 on gender equality; SDG 6 on clean water and sanitation; SDG 7 on affordable and clean energy; SDG 9 on industry, innovation and infrastructure; SDG 11 on sustainable cities and communities; SDG 14 on life below water; and SDG 15 on life on land.

A midterm review of the 12th FYP is ongoing, and should provide a clearer picture of progress and setbacks once it is completed. In the meantime, the following is a broad summary of key concerns including new and emerging challenges, and initiatives taken across the SDGs since Bhutan’s presentation of its first VNR report.

SDG 4: Quality Education		
12 th FYP NKRA 7: Quality Education and Skills		
1st VNR status	2nd VNR status	Key developments and concerns
On track	At risk	<ul style="list-style-type: none"> √ Close to achieving universal primary education with net enrolment rate of 99.37% in 2020 √ WASH facilities in schools increased from 9,654 (pre-COVID times) to 17,071 functional hand-washing tap points √ TVET is being promoted as a part of mainstream education √ A renewed emphasis on integrating ICT in education √ A <i>21st Century Education Roadmap</i> is under development √ Royal Kasho issued for fundamental reforms in the education system √ <i>Guidelines for Curriculum Implementation Plan for Education in Emergency + Assessment and Examinations for Education in Emergency Curriculum + Emergency guidelines for Non-Formal Education</i> implemented √ Implementation of ‘Coding’ from primary classes is underway, and a new ICT curriculum has been introduced as compulsory subject from class PP to XII. √ Implementation of Digital School initiatives under Digital DrukYul flagship programme - COVID-19 pandemic resulted in school closures and loss of instructional time especially for higher education - Gender gaps persist at tertiary levels with a Gender Parity Index (GPI) of 0.94 in 2020 - Coverage of ECCD, although expanding rapidly, still low and with wide variations across districts. NER is 23.71% and GER is 24.2% - Ensuring inclusive education remains a critical challenge, even in SEN schools - Quality and relevance of education remains a major concern - Most Technical Educational Institutes (TEIs) in the country have a weak research culture - 12th FYP targets for ECCD net enrollment rate, schools meeting class size targets, and youth in conflict with law reported as “at risk” by the Ministry of Education during the 12th FYP MTR

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SDG 4 is assessed to be “at risk” at this point in time, given immediate impacts of the COVID-19 pandemic on education. These include prolonged school closures and loss of instructional time, disruptions in mode of delivery and learning, uneven access to online learning (due to variations in access to internet and other information technology or IT facilities), among others. There have been reports of students dropping out from school following the lockdowns and extended school closure; as well as of increasing cases of anxiety and depression among students. Over the longer term, it is anticipated that key learning outcomes will have been negatively impacted.

Moreover, the need for fundamental reforms in the education system has been highlighted by the Royal Decree. While this is a positive step forward—as the reforms are essentially intended to improve education outcomes by making it more relevant for the 21st century—it is also an indication of significant gaps in the current system.

SDG 5: Gender Equality 12 th FYP NKRA 10: Gender Equality + Crosscutting across NKRA		
1st VNR status	2nd VNR status	Key developments and concerns
On track	On track	<ul style="list-style-type: none"> √ National Gender Equality Policy (NGEP) approved in 2020 √ National Plan of Action to Promote Gender Equality in Elected Office (NPAPGEEEO) revised in November 2018 √ Bhutan Women Parliamentary Caucus (BWPC) launched in 2019 √ Policy to Accelerate Mother and Child Health Outcomes approved in 2020. √ Implementation of cervical and breast cancer screening activities is underway across the nation under the Health flagship programme; with provision of early treatments to ensure no one is at risk of cancer - Women’s representation in decision-making remains low: 15.3% in Parliament; 11.6% in Local Government; and 10 % at executive levels in the civil service - Female unemployment rate remains higher at 6% percent in 2020 (up from 2.3 in 2015) compared to 4.1% for males; with female youth unemployment constituting 61.3 percent of total youth unemployed (LFS 2020) - Gender gap remains in tertiary and vocational education - Feminisation of agriculture in rural areas remains

SDG 6: Clean Water and Sanitation 12 th FYP NKRA 15: Sustainable Human Settlements; NKRA 17: Sustainable Water		
1st VNR status	2nd VNR status	Key developments and concerns
On track	On track	<ul style="list-style-type: none"> √ Sanitation coverage expanded and at 78% √ High coverage of Rural Water Supply Schemes (RWSS) at 92.46%

		<ul style="list-style-type: none"> √ National Sanitation and Hygiene Policy 2020 in place √ Water Flagship Program under implementation to provide ‘Access to 24x7 Safe Drinking water and Irrigation water’; aligned with SDG 6 with specific indicators on quality, quantity and sustainability of water 4.24% rural households remain unserved by RWSS - Only 11% of urban households have access to 24x7 drinking water supply as of 2021; remainder has only intermittent supply, with 52% for less than 8 hours and 1% without water supply - Poor standards in sanitation; 0.7% of population still face open defecation; disparities in access to sanitation facilities and services - Rapid urbanisation is increasing pressure on sanitation facilities, with inadequate capacity of Local Governments to maintain facilities - High water availability but low accessibility due to insufficient source management, inadequate infrastructure development and maintenance, and issues in governance and sector-based system - Drying up of water sources - Lack of reliable data on water and sanitation sector
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SDG 7: Affordable and Clean Energy
12th FYP NKRA 6: Carbon Neutrality, Climate and Disaster Resilient

1 st VNR status	2 nd VNR status	Key developments and concerns
On track	On track	<ul style="list-style-type: none"> √ 99% access to electricity (BLSS 2017) √ The Power System Master Plan 2040 estimates overall potential as 36,900 megawatt (MW), with annual production potential of 154,000 gigawatt hours (GWh) √ Installed capacity has reached 2,326 MW (6.3%) as of 2019; with a target to achieving minimum 5,000 MW by 2030. √ In 2017, around 5,700.994 million kWh of surplus electricity exported, contributing Nu 12,371.15 million at Nu 2.17 per kWh of average electricity tariff. √ National Energy Efficiency and Conservation Policy 2019, focusing on four main sectors—building, industry, transport and appliances—in place √ Bhutan Sustainable Hydropower Development Policy 2020 in place √ Bhutan Renewable Energy Master Plan estimates potential to produce 12 gigawatts of solar and 760 megawatts of wind energy √ Pilot project to install solar power plant is part of COVID-19 response and recovery plans: 180KW solar power plant; 600KW wind farm. In addition, installation of three major renewable power plants (30MW and 17 MW solar power plants, and 23MW wind power plant) currently under negotiation √ Surface Transport Policy (2006) is under review to comprehensively capture alternative modes of transport, and clean, green and sustainable transport systems

	<ul style="list-style-type: none"> √ Climate Change Policy passed and Sustainable Consumption and Production Strategy developed in 2020 - Electricity access and quality highly variable across districts; for eg. the share of households experiencing a power outage ranges from 11% in Tsirang to 95% in Dagana, and the overall average is just below 60% - Current installed capacity for renewables is only nine megawatts, aside from large hydropower projects - In 2017, Nu 8,974.835 million worth of petroleum products imported
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SDG 9: Industry, Innovation and Infrastructure
 12th FYP NKRA 9: Infrastructure and Communications; NKRA 2: Economic Diversification;
 NKRA 6: Carbon Neutrality, Climate and Disaster Resilient

1 st VNR status	2 nd VNR status	Key developments and concerns
On track	On track	<ul style="list-style-type: none"> √ National Construction Industry Policy 2020 in place to professionalise the sector, create employment opportunities and promote green growth and sustainable financing √ Construction Bill being drafted to provide legal basis for regulation, revitalise and bring about fundamental changes in construction industry √ Guideline developed for design and construction of climate-resilient road infrastructure in 2019 √ About 18264.60 kms of various categories of roads constructed, linking the country from west to the central, east and southern districts √ A total of 149.10 kms of Asian Highway constructed, connecting Thimphu to Phuentsholing and further to India √ Improvement and climate proofing of 1500 kms of farm roads (under 1st phase) is underway in the districts √ New public routes introduced with subsidies encouraging passenger transport services, to enhance mobility of people living in the most remote parts of the country √ Development of an Aviation Policy and Surface Transport Policy to improve connectivity and mobility, and to ensure inclusiveness √ National Space Policy under development to improve communications access, disaster mitigation related activities, and weather information to aid agricultural activities √ Process initiated to establish a Third International Internet Gateway √ Rural Connectivity Programme connecting remote households with basic telecommunication facilities, and 2G, 3G and 4G mobile communication services √ National Competition Policy passed in 2020 √ FDI Policy, CSI Policy and Tourism Policy all passed in 2020

	<ul style="list-style-type: none"> √ Startups and CSI flagship programme under implementation in 12th FYP to promote innovation and creativity, besides promoting startups and CSIs and economic diversification √ Digital Drukylul flagship programme under implementation in 12th FYP, to enhance digital connectivity and network infrastructures √ Construction of a mega-dry port is underway, connecting Bhutan's main industrial area in the south of the country with India √ Trade logistics infrastructures such as dry ports and warehouses being developed in Pasakha, Gelephu and Nanglam jurisdictions bordering India; as well as one cold storage √ Business and investment infrastructures, and production and manufacturing industries are being developed in industrial parks (Pasakha, Nanglam, Gelephu, Dhamdum, Jigmeling, Motanga, Bjemina, and POL Depot in Eastern and Central Bhutan) √ Development of E-Commerce Policy is underway √ Sustainable Tourism development flagship programme under implementation in 12th FYP √ Build Bhutan Project under Economic Contingency Plan is under implementation, to build construction related skills and professionalise construction sector - Construction sector contributes about 16% to GDP, but suffers from lack of professionalism and is unable to harness full potential - Limited scope of enhancing aviation infrastructure including for domestic connectivity due to difficult geographical terrain, and lack of trained and competent aviation professionals
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SDG 11: Sustainable Cities and Communities		
NKRA 15: Sustainable Human Settlements; NKRA 5: Healthy Ecosystem		
1 st VNR status	2 nd VNR status	Key developments and concerns
On track	On track	<ul style="list-style-type: none"> √ National Human Settlement Policy 2019 promotes a comprehensive and integrated approach to settlements planning and development, including environmental preservation; preservation of tradition, culture, historic structures and sacred sites; safe and disaster resilient structures √ Spatial Planning Bill 2019: The Bill has been prepared with the objective to provide a fair, orderly, economic and sustainable use of land √ Comprehensive National Development Plan (CNDP) 2030, to address the issue of rural-urban migration and promote regionally balanced development √ Strategic Pilot Project for Climate Resilience (SPCR) being piloted in Samdrup Jongkhar Thromde to promote climate-resilient urban services and infrastructure √ National Housing Policy 2020 approved to provide safe, affordable and energy-efficient housing

		<ul style="list-style-type: none"> √ Low Emission Development Strategy (LEDS) for Human Settlements under development √ Development of a geodatabase to facilitate effective planning and management √ Bhutan Sustainable Low-Emission Urban Transport Systems project under implementation, to replace 300 Internal Combustion Engine Taxis with Electric Vehicles by the end of June 2022; and installation of charging stations - Increasing development projects resulting in competing demand for land and infrastructure services - Degradation of cultural landscape, with new designs often not compatible with function and character of existing settlements - Climate change induced risks, coupled with vulnerability due to location in one of the most seismically active zones in the world - Rural-urban migration leading to overcrowding and occupancy of sub-standard dwelling units in urban centres; while affordable housing is an issue - Increasing number of cars and traffic congestion, and lack of efficient public transport service such as city bus services - High upfront cost of clean transport systems (EV buses) hampers adoption at the required pace - Data disaggregation for the transport sector still a major issue. For eg., available data does not match international data requirements for calculating GHG inventory
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SDG 14: Life Below Water		
NKRA 5: Healthy Ecosystem		
1 st VNR status	2 nd VNR status	Key developments and concerns
On track	On track	<ul style="list-style-type: none"> √ Bhutan's water resources are healthy at the macro level √ National Environment Strategy 2020-2030 in place √ Water flagship programme under implementation in the 12th FYP √ Formulation of a National Adaptation Plan with a focus on water sector is underway - Despite high overall water availability per capita, Bhutan is confronted with localised and seasonal water shortages for drinking and agricultural purposes; and faces increasing vulnerability to water-induced disasters - Water quality a concern with localised pollution of rivers, lakes and groundwater occurs from municipal wastewater, improper disposal, of waste, discharge of industrial effluents, mining and road construction - Increasing sediment loads in rivers and streams, as a result of developmental activities, is negatively impacting aquatic biodiversity

		- The impact of agro-chemicals and fertilisers on land and water resources has not been systematically assessed
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SDG 15: Life on Land NKRA 5: Healthy Ecosystem		
1st VNR status	2nd VNR status	Key developments and concerns
On track	On track	<ul style="list-style-type: none"> √ Forest cover in 2018 accounted for 71% of Bhutan’s total surface area, well over the Constitutional requirement of a minimum of 60% forest cover √ National Environment Strategy (NES) 2020-2030 in place √ Waste Flagship Programme under implementation in the 12th FYP √ REDD+ Strategy and Action Plan of Bhutan launched in 2020 - Currently only about 3% of total land area is utilised for agriculture, with pressure to increase this, since agriculture supports food security and livelihoods of around of more than half the population - Rural communities seeing a trend of conversion of irrigated wetland to dryland, due to lack of irrigation water as well as restrictions on long term investment in wetland - Fertile land is under pressure from infrastructure development, including farm roads, electricity transmission/distribution lines, mines and quarries, industries and urbanization - Increase in various type of land degradation with population and development pressures - Non-optimal utilisation of land, given absence of a comprehensive national soil map with information on crop suitability and potential

When Bhutan undertook its first VNR exercise in 2018, SDGs 5, 6, 7, 9, 11, 14 and 15 were all assessed to be on track. Given this base, and with recommended policy actions under implementation through various programmes of the 12th FYP, it can be reasonably surmised that broad-based progress is being made across these SDGs. In addition, several of the flagship programmes under implementation directly address key concerns under most of these SDGs.

Going forward, the programmes under NKRA 5, 9, 10, 15 and 17 of the 12th FYP will continue to be implemented. It is anticipated that efforts to ensure their timely and effective achievement will be enhanced by the results and recommendations of the midterm review exercise. Implementation of relevant flagship programmes are also underway, namely the water, waste, organic and digital flagships which have direct bearing on these NKRA 5 and the corresponding SDGs 5, 6, 7, 9, 11, 14 and 15.

4. Thematic Issues

Bhutan's first VNR report identified some urgent issues with crosscutting implications on the country's sustainable development, and reported that these would be addressed as a matter of priority in the 12th FYP. Accordingly, three major policy actions were outlined for improving key social outcomes, building economic resilience, and managing the impacts of climate change. In this second VNR, as mentioned, Bhutan has decided to undertake a closer look at the nine SDGs identified for discussion at the HLPF in July 2021. By doing so, it also reports on the progress and setbacks concerning the core issues and policy actions, mentioned above, and summarised and presented in [Box 1](#) for reference.

Box 1: Policy actions identified in Bhutan's first VNR report for improving key social outcomes, building economic resilience, and managing the impacts of climate change

With regard to [improving key social outcomes](#), underlying issues that have an immediate as well as long-term bearing on productive capacity were discussed. Variations and gaps in the progress on key social indicators at the disaggregated level were highlighted, including in terms of reducing poverty in its multiple forms; nutritional gaps with a high prevalence of malnutrition among children below the age of five; and the special risks of vulnerable populations falling back into poverty due to disaster or other external shocks.

Additional concerns included the rise of non-communicable diseases; mental health and associated issues experienced by Bhutanese youth; sustainability of free health care services; and access to tertiary and vocational education as well as the quality of education outcomes. Going forward, greater investments would be made to harness the demographic dividends offered by a youthful population—by improving learning outcomes, inculcating innovative and creative mindset, and enhancing employability.

With regard to [building economic resilience](#), vulnerabilities arising from structural issues in the economy were discussed. These include the slow progress of change in the production structure and export base; challenges to economic diversification; and the ability to move towards more diversified exports of value-added goods and services, with the increased participation of vibrant small and medium enterprises, in the medium-term.

Going forward, priority actions to improve productive capacity of the economy were identified. These include expansion of investments in tourism, organic agriculture, and cottage and small industries—in addition to continued investment in hydropower generation. It was reported that an 'entrepreneurship ecosystem' would be established to provide a platform for innovation and generate green jobs, and promote green economy through attraction of green investments with the participation of corporate and private sectors.

Efforts would also continue towards completing major infrastructure developments including industrial parks, expansion of national highways, and the construction of dry ports. Key targets included keeping unemployment under 2.5 percent, increasing the share of national revenue from non-hydro sectors to over 75 per cent, and attracting approximately Nu. 10 billion (USD 150 million) in FDI into non-hydro sectors in the 12th FYP period.

With regard to [managing the impacts of climate change](#), the first VNR presented how an already vulnerable ecology is faced with diverse challenges. Demand for water, energy and food was noted to be growing, amid increasing frequency and intensity of climate change-induced and other disasters. Water access and quality, deteriorating air quality, and poor waste management were identified as some of the key issues. About 30 percent of the country's economic activity was reported to be highly susceptible to climate change impacts, including road networks and other critical infrastructure.

Meanwhile, it was projected that Bhutan would experience average temperature increases that is three times the global average in the next 50 years. High data gaps along with low technical and academic capacities to generate and use climate information were identified as additional challenges, as threats from hydro-meteorological and geological disasters increase.

To ensure that development gains to date are not derailed by the adverse impacts of climate change, it was reported that national and innovative capacity would be enhanced. This was expected to lead to a better understanding of climate change pathways among the sectors, development of local solutions, and securing the investments required for dealing with climate change impacts.



4.1 SDG 1: End poverty in all its forms everywhere

Bhutan’s progress in alleviating poverty conditions over the decades of its planned development has been remarkable. Income poverty at the national level was reduced from 23.2 percent in 2007 to 8.2 percent in 2017, while rural poverty in particular was reduced from 30.9 percent to 11.9 percent in the same period.¹² Significant reductions were also made in terms of multidimensional poverty, with the Multidimensional Poverty Index (MPI) decreasing from 12.7 percent in 2012 to 5.8 percent in 2017.¹³

Such progress is attributed to consistent investments and improvements in health and education outcomes, expansion in rural infrastructure and network, efforts at commercialising agriculture, and targeted poverty reduction programmes to root out extreme poverty especially over the 10th and 11th FYP periods—coupled with land reforms and various social security interventions as part of the Royal *Kidu*¹⁴ programme.

As presented in Bhutan’s first VNR report, however, several key concerns remain to be addressed—to ensure that development is inclusive and that no one is left behind. These are considered “last mile challenges” in the context of Bhutan’s imminent graduation from LDC category in 2023, which also coincides with the completion of its current FYP.

In the 12th FYP, NKRA 3 is on “reducing poverty and inequality”. Many of the priority actions identified in Bhutan’s first VNR report are currently under implementation through programmes that cut across other national key result areas—particularly through interventions towards improving health, education, food security, job opportunities and living standards. However, given the various social and economic fallouts from the COVID-19 pandemic, it is highly probable that progress towards poverty reduction will have been negatively impacted.

While a clearer picture of overall progress and setback—based on the MPI and Gini-coefficient as key measures of NKRA 3—will only be available following updated data and preparation of the next Poverty Analysis Report (PAR) in 2022-2023¹⁵, an initial impact assessment¹⁶ found that many people have been affected by the COVID-19 crisis with increased vulnerability across different dimensions.

4.1.1 Eradicating extreme poverty and reducing poverty in all its forms

Based on the most recent data from 2017, poverty rates are highly variable across districts, indicating uneven progress—with income poverty rates ranging from a high of 33 percent to a

¹² *Poverty Analysis Report 2012 & 2017*. National Statistical Bureau, RGoB.

¹³ *Bhutan: Multidimensional Poverty Index*. National Statistical Bureau, RGoB, and Oxford Poverty Human Development Initiative, University of Oxford, 2017.

¹⁴ *Kidu* or wellbeing of the people is traditionally a royal prerogative, and is enshrined in the Constitution as a fundamental responsibility of His Majesty The King.

¹⁵ As indicated in the *Annual Report FY 2019-2020*, Gross National Happiness Commission, RGoB.

¹⁶ *Rapid Socio-economic Impact Assessment of COVID-19 on Bhutan’s Tourism Sector*. NSB and UNDP, May 2020.

low of 0.3 percent. The Gini coefficient stood at 0.38 in 2017 (an increase from 0.36 in 2012), with income inequality disproportionately affecting the rural population.

More than five percent of Bhutanese are multi-dimensionally poor, again with wide variations between rural and urban areas. More than 93 percent of Bhutan's multidimensionally poor reside in rural areas¹⁷—where opportunities for employment outside agriculture are limited, and where the delivery of social services to remote and isolated areas is more difficult.

Children are especially vulnerable, with multidimensional poverty highest for children aged 0-9 years. Bhutan's first VNR report also noted that despite significantly less rates of poverty in urban areas, increasing urbanisation has given rise to a number of vulnerabilities. For example, an estimated 10 percent of Thimphu city's population live in informal settlements with lack of access to basic amenities—which if left unaddressed could impede progress in eradicating poverty.

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. Many Bhutanese youth were also compelled by the circumstances to return from overseas employment programmes, as also covered later in the report.

However, even prior to the pandemic, many households remained vulnerable, as suggested by a recent analysis of the 2017 BLSS data i.e. that despite the sharp decline in poverty over the decades, many households remain just a small shock away from poverty.¹⁸ COVID-19 has clearly presented just such a shock, and it is possible that income poverty may have increased with many households losing their source of income. At the same time, the impacts may have been mitigated to an extent by the DGRK—which provides support to individuals directly affected by the pandemic, as also covered later.

With respect to MPI, indicators such as school attendance and food/nutrition security—under the education and health categories—may have also been negatively impacted. This is considering reports of students dropping out from schools after the lockdowns¹⁹, and with disruptions caused to the school feeding programmes as schools remained closed for almost an entire academic year.²⁰

On the other hand, given focused interventions to improve handwashing facilities across schools in the country—as one of the key measures to ensure children's safety during the pandemic—it is possible that water and sanitation indicators may have improved. It has been reported that since the onset of the pandemic, the number of handwashing tap-points increased by 77 percent i.e. from one tap-point for every 17 students to one tap-point for every nine students.²¹

As mentioned, however, the net effect of the impact of the pandemic on overall poverty

¹⁷ The share of the population of rural areas is 66.5% and of urban areas is 33.5% (Source: Bhutan MPI 2017).

¹⁸ *Bhutan Development Update. Recent Trends in Poverty and Shared Prosperity: Progress and Challenges.* World Bank, March 2020.

¹⁹ For example, see: <https://kuenselonline.com/149-students-drop-out-from-thimphu-thromde-schools/>

²⁰ For example, see: <https://www.unicef.org/bhutan/press-releases/un-agencies-warn-economic-impact-covid-19-and-worsening-inequalities-will-fuel>

²¹ Source: <https://kuenselonline.com/schools-now-have-80-percent-more-handwashing-taps/>

conditions is yet to be ascertained in the 2022-2023 PAR report.

4.1.2 Enhancing access to basic services, technology and economic resources

Given an improvement in its Human Development (HDI) from 0.612 in 2017 to 0.654 in 2019, Bhutan now ranks 129th out of 189 countries as compared to 130th in 2017²²—indicating that there has been broad-based progress.

With rapid expansion, there has been great improvement in access to electricity, water and sanitation. However, recent analysis illustrates how access and quality are highly variable across districts. For example, the share of households that experienced a power outage in the last seven days ranges from 11 percent in Tsirang to 95 percent in Dagana, and the overall average is just below 60 percent. Access to safe drinking water and basic sanitation is still a concern, with the share of households with 24-hour water supply varying from 51 percent to 83 percent. While 81 percent of households have a flush toilet at home, at disaggregated levels less than 60 percent of households in three districts have such facilities.²³

Figure 1: Quality of basic services across districts



Source: Calculations using BLSS for 2017.

(Source: *Bhutan Development Update. Recent Trends in Poverty and Shared Prosperity: Progress and Challenges*. World Bank, March 2020)

According to the Ministry of Works and Human Settlements, there are 5,645 Rural Water Supply Schemes (RWSS) across the country with 92.46 percent coverage; however, only 60,829 tap stands are reported to be functional. The total number of rural households unserved stands at 3,632 (4.24%) as of 2018. Dried up sources have been reported in 29 communities, comprising 527 households where the RWSS have been implemented. The prevalence of disparities in access to sanitation facilities and services are related to income, gender, disability, and geographic factors—and are often interrelated.²⁴

²² *The Next Frontier: Human Development and the Anthropocene*. Human Development Report 2020, UNDP.

²³ World Bank, March 2020, op.cit.

²⁴ Written input from the MoWHS, February 2021.

Mobile coverage and internet connectivity have seen rapid growth due to the introduction and expansion of mobile broadband connections such as 3G and 4G Networks. Today, all *gewogs* and about 98.5 percent of all villages have access to mobile networks. Additionally, there 200 Community Centres connected with fiber optics.

Mobile subscribers currently number 741,999 as compared to 703,554 in 2018, which is a 5.5 percent increase. Internet usage has increased significantly with total coverage of about 97.4 per 100 inhabitants in 2020. As of date, the total number of internet subscribers reached 729,733. Ku-band dishes are also being installed across the country to enable rural households to access the Bhutan Broadcasting Services (BBS)—a major source of news, information and entertainment for the population.²⁵

Projects aimed at the socioeconomic development of rural communities include those under the Small Development Projects (SDPs). These are community-oriented projects planned and implemented by local governments based on local needs and priorities. Aimed primarily at community infrastructure development, the expectation is that livelihoods of rural communities will be enhanced through improved accessibility, increased job and economic opportunities, and food security.²⁶

4.1.3 Building resilience and strengthening social protection systems

The pandemic has made it clear that strong social protection mechanisms are needed to mitigate income shocks, and to prevent the most vulnerable from falling back into poverty. Globally, the COVID-19 pandemic has impacted the poorest and most vulnerable groups, with significant inter-generational implications for poor families. In Bhutan too, the trends are expected to be similar, with these groups affected by lower incomes, increased food insecurity, and higher exposure to other social vulnerabilities.

A rapid socio-economic impact assessment of social and economic vulnerabilities faced by those in the tourism and affiliated sectors, which was hit hardest by the pandemic, offers lessons for broader policy measures going forward. A key finding was that the impact of the pandemic has been deep, wide-spread, crosscutting and dynamic—and has increased vulnerabilities across many dimensions for affected individuals, while also becoming more widespread beyond the tourism sector. Meanwhile, it also found that coping capacity is limited—with many Bhutanese having little or no economic security as they live pay-check to pay-check, and a popular coping strategy being to seek government help.²⁷

Given a largely welfare state approach even prior to the pandemic, the Bhutanese people have been protected through various social protection measures implemented in accordance with the constitutional mandates for free education and health; through the provisions of the *Labour and Employment Act of Bhutan 2007*; and through targeted poverty intervention programmes as mentioned earlier. Moreover, the *Kidu* Programme, a royal prerogative of His Majesty the King, ensures that various forms of social assistance are provided to those facing difficulties in sustaining their livelihoods as well as to address other vulnerabilities.

²⁵ Written input from MoIC, February 2020.

²⁶ Written input from MoFA, February 2020.

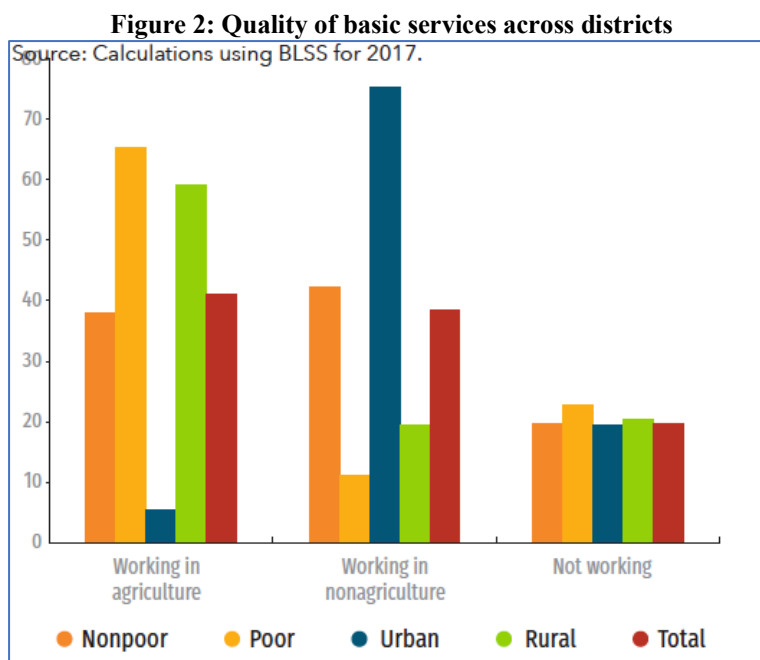
²⁷ NSB and UNDP, May 2020, op.cit.

Such longstanding mechanisms in place have been instrumental in ensuring that the most vulnerable are protected. As mentioned, with the onset of the pandemic, a National Resilience Fund of Nu. 30 billion was established since April 2020, which supports the DGRK for individuals directly affected by the pandemic, and full/partial interest waiver on loans contracted before April 10, 2020. Through the DGRK, about 45,766 individuals have been provided cash and in-kind support between April 2020 and March 2021; and child support *kidu* has also been granted to over 18 percent of these applicants.²⁸

Still, the pandemic is expected to have deep and lasting impact on the economy, and especially on the livelihoods of the vulnerable. As such, it has stimulated discussion on the benefits of working towards a strengthened and comprehensive social protection system—to ensure sustainability and increase resilience over the long term to various economic, environmental and social shocks.

It has been suggested that economic shocks emanating from the pandemic could lead to an additional 5,503 people falling into poverty based on the poverty line of USD 3.20 per day, and 14,083 people based on the poverty line of USD5.50 per day. Many of these “emerging poor” are expected to be informal workers with little or no access to social security—and who are estimated to constitute more than 87 percent of total employment in Bhutan.²⁹

Beyond the pandemic, the risk of falling back into poverty remains high for vulnerable populations especially for farming communities in rural areas—given the increasing frequency and magnitude of climate-related disasters. While agriculture production in the country is reliant on rainfall-fed irrigation, the country’s vulnerability to the impacts of climate change (as also covered later) and extreme weather variations are increasingly affecting agricultural productivity.



(Source: *Bhutan Development Update. Recent Trends in Poverty and Shared Prosperity.* World Bank, March 2020)

²⁸ *Druk Gyalpo’s Relief Kidu Press Release*, 23rd April 2021. Accessed from: https://royalkidu.bt/wp-content/uploads/2021/04/DGRK_One-Year-Summary_22.4.2021.pdf

²⁹ *COVID-19 and social protection in South Asia: Bhutan*. International Policy Centre for Inclusive Growth and UNICEF. 2020, September. Accessed from <https://www.unicef.org/rosa/media/10071/file/Bhutan.pdf>

Recent analysis confirms that poverty reduction was helped by improved earnings in the agriculture sector, but that vulnerability is high with uninsured risks from price and weather shocks. With about two thirds of heads of poor households working in agriculture (as compared to only about a third of non-poor households), working in agriculture is highly correlated with being poor.³⁰ This is especially significant given that more than 51 percent of the Bhutanese population is engaged in agriculture, most of which is subsistence-based.

4.1.4 Way forward

To facilitate with poverty reduction efforts as well as to strengthen social protection systems over the long term, the need for good data and its utilisation remains. The pandemic has necessitated the collection and digitisation of essential data, with different vulnerability layers geo-referenced to enable support for the most vulnerable households. Building on these initiatives, such data could be used for social protection programmes beyond the pandemic response.

Related to this is the need to strengthen statistical capacity, improve data quality, and fill data gaps that remain, despite much progress over the years. For example, it has been noted that information is inadequate on household income, as well as on production activities of agricultural households—required for better understanding of drivers of welfare and poverty in rural areas.³¹

To improve data quality for poverty reduction efforts, there is need for more regular collection of essential socioeconomic data. In addition, it has been suggested that the official poverty line is relatively low and may need to be updated in the next round of the BLSS, based on the latest consumption patterns; and that a consistent measurement of poverty be maintained over time.³²

Meanwhile, Bhutan continues to work towards bringing “last mile services” to the poorest sections of society and to vulnerable groups. Special attention is being given to accelerate the reduction of child poverty; and to mitigate and adapt to the impacts of climate change. Further assessments based on updated data—including focused analysis on the impact of urbanisation on poverty in the country—will be necessary to facilitate targeted poverty reduction efforts.

With basic health and education provided free, and allocated 11 percent each of the 12th FYP budget, Bhutan continues to prioritise investment in key socioeconomic programmes. Going forward, the MPI target for the 12th FYP is to reduce the multidimensionally poor population to less than 5.8 percent; and the Government is considering increasing the thresholds for some of the related indicators.

³⁰ World Bank, March 2020, op.cit.

³¹ Ibid.

³² Ibid.



4.2 SDG 2: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture

In its first VNR report, Bhutan reported that 97 percent of households were food sufficient, and that various interventions were underway to improve nutrition, including through implementation of the Food Security and Nutrition Policy. However, food sufficiency was mainly on account of high food imports; and the self-sufficiency ratio for Bhutan's staple cereal, rice, for example, was only 45 percent. Rural households still experienced seasonal food shortages, and approximately four percent of people in rural areas reported experiencing food insufficiency.

Despite significant improvements, child nutrition as well as micronutrient deficiencies in children, adolescent girls and women remained a significant public health concern, as covered below. It was noted, however, that more recent data was required to ascertain improvements as several interventions—such as increased maternity leave to allow for exclusive breastfeeding—had been initiated over the years. The need to include indicators that evaluate school feeding programmes and the nutrition status of children in schools was also highlighted, given major systemic and implementation gaps associated with the programme.

Likewise, gaps in ensuring sustainable agricultural productivity remained, despite numerous interventions to enhance agriculture production for improved food and nutrition security.³³ In particular, it was noted that the sector's vulnerability to climate change impacts and climate change induced disasters posed significant threat to undoing the gains achieved thus far. The Sector Adaptation Plan of Action (SAPA) 2016 had identified forest and biodiversity, food security and agriculture, and water resources, as the most vulnerable sub-sectors to climate change impacts.

While hunger is no longer a major concern, achieving food security with improved nutrition, and ensuring sustainable food production with resilient agricultural systems remains a critical challenge for Bhutan. In the 12th FYP, NKRA 8 on 'food and nutrition security' aims to increase food production to enhance food self-sufficiency (defined as being able to meet consumption needs, particularly for staple food crops from domestic production rather than importing); and to enhance nutrition security (specifically addressing the nutritional needs of women and children to reduce prevalence of malnutrition).

4.2.1 Enhancing nutrition security

As mentioned, more up-to-date data is required for a better understanding of the nutrition situation in the country today. This is expected to be available only after the next National Nutrition Survey (NNS) scheduled in 2022. Therefore, as presented in the first VNR report and based on the NNS 2015, about 21 percent of Bhutanese children below the age of five years are stunted, while 4.3 percent are reported as wasted, and nine percent are underweight. Higher

³³ These include the National Rehabilitation Programme (NRP) to benefit rural farmers; the User Right System (URS), an innovative landholding system, to enhance economic livelihood opportunities; and a series of programmes to accelerate growth of the agriculture sector with a focus on drivers of change, including irrigation development, farm mechanization and addressing human-wildlife conflict management.

rates of stunting were reported for the eastern regions (29.1%), rural areas (26.1%), and children from lower wealth quintiles.

Despite substantial reduction, prevalence of anemia remains a severe public health concern—with 44 percent of six- to 59-month-old children, 35 percent of non-pregnant women, and 31 percent of adolescent girls reported to be anemic. Only 51 percent of children in Bhutan were exclusively breastfed in 2015. As such, concerns remain today over the persistence of stunting and micronutrient deficiencies.

At the same time, Bhutan's first *Global School-Based Student Health Survey (GSHS)* conducted in 2016 had reported that over-nutrition is an emerging issue among Bhutanese adolescents in school—with about 11.4 percent being overweight and two percent being obese. Consumption of junk foods was found to be high, with 40 percent drinking carbonated soft drinks at least once a day and 32.2 percent eating fast-food at least four times per week. Regular consumption of fruits and vegetables was reported by only 32 percent and 42 percent respectively—with consumption significantly lower in boarding schools. Overall, the *NCD risk factor survey report 2019* indicates that 11.4 percent of the Bhutanese population are obese, 33.5 percent are overweight, and 3.1 percent are underweight.

Some progress can be noted in terms of interventions to address the nutrition concerns in the country. The National Health Policy is under revision, and a National Nutrition Strategy is under development—both of which are expected to have a bearing on improving multi-sectoral collaboration towards more effective nutrition programmes and services. The implementation of the Goods and Services Tax Act of Bhutan 2020 (also covered later) will impose higher excise taxes on unhealthy (junk) foods.

More emphasis is being placed on providing nutritious meals to children, as the National School Feeding Programme transitions to the National School Feeding and Nutrition Programme. For this, cost-optimised nutritious school menus are being designed, using an online menu optimiser platform and based on local and seasonal food. Additional strategies under development include a behaviour change communication campaign, to improve dietary and health practices of school children; and an improved school curriculum, complemented by a digital and interactive game-based learning platform, to enhance nutrition and health education.³⁴

To provide timely data for improved policy decisions and effectiveness of school-based feeding programmes, a real-time and integrated nutrition, health and education monitoring and evaluation system has been developed and rolled out in all schools. To facilitate with producing healthy and safe meals, national standards are being developed for school kitchen, stores and kitchen equipment. Necessary infrastructure such as kitchen and stores are being upgraded, to facilitate the expansion of school meals to additional rural schools. Efforts are underway to optimise and reduce costs for the National School Feeding and Nutrition Programme's supply chain, in support of the plan to scale up the programme to reach 95 percent of all schools by 2021.³⁵

In order to increase availability of fresh and nutritious foods for school meals, efforts are underway to enhance the production and entrepreneurial capacity of local smallholder farmers groups, and to connect farmers across the country with schools within their vicinity. Investments are also being made towards addressing micronutrient deficiencies, with

³⁴ Brief on *WFP's Support to Nutrition in Bhutan (2019-2023)*, December 2020.

³⁵ *Ibid.*

development of a regulatory and compliance framework for the National Food Fortification Programme, building capacities of the relevant agencies, and construction of a blending facility to produce sufficient fortified rice and laboratory capacities for quality testing and analysis.

The COVID-19 pandemic has posed some risk to nutrition intake of children and communities, given reduced household income, higher food prices, reduced availability of fresh foods, and a tendency to opt for more processed foods. To help address this issue, a community outreach programme on eating and staying healthy during the pandemic was launched, in partnership with relevant stakeholders.

Also, as previously mentioned, the national lockdowns and prolonged school closures due to the pandemic caused disruption to the school-feeding programme—which is an essential source of nutrition especially for students from rural backgrounds. This has therefore highlighted a need for holistic measures to be considered when implementing education in emergency situations, including the continued provision of nutritious food supplies, among others.

4.2.2 Sustainable food production

Dependency on imports to ensure food sufficiency remains high, especially for staple foods. Today, Bhutan continues to import large quantities of rice, potato, chili, vegetables, and livestock products—with rice being the major commodity of import at 60,267 MT of rice worth Nu. 1.88 billion. In all, the total annual import of agriculture and livestock products in 2018 was Nu.3.83 billion, and Nu.1.94 billion respectively.³⁶

Agriculture productivity is constrained by a combination of factors including declining cultivable land, increasing human-wildlife conflict, population drifts, abandonment of farmland and house, feminisation of agriculture, farm labour shortage, and increasing farming costs. According to the recently developed *RNR Strategy 2040*, these factors along with declining public investments in the RNR sector have led to decreasing shares of the agriculture sector to GDP, from 24 percent in 2004 to 15.89% in 2018³⁷, and to 15.82 percent in 2019³⁸.

With arable land at less than three percent, the total land area under cultivation is reported to be 189,499 acres.³⁹ As part of efforts to increase area for agricultural production, a total of 578.1 acres of fallow land was brought under cultivation since 2019. With provisions for new terracing and terrace consolidation, and implementation of sustainable land management programmes across the country to work with vulnerable agriculture land, a total of 4,278.72 acres of agricultural land was also developed. In addition, a total of 80.6 km of new irrigation schemes have been completed or initiated—benefitting more than 1400 households across eight *dzongkhags*.⁴⁰

³⁶ Bhutan Trade Statistics 2018.

³⁷ RNR Strategy 2040.

³⁸ *National Accounts Statistics 2020*. NSB.

³⁹ The percentage of arable land according to the RNR Census of Bhutan 2019 was estimated at 2.83 percent.

⁴⁰ State of the Nation Report, December 2020.

Although the agriculture sector employs more than 51 percent of the population⁴¹, farm labour shortage has been reported as a major constraint to farming⁴²—which is further compounded by the feminisation of agriculture (women make up 61.7 percent of those directly employed in agriculture⁴³). The shortage is attributed to rural-urban migration prompted by drudgery and high risk involved in farming, lack of modern facilities in rural areas, and better income opportunities elsewhere with the growth of other sectors.

Efforts to enhance production continue through the provision of seeds/seedlings, agrochemicals (insecticides, herbicides and pesticides), fertilizers and electric fencing to farmers; and by making government machineries available to farmers for hiring. Research and development are ongoing, with new varieties being released to improve crop resilience.

Commercial farming is also being supported, for example with the aggressive promotion of quinoa in all 20 *dzongkhags*, following its introduction in 2015 and the release of four varieties in 2018. Around 76.96 MT of quinoa was produced during 2019-2020, and processing and packing options are also being provided. In addition, 99 mixed-fruit orchards supporting 98 households, along with 18 focus villages for fruits and nuts comprising 365 households, has been established; and interventions to improve mandarin farming is continuing, given that it is one of the highest horticultural produce earnings for Bhutanese.⁴⁴

To date there are 312 commercial agriculture farms (inclusive of groups and cooperatives), creating employment for more than 562 individuals. In addition, state owned enterprises are operating 14 commercial agriculture farms with a total farm size of 1342.95 acres across the country.

Efforts to enhance livestock production on a commercial scale has had some success.⁴⁵ However, the livestock sub-sector faces several challenges including social stigma with regard to rearing livestock for slaughter. Although yet to be quantified through scientific research, livestock activities are also observed to be placing increasing pressure on the limited land leading to degradation; and is raising biodiversity and environmental concerns due to forest grazing through free-range livestock farming system.⁴⁶

In efforts to improve access to credit, which also remains a constraining factor, the National CSI Development Bank has been providing credit facilities to farmers. As of December 2020, the bank extended credit facility amounting to Nu. 667.244 million, to more than 2272 people involved in agriculture and livestock production. Complimenting this, the National Credit Guarantee Scheme is also intended to provide an additional financing window to those interested in taking up or expanding agricultural and livestock production activities.⁴⁷

To minimise post-harvest losses, cold storage facilities are being increased. Currently, there are nine cold storages across the country, two of which are operated by the National Post

⁴¹ Labour Force Survey 2019.

⁴² The 12th FYP document notes that 53 percent of farming households reported farm labour shortage as a constraint to farming.

⁴³ Labour Force Survey 2019.

⁴⁴ State of the Nation Report, December 2020.

⁴⁵ Bhutan today has achieved 100 percent egg self-sufficiency, 93 percent dairy self-sufficiency, 44.95 percent meat self-sufficiency, and 24 percent fresh fish self-sufficiency. Milk production increased to 57,546 MT, up by 1,639 MT from 2018. For better accessibility and quality fodder for ruminants, 1,480 acres of improved pasture were developed, bringing the total to 20,889 acres across the country today. In addition, 1,042 bio-gas plants were established to promote green livestock farming practices.

⁴⁶ RNR Strategy 2040.

⁴⁷ Ibid.

Harvest Centre, five by state-owned enterprises, and two by private operators. In addition, to ensure supply of safe and nutritious food and livestock products, three integrated cold stores will be built for the eastern, central and western regions of the country; with more sub-regional cold storages to be worked out as required.

However, limited technology options and low uptake capacity, coupled with shortfalls in the post-harvest and food distribution system remain major challenges to ensuring food security, as well as to farmers' livelihoods. These key issues came to the fore as the COVID-19 pandemic set in, necessitating the closure of international borders and two nationwide lockdowns. The need to increase food production and ultimately achieve import substitution—in at least a few agriculture commodities and livestock products to begin with—received renewed focus, as did the need to address key marketing challenges.⁴⁸

In this regard, “sensible import substitution” is a possibility proposed under the Ministry of Economic Affairs (MoEA)’s *Diagnostic Trade Integration Strategy Update (DTISU 2020)*. The idea is to work with the potential for import substitution in “standard products already produced naturally” in the country—particularly through the promotion and support of commercial crop farming, adoption of the “farm-to-table model”, and enhancement of farm-industry linkages. This will require feasibility studies to indicate the actual and potential comparative advantage of possible products; and the provision of better business infrastructure, fiscal support and incentives based on such studies.⁴⁹

The experience of implementing the Economic Contingency Plan (ECP)—under which Nu. 571 million was allocated to boost agriculture and livestock production, including by supporting those laid off to take up agriculture, promoting winter vegetables, and strengthening the supply chain and sourcing—also brought into focus critical gaps and issues along the entire value chain. More on this is provided in [Box 2](#).

Related to this is the need for better data management so that sector-wide agriculture data is made available and utilised towards more efficient production planning, and targeting of agriculture services. While multiple datasets exist within the sector, most are not connected as revealed by a data diagnostic study carried out for the sector.⁵⁰ In this respect, to improve agricultural statistics, market related data, and data on rural livelihoods including farmer income, a near real-time integrated agriculture statistical, monitoring and reporting system will be developed over the course of the 12th FYP.

4.2.3 Climate-resilient agriculture practice

As reported for the first VNR exercise, various climate-smart agriculture options are being pursued to ensure Bhutan’s agriculture production system is sustainable and resilient to changing climate scenarios. Nevertheless, with Bhutan’s inherent vulnerabilities to the effects of climate change, changing weather patterns continue to cause sporadic but intense agricultural damage and impact food production and rural livelihood. Damage to infrastructure

⁴⁸ Marketing challenges are posed by lack of real-time information on commodity prices, knowledge gap on demand and supply conditions, market outlets, economy of scale both for export as well as domestic markets, inadequate mechanism for product standardisation, grading, packaging and labelling, lack of processing and value addition and infrastructures.

⁴⁹ *Diagnostic Trade Integration Strategy Update (DTISU 2020)*. Dept. of Trade, MoEA, RGoB

⁵⁰ Stakeholder consultation with WFP Country Office.

further leads to disruption in essential services such as roads and communication facilities, and causes marketing challenges for agricultural products.

As such, increased impetus to develop climate smart and resilient farming technologies remains a priority for the country. In the 12th FYP, the climate smart and disaster resilient development programme aims to formulate and implement climate change responsive policies in agriculture and farming. The programme will promote green climate technologies, management of pests, diseases and disaster in the agriculture sector.⁵¹

In the longer term as well, environment friendly road construction, climate proofing of irrigation infrastructure, plantations, and renewable energy remain as main priorities. Towards this, priority initiatives will include the development of climate smart and resilient farming technologies and practices; maintenance of carbon sequestration capacity of the forest ecosystem; development of integrated agriculture landscape systems; promotion of green technologies (Biogas, Green infrastructure, Organic inputs, etc.); and strengthening of agrometeorological information and data management.⁵²

However, capacity to conduct research and development in climate change science remains limited, and is further challenge by low investments in this area. There is therefore a need for increased investments in climate change research, innovation and technology within the sector.

In addition, the 12th FYP's National Organic Flagship Programme is working towards commercialising organic production. It will do this with the provision of bio-inputs and organic seeds, development of an organic value chain and market system, and the development and institution of organic certification systems. The programme is targeting the organic production of eight selected commodities for export and four for domestic consumption; aims to produce approximately 254,000 metric tonnes of bio-inputs within five years; and generate approximately 1,500 new jobs and engage around 33,000 farmers across the country.

To date, a total of 2,146.8 MT of Organic Flagship Commodities were produced and traded, generating Nu. 261.28 million in income to the farmers. About 1,048 farmers are currently engaged in organic farming covering 2,410.32 acres around the country. A total of 505 households has been registered under Local Organic Assurance System (LOAS), and 234 households operating 2,230.55 acres have been certified under this. Three small-scale organic manure production units were upscaled, and three new units of organic manure production were established. Six smaller compost production units were also established in Land Use Certificate Programme (LUC) areas in Trashigang, Tashiyangtse, Mongar and Pemagatshel. A total of 100 MT of organic manure was produced.⁵³

4.2.4 Way forward

The experience from the Covid-19 pandemic has underscored the significance of the agriculture sector, as structural and persistent issues were exposed with immediate impact on food trade. It has highlighted the need for greater public investments to address these issues, including the need for enhanced agricultural and food productivity; improved food distribution systems; efficient, comprehensive and systematic value chain management protocols especially for priority agricultural commodities; and better emergency preparedness.

⁵¹ 12th FYP Document.

⁵² RNR Strategy 2040.

⁵³ State of the Nation Report, December 2020.

Along with this, there is a need to streamline the monitoring and evaluation of investments made into the agriculture sector—including assessments on farm outputs vis-a-vis investments and inputs, and the impact on farming households. This requires sustained efforts to improve agricultural statistics, which includes development of market-related data; data on rural livelihoods including farmer income; and a near real-time integrated agriculture statistical, monitoring and reporting system.

At the same time—based on the efforts and experience of engaging youth in farming, and in supporting local food production to enhance food and nutrition security during the pandemic—it has presented the possibilities for reform, and serves as a timely reminder for Bhutan to find long-term and transformative solutions for its food system.

Building on the learnings from handling the situation thrown up by the pandemic, it is an opportune time to develop a holistic agriculture policy—one that considers both short and long-term requirements including a move from “food security” to “food sovereignty”; is inclusive and takes into consideration the dynamics of agricultural workforce; fully considers the impacts of climate change and sustainability issues associated with agriculture productivity; and can be translated into actions that will cater to needs not just during “normal” times but during unforeseen events such as natural disasters and the current pandemic.

Box 2: Priority support measures during the COVID-19 pandemic and lessons for the agriculture sector

The Agriculture Stimulus Package been given national priority in the Economic Contingency Plan, in order to increase agriculture production, food security and resilience in the wake of the pandemic. Amidst travel restrictions imposed to prevent the spread of COVID-19, a range of support measures have been provided across the value chain to boost local agriculture and livestock production. These include technical assistance, additional support for marketing, post-harvest management, value-addition, and provision of year-round connectivity and road access.

For example, priority has been given to production of winter/off-season vegetables in the southern *dzongkhags*, to reduce their imports as well as to meet the demand in northern *dzongkhags* where production is not feasible. To ensure uninterrupted export of food products, travel arrangements were facilitated for the export of 1,165.24 MT fresh fruits (worth Nu.393.5 million), 16,445 MT fresh vegetables (worth Nu. 365.24 million), and 1,561.55 MT spices (worth Nu.807.48 million) to India and Bangladesh; and 1,100 MT fresh milk to the neighbouring State of Assam in India— as of November 2020.

As part of the School and Hospital Feeding Programme (SHFP), 180 schools across the country were linked with a total of 522 Cooperatives and Farmers' Groups (FGs), and State-owned Enterprises. In addition, eight FGs were linked with traders, the armed forces, and institutions. A 50-acre integrated farm was established at Phaitang, Nubi Gewog in Trongsa by the Farm Machinery Corporation Ltd. (FMCL), which started supplying vegetables to schools and hospitals under the *dzongkhag*. Further, a farm covering more than 100 acres is under development at Wangrey, Tangsibji Gewog.

An aggregation centre was set up at Damchu to source, store and distribute fruits and vegetables, and to help farmers, and facilitate export. Over the year, 11 new cooperatives and 62 new FGs were formed, taking the total to 87 and 616 as of November 2020. Value addition equipment, worth Nu. 2.825 million, was provided to 27 registered cooperatives and FGs on a 70:30 cost-sharing basis—under the Cooperative Business Development Scheme. A total of 17 market infrastructures were also established.

As the pandemic set in, critical gaps came to the fore—in terms of food distribution and handling, reliability of market and food prices, and management and coordination across government agencies. The *RNR Strategy 2040* noted “a very short” food supply chain, “indicating the missing link between the producer, middleman and the consumers.” The need to establish an end-to-end value chain was underscored, as the public sector had to be involved in sourcing and distributing food to consumers. It became clear that the agriculture ministry would need to develop a platform—where producers and consumers meet over a reliable market (wholesale and/or retail) and institute mechanisms to trace products to farms for quality control.

The pandemic also illustrated how during natural calamities, suppliers often expect and keep a bigger profit margin—resulting in huge price fluctuations for food commodities. Therefore, in ensuring a reliable market for the food produced, the need to create competitive markets benefitting both producers and consumers, as well as the need to institute a pricing policy to facilitate fair prices for local food products, was made clear.

The nationwide lockdown also brought out issues of weak coordination within the RNR sector, as well as across all levels of government agencies. Additionally, as the *RNR Strategy 2040* noted: “The unorganised/weak value chain management of RNR produce resulted in huge wastage of food products or the quality of produce getting deteriorated in the process.” This therefore made it clear that there is a need for: better emergency preparedness facilitated by an SOP for the relevant agencies; as well as for establishing “efficient, comprehensive and systematic value chain management protocols for important agricultural commodities...”.



4.3 SDG 3: Ensure healthy lives and promote wellbeing for all at all ages

Over the decades of planned development, Bhutan has made remarkable progress in improving the health and wellbeing of its people, given sustained investments in the health system. For instance, as reported in its first VNR report, Bhutan saw unprecedented decrease in mortality and morbidity with life expectancy up from 37 years in 1960 to over 69.55 years in 2014. Goiter, polio and measles had been eliminated; deaths from tuberculosis and malaria had greatly reduced; and childhood stunting had reduced from 33.5 in 2010 to 21.2 per cent in 2015.

It was noted, however, that non-communicable diseases were on the rise, as were incidences of suicide, substance abuse and other mental health issues. The rising cost of healthcare coupled with diminishing external support, and persistent health inequities were also highlighted. Today, in addition to these concerns, Bhutan is facing new challenges due to epidemiological transitions and evolving health needs. Moreover, the global pandemic is an unprecedented challenge for a country with limited health and financial resources, which continues to test the resilience of its health system.

4.3.1 The COVID-19 pandemic

Since the global outbreak of the COVID-19 pandemic, Bhutan recorded a total of 1813 confirmed cases (1139 male and 674 female), of which 328 were active cases (181 male, 147 female), and only one related death as of 10th June 2021. More than 93 percent of the eligible population have been vaccinated within the span of about two weeks, and efforts to ensure administration of the second dose are underway.

Bhutan's success in handling the health impacts of the global pandemic is attributed to the strong leadership and close guidance of His Majesty The King, supported by the concerted efforts of an able government, health personnel and others in public service—including a large number of volunteers—who worked intensely to put into place and execute a coordinated national preparedness plan.

The high level of cooperation exhibited by the Bhutanese people in adhering to the health advisories, including enduring travel restrictions and two nationwide lockdowns, is also a critical factor in Bhutan's successful handling of the ongoing pandemic. This has been greatly aided by strong support system extended by its monastic community and religious bodies.

While COVID-19 has had unprecedented impacts on health systems across the world, Bhutan has ensured the delivery of essential health services amid the pandemic. Based on the national preparedness plan, routine healthcare services have been managed separately from the response to the pandemic⁵⁴—owing to which immunisation services, emergency, and Mother and Child Health (MCH) services were provided across the country without interruption.

⁵⁴ In addition to the National COVID-19 Taskforce, Bhutan also set up the regional taskforces as well as taskforces across all 20 districts, to ensure ground implementation of decisions and to provide real-time ground realities to support practical decision making.

More detail on the response to the pandemic, including steps taken to ensure uninterrupted delivery of health services, is provided in [Box 3](#) and [Box 4](#).

Box 3: COVID-19 pandemic response and ensuring delivery of essential health services

In early January 2020, soon after the announcement of the first COVID-19 case in Wuhan, China, Bhutan began working on guidelines and standard operating procedures (SOPs), and initiated trainings in critical care and other services to prepare for any eventualities. Towards the second week of January, health declarations and fever screening systems were installed at Paro International Airport, and subsequently at all formal entry points into the country. The medical condition of more than 8000 tourists in the country at that time was monitored, and 54 flu clinics were established across the country. The first COVID-19 case in the country was detected on March 5, 2020, in a visiting tourist.

In an unprecedented move, the recruitment of about 140 doctors, nurses and technicians was fast-tracked to help manage the pandemic. This was facilitated with access to an efficient and steady stream of financial resources. In preparation for the worst-case scenario, 50 health professionals (43 doctors and 7 others) undergoing long-term training in various countries were called back, in March 2020. Nurses undergoing training in domestic institutes were also mobilised and deployed.

The 21-days mandatory quarantine in government-sponsored facilities was put into effect, and almost all the cases were detected from these facilities. In what is the first of its kind, a 14-day de-isolation system for those recovering from the virus was also started to ensure no cases of relapse. To strengthen surveillance efforts, RT-PCR testing centres were set-up in five strategic places across the country—Mongar, Dewathang, Gelephu, Phuentsholing and Thimphu.

In order to curtail the risk of further transmission of the virus, a 21 days-long national lockdown was imposed in August 2020, when the first case of local transmission was suspected. This timely intervention greatly helped contain widespread community transmission of the virus. Further, upon identifying the southern border districts and towns as high-risk zones for COVID-19 transmission, a seven-day mandatory quarantine for individuals travelling from high-risk areas to low-risk areas was institutionalised.

To ensure dissemination of timely and factual information to the general public, numerous messages, information and developments on COVID-19 were disseminated through mass media—in addition to regular press briefings.

To ensure the delivery of essential and emergency services to vulnerable populations, a vigorous population mapping with line listing of pregnant women, mothers, children, elderly population, and people with underlying conditions and disabilities were carried out. In addition to the emergency medical service hotline 112, service hotlines 6060 and 2121 were set up at the Health Help Centre. These are dedicated to queries and issues related to COVID-19, and for enquiries related to elderly care.

Medicine refill services for chronic patients were provided door to door by healthcare workers. In Thimphu, 38 outlets were identified to drop medicine refills. Blood Banks were stocked with adequate supply of safe and quality-assured blood and blood products, to meet daily requirements of blood transfusion in hospitals across the country.

Routine vector surveillance and case-based interventions of malaria, and dengue control and prevention activities, were implemented without interruption in all high-risk districts. Despite the pandemic, HPV vaccination was successfully introduced for boys in view of cervical cancer elimination, and the routine seasonal influenza vaccination was conducted for high-risk groups.

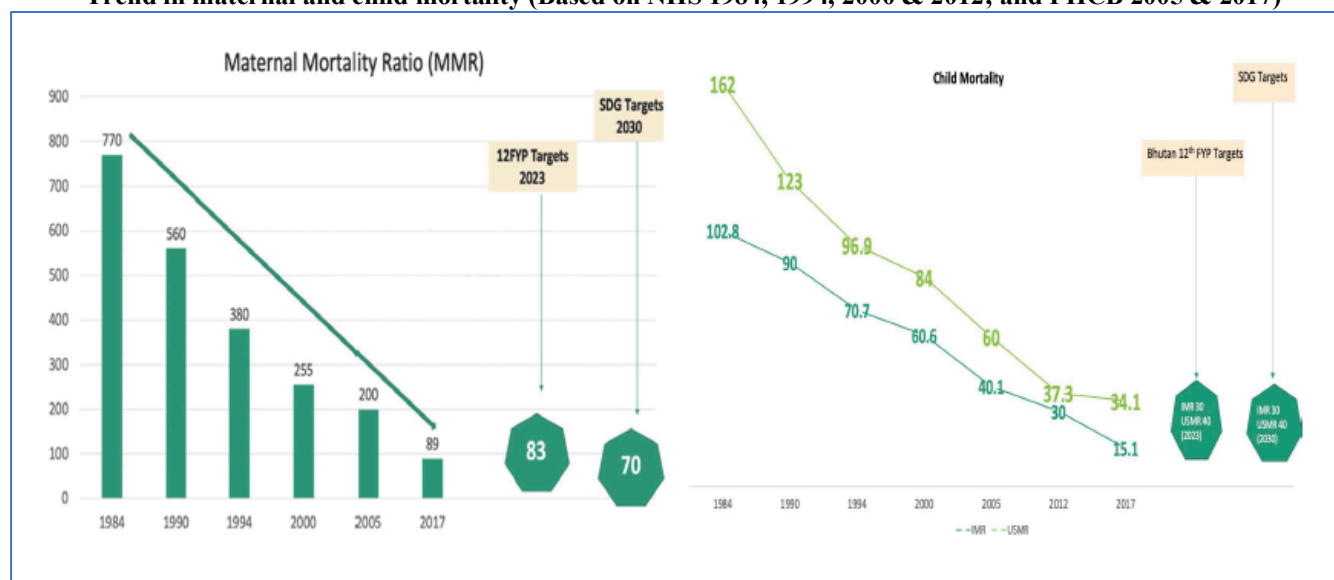
While routine health services were therefore ensured, the pandemic affected several key developments in the pipeline towards strengthening the health system in the 12th FYP. These include delays in constructing additional hospitals, finalising the National Health Bill and Policy, implementation of the Policy to Accelerate Mother and Child Health Outcomes, and development of the electronic Patient Information System (ePIS).

Adapted from: *State of the Nation Report, December 2020*; and written inputs from the Ministry of Health.

4.3.2 Mother and child health

In 2017, maternal mortality rate was 89 per 100,000 live births; while infant mortality rate was 15.1, and under-five mortality rate was 34.1 per 1000 live births.⁵⁵ Although updates will only be available after the next National Health Survey or the next Population and Housing Census, these indicators represent a marked improvement in maternal and child health over the years. The reduction in morbidities and mortality are attributed to increased coverage of reproductive, maternal, newborn and child health services.⁵⁶

Trend in maternal and child mortality (Based on NHS 1984, 1994, 2000 & 2012; and PHCB 2005 & 2017)



Source: Annual Health Bulletin 2020, Ministry of Health.

However, with neonatal mortality constituting about 56 percent of under-five deaths, reducing neonatal mortality remains a key challenge. According to the *Annual Health Bulletin 2020*, majority of newborn deaths are due to preterm births, neonatal sepsis, and birth asphyxia which are largely preventable in nature. Therefore, as also reported in Bhutan’s first VNR report, regional and district-level disparities remain in health status, coverage and outcomes—including institutional delivery and skilled birth attendants—require focused interventions to ensure adequate care during pregnancy, childbirth, and preconception phases.

Further, as reported then, more investment is needed to collect data on child mortality related to non-communicable diseases, as well as data on TB, Malaria, and HIV prevalence in children. Currently, malnutrition remains a major public health issue with one-fifth of under-five children stunted and two in five children anemic—but it must also be noted that this data is based on the 2010 MICS survey, for which a follow up survey is long overdue.

In the meantime, the Ministry of Health launched the “Sprinkles” programme in 2019, to improve the quality of complementary food for children aged six months to two years.

⁵⁵ PHCB 2017.

⁵⁶ In 2019, almost all pregnant woman had attended at least one antenatal care visit, and over 54 percent had attended more than eight antenatal care visits. Institutional delivery coverage was over 94 percent, while immunization coverage has been sustained at more than 95 percent nationwide. Postnatal care coverage stands at over 74 percent and is set to increase to 90 percent by the end of 12th FYP.

Additionally, the *Policy to Accelerate Mother and Child Health Outcomes* has been developed and was endorsed in September 2020.

This represents a significant step towards strengthening mother and child healthcare (MCH); reducing disparities; and improving health-seeking knowledge, practices and behaviour with regard to MCH—as it intends to improve uptake of maternal and child health services by providing incentives to those expectant mothers in the form of cash remuneration.⁵⁷ Further, the Royal Guest House in Mongar, which was converted in 2020 into a hospital to treat COVID-19 patients, upon Royal Command, will serve as a mother and child hospital for the east.

Recently, a total of 55 CTGs have been acquired and will be installed in hospitals across the country. This will significantly improve MCH services across the country, and help achieve vital MCH commitments and goals.⁵⁸

4.3.3 Communicable diseases

Bhutan remains committed to end the epidemics of AIDS by 2030, with the National AIDS Control Programme aiming to achieve the set national target of 90-100-90—derived from the UNAIDS global target of 90-90-90.⁵⁹ Challenges remain, however, with an overall detection gap of 46 percent despite sustained advocacies and public awareness programmes. This is attributed to persistence of social stigma and discrimination associated with the disease, which obstructs timely diagnosis and treatment.

The cumulative figure of the total cases diagnosed in the country (since the detection of the first case in 1993) stands at 687, following the detection of 60 new HIV cases (36 men and 24 women) in 2019. The prevalence of HIV among adolescent (15-19) stands around 0.8 per 1000 population which still represents a modest burden in the region.

With an estimated incidence rate of 149 per 100,000 population, Bhutan is considered a relatively low Tuberculosis (TB) burden country in South-East Asia Region. Owing to substantial increase in TB notifications and improvement in diagnostics, adherence, and treatment outcomes, the treatment success rate for all forms of TB was 95 percent in 2018 and 98 percent for Multi-Drug Resistance TB (MDR-TB) in 2017. The *Global End TB Strategy* has been adapted into the health ministry's *National Strategic Plan II (2017-2023)*, which aims to achieve 12th FYP goals and SDG targets to end the tuberculosis epidemic by 2030.

To enhance diagnosis of tuberculosis and accelerate achievement of related global goals, two new GeneXpert machines were installed at Wangdue Phodrang and Trashigang Hospitals for rapid diagnosis of drug susceptibility and MDR-TB in the country—taking the total number of GeneXpert machines installed at strategic locations to eight.⁶⁰

Nevertheless, controlling TB continues to be a major public health concern given high case detection gaps and increasing cases of MDR-TB. The prevalence of MDR-TB was reported at

⁵⁷ This policy is in keeping with the importance of 1000 golden days for both the child and mother health. Although the policy is in place, it will only be implemented once the standard operating procedures of cash transfer is developed. To access the cash transfer, mothers must meet all the criteria laid down in the policy.

⁵⁸ *State of the Nation Report*, December 2020.

⁵⁹ This means by 2023, 90 percent of all people living with HIV will know their HIV status, 100 percent of all people with diagnosed HIV infection will receive sustained antiretroviral therapy and 90 percent of all people receiving antiretroviral therapy will have viral suppression.

⁶⁰ *State of the Nation Report*, December 2020.

13 percent in new cases and 20 percent amongst retreatment cases in 2018, which are higher than WHO estimates.

Despite remarkable success and sustained efforts towards reducing malaria cases over the decades, the target to eliminate malaria by 2018 (as reported in the first VNR) could not be achieved. In 2018, 54 malaria cases including six indigenous cases were reported. In 2019, 42 cases were reported—comprising two indigenous, 30 imported, and 10 introduced cases. With malaria endemic areas mostly located along the porous southern borders, curbing cross-border transmission remains a major obstacle to achieving malaria elimination in the country. Nevertheless, the *National Malaria Strategic Plan 2020-2025* is aimed at achieving malaria elimination by 2020 and WHO Certification by 2022.

With prevalence of Hepatitis B dropping to less than one percent among five-year old children, Bhutan was recognised in mid-2019 as one of four countries in the WHO South-East Asia Region to achieve Hepatitis B control. This is attributed to consistent administration of Hepatitis B vaccines through childhood immunization, achieving over 90 percent coverage—and as preventing Hepatitis B infection in infancy substantially reduces chronic infections and cases of liver cancer and cirrhosis in adulthood.⁶¹

To prevent and control viral hepatitis, the health ministry has developed a National Strategic Plan 2021 to 2023 and treatment and management guidelines. The strategic plan is expected to enable the health workers to take appropriate actions to prevent and control viral hepatitis in keeping with the goal of eliminating hepatitis by 2030.⁶² According to the *Annual Health Bulletin 2020*, a total of 309 morbidity cases with Acute Hepatitis B was reported in the country.⁶³

In recent years, dengue has emerged as a notable disease of public health concern. Following seasonal outbreaks between 2010 and 2017, since the first outbreak in 2004, a major outbreak occurred in 2019 with 5480 cases reported from 18 of 20 districts. In view of the rapidly emerging nature of dengue outbreaks globally and the recent local outbreaks, a preparedness and response plan to prevent and control dengue in Bhutan has been developed.

4.3.4 Non-communicable diseases

Hypertension, cardiovascular diseases, cancers, and diabetes accounted for 71 percent of the reported deaths in 2019. The growing magnitude of non-communicable diseases (NCD) is attributed to changes in lifestyle and dietary habits, and an aging population. The nationwide WHO STEPS Survey in 2019 revealed a number of risk factors for NCDs, wherein 33.5 percent of Bhutanese were overweight; 28 percent had raised blood pressure; 1.9 percent had raised blood sugar, and 86.4 percent were not consuming the recommended five servings of fruits and vegetables.

Therefore, as reported in the first VNR report, NCDs in the country are on the rise and pose an increasing burden on the health system. Given their chronic nature and requiring special treatments, NCDs add on to the increasing cost of referrals outside the country—which is estimated to take up about five percent of total health expenditure. In addition, with NCDs

⁶¹ <https://www.who.int/southeastasia/news/detail/26-07-2019-bangladesh-bhutan-nepal-and-thailand-achieve-hepatitis-b-control-who>

⁶² <http://www.bbs.bt/news/?p=118441>

⁶³ *Annual Health Bulletin 2020*. Ministry of Health, RGoB.

increasingly dominating the leading causes of death in the country, there is an urgent need to scale up preventative and control efforts.

Since 2013, the WHO Package of Essential NCD (PEN) was implemented as the national programme for strengthening early detection and prevention of NCDs. The programme is attributed to significant reductions made in the prevalence of diabetes from 6.4 percent in 2014 to 1.9 percent in 2018, and in prevalence of hypertension from 37 percent to 28 percent during the same period. To reinforce the implementation of PEN, the PEN HEARTS approach to combat NCDs was introduced in 2019. With the success of pilot projects on HEARTS in two districts in 2019, the Ministry of Health is planning to roll out the HEARTS approach in all districts.⁶⁴

Premature mortality rate due to NCDs (i.e. total death from cancer, diabetes, cardiovascular, and chronic respiratory) was reported at 34 percent in 2017, and was reported to be 30.3 percent at present, which is on track to the target of 25 percent or less in the 12th FYP.⁶⁵

The Health Flagship Programme is under implementation, and focuses on the prevention and elimination of the three common cancers amongst the Bhutanese population: gastric cancer, cervical cancer and breast cancer. For gastric cancer, 10 high-end endoscopy machines were installed in three regional referral hospitals and seven other district hospitals. Rapid H pylori screening test kits are being procured and three regional hospitals will be equipped with histopathology laboratories. The guidelines for gastric cancer screening were developed with training of endoscopists and endoscopy nurses to follow. Line listing of the clients for endoscopy screening was completed in 10 districts, which will be followed by endoscopy camps.

Cervical cancer screening using the conventional pap smear test is being carried out in most health facilities across the nation. Plans are in the pipeline to establish a sophisticated HPV testing platform in three regional referral hospitals. To further strengthen the screening and treatment services, portable colposcopes, Thermocoagulator, and Loop Electrosurgical Excision Procedure (LEEP) equipment will be procured.

For breast cancer screening, mammography services will be expanded from the existing one at the national referral hospital to two regional referral hospitals, and will cover the target population of all women between 40-65 years old. Currently, Self- Breast Examination (SBE) and Clinical Breast Examination (CBE) are used as the screening methods in the general population.

As also noted in the first VNR, trends in mental health issues and suicide cases are on the rise. Amidst increasing psychiatric diagnosis in the country, alcohol dependence, epilepsy, depression, mental retardation, psychosis and suicide are most noted. Depression and anxiety disorder comprise over half of referrals in health facilities, with depression disorders most

⁶⁴ The PEN HEARTS approach has six components: healthy lifestyle counselling; evidence-based; access to medicine and technology; risk-based approach; and team-based and systems of monitoring.

⁶⁵ Based on written inputs from MoH, 2021.

common among youth.⁶⁶ The onset of the COVID-19 pandemic and the lockdowns that it entailed has also had impacts on mental health.⁶⁷

While the *Annual Health Bulletin 2020* notes that the Suicide Mortality rate per 100,000 population is 12, suicide now ranks among the top six leading causes of death in the country. Since 2013, the health ministry recorded an average of 73 suicide cases per year, with about 57 percent occurring among persons aged 18 to 35 years. Between 2016-2017, the National Suicide Registry recorded 191 suicide deaths and 132 attempted suicide cases.⁶⁸

In addition to the *Bhutan Mental Health Strategy and Action Plan (2015-2023)*, which has been providing a blueprint towards strengthening the mental health system since 2015, the *Suicide Prevention in Bhutan—A Five Year Action Plan (2018-2023)* is under implementation. It adopts a multi-sectoral approach and lays out the roles of each level of society in supporting the prevention of suicide—from a community to a specialist level.

Both strategies identify critical systemic-, services- and capacity -gaps in providing quality care towards mental wellbeing. Some of these include the lack of baseline data on the mental health situation in the country; inadequate mechanisms to capture information on intentional self-harm and suicide attempts; lack of studies on suicides and suicidal behaviours; and lack of clinical psychologists and social workers critical for mental healthcare and prevention. Meanwhile, given low levels of awareness and stigma attached to mental illness, unreported cases are expected to be high, with many who require support services not seeking it.

4.3.5 Substance abuse

The *Annual Health Bulletin 2020* notes that the percentage of population aged 15-75 years who ever used drugs/substance to get high is currently 2.1. It also notes that in terms of mortality, alcohol liver disease remains the biggest killer in the country as per facility-based death reports. For instance, alcohol liver disease accounted for 11 percent of the 1264 reported deaths in 2019.

With less than seven percent of young people abusing drugs on a daily basis, the problem of drug abuse in Bhutan is not considered as severe in comparison to that of other countries. Nevertheless, the issue is a major concern as addiction affects Bhutanese youth in their prime age—whereby their social relationships, finances, basic functioning and multiple aspects of learning are compromised, putting them at high risk of violence and coming into conflict with the law. Many young people have also lost their lives due to drug overdose.⁶⁹

Even as alcohol abuse is recognised as one of the biggest public health and social issues in the country, there is yet to be a clearly identified lead agency with the appropriate authority to spearhead efforts at addressing this multi-faceted issue. The cheap and easy access that young people have to alcohol—despite existence of legal age of drinking—and the many social ills

⁶⁶ *Bhutan Mental Health Strategy and Action Plan (2015-2023)*. Ministry of Health, RGoB.

⁶⁷ For instance, see: <https://news.un.org/en/story/2020/10/1075122>; [https://kuenselonline.com/more-than-800-
seek-mental-health-support-service/](https://kuenselonline.com/more-than-800-seek-mental-health-support-service/); and <https://kuenselonline.com/shaping-our-childrens-future/>

⁶⁸ *Suicide Prevention in Bhutan—A Five Year Action Plan (2018-2023)*. RGoB.

⁶⁹ Dr. Chench Dorji. Drugs and Alcohol in Bhutan. Where are we and what can we do? Kuensel, 27 April, 2019. <https://kuenselonline.com/drugs-and-alcohol-in-bhutan-where-we-are-and-what-can-we-do/>

associated with alcohol abuse, are common points of concern for parents and communities at large.

Meanwhile, detoxification of alcoholics is noted to be very low—whether it is due to addicts not coming forward or inadequate advocacy for treatment on the part of health workers.⁷⁰ In any case, despite efforts to date, in-country capacity to attend to patients with alcohol and substance use disorders alike is severely constrained.

Facilities and trained professionals are limited, with a ten-bedded detoxification ward at the Jigme Dorji Wangchuck National Referral Hospital (JDWNRH) in Thimphu, which is also the country's only hospital providing psychiatric services to clients with co-occurring disorders. Although all health facilities in the country have detoxification services, more awareness about the availability of these services needs to be created among young people. Collectively, the three rehabilitation centres in the country are able to provide rehabilitation treatment for only about 300 individuals in a year, due to which many addicts undergo treatment outside the country.⁷¹

Family support to addicts is often limited or missing, with many addicts coming from difficult family circumstances in the first place. Reintegration into mainstream society is a daunting challenge for addicts even after rehabilitation. Currently the only half-way home in the country operates in the capital Thimphu, set up by a CSO. The need for post-rehabilitation support systems for alcoholics and addicts is acute—requiring a coordinated approach with other government and non-government agencies to provide reintegration and other after-care services.

Therefore, strengthening the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol, is a critical priority for Bhutan—not only from the perspective of good health, but also from the perspective of maintaining social harmony and investing in human capital for the economy.

4.3.6 Deaths and injuries from road accidents

The *Annual Health Bulletin 2020* notes that death rate due to road traffic injuries (per 100,000 population) is 11.3. Although Bhutan's first VNR report indicated a steady decline in the actual numbers of road traffic accidents over the years (1094 in 2013, 791 in 2014, and 715 in 2015), the trend appears to be reversing in recent years (726 in 2016, 862 in 2017, 1360 in 2018 and 1470 in 2019)

Death from accidents have reportedly been increasing for the past six years. The highest number of deaths from road accident was recorded in 2018 with 135 deaths, as compared to 105 in 2016 and 104 in 2017. The highest number of road traffic accidents was also noted in 2019, at a total of 1,470—with driver's error being the leading cause, followed by speeding and drink driving, and cases related to bad road and weather conditions.⁷²

4.3.7 Sexual reproductive health

To promote the sexual and reproductive health of the Bhutanese people, family planning services are provided using contraceptive methods including injectables (DMPA), oral pills, condoms, Copper T (IUCD), and male and female sterilization. Significant achievements have

⁷⁰ Dr. Chencho Dorji, Op.Cit.

⁷¹ Ibid.

⁷² Annual Info-Comm and Transport Statistical Bulletin (12th Edition, 2021), MoIC.

been noted, with contraception prevalence rate having increased from a low of 18.8 percent in 1994 to 65.5 percent in 2010 (the latest available data from the Bhutan Multiple Indicator Survey 2010). Correspondingly, reproductive health services and its outcomes have improved, including with progressive declines in maternal, infant and under-five mortality.

Although the percentage of women (aged 15-49 years) who knew at least one contraceptive method that could prevent or delay pregnancy was high at 96.3 percent, Bhutan is challenged with a high adolescent birth rate of 28.4 per 1000 women (as per the National Health Survey 2012), and an unmet need for family planning at 11.7 percent (as per the Bhutan Multiple Indicator Survey 2010). Challenges also remain in reaching services to hard-to-reach groups given the country's rugged terrains. In the 12th FYP, efforts are being made to reach a higher contraceptive prevalence rate of 70 percent, which requires concerted efforts in building the appropriate capacity of healthcare providers.⁷³

According to the MoH's *National Strategic Action Plan for Adolescent Health (2019-2023)*, adolescent birth rate saw considerable reduction between 2000 (61.7 per 1000) and 2012 (28.4 per 1000), but continues to be high. As of 2017, 477 girls aged 15-19 had given birth, and 949 girls had given birth more than once—with fertility rates higher among girls in rural areas.

The *national strategic plan of action for adolescent health* notes that the unmet need for contraception among adolescents is twice as high as that of the national average; with a higher unmet need for spacing at 22.4 percent than for limiting at five percent. Meanwhile, the high sexual activity reported among adolescents aged 13-17 (15%), with about half reporting their first sexual intercourse as young as before age 14, is a big concern—especially with most not using condoms (only 41 percent reported use), and low reported comprehensive knowledge on HIV/AIDS among young people aged 15-24 (23.2 percent) as previously mentioned.

4.3.8 Healthcare coverage

The coverage of health facilities has expanded from 3.6 to 3.9 per 10,000 population between 2017 and 2019. The percentage of population living within two hours walk to the nearest health facility was 87.7 percent as of 2019.⁷⁴ According to the *Annual Health Bulletin 2020*, the doctors' density per 10,000 population is 4.32 and nurses' density per 10,000 population is 18.6, which represents an increase from 3.9 and 15.4 for doctors and nurses respectively in 2016 (as reported in the first VNR).

In the 12th FYP, priority is being given to improve access to equitable quality health care, reduce incidence of non-communicable diseases and to ensure sustainability of healthcare. Towards this end, the construction of a 500-bed Multi-Disciplinary Super Specialty Hospital, a 65-bed MCH Hospital for eastern Bhutan in Mongar, and a 100-bed hospital in Thimphu will be taken up during the 12th Plan period. The initial construction works are expected to begin as soon as the current COVID-19 situation improves. Similarly, the Project for Reconstruction of the 60-bed National Infectious Diseases Hospital, Gidakom, is expected to commence in 2021. The construction of a 30-bed ENT centre will also be initiated.⁷⁵

For the first time, the proportion of hospitals equipped with X-Ray and USG has reached an all-time high of 92 percent. Towards enhancing surge capacity under the COVID-19 pandemic

⁷³ *National Family Planning Standards*. RMNH Programme, Dept. of Public Health, MoH, June 2018.

⁷⁴ *Annual Health Bulletin 2020*. Ministry of Health, RGoB.

⁷⁵ State of the Nation Report, December 2020.

situation, 185 additional health professionals have been recruited on provisional appointment since September 2020.⁷⁶

Meanwhile, mobile medical clinics and camps continue to provide essential health services to populations that reside far from referral hospitals. More on this unique intervention to reach the unreached is provided in [Box 4](#).

To improve the quality of health information and enhance institutional capacity to utilise data for decision-making, efforts are ongoing to digitise the health system. Numerous ICT-enabled healthcare solutions have been initiated and adopted. The web-based District Health Information System 2 (DHIS2) has been integrated into the existing Health Management and Information System (HMIS). DHIS-2 has been rolled out in all District Health Offices, district hospitals and in most of the Basic Health Units wherever covered by reliable internet connectivity.

Client tracking systems have been developed and implemented using the DHIS2 platforms including Mother and Child Tracking System, Malaria Tracking System, and HIV/AIDS Tracking System. Moreover, the pandemic has provided a unique opportunity to significantly leverage ICT in the health system. The Health Facility System was developed and implemented to capture COVID-19 related data. Numerous pandemic-related applications were developed and utilised such as DrukTrace, Stay-Home App, GIS Dashboard, among others.

Further, the electronic Patient Information System (ePIS) and eBMSIS (for procurement and distribution of medicinal products) are under development under the umbrella of e-health strategy. However, the lack of adequate ICT infrastructure especially in far-flung health settings remains a key challenge in scaling up the use of new technologies in health system.

Despite concerted efforts, Bhutan today continues to face immense challenges to the delivery of equitable, quality, people-centric and sustainable health services. Although high priority is accorded to strengthening human resources to overcome shortages of essential health service providers, this continues to be a challenge. The Ministry of Health has also adopted and implemented the Bhutan Health Standard for Quality Assurance (BHSQA) and 5S-CQI Strategy⁷⁷—yielding some positive results in improving standards and quality of care across health facilities; however, sustaining the effort is found to be difficult given poor coordination and ownership within the implementing health facilities.⁷⁸

Earlier in 2017, a performance audit by the Royal Audit Authority had highlighted long waiting times for patients and delay in delivery in consultation services at the Jigme Dorji Wangchuck National Referral Hospital (JDWRH) in Thimphu.⁷⁹ Over the past years, appointment systems have been enhanced, with increasing numbers of outpatient departments providing this option in efforts to reduce patient waiting time, and to provide quality consultation. However, the system is yet to achieve the desired efficiency, for reasons ranging from high incidences of

⁷⁶ Ibid.

⁷⁷ 5S stands for Sort, Set, Shine, Standardize, and Sustain & CQI stands for Continuous Quality Improvement; the strategy comprises of 10 Themes, 116 Standards, 639 Elements objectives and numerous SOPs.

⁷⁸ *Annual Health Bulletin 2020*, op.cit.

⁷⁹ At the time, the average waiting time for patients was one hour 38 minutes in medical OPD, and 45 minutes in general OPD—against the target of 30 minutes; some patients had to wait for more than two hours.

no/late shows on the part of patients, to appointment management issues on the part of service providers.⁸⁰

Box 4: Mobile medical services and telemedicine facilities to ensure no one is left behind

The Kidu Mobile Medical Unit was initiated in 2009 by His Majesty The King, to improve access to specialised healthcare for people living far from the capital, Thimphu. With most of Bhutan's population residing in rural areas, farmers and other rural residents face difficulties in visiting the national referral hospital for comprehensive check-ups and treatment.*

In addition to out-patient services, the medical unit conducts tests and screenings for diseases prevalent in the country, thus helping identify patients at risk of developing serious illnesses. Follow-up camps are often held to provide specialised surgeries.*

With the onset of the COVID-19 pandemic and resulting nationwide lockdowns in 2020 and 2021, the Government implemented the essential healthcare service delivery plan package—which was delivered at the doorstep of each household through mobile clinics and telemedicine facilities.

The essential healthcare service delivery plan package prioritised mother and child health services including the extended programme on immunisation, antenatal care, institutional deliveries of babies, postnatal care, and family planning services. Routine uninterrupted care for patients with non-communicable diseases, HIV, tuberculosis, and mental health problems, were also provided.**

While deliveries of babies were conducted at health centers to minimise intrapartum and postpartum risks, identified health workers provided domiciliary antenatal and postnatal care for high-risk babies and mothers. Those mothers with low risks were remotely monitored through telephonic communications. Only those healthcare workers with no risk factors for severe COVID-19 infection were allocated the task of mobile service delivery.**

Adapted from –

* *BBS News*, accessed from: <http://www.bbs.bt/news/?p=111339>

** *Doorstep delivery of essential healthcare services during the nationwide COVID-19 lockdown in Bhutan*. Dawa Gyeltshen and Thinley Dorji, December 2020. Accessed from: <http://www.populationmedicine.eu/Doorstep-delivery-of-essential-healthcare-services-during-the-nationwide-COVID-19,129959,0,2.html>

In keeping with the constitutional mandate of providing free access to basic public health services, healthcare in Bhutan continues to be predominantly financed by the government. According to the *National Health Accounts FY 2016-2017 & FY 2017-2018*, Bhutan's total health expenditure was a little over three percent of GDP, with the government's share of current health expenditures at 80 percent in 2017-2018. Household out-of-pocket expenditure was slightly over 13 percent⁸¹, which is lower than the estimated 25 percent reported in Bhutan's first VNR report.

Meanwhile, external funding for health has been declining and is reported at about six percent in 2017-2018⁸², as compared to the reported 12 percent (in 2012) in Bhutan's first VNR report. The role of the Bhutan Health Trust Fund (BHTF) in financing healthcare is expected to increase, having contributed over five percent in 2014 as compared to 0.042% in 2010.⁸³ With the withdrawal of key development partners, the sustainability of free healthcare provision has

⁸⁰ See for example: <https://thebhutanese.bt/health-minister-says-people-still-not-following-the-appointment-system-of-jdwnrh/>

⁸¹ *National Health Accounts FY 2016-2017 & FY 2017-2018*, PPD, Ministry of Health, RGoB.

⁸² *Ibid.*

⁸³ *Annual Health Bulletin 2020*, op.cit.

become a critical challenge.

This is compounded by the rising healthcare costs, which is mainly driven by the changing epidemiology and evolving health needs (for example, the double burden of communicable and non-communicable diseases); demographic shifts; and urbanisation. As such, the need to prioritise and redistribute resources, to areas where it can maximise efficiency and bring about better health outcomes, has become necessary for Bhutan.⁸⁴

4.3.9 Way forward

With major public health emergencies such as the COVID-19 pandemic bound to repeat in the future, it has become critically important for Bhutan to build health system resilience while also putting in place national response systems. The health system's capacity to deal with a prolonged pandemic is a critical concern—with epidemiological changes already placing pressure on the sustainability of free healthcare services.

To strengthen 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. Systems will also need to be strengthened for sending and receiving medical countermeasures, as well as health personnel, during a public health emergency. Building on Bhutan's own lessons from responding to the current pandemic, it will be beneficial to increase the effectiveness of public health response at points of entry into the country.

In doing so, it will also be critical to address the various systemic-, services- and capacity -gaps in providing quality mental healthcare—including treatment/rehabilitation and reintegration services for substance abuse afflictions. This will require enhanced multisectoral and stakeholder coordination, including greater engagement between the health sector and other actors working on providing social services.

To adapt to changing developments in the health sector, the National Health Policy is currently under revision—which provides opportunity to place greater emphasis on a preventative approach, especially considering the increasing dominance of NCDs and their associated costs both financially and in terms of quality of life over the long term. As part of larger efforts provide equitable healthcare services, which are increasingly relying on ICTs, it will be important to ensure that the required infrastructures are adequately set up—especially in in far-flung health settings so that the use of new technologies by the health system leaves no one behind.

Finally, given increasing pressures on the health system and concerns over sustainability, priority on long-term capacity building will be necessary. Moreover, a health care financing strategy will be important, especially given its impending graduation from LDC category.

⁸⁴ Ibid.



4.4 SDG 8: Promote inclusive and sustainable economic growth, full and productive employment and decent work for all

Bhutan's first VNR reported on economic growth averaging 5.5 percent between 2012-2016, given an increasingly modernising economy⁸⁵. The high growth trajectory was expected to continue, with emphasis on implementing the Economic Development Policy 2016 (EDP) and associated initiatives to address key impediments to achieving a resilient economy. Its graduation from the UN's LDC category was also set to coincide with the completion of the 12th FYP, speaking to its decades of impressive socioeconomic gains.⁸⁶

However, ensuring sustainable economic growth and addressing vulnerabilities associated with the economy were identified as persisting challenges. Growth continued to be heavily reliant on capital-intensive public sector investments, mainly through hydropower projects, without commensurate generation of job opportunities.⁸⁷ A continued reliance on external aid, persisting imbalances in the economy, and susceptibility of the hydropower sector to increasing impacts of climate change contributed to its economic vulnerability.⁸⁸

Meanwhile, the increasing trend of youth unemployment, especially at a time when the country is experiencing a demographic dividend, was identified as a pressing challenge.⁸⁹ Challenges to diversifying the economy remained significant owing to a combination of geography, inadequate infrastructure, and institutional setbacks deterring the growth of private sector investment. As such, enhancing productive capacity of the economy to build Bhutan's economic resilience was identified as a key priority action in Bhutan's 2018 VNR report.

4.4.1 Sustainable economic growth

The 12th FYP outlines a number of strategies that cut across SDG 8 and SDG 9 (industry, innovation and infrastructure), to address the persisting challenges mentioned above.⁹⁰ With

⁸⁵ The share of primary (agriculture) sector had reduced from 41 percent of GDP in the early decades of development, to 27 percent in 2000 and 16.5 per cent in 2016; while the shares of secondary and tertiary economic sectors had grown from 35 percent to 41 percent, and 38 per cent to 42 percent respectively, between 2000 and 2016.

⁸⁶ Bhutan was found eligible for graduation from the UN's LDC category for the first time in 2015, and again during the 2018 LDC triennial review. However, despite having fulfilled two of the parameters for LDC graduation i.e. Gross National Income (GNI) and Human Asset Index (HAI) criteria, overcoming economic vulnerability was identified as a critical challenge.

⁸⁷ As reported in the first VNR, hydropower contributed to 16 percent of GDP and 30 percent of revenue.

⁸⁸ A current account deficit of 31.2 percent of GDP was reported in the first VNR. Debt to GDP ratio had increased to almost 117 percent by mid-2016, and trade deficit to 25 percent of GDP.

⁸⁹ While overall unemployment in 2017 was 2 percent, youth unemployment increased from 9.2 percent in 2015 to 13 percent in 2017, despite putting in place various policy instruments and strategies.

⁹⁰ (a) creating an investment enabling environment to attract FDI; (b) promoting and supporting CIS production in high value-added products; (c) diversifying the tourism sector and promote Bhutan as a high-end tourist destination; (d) diversifying into allied hydropower industries; (e) enhancing and mitigation and adaptation to climate change; (f) strengthening preparedness and response to both natural and man-made disasters; (g) promoting entrepreneurship; (h) skills development; and (i) leveraging ICT as an enabler and an industry.

the onset of the COVID-19 pandemic, however, the Bhutanese economy has suffered significant setbacks as elaborated below.

COVID-19 impacts on growth and macroeconomic stability⁹¹

At the beginning of the 12th FYP period, Bhutan's economy was projected to grow between six to seven percent on average. Following an improvement in growth from three percent in 2018 to 5.46 percent in 2019, growth in 2020 was projected at 6.9 percent. However, as COVID-19 containment measures brought major parts of the economy to a standstill, and following the first nationwide lockdown in August 2020, growth projection was revised downwards to -6.1 percent, due to loss of output from almost all economic sectors. As reported by the Ministry of Finance during the ongoing mid-term review of the 12th FYP, average economic growth is estimated at around 2.3 percent by the end of the plan period.

The economic fallout transmitted primarily through the tourism and allied sectors, and spread over to construction, manufacturing and other sectors. Industrial production was also severely affected due to disruptions in trade and labour shortages. Economic loss by sectors in 2020 was estimated to be about Nu. 3.4 billion.⁹² This is largely attributed to downfall in the manufacturing, transport and communication, and hotels and restaurant sectors, among others. Most of the economic sectors are expected to experience output declines.

Meanwhile, public investment increased by an estimated 30.5 percent in 2020, mainly on account of frontloading the implementation of planned activities in the 12th FYP. However, with manufacturing, construction and non-hydro exporting sectors adversely affected by trade disruption, foreign labour shortages and depressed external demand, development progress is expected to be hampered.

Average CPI inflation rate as of February 2021 is 9.5 percent⁹³—after having remained low at a little over two percent prior to the detection of the first COVID-19 case in the country in March 2020. The rapid inflation was mainly on account of increase in prices for imported and domestic food products. Supply chain disruptions in food production are expected to continue, pushing up food prices over the medium term.

On the external front, current account deficit was expected to decrease from 15.3 percent to 7.7 percent of GDP, as total trade volume dropped by 30 percent amid the pandemic situation. As hydropower disbursement and budgetary grants continue, the current account deficit is expected to be adequately covered thereby resulting in an overall balance of payment of 7.5 percent of GDP in 2020. Fiscal deficit for 2020-2021 is projected at 7.36 percent of GDP.⁹⁴

Considering the accumulation of reserves over past years, and given a positive reserve asset in the 2019-2020 financial year, the total reserve was estimated at USD 1.2 billion. However,

⁹¹ Most of the information here is sourced from the State of the Nation Report, December 2020.

⁹² The reduction mainly emanates from the industry sector, for which the forecast has been significantly downgraded from 3.1 percent to -3.6 percent; this is based on a census conducted in September 2020, which indicated a substantial decline in its average half-yearly income. Growth in wholesale and retail trade has also been revised down as domestic demand remained subdued due to the pandemic, further aggravated by the nationwide lockdown in August.

⁹³ Consumer Price Index (CPI): February 2021. National Statistical Bureau, Release date 23rd April 2021. Accessed from: <https://www.nsb.gov.bt/consumer-price-index-october-2020/>

⁹⁴ *Budget FY 2020-21 Highlights*. Ministry of Finance. Accessed from: <https://www.mof.gov.bt/wp-content/uploads/2020/06/BUDGET2020-21.pdf>

given the impact of the pandemic in the tourism sector—which is a major source of foreign exchange revenue for the country—total gross international reserve is projected to decline by around four percent from the previous year.

According to a *Rapid Socio-economic Impact Assessment of COVID-19 on Bhutan's Tourism Sector* conducted in May 2020⁹⁵, the tourism sector contributed about nine percent to GDP and provided employment to about six percent of the population (50,737 persons). Further, as per the Bhutan Tourism Monitor, 315,599 tourist arrivals were recorded in 2019, contributing gross tourism receipt of USD 345.88 million (Nu. 24.2 billion), including Minimum Daily Package Rate (MDPR) of USD 88.63 million (Nu. 6.2 billion). In 2020, tourist arrivals totalled 28,937 up to March 6, 2020 (following which international borders were closed due to the pandemic), and gross tourism receipt was USD 2.63 million.

An increase in hydropower exports has buffered the economy in the short-term from a sharp drop in exports. Following the commissioning of the 720MW Mangdechhu Hydropower Project (MHP) in 2019, it generated about Nu. 4.8 billion in 2019, and about Nu. 12.54 billion from January-November 2020. The gross revenue generation from all hydropower plants in 2019 was Nu. 18.686 billion, and from January to November 2020 it was Nu. 24 billion.

As the pandemic set in, an Economic Contingency Plan (ECP) was formulated to address and mitigate the impact on different economic sectors. Immediate coping measures were executed, while also initiating reforms and systemic changes to trigger positive long-term outcomes. The details of the ECP are provided in Box 5.

Box 5: Economic Contingency Plan

The Economic Contingency Plan was formulated with a total budget of Nu. 4.492 billion. Current expenditure was rationalised in response to expected fall in revenues, and to meet the coverage ratio as per the Constitution. Support was provided to the Food Corporation of Bhutan (FCB), to stock essential food and non-food items.

Under the ECP, priority was given firstly to the tourism sector, which along with allied sectors was disproportionately impacted. The intervention mainly focused on providing a source of livelihood for those who were displaced as a result of the sector coming to a standstill.

The second sector requiring immediate intervention was the construction sector, which with its heavy reliance on foreign workers suffered from labour shortages. To address this issue, the Build Bhutan Project (BBP) was launched, with the objective of creating a pool of skilled local workforce by skilling or re-skilling and engaging the displaced, and professionalising the sector in the process.

In addition to a heavy reliance on foreign workers, Bhutan remains highly dependent on India for agriculture and livestock products. With border closures and limited access to Indian market sources, the need to realise the long-touted goal of food self-sufficiency was further amplified. Therefore, under the ECP, focus was also given on boosting agriculture and livestock production, by providing a range of support measures across the value chain.

Source: *Adapted from the State of the Nation Report, December 2020.*

⁹⁵ NSB and UNDP, May 2020.

Pre-pandemic and long-term efforts towards enhancing economic resilience

One of the objectives of the 12th FYP is to work towards diversification of the economy and improve its resilience, by addressing key vulnerabilities and issues. As such, prior to the pandemic, 12th FYP flagship programmes were initiated to expand investment into tourism (covered later), organic agriculture (covered under SDG 2), and Cottage and Small Industries (CSIs); as well as to establish an entrepreneurship ecosystem that facilitates innovation and generation of green jobs (covered under various other SDGs).

The Start-up and CSI Development Flagship Programme is one of the strategies through which Bhutan is working towards diversifying the economic base and addressing key issues of youth unemployment, rural-urban migration, import dependency, poverty, gender equity, limited culture of creativity and innovation, among others.

Considering the immense potential of the sector for inclusive and sustainable economic development, this flagship programme has been designed to provide comprehensive support covering the entire gamut of business development phases in the entrepreneurial ecosystem. In doing so, it aims to promote high-growth potential CSIs that can become successful in both domestic and international market; and will bring the remaining CSIs into the economic mainstream through an inclusive growth strategy. Box 6 provides an overview of progress made to date.

However, many challenges for the CSI sector remain to be overcome. One is the inherent challenge posed by geography and small population for all businesses, which translates into high logistical costs, limited domestic market size and delays in transit of goods. Additionally, the sector faces considerable challenges in terms of access to finance, uptake of modern technology, low economies of scale, mediocre quality and standards of products, access to infrastructure and amenities, weak entrepreneurial culture, and lack of skilled workforce.

As part of efforts to address the issue of access to finance, the erstwhile Rural Enterprise Development Corporation Limited (REDCL) has been upgraded into a full-fledged, non-deposit taking, CSI bank. Established in February 2020, the National CSI Development Bank Limited (NCSIDBL) is a fully government-owned state enterprise. As a specialised financial institute, it will promote the growth of rural economy by enhancing access to finance for the non-formal agriculture sector, and boost CSI-sector growth in the long run.⁹⁶ The Fiscal Incentives Act of 2017, which was expiring in December 2020, has been extended for another year.

Creating a wholesome entrepreneurship ecosystem continues to be difficult. As such, there is an urgent need to strengthen the institutional capacity of all related agencies responsible for the promotion of the CSIs. As a cross-sectoral initiative designed to adopt a whole-of-government approach, it requires strong coordination and ownership from multiple agencies, to ensure the provision of efficient end-to-end support services at all stages of development i.e. from the ideation stage through to commercialisation of products in the market.

Moving forward, the flagship programme is expected to strengthen the existing physical infrastructure and construct additional facilities such as mini-industrial parks for CSIs,

⁹⁶ *State of the Nation Report*: The NCSIDBL's lending size has now increased to Nu. 10 million, allowing it to finance 75 percent of the total project cost. The bank also opened export financing as a window to promote Bhutanese products in the international market. Since its establishment, the NCSIDBL has made disbursements for 2,757 projects, amounting to Nu.871.4 million. Such credit injections will significantly support the revival of the local economy and help spur economic activities.

common facility centres, FabLabs, business incubation centers, testing and inspection facility for agro-based food products, and market infrastructures including collection points, storage facility and sales outlets. Some of these support measures are envisaged to help promote CSIs in a planned manner whereby resources will be utilised efficiently; the formalisation of informal sectors will be encouraged; and proper management of hazardous wastes and effluents is expected.

The flagship programme will also encourage and support CSIs to embrace digital technology to facilitate their business operations. It will continue to provide core technological support and skill-based capacity development; and build and enhance the professional capacity of key personnel to provide effective business development services to the CSI sector.

Currently, in absence of a proper data-ecosystem, availability of real time data has been an impediment across all economic sectors. Efforts to address this issue include the setup of a Trade Information Portal, Single Window Online Registry System, and an MoEA One Stop Information Centre (MOSIC)⁹⁷. In addition, an Integrated Business Licensing System (IBLS) will be developed through the Digital Druknyul Flagship Programme, to provide a single-window platform for availing business licensing services.

Box 6: Progress of the Start-up and CSI Development Flagship Programme

In the 12th FYP, the targets of this flagship programme are to: establish two dedicated CSI product outlets outside Bhutan; set up vibrant start-up/incubation centers in technical training institutes, colleges, and within industrial parks in Samtse and Mongar districts; upscale, diversify and export 21 CSI products; and develop and implement standards and certification. The following have been achieved mid-way through the 12th FYP:

- √ Three Business Incubation Centers established and functional at the Gedu College of Business Studies, College of Natural Resources (CNR), and College of Science and Technology
- √ Two Fablabs are currently being established: Bio-Fablab at CNR and Standard Fablab at Jigme Wangchuk Power Training Institute
- √ About 200 youths have been trained in entrepreneurship development course
- √ One dedicated national CSI market place has been established
- √ 324 entrepreneurs including farmers groups, cooperatives and artisans were provided skills training to enhance their technical competencies
- √ 208 CSI entrepreneurs/farmers groups/cooperatives and artisans were provided equipment and technology support to up-scale and enhance productivity
- √ 21 CSI products including six services were launched in the market
- √ Two market infrastructures—processing and sales outlets—were established for farmers groups and cooperatives
- √ 14 market linkages established for farmers groups and cooperatives
- √ Standards for 11 CSI products developed
- √ 10 CSI products promoted for import substitution

⁹⁷ MOSIC is a platform where all information/data related to services provided by the Ministry of Economic Affairs (MoEA) is made available. The centre is linked with the G2C system and therefore has the inbuilt capability to fetch data on a real time basis from the G2C system relating all business and industry licenses. Additionally, the system also has off line data recording system for export, imports, fuel and LPG.

4.4.2 Full employment and decent work

Prior to the pandemic, overall unemployment had decreased from 3.4 percent in 2018 to 2.7 percent in 2019. Youth unemployment had also dropped from 15.7 percent to 11.9 percent in the same period.⁹⁸ However, as in past years, female unemployment remained higher at 3.3 percent compared to 2.2 percent for male; with female youth unemployment remaining correspondingly higher (13.8%) than that of male youth (9.7%).

Disruptions in the job market brought on by COVID-19 resulted in unprecedented layoffs particularly in the tourism and related sectors, amounting to over 11,000 job losses as of May 2020.⁹⁹ Overall, more than 50,000 individuals had been impacted, given their direct or indirect dependence on tourism-related activities in the country.¹⁰⁰ The situation is expected to have been compounded with several thousand youth returning home from overseas employment amid the pandemic.

As indicated by the latest Labour Force Survey Report, released earlier this year, overall unemployment has increased to five percent in 2020 (6% for females and 4.1% for males)—the highest to date. Youth unemployment has particularly worsened, reaching 22.6 percent, with females constituting 61.3 percent of the total number of youth unemployed today (6,922 persons).¹⁰¹

It is possible that the overall unemployment rate would have been much higher, had it not been for the various interventions underway to mitigate and address the impacts. As part of the comprehensive national response to the pandemic, the Build Bhutan Project (BBP)—which was initiated under the ECP in July 2020—has been working towards creating a domestic workforce to fill in the labour shortage in the construction industry.¹⁰²

The BPP also has a longer-term objective of transforming and professionalising the construction sector. Towards this end, it provides skills training and facilitates direct engagement in various construction works. It has also formed 36 Specialised Firms (SF) to augment the requirement of a skilled workforce, promote mechanisation and professionalisation, and to promote the construction sector as an attractive employment sector. To attract and engage the unemployed, including overseas returnees and those laid off due to the pandemic, all participants are provided a 25 percent wage top-up and access to Provident Fund at 10 percent.

Prior to the pandemic, several strategies were put in place to address (especially) the youth unemployment situation by enhancing their employability. These include the Critical Skills Training (CST) programme in partnership with private and public training providers; access to online skilling and freelancing opportunities in partnership with various global online platforms; and the Youth Engagement and Livelihood Programme (YELP) to benefit jobseekers as well as employers, by facilitating youth with on-the-job skills and the provision

⁹⁸ Labour Force Survey 2019, NSB.

⁹⁹ MoLHR Minister's situational report on employment to the Joint Parliamentary Committee (JPC) on Covid-19 preparedness on April 29, 2020.

¹⁰⁰ As reported by the TCB.

¹⁰¹ *Labour Force Survey Report 2020*. National Statistical Bureau, RGoB. 2021. Note: LFS 2020 was conducted in the months of November and December 2020.

¹⁰² *Ibid.* Given the pandemic and consequent restriction on the entry of foreign workers, it was projected that by mid-2020 more than 35,000 workers including both skilled and unskilled workers would be required to keep the construction sector on course.

of a monthly allowance. Various entrepreneurship trainings and events are also being provided to individuals interested in setting up small businesses.

Technical and Vocational Education and Training (TVET) has received renewed focus in recent years and is expected to undergo major reforms. Work has been ongoing towards providing high-end TVET courses; curriculum frameworks have been developed to provide TVET graduates with skills and competencies required in both local and international job market; and infrastructure developments are underway. To build skills and competencies of TVET professionals and construction workforce, international expertise in various construction trades are being recruited. Priority is also being given to TVET for higher education scholarships.

4.4.3 Beneficial and sustainable tourism

Given the unprecedented impact of the pandemic on the tourism and allied sectors, a Tourism Economic Contingency Plan (TECP) has been under implementation as part of the ECP, to gainfully engage displaced employees from the sector. Beyond this, for the tourism sector to “build back better”—and in the longer term towards increasing the benefits of tourism while ensuring its inclusiveness and sustainability—several important reforms were initiated for the sector prior to the onset of the pandemic.

With tourism identified as one of the “five jewels” by the EDP 2016—as part of the overall strategy for economic diversification—the Tourism Flagship Programme is under implementation in the 12th FYP. Besides increasing the sector’s contribution to the national economy and rural livelihoods, the flagship programme is aimed at contributing to balanced regional development, a more seasonal spread of tourism, and enhanced visitor experience of the country as an exclusive destination. In doing so, it is expected to contribute to progress across all of the 12th FYP NKRA and the SDGs.

To enable better service provision and to maintain Bhutan’s status as a high-end exclusive destination, the *Tourism Policy for the Kingdom of Bhutan 2021* was approved in January 2021, a single policy applicable to all visitors. It envisions Bhutan as ‘*a green, sustainable, inclusive and a high value tourism destination*’. This is a significant reform, prompted by an explosion of regional or Non-MDPR paying tourists in recent years, which has presented a major challenge to upholding the country’s long-espoused “high value, low volume” tourism policy.

Earlier in 2020, the Tourism Levy Act of Bhutan 2020 was adopted by Parliament, requiring tourists to pay a Sustainable Development Fee (SDF). To facilitate better management of important monument sites, entry fees are being levied on Non-MDPR paying tourists visiting some of the most popular sites since early 2020, and existing fees for other monuments have been revised. To spread the benefits of tourism to other less travelled districts, efforts are underway to promote adventure sports, highland festivals, bird watching and heritage tours in the east and central regions.

Several guidelines are under development to improve quality and safety standards in tourism-related services the country. Where earlier efforts to promote domestic tourism did not yield much, the pandemic has given it the required impetus, with encouraging response from the locals. A *Domestic Tourism Promotion Strategy* is currently being developed.

To facilitate the implementation of the revised regulatory and policy framework, basic amenities for visitors continue to be developed in addition to enhancing various types of tourist accommodations. Several studies have also been conducted, including among others, on

nature-based products and river-rafting opportunities. Meanwhile, to enhance professionalism within the sector, a wide range of training programmes are being provided; a *Competency Framework Development for Tourism Officers* has also been developed and expected to be implemented soon.

As part of efforts to prepare the sector for the post-COVID era, measures are being taken to keep Bhutan in the minds of international travellers, through cost effective online platforms. Bhutan is also drawing important lessons from the pandemic, which has further highlighted the wisdom of following its “high-value low-volume” and sustainable approach to tourism development.

Guided by this overarching policy, and under the TECP, work is ongoing to improve and enhance tourism infrastructure and product development—so that Bhutan is well-prepared when the sector reopens to international visitors. Additionally, the TECP is also focusing on training and re-skilling of human resources, conducting studies to support tourism development, and working towards improving waste management. The TCB reported during the ongoing midterm review of the 12th FYP, that a total of 1573 laid-off persons have been engaged to date, under the TECP.

Efforts will be strengthened to improve visa services and to address issues regarding undercutting in the industry, as some of the means to ensure provision of quality services. Meanwhile, as mentioned, the implementation of the tourism flagship programme is ongoing, and is also expected to help strengthen the attractiveness and sustainability of the tourism industry.

While technology and innovation has always been integral to the tourism industry, the pandemic has further highlighted the importance of digital technology and online platforms. A digitalisation plan for the industry has been developed, based on which online systems will be integrated to improve transparency, efficiency and effectiveness in service delivery. It will also look into Internet Payment Gateway (IPG), easing VISA processes, online communication systems, among others. A tourism statistics Dashboard along with a tourism portal are under development, to facilitate online service delivery and access to timely tourism-related data and statistics.

4.4.4 Way forward

Moving forward, Bhutan will be implementing its LDC transition strategy following graduation in 2023—which focuses on enhancing capacity to mitigate economic vulnerabilities and to sustain development progress. As the 12th FYP continues to be implemented, this strategy will give particular focus to addressing the country’s unstable macroeconomic environment; growing debt burden; lack of technology and human capital; low productive capacities; an insufficiently diversified economic base and export basket that inhibits trade expansion; and vulnerability to natural disasters and economic factors.

While the transition strategy is being developed the key intent is to sustain Bhutan’s graduation with momentum, by building resilience and addressing remaining structural challenges, and adjusting to the loss of LDC benefits.

Additionally, DTISU 2020 will provide a key strategy for enhancing productive capacity and building economic resilience. Various options are outlined for accelerating economic diversification, including through investment and export promotion, enhanced trade in services, and digital transition. As a key means of achieving the 12th FYP’s NKRA 2, it also

intends to enhance the role of trade in achieving all other NKRA and thereby the SDGs.¹⁰³ Additionally, the Enhanced Integrated Framework 2019-2022 includes preparations around LDC graduation, and a strategy to develop “Brand Bhutan” is being pursued to create a niche market for export of key products.

For the longer term, an important initiative is Bhutan’s 21st Century Economic Roadmap, which is currently under formulation. It is intended as an overarching document to guide the country’s economic development over the next decade, with a vision of “*Pursuing Gross National Happiness in the 21st Century: A Dynamic, Prosperous, Inclusive and Sustainable Economy*”. Its proposed goal is for Bhutan to achieve high-income nation status within a ten-year timeframe—with income generation, employment and productivity identified as key measures of the goal. The roadmap is underpinned by the principles of inclusiveness and sustainability, in line with GNH and the SDGs.

¹⁰³ NKRA 2 aims to develop an inclusive, sustainable and equitable economy with decent livelihood opportunities for everyone through accelerated private sector growth and investment in agriculture, tourism, cottage and small industries (CSIs), mining and allied hydropower industries.



4.5 SDG 10: Reduced inequality within and among countries

Based on its GNH philosophy, ‘balanced and equitable sustainable socioeconomic development’ has long been a priority for Bhutan. Equity and redistributive principles have therefore been embedded in key legislations and policies, and most fundamentally through Articles 7 and 9 of the Constitution.¹⁰⁴

As mentioned, the overall intent of the 12th FYP is to create a “just and harmonious society”, by reducing poverty, creating gainful employment, providing quality health and education services, strengthening democracy and decentralisation, reducing corruption, improving access to justice, and promoting gender equality and women and girls’ empowerment.

Building on past efforts—especially those over the 10th and 11th FYP periods where targeted interventions were made to root out conditions leading to poverty and inequality—Bhutan’s current FYP seeks to reduce inequality through multisectoral interventions that are expected to contribute to achievement of NKRA 3 i.e. “reducing poverty and inequality”.

4.5.1 Reducing income inequalities

As presented in its first VNR report, Bhutan still needs to address the issue of income inequality. The Gini coefficient had increased slightly from 0.36 in 2012 to 0.38 in 2017, with the index being higher at 0.35 for rural as compared to 0.32 for urban Bhutan.¹⁰⁵ To further illustrate this divide through consumption patterns, it was also noted that per capita expenditure of households in the richest per capita consumption quintile is on average seven times more than that of households in the poorest per capita consumption quintile.

In addition to ongoing efforts at reducing poverty conditions (as covered under SDG 1), more focus is being given in the 12th FYP period towards reducing income inequalities within the country. A key initiative is the passing of the Income Tax (Amendment) Act of Bhutan 2020, which has important provisions that will contribute towards narrowing the gap among the general public, support private sector development, and in particular the welfare of farmers.¹⁰⁶

In addition, once finalized and under implementation, Bhutan’s draft *21st Century Economic Roadmap* is expected to contribute to strengthened macroeconomic stability, trade expansion, enhanced productive capacities, economic diversification, and technological advancement, while mitigating vulnerabilities and building resilience.

¹⁰⁴ Article 7 (Fundamental Rights) Section 15 of the Constitution states that ‘All persons are equal before the law and are entitled to equal and effective protection of the law and shall not be discriminated against on the grounds of race, sex, language, religion, politics or other status’. In addition, Article 9 (Principles of State Policy) Section 22 of the Constitution also states ‘The State shall endeavour to provide security in the event of sickness and disability or lack of adequate means of livelihood for reasons beyond one’s control’.

¹⁰⁵ *Poverty Analysis Report 2012 & 2017*. National Statistical Bureau, RGoB.

¹⁰⁶ These include upward revision in the basic exemption limit for Personal Income Tax (PIT); an increase in the PIT rate for the highest income bracket from 25 to 30 percent, along with a 10 percent surcharge on PIT equal to or more than one million Ngultrums; PIT exception for pension income and cash-crop income; enhancement of exemptions for income from dividends and for education expenses; and revision of the Corporate Income Tax from 30 to 25 percent for companies other than State Owned Enterprises.

4.5.2 Ensuring inclusiveness, equal opportunities and ending discrimination

Bhutan has made significant progress in reviewing and updating the legal framework to reduce various other forms of vulnerabilities and inequalities. For instance, the National Policy for Persons with Disabilities was approved in 2019. The National Gender Equality Policy and the National Housing Policy were both endorsed by the Government in 2020. More recently, in 2021, amendments were made to sections of the Penal Code that could potentially discriminate against the LGBTIQ community.

Considerable progress has been made towards strengthening capacities within government agencies and civil society organizations (CSOs) to address issues of vulnerability. For example, within the health sector, clinical counsellors are being recruited since 2020 with plans to gradually scale up recruitment and placement in all district hospitals. Counselling services—a critical aspect of attending to the needs of many vulnerable groups—are also provided by peer counsellors and addiction counsellors trained in short-term courses within the country. Protection services under the National Commission for Women and Children (NCWC) have been strengthened to cater to the needs of women and children in difficult circumstances.

However, key service providers, many of whom are CSOs, continue to be constrained with limited capacities. For example, CSOs working with persons with disabilities continue to be severely constrained without occupational-, physio- and speech -therapists.

Meanwhile, efforts are underway to enhance data on vulnerability and related inequalities, and the capacity necessary for that data to influence policy and legislation. [Box 7](#) provides an example of such effort with regard to exploring vulnerabilities related to climate change, from a gender perspective, while also outlining issues and challenges encountered in this effort. Other recommendations based on a vulnerability baseline assessment conducted in 2016-2017, reported in the first VNR, are currently under implementation.

4.5.3 Promoting equality through fiscal and social policies

In addition to the Income Tax (Amendment) Act, the Property Tax Act of Bhutan 2020 has also been adopted. This reduces the ownership transfer tax on land and buildings (from 5% to 3%), and on motor vehicles (from 5% to 1%). The proposal to extend the Provident Fund scheme to the private sector has also been approved.

Since April 2020, fiscal and monetary measures were initiated to sustain the economy and offset losses emanating from the COVID-19 pandemic. Deferments for the payment of Business Income Tax (BIT) and Corporate Income Tax (CIT) were granted for the 2019 income year. Electricity charges for the manufacturing sector was deferred, with demand charges based on actual consumption. Tourism-related business entities, occupying government properties on lease, were granted waivers on rental and other charges. In addition, as previously mentioned, individuals directly affected by the pandemic were provided cash and/or in-kind support under the Druk Gyalpo Relief Kidu.

Monetary relief measures included full and partial waivers of interest on loans, and deferred monthly loan instalment repayment. Financial institutions were granted provision for bridging loans (for CIT and BIT filing businesses) as concessional term-based loan. Provisions were also granted for conversion of concessional working capital schemes to concessional term-based loan (for tourism, manufacturing and wholesale businesses). Soft loans were granted for 12 months to cottage and small industries (CSI), through the CSI Development Bank

(microloans at 2% interest for agriculture and rural activities, and working capital loans at 4% interest rate).

Following an in-depth assessment of Non-Performing Loans (NPL) to facilitate rehabilitation and/or foreclosures of NPLs, the Royal Monetary Authority has put in place a comprehensive NPL resolution framework. This is intended to provide relief to both borrowers and financial institutions, while providing opportunity for new credit supply in the economy.¹⁰⁷

The Cash Reserve Ratio (CRR) has been further reduced to facilitate implementation of the measures. A liquidity window for Financial Service Providers (inter-bank borrowing system) will be opened—with liquidity to be released through CRR reduction only if the liquidity crunch is of a systemic nature.

The National Credit Guarantee Scheme (NCGS) was launched in October 2020, as a counter-cyclical policy measure during the COVID-19 pandemic situation. It is designed to ease access to finance, by Government guaranteeing a portion of the loans availed under it. While it is geared towards facilitating aspiring entrepreneurs and start-ups, it also includes all categories of industries in a responsive and equitable manner.

Under the NCGs, loans can be availed for businesses that boost exports, reduce or substitute imports, promote innovation and technology, and create employment. All loans for the CSI category will not require collateral, and start-ups in this category will be eligible for 100 percent debt financing. While medium and large industries are also eligible for loans under this scheme, a portion of the guarantee will be shared between the Government and the bank, and the balance will be secured with collateral from the borrower.

Meanwhile, as also covered under SDG 1, there is scope for Bhutan to strengthen its social protection system. This could include a combination of contributory and tax-finance schemes, but will require further study so as to ensure a system that is sustainable, inclusive, and provides universal coverage throughout the lifecycle.

Currently, while civil servants benefit from in the pension scheme with the National Pension and Provident Fund (NPPF), and employees in the private and civil society sectors are required by law to take part in a contributory provident fund scheme, a large section of the population is excluded from a systematic social protection scheme. Those working in the informal economy, persons with disabilities, single parents, unemployed persons and senior citizens are left vulnerable.¹⁰⁸

4.5.4 Way forward

As Bhutan works to “build back better” from the vulnerabilities exposed by the pandemic, an exploration of suitable means to enhance the coverage and sustainability of existing social protection mechanisms could prove useful—as elaborated under SDG 1.

¹⁰⁷ Royal Monetary Authority. Press Release on “Resolution of Non-performing Loans”. 11th February 2021.

¹⁰⁸ UNDP-BCMD *Conversation Series 4: Social Protection*. 26 November, 2020.

Box 7: Towards reducing vulnerabilities with improved gender analysis and data

The National Commission for Women and Children (NCWC) as a Government agency responsible for women and children in the country requires disaggregated data. As such, a comprehensive children and gender indicator handbook has been developed. Statistical Officers and Gender Focal Persons across agencies have been trained on gender indicators. The NCWC produces survey data on violence against women and girls, violence against children, and most recently on the valuation of unpaid care work.

A Central Management Information System (CMIS) has been launched to streamline definitions and management of case data. It is a central repository of disaggregated data and an online case management system for women and children in difficult circumstances, and children in conflict with the law. The CMIS will facilitate the provision of effective, well-coordinated and timely case management with all stakeholders working together as a team.

Despite enormous efforts in strengthening the national statistical system and making data more gender-sensitive, further interventions are required for the collection, production and analysis of gender statistics. The NCWC works closely with the National Statistics Bureau in mainstreaming gender into national statistics. The national surveys conducted by the NSB have been strengthened from a gender lens when designing the questionnaires.

Although numerous studies and surveys on gender have been conducted to inform planning and decision-making, more remains to be done—including in strengthening capacities for data collection and analysis. Among others, agriculture and environment are some of the priority areas in which gender statistics require strengthening, as briefly outlined below.

Agriculture: Although about 60 percent of women are engaged in agriculture, there is limited sex-disaggregated data which makes it extremely difficult to identify and address gender issues and concerns in the sector. As such, the NCWC is currently conducting “Gender Analysis in three Sectors: Agriculture, Waste and Energy.” The result of the analysis will find an entry point in enhancing gender statistics in the sector. The NCWC will collaborate with the Ministry of Agriculture and Forests in making the annual agriculture census questionnaire gender-sensitive. Further, the administrative data and publication of reports will be strengthened to ensure that gender-disaggregated statistics are available.

Environment: There is a strong gender dimension to how people access land and natural resources, participate in environmental management, and vulnerability to environmental calamity. While it is therefore critical to trace the relation between gender and environment, Bhutan has a big gap in production and analysis of gender statistics in the sector. As such, the NCWC is working with the National Environment Commission on gender analysis in three of the NDC sectors. A gender analysis framework will be developed for the environment sector. In line with the SDGs and national priority framework, efforts will be made to produce gender statistics related to natural resources and biodiversity; access to food and energy; and climate change and women in environmental decision-making at all levels.

Source: *Adapted from NCWC written inputs*



4.6 SDG 12: Ensure sustainable consumption and production patterns

Bhutan's first VNR report highlighted the pattern of increasing energy consumption and low energy efficiency as central concerns regarding SDG 12. Several initiatives were reported to be underway, towards implementation of Sustainable Consumption and Production (SCP) practices, which had been initiated since 2015.

This was done through several avenues including the mainstreaming of SCP into policies, plans and programmes; incorporation of green elements into the public procurement system; and incorporation of SCP curriculum in the education sector including secondary, vocational and non-formal educational institutions. In addition, several guidelines were developed to promote green practices in the tourism industry and in the public office setting. A Youth Action for 4Rs (reduce, reuse, recycle and recovery) programme was also launched.

Key challenges reported at the time included inadequate research and development capacity; lack of specific initiatives to promote sustainable production in industries, construction, and agriculture; and a lack of policy and legal framework. These are overarching challenges that remain today, although some progress has been made as outlined below.

4.6.1 Sustainable consumption and production framework

The development of a *National Sustainable Consumption and Production Strategy and Action Plan –2030* is one of the major steps taken towards advancing efforts to implement Sustainable Consumption and Production (SCP) patterns within Bhutanese society. It builds on earlier efforts to incorporate SCP principles into the GNH Policy Protocol and Policy Screening Tool—which in turn requires all government agencies to mainstream SCP practices into policies, plans and programmes.

With work on the SCP strategy beginning in 2019, taskforce members were trained on SCP Hotspot Analysis Tool (SCP-HAT), and the review of policies and programmes led to the identification of seven priority sectors: agriculture, energy, industry, tourism, education, water and waste. Action plans for each sector have been drafted and reviewed. Altogether, the strategy will aim at improving sustainable use of natural resources, prevention of pollution, sustainable waste management, and decoupling of resource use from economic growth through improved efficiency both at national and sectoral levels.¹⁰⁹

Once operational, the strategy is expected to draw greater focus and improve sustainable practices in these areas; and provide the necessary drive for the public sector, businesses and Bhutanese society to approach SCP more seriously. At this stage, however, the SCP strategy remains to be approved, and the intended piloting of one of the sector action plans has been delayed due to the pandemic.

Meanwhile, capacity gaps across sectors remains a key challenge in the overall process. Although most of the components under environment and climate change have major similarities with the SCP, relevant sectors including the National Environment Commission

¹⁰⁹ Based on written inputs provided by NECS, Feb. 2020.

Secretariat (NECS) do not have the required expertise for mainstreaming SCP specific concerns. Most sectors encountered difficulties in implementing SCP practices and developing sustainable habits owing to limited knowledge, resources and expertise.

This has been compounded by the lack of an explicit policy instrument that specifically endorses SCP activities—even though the principle of sustainability is core to the country’s GNH philosophy. Low compliance and follow-up with existing related legislation is attributed in part to challenges from the bureaucracy, conflict of interest, inadequate sectoral coordination, lack of data, and traditional hierarchies—aside from the limited human and technical capacity.¹¹⁰

As such, a proposal has been made to develop a Sustainable Consumption and Production Policy. The proposed policy is expected to provide numerous beneficial opportunities including “reduction of production costs, creation of resource efficient products, sustainable living, and ... the opportunity to progress to modern, low carbon, resource efficient and environmentally sustainable technologies.”¹¹¹

4.6.2 Sustainable management and use of resources

More remains to be done to strengthen energy efficiency, as energy consumption at the household as well as industry levels are on the rise. The major energy consuming sectors in the country (as of 2014) are building and appliances sector with 270,356 TOE, industry sector with 241,972 TOE, and transport sector with 121,218 TOE of energy consumption.¹¹²

In this respect, the National Energy Efficiency and Conservation (EE&C) Policy 2019 is in place and it expected to address the demand-side management, focusing on energy intensive sectors. It aims at creating an enabling environment for adoption of EE&C measures in building, appliance and industry sector. It also seeks to reduce energy consumption from fossil fuels, through alternative solutions and efficient utilisation of resources.

Currently, a Low Emission Development Strategy (LEDS) for Human Settlements is being formulated to promote energy efficient buildings, appliances, and street lighting; as well as sustainable solid waste management and wastewater treatment, non-motorised transport, open and green spaces, and sustainable construction materials, among others.

The Department of Renewable Energy in collaboration with WWF-Bhutan launched an iconic building project, to drive energy efficiency and to promote socially and environmentally sustainable development. Key actions under this intervention are to: understand the electricity consumption patterns; reduce electricity consumption; and source energy from diverse renewable resources. Similarly, a Memorandum of Understanding has been signed with the Bhutan Ecological Society to support in projects deployment, research, education and funding for renewable energy interventions.

¹¹⁰ Ibid.

¹¹¹ *Draft Concept Note on Sustainable Consumption and Production Policy*. Office of Consumer Production, MoEA, RGoB. Accessed from: <https://www.gnhc.gov.bt/en/wp-content/uploads/2020/03/Concept-Note-on-Sustainable-Consumption-Policy.pdf>

¹¹² National Energy Efficiency and Conservation (EE&C) Policy 2019, MoEA, RGoB.

4.6.3 Responsible waste management

With economic development an important priority for the country—and as Bhutanese become more affluent—changing consumption patterns place pressure on limited resources for production, and on the environment. In turn, there is also the issue of diversified waste generation, which places more pressure on the already limited infrastructure, facilities and services.

The total quantity of solid waste generated from across the whole country was estimated at about 861.36 tons per week in 2018.¹¹³ With waste management posing a major emerging environmental issue for Bhutan, priority is given in the 12th FYP through the Waste Flagship Programme (WFP).

The WFP has been prepared for sustainable waste management in line with the National Waste Management Strategy of Bhutan (2019), Waste Prevention and Management Act (2009), and its regulation (2016). The aim is to move towards a “Zero Waste Bhutan by 2030”, through the 3 Rs (reduce, reuse and recycle) and by embarking on the Circular Economy Concept.

Despite policy advances, implementation and enforcement of legislation is hampered by persisting lack of coordinated planning across institutions for integrated waste management, and a shortage of human and financial resources.¹¹⁴

Actual data on waste generation is dated and largely unavailable for places other than the capital, Thimphu. The most recent study conducted, as part of the 2019 waste management strategy, indicates that total waste generated in Thimphu Thromde is about 40.3 tons per day, which accounts 0.35 kg/capita/day waste generation in the capital.

The WFP—launched in June 2019—proposes to institute a holistic and effective system of waste management technologies for wet, dry, household hazardous, biomedical and other specialised wastes. Wastes with potential for reuse, recycle and recovery are proposed to be managed using appropriate technologies and methods such as compost plants and biogas plants, material recovery facility, recycling plants, household-level segregation of wastes and other waste-to-energy technologies such as Refused Derived Fuel (RDF). These technologies will be underpinned by private sector involvement, education awareness, policy interventions, and a sustainable financial mechanism.

4.6.4 Way forward

To ensure that Bhutan remains on track to achieving SDG 12, and that it meets critical environmental and social needs, efforts to create a culture of SCP across government and whole of society need to be scaled up. This will require the strengthening of institutional and technical capacities.

Once the SCP Strategy is endorsed, it will be important to ensure that scientific methodologies and tools are used—to support the design and implementation of strategic SCP policies and instruments in the identified areas of intervention. Moreover, to ensure successful implementation of policy instruments, access to expert networks and existing solutions will be critical—alongside opportunities for learning and replicating best practices as appropriate to the national context.

¹¹³ National Environment Strategy 2020-2030, NECS.

¹¹⁴ Ibid.



4.7 SDG 13: Take urgent action to combat climate change and its impacts

Bhutan's first VNR report highlighted its long-standing commitment to remain a carbon neutral country, with concrete steps taken towards upholding this commitment as outlined in its Nationally Determined Contribution (NDC).¹¹⁵

The National Adaptation Programme of Action had been successfully implemented to tackle urgent climate needs. Sectoral strategies on waste, transport, and industry had been developed; GHG mitigation measures in the human settlement, industry and energy sectors were being elaborated; and the National Adaptation Plan was reported to be under formulation. Disaster risk reduction and management initiatives had also been stepped up at the national and local levels.

However, as highlighted then, Bhutan today remains highly vulnerable to climate-induced disasters and other hazards which pose serious threats to its nature-dependent livelihoods and hydropower- and agriculture-based economy. With the impacts of global warming likely to increase¹¹⁶, climate change continues to present the single greatest risk of derailing decades of development gains. The additional burden of adaptation and mitigation entail huge costs.

Since the first VNR, progress has been made in terms of action taken to address these key concerns although more remains to be done as provided in the following sub-sections.

4.7.1 Strengthening resilience and adaptive capacity to climate-related disasters

Bhutan's Third National Communication (TNC) to the United Nations Framework Convention on Climate Change (UNFCCC) underscores the challenge facing the country in achieving the right balance between economic development and carbon neutrality, especially as it works towards achieving a healthy degree of self-sufficiency and economic resilience.

The TNC projects that under a Business as Usual (BAU) Scenario, Bhutan's carbon sink (estimated at 6,309.6 Gg CO₂e) will be surpassed in the 2035-2040 period—putting the country's carbon neutral status at risk. As such, it illustrates how the country must decouple economic growth from GHG emissions, which will only be possible through investments in climate-friendly technology, raising public awareness, international financing, and capacity building.

Towards this end, and in keeping with the Paris Agreement, Bhutan has recently launched Second NDC, with targets and actions for 2025-2030. Bhutan's carbon neutrality commitment remains the foundation of the second NDC, and the focus is to enhance mitigation targets and actions set in the first NDC. In this round, Bhutan is also seeking to ensure that the priorities

¹¹⁵ Bhutan reiterated its commitment to remain carbon neutral and pursue low-emission and climate-resilient development in its Nationally Determined Contribution (NDC) to tackling climate change. Given its fragile mountain ecosystem and vulnerability to climate change impacts, both adaptation and mitigation strategies are emphasised in its NDC. These strategies and action plans cover a wide range of sectors and draw on existing legislation, policies and strategies.

¹¹⁶ Over the years, Bhutan has been witnessing increasing incidences of forest fires, GLOF, drying up of water sources, outbreak of crop diseases, wind storms, erratic and high intensity rainfall, losses and damages of crops, assets, properties and even lives.

and targets it sets are clear and realistic, based on rigorous assessments of climate change actions as well as the strong ownership of all stakeholders.

Meanwhile, the new and revision of existing sectoral Low Emission Development strategies is formulated. These strategies identified potential actions for mitigation in the various sectors along with cost estimates and investment plans, and fed into the second NDC report.

The development of the Low Emission Development Strategy (LEDS) for the Agriculture and Livestock Sector (LEDS-Food Security) will integrate national priorities for food security, the promotion of sustainable and resilient food systems taking into consideration the national organic flagship programme, and low emission development approaches. The LEDS for the Human Settlement Sector (LEDS-HS) 2017 is being updated in line with the findings of a rapid review, which indicated the need for a more holistic strategy especially in areas such as green open spaces, land use planning, and the inclusion of ICT and sustainable infrastructure.

The revision of the LEDS for the Industrial Sector (LEDS-Industry) 2017 will include estimates and projections of overall GHG emissions and mitigation potentials from industries based on current/updated data; as well as projections based on the proposed and updated plans for new industrial parks. It will identify, prioritise and recommend cleaner production technologies and mitigation options in the industrial sector, along with suggested policy interventions to aid towards low-carbon pathways.

Similarly, revision of the LEDS for the Transport Sector (LEDS-Transport) 2017 will include developments and updates of the transport sector since 2016, including national vehicle emission standards and ongoing projects for mass transport and electric cars. It will elaborate on prioritized actions necessary for low-emission sustainable transport and mobility, based on techno-economic feasibility.

Meanwhile, towards ensuring gender-responsive NDC implementation, a gender-climate analysis has been conducted for three of the NDC sectors i.e. agriculture, energy and waste. To improve ambient air quality in the country, the Environmental Standards 2010 (PM 10 and vehicle emission standards) have been revised and new parameters (PM2.5 and Ozone) have been adopted. An assessment has been conducted on the use of refuse-derived fuel as a substitute for conventional fuels in cement industries.

Currently, under the National Adaptation Plan (NAP) implementation process and through the TNC to the UNFCCC, vulnerability and adaptation assessments have been conducted for agriculture; forests and biodiversity; water resources; human health; energy; infrastructure; gender; and disasters. The national forest inventory has been conducted, with two reports (volume 1 and 2) published. Work is underway on formulating a long-term Low GHG Emission and Climate Resilient Development Strategy.

As an additional source of support for climate action, a carbon market mechanism has been institutionalized in the form of the Bhutan Climate Fund. This adds to earlier innovative financing mechanisms such as the Bhutan for Life (BFL) initiative, which was established in 2017 based on five themes: a sanctuary for the diversity and persistence of life; a provider of sustainable, resilient ecosystem goods and services; a reservoir for carbon and adaptation to

climate change; a source of economic opportunity and community well-being; and an exemplar of effective management and efficient services.¹¹⁷

As mentioned, Bhutan has successfully implemented many of the activities under the National Adaptation Programme of Action (NAPA)—including the artificial lowering of Thorthormi glacial lake, sustainable land management, climate resilient agricultural development, among others, through two rounds of NAPA implementation and ongoing implementation of the third round of NAPA.

Further, efforts to enhance Bhutan’s approach to Disaster Risk Management (DRM) are ongoing. As highlighted in the first VNR, this is a critical area that requires strengthening through a systematic and holistic approach.

Since 2019, a *Roadmap for Disaster Risk Management in Bhutan* has been developed to enhance DRM governance and coordination. It focuses on disaster awareness, data preparedness, governance, coordination, resourcing, and sector preparedness—and is currently being updated to reflect progress as well as to integrate lessons learnt from the COVID-19 pandemic. The Department of Disaster Management under Ministry of Home and Cultural Affairs with its partners will set up a National Disaster Management Coordination Committee.

Through this, it is expected that current gaps in implementing the Disaster Management Plan and Contingency Plan (DMCP) at national and district levels will be addressed and that the mechanisms will be strengthened. Although DMCPs had been developed for all 20 *dzongkhags* (districts), four *thromdes* (municipalities), and several agencies as reported in the first VNR, recent stakeholder consultations point to a “central-local disconnect” that hampers implementation.

To strengthen data preparedness for disasters, the “72 Hours Rapid Assessment Approach” is being set up. Based on a database with the most recent information on pre-disaster vulnerability data such as demographics, poverty, food insecurity, and access to roads, health stations and schools, it is expected to provide critical information to facilitate immediate response to disasters.¹¹⁸ This will include vital information on potential GLOF hazards and downstream flood risk, to support early warning and prevention activities.

Earthquake preparedness and mitigation measures remain critical for Bhutan. An earthquake impact assessment modelling for Bhutan, completed in March 2020, indicates that in the worst-case scenario, an earthquake with the magnitude of 8.5 occurring in Bhutan may result in approximately 9,000 fatalities, 10,000 people with serious injuries and 45,000 people displaced nationally. In this regard, the need to build stronger national earthquake resilience—including through reinforcing buildings, and prepositioning of water, food and medicine to remote areas—have been identified as critical.¹¹⁹

A key lesson that Bhutan can draw from the COVID-19 pandemic, in terms of disaster preparedness, is on the acute need for coordination with up-to-date/real-time data and

¹¹⁷ The BFL seeks to achieve: (i) A set of specific, measurable, time-bound conservation and socioeconomic goals, milestones and supporting activities; (ii) A detailed financial model with cost estimates, and financial targets for donors and new funding generated within Bhutan; and (iii) A transition fund to hold BFL donor funds, which will be entirely spent down over the 14-year implementation period as the Government increases its spending – in part by creating new funding sources within Bhutan—until it fully assumes the costs of running the protected area network.

¹¹⁸ 72-hour Rapid Assessment – Institutionalization and validation of the approach, DDM website, MoHCA

¹¹⁹ Bhutan Earthquake Impact Planning (EquIP), November 2020.

functional contingency structures in place. The need for a 24-hour emergency operations centre has become clear, especially given Bhutan’s risk to natural disasters that can hit at any time and would be hugely devastating without such fundamental arrangements in place.

The pandemic has also shown how priority needs to be given to strengthening logistics to address storage, handling, transportation and distribution of emergency supplies, as well as to ensuring food security and safety.

4.7.2 Integration of climate change measures into policy and planning

In the 12th FYP, climate action is given focus through NKRA 6, which aims to ensure a carbon neutral development path and enhance capacity to respond, mitigate and adapt to climate change; as well as to build disaster resilience. Further integration of climate change measures in the national development planning process has been taking place, as the framework for mainstreaming *Gender, Environment, Climate, Disaster Risk Reduction and Poverty Alleviation (GECDP)* into local government plans is linked to the NKRAAs, agency key result areas, and district key result areas.

In the process, however, substantial duplication of efforts has been noted owing to lack of clarity in roles and mandates—leading to an uncoordinated approach in determining national priorities in addressing climate change. As such, the *Climate Change Policy of the Kingdom of Bhutan 2020* has been adopted, to provide strategic guidance towards ensuring Bhutan’s carbon neutral status, while ensuring effective adaptation to climate change.

Further, the adoption of the policy is aligned to key climate provisions in the national legal framework including the Constitution, the National Environment Protection Act 2007, and the Public Finance Act 2007; as well as to key international commitments. Moreover, the policy is expected to facilitate the implementation of actions that fulfil its commitments to the UNFCCC; as well to ensure implementation of all obligations under the Paris Agreement.

So that the most vulnerable are reached, the policy seeks to ensure that the challenges and opportunities of climate change are addressed through integration into relevant plans and policies, with the meaningful participation of all relevant stakeholders and through adequate means of implementation i.e. finance, technology, capacity-building and awareness.

The recently endorsed *National Environment Strategy 2020* will also guide the implementation of several relevant policies and legislation that have come up to address emerging environmental issues, including those relating to changing consumption patterns and waste, and the impact of climate change.

The *National REDD+ Strategy and Action Plan 2020* will contribute to Bhutan’s carbon-neutral pledge and support efforts to meet its NDC commitments—through strengthened forest management practices; climate smart primary production; integrated land use planning and management; and improved rural livelihoods. Other relevant strategies that contribute to climate change mitigation and adaptation efforts include the *National Strategy for Community Forestry 2019*, and the *National Strategy for Plantation and Forestry Nursery 2019*.

4.7.3 Capacities for climate change

As reported in the first VNR, technical and academic capacities to generate and use climate information remains low, while the threat of hydro-meteorological and geological disasters due to climate risks are increasing. In addition to huge data gaps, awareness and behavioral change on the impact of climate change remains low at the community level.

According to the TNC, the general lack of environmental data and monitoring services poses an immediate challenge on climate change systematic observation. Research on climate change mitigation and adaptation are at the very initial stages, and are being conducted by academic institutions such as the Ugyen Wangchuck Institute for Conservation and Environmental Research (UWICER) and the College of Natural Resources.

Bhutan still does not have the required human, technical, and financial resources to improve climate observation and data archiving systems. With the limited resources currently available, the focus has largely been on meeting data needs for adaptation, including near accurate weather forecasting and dissemination.

However, local capacity has greatly improved with regard to conducting long-term climate projection and real-time weather forecasting, given investments in capacity-building for climate projection and modeling. The climate projection and modelling used in Bhutan's TNC was conducted using in-house capacity of the National Centre for Hydrology and Meteorology (NCHM).

In terms of data, currently, GHG inventory data is available from 1994–2015. Climate projection data (ensemble data) on precipitation and temperature has been prepared for the near term (2021–2054) and end of the century (2070–2099). Air quality monitoring data (PM10, PM2.5, Ozone, Black carbon) is available.

Towards improving in-country capacities on climate change over the long term, climate change studies have been integrated in the existing course module of the Royal Institute of Management. An assessment on developing climate change curriculum for tertiary education has also been conducted. In addition, the development of tailor-made courses on climate change for mid-level civil servants, and advanced courses for enhancing technical capacities, has been initiated. To strengthen and promote climate research for supporting evidence-based policy decisions, a *Climate Research, Strategy and Roadmap* has been developed.

Meanwhile, a stocktaking of climate information and gap analysis has been conducted under the NAP project. The Environment Information Management System is currently being revamped, and a Climate Platform as a one-stop centre for all climate change related information and repository has been initiated. Within the Climate Platform, one of the planned components is a Climate Research Information Portal and Services (CRIPS).

4.7.4 Way forward

Although Bhutan is a carbon negative country, it continues to face increasing vulnerabilities due to rising global emissions. To ensure that it can continue to take climate action and remain carbon-neutral, national capacities, including innovative capacity to develop local solutions, need to be built and enhanced.¹²⁰ The COVID-19 pandemic underscored this need as travel restrictions hampered engagement of external experts, on which most technical projects are dependent. With most of the data for GHG Inventory collected from industrial estates falling under COVID-19 red zones in the country, timely monitoring and assessment of projects was also affected due to setbacks in collecting essential data.

In order to decouple GHG emissions from economic growth, investments in climate-friendly technology is required, and it remains critical for key sectors to understand climate change pathways more intricately. Data gaps that need to be addressed include: activity data on

¹²⁰ For instance, with regard to leveraging the carbon market at the international level, Bhutan could consider experimenting with an internal cap and trade mechanism that could provide useful learnings.

greenhouse gas emission inventories from energy, industry, waste, and agriculture and forests; climate projection and observed data; and socio-economic data from all relevant sectors for vulnerability and adaptation assessment measures taken or planned.

While earthquake preparedness and mitigation measures remain critical for Bhutan, and DMCPs had been developed for all local governments, a “central-local disconnect” hampers implementation. Therefore, technical support to improve disaster preparedness at the local levels is a critical need. The pandemic has also provided important lessons on strengthening multisectoral coordination; the need for up-to-date/real-time data; and the need to consider putting in place functional contingency structures to facilitate effective response.

All of these priorities going forward requires sustained global partnerships, international financing and support. As Bhutan moves closer to LDC graduation, it is also important that it continues to have access to climate funding mechanisms that will support a smooth and sustainable transition.

A key lesson to consider, moving forward, is that while the pandemic has posed immense challenges to the economy and heightened social vulnerabilities, it also presents an opportunity for “re-thinking development” and to work on a green recovery—an approach that is entirely in tune with Bhutan’s GNH philosophy.



4.8 SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Given the emphasis on good governance as a key pillar of GNH, Bhutan has long invested in the foundations for inclusive and democratic governance, with responsive institutions and a focus on reducing vulnerabilities.

Some key achievements noted in the first VNR report include, among others: Bhutan's peaceful and successful transition to democracy which has been sustained; an increased focus on improving access to justice for all, and the development of a justice sector strategy; reforms to improve public service delivery and accountability; and consistently good rankings in the corruption perception index.

According to the 2015 GNH Survey, people's perception of access to basic services had greatly improved with a 20-point increase since 2010. However, a decrease in public perception of good governance was noted between 2010-2015.¹²¹ Implementation gaps in ensuring full protection and participation of women, children and other vulnerable groups; a need to strengthen collaboration across the Justice Sector; and inadequate capacities of public institutions were some of the concerns. It was also noted that democratic culture could be further enhanced, by strengthening women's participation in governance and through greater engagement of CSOs, among others.

4.8.1 Addressing violence against women and children and ensuring their protection

The latest available data on prevalence of violence against women and children are from 2016 and 2017. According to the 2017 VAW/G survey study¹²², three out of 10 women had experienced violence 'in the last 12 months', and more than half (53.4%) of women and girls (15-64 years) believe that their partners are justified to hit them under certain circumstances.

Similarly, according to the 2016 VAC survey study, 64.1 percent children had experienced some form of physical violence, 12.8 percent sexual violence, and 47.4 percent emotional violence at least once in their lifetime.

Since 2018, progress has been made towards addressing gaps in legal and policy framework concerning women and children protection, and those of vulnerable groups. Key strategies under implementation include a *National Plan of Action for Child Wellbeing and Protection 2018-2023* and the *National Plan of Action for Gender Equality 2019-2023*. Meanwhile, a National Child Policy is also under development, to establish a coherent strategic framework

¹²¹ 2015 GNH Survey.

¹²² *National Survey on Women's Health and Life Experiences 2017: A Study on Violence against Women and Girls in Bhutan*. NCWC, 2017.

for the promotion of child wellbeing and protection.

Critical guidelines and Standard Operating Procedures (SOP) have been put in place to strengthen institutional mechanisms and streamline procedures for preventing and responding to protection issues concerning women and children.¹²³ Efforts to provide critical services are ongoing, and the number of Woman and Child Protection Unit/Desk increased from 11 in 2017 to 14 in 2019.

By 2019, Women and Children Welfare Committee (WCWC) and Dzongkhag/ Thromde Women and Children Committee (D/TWCC) were established across all 20 districts and four municipalities. To provide immediate counselling, legal and referral services around the clock, a helpline (1098) for women and children in difficult circumstances has been launched since October 2018.

A Gender-Based Violence (GBV) pilot project, based on “Partners for Prevention” (P4P), is under implementation for the Babesa community in Thimphu. It works with 155 adolescents and about 60 caregivers to influence the social practices and behaviours that they are likely to encounter. The expectation is that this will have a long-term impact in preventing violence.

Since October 2019, a *Standard Operating Procedure for a Multi-Sectoral Response to address Trafficking in Persons in Bhutan* has come into effect—deriving its basis from several national laws including the Penal Code, Immigration Act, CCPA 2011, CAA 2011, among others. It is a significant step forward in the country’s efforts and commitment to address human trafficking. The definition of Trafficking in Persons (TIP) in the Penal Code has also been amended in line with international TIP protocols.

As part of efforts to build the required capacities in the social services sector, the Royal University of Bhutan (RUB) has instituted a Social Policy Certificate which several cohorts of participants have already completed—including parliamentarians, civil servants, non-governmental- and CSO -leaders. A four-year Bachelor of Arts in Social Work was also launched in 2019 at the Samtse College of Education.

Despite significant progress in instituting an effective protection system in the country, achieving one that is fully functioning and sustainable, and that adequately provides for and facilitates the holistic care especially of survivors of GBV and children, remains a critical challenge.

The most pressing concerns pertain to gaps in services delivery for child protection and GBV. The absence of effective multi-sectoral coordination, key capacity constraints (technical, knowledge, financial) at all levels and across stakeholders, among other factors, makes it difficult to fully implement the legal and policy framework, as well as the SOP on GBV Prevention and Response.

The presence of only a few dedicated and specialized service providers—mostly concentrated in the urban areas—limits the provision of effective and timely services especially for those in

¹²³ Some of these are the Internal ‘Child Safeguarding and Protection Policy’; SOP on Gender Based Violence Prevention and Response; Early Identification and Safe Referral (EISR) training Manual; SOP for the Helpline Response Team; and SOP on Children in Conflict with the Law.

more remote areas of the country. For instance, forensic capacity is severely limited, owing to which investigative services and delivery of justice is impeded.

Children coming to courts continue to undergo difficulties, as only Thimphu District Court currently has a specialized Family and Child Bench; the infrastructure necessary to administer child justice is lacking in other courts around the country.¹²⁴ To address this critical gap, the justice sector agencies have developed a *Child Justice Concept Paper*, based on which concrete next steps towards establishing a functional child justice system are expected to be taken. A comprehensive *Child Justice Action Plan* has also been developed.

Meanwhile, with increasing numbers of SOPs, guidelines and manuals being developed to facilitate service provision, there is a need to create greater awareness among the general public on the services that are available—including the NCWC’s recently established helpline (1098). Essential data gaps also remain, with potential impact on programming including the development of proper monitoring and evaluation frameworks to ensure accountability.

Given the increasing complexity of women and child protection issues, a clear need exists for prevention, protection and reintegration services that are more sustainable and professional. This was made more evident as the COVID-19 pandemic necessitated movement restrictions including lockdowns—which in turn made it difficult to provide services for women and children in difficult circumstances and survivors of GBV.

As such, the *Gender and Child Protection Emergency Preparedness and Response Plan during COVID-19 Pandemic* was put into implementation. A guidance note was developed to support case managers in the management of GBV cases, and to address the needs of women left without any means of livelihood during pandemic.

While the NCWC also began implementing remote case management for GBV and child protection issues, it was not found to be feasible in cases where immediate need of survivors had to be met. Under the command of Her Majesty the Gyaltshen, emergency shelters and counseling services were provided for survivors of GBV and women in difficult circumstance, during the second national lockdown.

To learn and build on the lessons from the pandemic, an impact assessment of COVID-19 on women and children is underway. The findings are expected to provide disaggregated information on the extent of COVID-19 impact in the country. This along with the experience from the two national lockdowns is expected to help develop proper systems and procedures in any emergency situation in the future, and also inform on priorities to ‘build back better’—especially for women and children affected by the situation.

4.8.2 Ensuring rule of law and equal access to justice

Strengthening justice services and institutions is one of the key focus areas of the 12th FYP. Towards achieving NKRA 16, priority actions include the harmonization of conflicting laws, enhancing coordination among justice sector agencies, improving efficiency of justice services, and ensuring citizens’ awareness on laws and procedures. Further, to promote peace and enhance safety, corrective and rehabilitative measures that support better social reintegration and reduce recidivism are emphasized.¹²⁵

¹²⁴ These include child-friendly courtrooms, waiting rooms, and detention rooms, and technical equipment that ensures protection of children’s privacy especially during trials.

¹²⁵ 12th FYP document, vol. 1.

To ensure that the rule of law is upheld while the Judiciary evolves to be responsive with changing needs of Bhutanese society, work is underway on drafting a 10-year *21st Century Judiciary Roadmap* with public and other stakeholder consultations a critical part of the process. In addition, a justice sector strategic plan was developed which brings together all the justice sector agencies together for the first time.

To address capacity gaps in providing specialised legal services, law degrees are now offered by the Jigme Singye Wangchuck School of Law. The Bhutan National Legal Institute, continues to provide legal education and training for in-service judicial personnel, in addition to creating awareness on the law amongst the general public. The judiciary has also established institutional linkages with the Constitutional Court of the Kingdom of Thailand, to enhance capacities through experience-sharing and collaboration.

With ongoing construction of disability-friendly and earthquake resilient courts, Bhutan now has constructed 18 district and 14 sub-district courts that contribute to improved access to judicial services. Further, Court Annexed Mediation (CAM) has been instituted since 2019, providing litigants the opportunity to opt for negotiated settlement with the assistance of neutral in-house judicial mediators at any time during the litigation process. Efforts are underway to bring notary services within closer reach of people across the country.

Given efforts to clear case backlogs and to ensure timely delivery of justice services, over 78 percent of total cases were decided in 2018 and 77 percent in 2019. With the onset of the pandemic, delivery was affected and decisions on cases fell to 70 percent in 2020.¹²⁶ As such, while overall progress towards strengthening justice services and institutions in the current FYP period is assessed to be on track, the target of ensuring timely delivery of justice is at risk of falling behind.¹²⁷

In order to mitigate disruptions in delivery of justice during the pandemic, the Judiciary initiated a pilot e-litigation project in July 2020—with the e-litigation process incorporated in the judiciary’s existing Case Management System, and rules and regulations framed to facilitate the process.¹²⁸ The e-litigation platform has been launched since April 2021—making Bhutan one of the first countries in the region to initiate e-litigation as a COVID-19 response measure.¹²⁹

Going forward, the e-litigation platform will be integrated with existing community services, including the Gewog Community Centres (CCs), to make it easier for people in rural communities to access judicial services. Further, the CCs will facilitate and support people in availing the service; and key entities such as the Office of Attorney General, Anti-corruption Commission and the Royal Bhutan Police will be able to use this service.¹³⁰ Meanwhile, a procedure on online case management for women and children is also being developed by the NCWC, to complement the e-litigation initiatives.

¹²⁶ The Judiciary decided 8542 cases from a total of 10944 in 2018, and 9187 from a total of 11,930 cases in 2019. Of the total 9705 cases in 2020, 6832 cases were decided.

¹²⁷ Based on written inputs from the judiciary.

¹²⁸ In this pilot project, 14 Courtrooms in the country will be equipped with audio visual equipment to hear cases online/remotely. The litigants can attend hearings from the place they reside without having to travel all the way to Court.

¹²⁹ <https://www.bt.undp.org/content/bhutan/en/home/stories/2021/elitigation-taking-justice-to-the-doorsteps-of-litigants.html>

¹³⁰ Ibid.

Overall, key challenges to dispensing timely justice services include: the absence of an in-country forensic lab owing to which case decisions are delayed; lack of a proper contact tracing system owing to which the judiciary is unable to efficiently trace respondents and witnesses; inadequate capacities and specialised skills to deal with increasingly complex cases; and the absence of an enforcement unit or department owing to which several judgements on paper remain unenforced.

According to BLSS 2017, close to 75 percent of respondents expressed satisfaction with justice services, which included judicial services, crime services, traffic services, security clearances, fire services, and rescue and emergency services. A dedicated justice sector survey is expected to be conducted under the Justice Sector Programme, which is currently being implemented, and will offer more insight on this front.

In the meantime, however, the judiciary in its identification of key challenges has noted “a perceived *lack of trust and confidence in the courts and justice sector*”, along with social stigma attached to people attending court. It attributes this to limited public awareness of laws as well as of the judiciary’s roles and responsibilities.

4.8.3 Reducing corruption

Recognizing that corruption undermines the prospects for sustainable development, Bhutan has long prioritized the building of a corruption-free society. The Corruption Perception Index for 2020, published by the Transparency International, ranked Bhutan as the 24th cleanest country among 180 countries and territories with a score of 68 (on scale of 0 to 100 – 0 being highly corrupt and 100 being very clean). The progression in the CPI indicates that Bhutan is effective in controlling corruption in all forms. Detailed analysis of the scores indicate that Bhutan is one of the best performing countries, among the 32 percent of the top 25 ranked countries, that have improved their CPI since 2012.

By the end of the 12th FYP, Bhutan aims to increase its score on the CPI to 69. While the score of 68 has been stagnating for the third consecutive year, it is a substantial improvement from 63 in 2012. At the national level too, the National Integrity Assessment (NIA) 2019 indicated a good level of integrity with a score of 7.97 (on a scale of 0-10)¹³¹, against the target of increasing to 8.5 by the end of 12th FYP.

Bhutan is a Party to UN Convention against Corruption (UNCAC), which is the first legally binding international instrument against corruption. Between November 2016 and May 2019, Bhutan has undergone a first review cycle of the Implementation Review Mechanism and received commendation for compliance to Criminalization and Law Enforcement, and International Cooperation of the Convention. Bhutan was reviewed by Tajikistan and Cook Islands with the support of UNDOC.

Further, since December 2020, Bhutan is undergoing a second review cycle to assess compliance on Preventive Measures and Asset Recovery, with Bahrain and Iceland as reviewing States. Currently, the Anti-Corruption Commission, as the lead agency to coordinate Bhutan’s participation in the review, is preparing the country’s comprehensive Self-Assessment checklists.

While Bhutan is relatively one of the cleanest countries around the globe, it is not impervious to corruption. According to the NIA 2019, 38.28 percent of respondents believed that

¹³¹ Released by the Anti-Corruption Commission in June 2020.

corruption had increased in the last five years—which is an increase by 14.28 percent from NIA 2016 and 24.28 percent from NIA 2012.

Moreover, the National Corruption Barometer Survey 2020 reveals that corruption is a growing concern in the country with 59.9 percent of the respondents believing corruption to be either “very serious” or “serious” problem, while only 8.3 percent of the respondent stating it as “not serious”. Based on public perception, the most common forms of corruption reported are nepotism and favouritism, and misuse of public funds, properties and assets. These national reports substantiate the need to enhance interventions against corruption.

Past experiences validate that embedding integrity and anti-corruption measures as an integral part of internal governance system requires collective alliance and responsibility in the fight against corruption. However, weak agency-ownership of the anti-corruption and integrity measures is still a challenge. Moreover, a predominating trend of ‘Abuse of Authority’ alleged to the ACC indicates a need to promote ‘integrity in leadership’ to foster greater commitment and ownership for anti-corruption and integrity culture.

At the institution level, the ACC has some difficulty related to timely access to accurate and updated information/data from the custodian agencies for investigation. As an interim measure, the ACC has been accessing information mostly through conventional paper-based sources, and only some through online sources, based on bilateral understandings drawn with a few key stakeholders. It has been observed that an integrated information and data-sharing platform is crucial to enhance efficiency and effectiveness in delivering justice services.

Mainstreaming integrity and anti-corruption measures has been reinforced in the 12th Five Year Plan with NKRA 12 on “Corruption Reduced”—and making it mandatory for all agencies to contribute towards the national objective. Public and private agencies are guided by a comprehensive National Integrity and Anti-Corruption Strategy (NIACS 2019 -2023)¹³² — which requires them to implement the activities as part of the Government Performance Management System in the form of APA/APT, and Organizational Integrity Plans for non-budgetary agencies.

The NIACS was launched in August 2019 and a high-level National Integrity Committee was also formed. The Committee comprises members from government agencies as well as the Judiciary, Constitutional Bodies, CSOs and the Private Sector—thus making it a unique committee. Hence, countering corruption is a successfully mainstreamed SDG target across the public and private sector.

With rigorous mainstreaming of integrity and anti-corruption measures in the agencies as mandatory indicators, the administrative nature of complaints received by the ACC are expected to be reduced by almost 50 percent, and the integrity scores of agencies in NIA 2022 to be improved to 8.5 or even more. In the long run, the NIACS is expected to be mainstreamed in all agencies.

As part of its larger efforts to advocate for good governance and reduced corruption in Bhutanese society, the ACC has also been engaging with partners beyond the public sector including the private sector, CSOs and youth. A Business Integrity Initiative of Bhutan (BIIB) has been adopted to enhance sustained ethical business practices in the country. As of date, one private company and 15 Druk Holdings and Investment (DHI) portfolios and listed companies

¹³² The NIACS 2019 -2023 has three strategic objectives: (i) Transparent, accountable and integrity systems strengthened; (ii) Integrity consciousness enhanced; and (iii) Credibility and effectiveness of the Law Enforcement and Regulatory Agencies enhanced.

have pledged to conduct their businesses ethically, and to implement the BIIB. The Debarment Rules 2019 were also adopted to promote integrity in contractual works.

A CSO Engagement Programme on Anti-Corruption and Justice has been developed since 2020, to foster greater collaboration with CSOs in devising appropriate interventions to control corruption as well as to promote civic engagement. A Youth Integrity Programme has also been developed to provide comprehensive perspective on behavioral change programmes among students as well as out-of-school youth. While the impact of these programmes are yet to be determined, the experience to date indicates good potential. To ensure their sustenance, however, there is need to strengthen cooperation and collaboration among responsible agencies, while also enhancing their capacities.

Unlike in some other countries, Bhutan has not encountered or uncovered major corruption related to COVID-19. However, restrictions imposed by the pandemic on in-person interactions has affected the ACC's delivery of investigative functions, and thereby its responsiveness. Switching to virtual interviews and interrogations was not feasible amid concerns over undermining procedural justice and rule of law, and a reliance on conventional procedures for gathering and analysing information. The situation has made it apparent that there is a need to better harness the potential of technology, and to promote effective and efficient coordination and cooperation in delivering justice services—including through the use of e-litigation processes.

4.8.4 Developing effective, accountable and transparent institutions

Parliamentary role

Strategic plans of the two Houses of Parliament have been updated, with a focus on strengthening capacities to improve institutional, legislative, oversight and representational functions. The National Council as the House of Review conducts reviews of key legislation and policies. It also continues to conduct reviews and provide recommendations on a wide range of critical issues that cut across the SDGs. Since 2018, it has prioritised 23 issues for review by its various committees, and social issues have been prioritised in its roadmap.¹³³

Currently, the National Assembly's oversight role is largely confined to overseeing the government's public expenditures. It recognises the need to broaden the scope, to include effective oversight of the implementation and impact of various legislation. Going forward, it also acknowledges the potential for more meaningful engagement with government, CSOs and the media in carrying out this function. To do so, however, proper mechanisms will need to be put in place.¹³⁴

Overall, there is a sense that greater clarity is needed in terms of the oversight functions of members of Parliament. Given that budget is passed by Parliament, stakeholder consultations suggest that it may be necessary to spell out and have a common understanding on the extent to which MPs should be involved in oversight and monitoring functions, particularly with regard to implementation of development plans and programmes.

¹³³ Issues range from policy of vehicle imports, fronting issues, law reviews including recommendations to amend the Mines and Minerals Act, to the quality of education including technical and vocational education, harmful consumption of alcohol in the country, review of legislation and strategies addressing human trafficking, reviews on key legislation including the Penal Code Act Amendment and the CCPA 2011. (Source: stakeholder consultation with NC members, February 2021).

¹³⁴ *Strategic Development Plan 2019-2023*. National Assembly of Bhutan

During the Ninth Session of Bhutan's Second Parliament in 2017, a resolution to embed SDG oversight into Parliamentary practice was adopted. With this, each of the standing committees of the National Assembly would be assigned with one or more SDG goals relevant to the committee, and one day during every parliamentary session would be allotted for deliberation on SDGs, among other measures.

Government performance and public service delivery

A critical component of effective and accountable public institutions lies in the proper delivery of public services—an important function of the civil service. As such, NKRA 9 of the 12th FYP focuses on improving public service delivery.

In a continuous effort to improve public services¹³⁵, several organisational development exercises have been conducted. The erstwhile Government-to-Citizen Project has been upgraded since 2020 to a full-fledged Public Service Delivery Division under the Office of the Prime Minister (PMO). Any reform activity related to public service delivery will now be initiated by this division.

As many of the initiatives are leveraging on technology and innovation, the appropriate systems will be developed by the Department of Information Technology and Telecom (DITT) through the Digital Drukgyul Flagship Programme. Digital literacy is a key component of this flagship, and is being taken forward by the DITT.

In addition, to simplify services so that citizens face minimal burden of travel time and document submissions, the silo functioning of service providers is being addressed through end-to-end integration of services—thereby requiring enhanced data-sharing and interpolating. To date, the business process and re-engineering of 10 most commonly availed public services has been completed, and automation of the services will be initiated.¹³⁶

Recognising that the grievance redressal mechanism is a key aspect of public service delivery, an integrated Public Service Call Center (PSCC) has been established. Key public services have been identified for which service delivery standards and frameworks for monitoring and evaluation have been developed.

The general public's satisfaction with services is being looked into with the conduct of a nationwide survey, and the piloting of several services. A Community Services Division has also been established under the NCSIDBL to manage Community Centres as efficient one-stop service access points in all 205 *gewogs*.¹³⁷

Key reforms have been initiated to enhance efficiency and performance of State-Owned Enterprises (SOEs), including the replacement of blanket corporate allowance entitlements with the Performance-Based Variable Incentive; and the signing of Annual Performance

¹³⁵ A key issue that needs to be addressed is the lack of proper frameworks and accountability in monitoring service delivery. Many of the ongoing reform efforts are still carried out from an agency perspective, and lack a citizen-centric approach. Another issue pertains to the sustainability of online service systems adopted by various agencies, many of which are developed through time-bound projects and are not maintained once the funds run out. A weak culture of collaboration among agencies also results in redundancy of procedures for users and delays in service delivery. There is also the critical issue of digital literacy at the user-end, which impacts service delivery especially for rural residents and others who are not digitally literate.

¹³⁶ State of the Nation Report, Dec. 2020.

¹³⁷ Ibid.

Compact (APC) with 13 SOEs as of May 2020, which is expected to contribute to good corporate governance, strengthened coordination between the government and SOEs, and improve SOE performance along with increased accountability.

The Government Performance Management System (GPMS), also under the PMO, aims to ensure effective and efficient delivery of national development plans and programmes—by ensuring coordination in developing, monitoring and evaluating annual deliverables; and linking annual deliverables to both financial and human resources.¹³⁸

However, data accessibility and reliability—a key requirement for the system—remains a persisting challenge. Also, given that GPMS is a relatively new concept in the country, uptake capacities within the civil service are still low. While basic skills trainings have been imparted, more needs to be done including at the executive level—and this requires funding which is currently lacking.

Given a certain reluctance to taking difficult decisions as sometimes required for performance assessments, the system has been facing some pushback. Consequently, the opportunity to leverage the potential of the system to improve public service efficiency and effectiveness is yet to be fully harnessed.

Although there is a robust monitoring and evaluation (M&E) system in place, the culture of M&E in the country is still weak and is taken up in varying degrees by different agencies. The importance given to Annual Performance Agreements (APA) varies greatly across agencies, and it is not uncommon to find differences in assessment of work progress and performance even within agencies. The initiation of performance-based planning and appraisal system, which hinges on collaborative efforts across multiple agencies, has also had very limited success.

Performance audits

In accordance with an undertaking with the International Organization for Supreme Audit Institution's (INTOSAI), the Royal Audit Authority (RAA) of Bhutan has included the SDGs as a cross-cutting priority in its Strategic Plan 2020-2025, and also for selecting performance audit topics for 2021-2025.

Having conducted a performance audit on the RGoB's preparedness to implement the SDGs in 2018, the RAA is currently in the process of planning a performance audit on SDGs implementation—with specific focus on “strong and resilient national public health systems” under SDG 3. This audit topic has been selected in the context of the unprecedented health, humanitarian and economic crisis resulting from the global outbreak of COVID-19. As nations respond to this crisis, the crucial role played by national public health systems, their ability to detect and respond to national and global health risks assume great significance.

As such, the RAA will examine government efforts to strengthen capacities for early warning, risk reduction and management of national and global health risks. Doing so will contribute to a strengthened and more resilient national public health system, that can ultimately lead to good health and wellbeing for all. One of the key expected outcomes is a more equitable public health system that ensures access to quality services for vulnerable sections of the population, including but not limited to women, people with disabilities, the poor, among others.

¹³⁸ http://www.gpms.gov.bt/?page_id=296

4.8.5 Responsive, inclusive, participatory and representative decision-making

Building on the foundations laid for democracy and active citizenship in the earlier decades of planned development, the 12th FYP is geared towards bringing effective governance ‘closer to the people’. NKRA 13 in particular focuses on attaining vibrant democracy through enhanced decentralisation of decision-making, administrative and financial authority, and greater accountability.

Since August 2019, a consolidated decentralization policy has been drafted and is being reviewed for finalization. The policy is expected to reinforce the implementation of the principles of democracy as enshrined in the Constitution and in the Local Government Act 2009.

The initiation of Democracy Club Meets by the Election Commission of Bhutan (ECB) now provides a more inclusive platform for young people around the country, to become familiar with the principles and practices of electoral democracy. The Bhutan Democracy Dialogue (BDD)—an early initiative of the political parties in the country—continues to provide a neutral platform for multi-party dialogue.¹³⁹

Several civil society organizations in the country are increasingly working towards promoting an engaged citizenry—by encouraging and facilitating civic engagement (particularly among the youth), providing platforms for public discourse, and imparting media literacy and other capacity development programmes to the general public.¹⁴⁰ In recent years, CSOs have also engaged in providing shadow reporting on key international commitments like the CEDAW, and the possibility of doing the same on SDG implementation is being explored.

The media continues to fulfil the critical role of keeping the general public informed, through its coverage of stories on wide-ranging issues and developments in and around the country. Given its presence and network, it also draws attention to remote communities and human-interest stories that may otherwise escape the attention of decision-makers. Platforms for public discussion and debate on critical matters are increasingly made available through the media, as it also plays a greater role in holding public institutions to account.

The space for youth participation and action has also expanded, with more agencies (both Government and CSOs) exploring ways in which to engage with and leverage the potential of youth. Youth voice and action are now more visible in a wide range of areas. For the first time, youth were extensively engaged in reviewing a national policy. In 2020, as the National Youth Policy 2011 went under review, youth participated in the process not only as informants but also led discussions with peers to review the policy, gather data, and provide recommendations towards the revision of the policy.

¹³⁹ The BDD was set up in 2014 by Bhutan’s five registered political parties at the time, to promote a mature democratic culture and vibrant democracy. By providing a neutral platform for multi-party dialogue, the expectation is that political parties can work together to discuss areas of common interest, and strategise on issues for the larger benefit of the country.

¹⁴⁰ The following are some examples: The Bhutan Democracy Forum in 2019 engaged political parties, members of parliament, journalists, academics and local leaders to talk about the country’s experience with democracy and elections, as well as to share their political concerns, experiences and lessons. Discussion and analyses on wide-ranging topical issues, offered through a non-partisan journal, has contributed to major policies.

Trainings and scholarships for media professionals, provided to support media development, is contributing to sustainability of newspapers, broadcast stations and journalists. Over the course of creating public awareness to fight corruption, a community scorecard was also conducted on selected services provided by colleges in the country.

Efforts to improve women’s participation and representation in decision-making continues to be a priority. In the 12th FYP, NKRA 10 on “Gender Equality” aims to create enabling policies and adequate support and facilities, to remove barriers that limit their opportunities and potential as well as to address their differentiated needs. The National Gender Equality Policy (NGEP) was approved in 2020.

In particular, the National Plan of Action to Promote Gender Equality in Elected Office (NPAPGEEO) was revised in November 2018. It takes a comprehensive approach to the promotion of women’s political participation, drawing on the internationally accredited “Gender at Work” (GAW) framework. It identifies sustainable and effective entry points for gender mainstreaming in institutions, as a means by which to promote both gender equality and women’s empowerment. It also aims to highlight the interrelationship between gender equality, organizational change and institutions or ‘rules of the game’, held in place by power dynamics within communities.

Towards strengthening gender-friendly working conditions and environment, there are currently 21 functional crèches in workplaces, up from 11 in 2017 (NCWC). In addition, 29 government agencies are operationalizing the “Internal Framework to address Gender-related Issues”, up from 9 in 2017 and exceeding the target of 25 by 2023. The “Gender Equality Strategy (2018-2023) for Civil Service” was also developed.

The Bhutan Women Parliamentary Caucus (BWPC) was launched in 2019, as part of efforts to mainstream gender in the workings of the Parliament. To support greater representation of women in Local Government (LG), a workshop was initiated to mobilise, motivate and train potential women to contest in the third LG elections coming up in 2021—engaging a total of 131 women from across 19 districts.¹⁴¹

Despite the positive trends noted above, the process and outcomes in widening the space for democratic participation and engagement are still beset with challenges.

Women’s representation in decision-making remains low with only 15.3 percent in Parliament and 11.6 percent in Local Government. Women account for 38.16 percent of the civil service workforce, and representation at the executive levels with influence on policy and decision-making is especially low at only 10 percent. Despite efforts to date, the belief that women are better caregivers and strong gender stereotypical roles impede efforts to increase women’s participation in decision-making.

Political empowerment of women and increasing representation in decision-making is one of the core mandates of the NCWC. Efforts on this front are supplemented by targeted CSO advocacy of this crucial agenda. However, the persisting issue of low women’s representation requires to be taken up at a more substantive level—for which voter education is key. While awareness-raising on the importance of women’s political representation is included as part of the Election Commission’s voter and civic education programmes, more can be done to provide targeted interventions to address this specific concern.

Political parties outside of parliament have a limited role once elections are over, and are rarely included in stakeholder consultations. They also face difficulty in accessing information, which in turn limits their ability to engage in robust discussions on matters of national importance. The potential of the BDD has also not been fully realised.

¹⁴¹ State of the Nation report, op.cit.

The civil society sector is increasingly being recognised for its critical contributions to supporting and supplementing the government’s delivery of essential developmental services, especially to the vulnerable and those hardest to reach. However, more awareness is needed among local leaders and functionaries on the added value of CSOs in wide-ranging areas, including on issues of sustainable development. Stakeholder consultations suggest that the government’s degree of engagement with CSOs has declined in the 12th FYP, and point to policy changes and a lack of clarity on this front. As such, a guideline for collaboration between government and CSOs is currently under development.

Additionally, stakeholder consultations suggest that while there is greater opportunity for CSOs to raise issues through the creation of a CSO Core Committee, broader understanding and acceptance of their role in enhancing democratic culture and practices still has a way to go—including through the promotion of democratic values, social accountability and influence in decision-making, as also mentioned earlier. Key capacity constraints and issues of sustainability continue to be major challenges for the sector.

Similarly, the biggest challenge facing the media fraternity is the issue of sustainability, which in turn has led to smaller newsrooms since 2018 for many of the media houses. In addition to ongoing budget setbacks, duplication of roles among media-related agencies and competition for the same funds is also attributed to sustainability issues. With many senior journalists leaving the profession, young journalists do not necessarily see a good future in the profession.

Views on access to information is mixed: it is still considered a major issue in the sense that government officials and others with information tend to practice self-censorship; on the other hand, provided effort is made, information is available and can be obtained.

The space for young people’s engagement in decision-making processes, including in policy- and programme- formulation, remains limited. Clear mechanisms and guidance are needed to enable their active and responsible engagement. While young people need to be made more aware of their roles and responsibilities on the one hand, a change in attitude is required among service providers, policy-makers and adults on the other—so that youth are considered not only as beneficiaries but also as key partners in bringing about changes in society.

4.8.6 Way forward

A key lesson from the pandemic is that the differentiated needs of women, children and vulnerable groups still need constant advocacy—to ensure no one is left behind especially in times of emergencies and disasters. While the ongoing impact assessment will inform development of proper systems and procedures for future emergency preparedness, it also presents an opportunity to intensify efforts towards long term, overall systemic strengthening of protection services.

With regard to ensuring children’s wellbeing and protection, it may be useful to consider a dedicated NKRA in the FYPs, while also continuing with mainstreaming efforts across relevant NKRAs. This would aid in improving ownership and ensuring accountability towards fulfilling relevant national, regional, and international commitments including the SDGs.

Ensuring that legal aid is operational—as mandated by the Constitution, the Penal Code, the CCPA, and other legislation—will be critical to addressing protection issues among other legal concerns. On the larger spectrum of ensuring access to justice, there is also need to ensure that alternative dispute resolution mechanisms/centres are operational; and that legal literacy and access to legal advice is strengthened.

To ensure certainty in the judicial system and delivery of quality justice services, it will be important to maintain consistency in the application of procedures and systems across all courts. This will require capacities to be strengthened all levels of the judiciary, which includes developing professionalism at the secretariat level to enable judges to adjudicate cases effectively. Specialization among judges will also be important, in view of several specialised benches envisioned to be established.

To ensure that justice services are responsive, efficient and accountable, strategies/systems that enable integration of information management systems between justice institutions is critical. Towards this end, efforts are underway to integrate information systems of the Office of Attorney General (OAG), RBP, Judiciary, ACC, and other relevant agencies.

With the rapid socioeconomic and political development, corruption has taken on more sophisticated forms that are not as easily detectable. Anti-corruption efforts therefore need enhancement, including through upgrading necessary skills and techniques. In view of limited resources, the ACC has instituted an initiative to promote innovations in maximizing technology—to enhance efficiency, effectiveness and sustainability of anti-corruption measures, and to fight corruption effectively by predicting and preparing for future corruption vulnerabilities or unprecedented crisis like COVID-19.

As part of broader measures to ensure accountability and improve effectiveness of the country's sustainable development efforts, capacities of Members of Parliament will continue to be strengthened to enable fulfilment of institutional, legislative, oversight and representational functions. While developing mechanisms to facilitate greater engagement with a wider set of stakeholders, it will be important to establish clarity on the extent of MPs' oversight functions, particularly with regard to monitoring implementation of FYPs and the SDGs.

To harness the full potential of the GPMS for improving public service efficiency and effectiveness, efforts will be strengthened to address the persisting challenge posed by data accessibility and reliability; and to enhance uptake capacities within the civil service, which will require sustained resources. Meanwhile, through initiatives such as the Digital Drukyul Flagship Programme, efforts will be made to ensure that no one is left behind in accessing essential public services due to lack of digital literacy and facilities.

In addition, performance audits will continue to be conducted by the RAA in line with national priorities and SDGs implementation—with the objective of providing impactful recommendations that can facilitate national efforts to achieve Agenda 2030.

Moving forward, the culture of democracy will be enhanced through continued efforts to strengthen engaged citizenship. Guidelines for collaboration between the Government and CSOs are already under development. Likewise, clear guidelines or mechanisms will be needed to facilitate responsible engagement of youth in the country's sustainable development and governance processes.

The issue of low women's representation in decision-making positions will benefit from more coordinated and substantive efforts among relevant agencies. Similarly, more can be done to improve access to information, so that important democratic entities such as the media and political parties can partake more substantially in important national developments.

5. Means of Implementation



5.1 SDG 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development

Bhutan's first VNR report had assessed that SDG 17 was at risk, due to several constraining factors. These include limited foreign direct investment, limited capacity to harness the benefits of science and technology, and withdrawal of traditional development partners and decline in Official Development Assistance. Although efforts have been made and are ongoing to address these concerns, the key issues and challenges remain the same.

However, the concerns have heightened, given the impacts of the COVID-19 pandemic on an economy that has long been grappling to build resilience. In addition, at the operational level, data gaps remain. This is impeded by inadequate level of awareness and ownership of SDGs at implementing agency level, as mentioned earlier. Weak coordination has remained a perpetual concern across and within sectors.

5.1.1 Financing for the SDGs

Domestic resource contribution

Implementing the 12th FYP and the SDGs requires an exploration of innovative ways of financing for development. Over the years, Bhutan's domestic resource contribution to funding its development has grown, amounting to 65 percent of total outlay for the 11th FYP (2013-2018) as compared to 61 percent in the 10th FYP (2008-2013).

This has been achieved through rationalisation of recurrent expenditure, efforts to enhance efficiency of state-owned enterprises, and encouragement of public-private partnerships. Efforts to broaden the tax base are ongoing. For the 12th FYP—which has a total outlay of Nu. 310.016 billion—domestic resource contribution was projected at more than 70 percent.

However, domestic revenue performance has been affected with the onset of the pandemic—resulting in an 8.6 percent and 54 percent reduction in collection of direct and indirect taxes respectively for the first quarter of 2020 (as compared to the 1st quarter of 2019). The actual revenue collection for the first quarter was 17 percent as compared to 20 percent in the previous year.¹⁴²

For the time being, the revenue situation has stabilized with a total collection of Nu. 7,822.6 million, given a profit transfer of Nu. 2,462.7 million from Mangdechhu Hydropower Project (which pertains to the previous fiscal year). An additional revenue of Nu.491 million is expected from the revision of the Chhukha Hydropower Plant (CHP) export tariff (due in January 2021), once negotiations are successfully completed.¹⁴³

¹⁴² State of the Nation Report, Dec. 2020, op.cit.

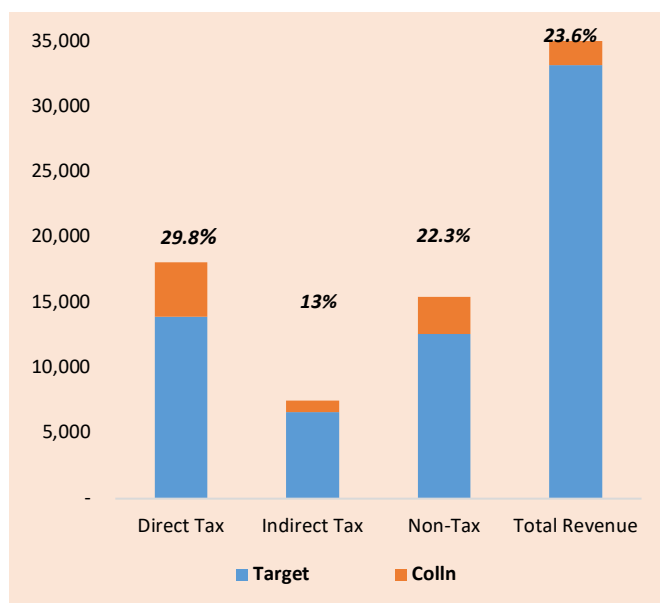
¹⁴³ Ibid.

At the same time, however, a decline in corporate tax and sales tax revenue (which constitute major sources of tax revenue) indicates that there is a risk of the domestic revenue target not being achieved if the pandemic persists. During the ongoing mid-term review of the 12th FYP, the Ministry of Finance reported that domestic revenue was projected to decline by about 18 percent from Nu. 217 billion to Nu. 178 billion.

Revenue Quarterly Comparison

	<i>Jul-Sep'19</i>	<i>Jul-Sep'20</i>	<i>%</i>
Total Revenue	7,187.68	7,822.65	8.8
Tax Revenue	6,424.51	5,009.91	(22.0)
Direct Tax	4,540.59	4,150.82	(8.6)
o.w. CIT	2,745.79	1,761.64	(35.8)
BIT	279.90	170.71	(39.0)
PIT	450.28	285.40	(36.6)
Tourism Royalty	208.63	-	(100.0)
Hydro Royalty	706.20	1,002.82	42.0
Indirect Tax	1,883.92	859.09	(54.4)
o.w. Sales Tax	1,207.45	684.18	(43.3)
Excise Duty	250.65	70.48	(71.9)
Green Tax	220.23	36.86	(83.3)
Customs Duty	92.42	67.56	(26.9)
Non-Tax Revenue	763.17	2,812.73	268.6
o.w. Profit Transfer MHP	-	2,462.66	
Int. Receipt	416.66	175.18	(58.0)

Revenue Status for FY 2020-21



(Source: State of the Nation Report, December 2020)

Meanwhile, major tax reforms are underway. The Goods and Services Tax (GST) Act of Bhutan 2020 was enacted, and is scheduled for implementation from July 1, 2022. In replacing the conventional sales tax, GST will subsume the existing 11 multiple tax-rate structures into a single standard rate of seven percent. Businesses with turnover of Nu. Five million and above to be required to register for collection. GST will however be exempted on basic food, medicines, energy-saving and IT goods; along with health, education, financial, information technology and agriculture services.

The GST implementation will be fully supported by the Bhutan Integrated Taxation System (BITS)—an IT automation solution. This is expected to strengthen the tax administration system, simplify business process, improve taxpayer services, minimise revenue leakages, and enhance tax collection.

Full implementation of GST as a consumption-based taxation, is expected to generate additional revenue of Nu.3 billion annually. In addition to the GST, luxury goods, sin goods and environmentally harmful items will be subject to Excise Equalisation Tax (EET), at four rates ranging from 20 percent to 100 percent. With this, higher taxes will be imposed on junk food and unhealthy items including alcohol and tobacco, among others.

Official Development Assistance (ODA)

ODA continues to be critical, especially with fundamental structural challenges remaining to be addressed even as it gears up for LDC graduation in 2023. Grants were expected to fund 20 percent of 12th FYP development programmes, amounting to about 54 percent of capital expenditure. With domestic revenue surplus expected to finance 21 percent, Bhutan would continue to rely on external borrowings to finance part of the 25 percent resource gap for capital expenditures.¹⁴⁴

External assistance (financial and in-kind) from development partners to support COVID 19 pandemic measures have substantially capacitated Bhutan in handling and managing the pandemic, thereby also helping in the implementation of the 12th FYP.¹⁴⁵ Bhutan also received loan support that are specific to the pandemic response and outside of the regular country partnership support. This includes interest free-loan from the World Bank investment project financing and Cat DDO windows, and concessional borrowing from ADB.¹⁴⁶

In the context of LDC graduation, Bhutan's report for a smooth transition strategy¹⁴⁷ indicates the loss of some development assistance that are available for LDCs. This includes especially the phasing out of the Least Developed Countries Fund (LDCF).¹⁴⁸ However, Bhutan will maintain access to the Green Climate Fund (GCF), though this funding mechanism prioritises LDCs, Small Island Developing States, and African states. In any case, accessing climate finance will be critical for Bhutan's efforts in mitigating vulnerabilities to natural events and building resilience.

Foreign Direct Investment (FDI)

In terms of attracting global investors and working with FDI as a potentially viable source of financing for development, Bhutan has had rather limited success. As of 2020, Bhutan recorded a total of 92 FDI projects—most of which are from Asian countries with India remaining the major source of investment (47%), followed by Singapore (19%) and Thailand (11%). In 2019,

¹⁴⁴ 12th FYP document, op.cit.

¹⁴⁵ World Bank, ADB, GoI, EU, Government of Japan (JICA), Austria, Republic of Korea, KOICA, Honorary Consul of Korea in Bhutan, Bangladesh, USA, Canada, Singapore, Save the Children, UN Secretary General's Trust Fund for COVID-19, WHO, UNICEF, Global Fund (GFATM), FAO, UNDP, UNFPA, WFP, UNRCO, Bhutan Foundation (USAID) and Helvetas.

¹⁴⁶ RGoB: *Report on the preparation of Bhutan's Smooth Transition Strategy from the Least Developed Countries category*, December 2020.

¹⁴⁷ *Graduation from LDC Status: Towards a Smooth Transition Strategy for Bhutan*. Collin Zhuawu/UNTACD, 2021.

¹⁴⁸ Given the COVID-19 pandemic, however, the LDC Fund might be extended.

the capital inflow from foreign investors was USD 22.98 million. In the same year, FDI contributed Nu. 1530.65 million in taxes, which was a decline by 12 percent from the previous year.¹⁴⁹

Along with administrative and policy challenges, the investment climate in Bhutan is not very conducive. To address the challenges faced by investors, the FDI Policy and FDI Rules and Regulations have been revised since in 2019 to realign the FDI regime with the changing needs of the Bhutanese economy, as well as to ensure that FDI contributes to driving growth and development. The policy revisions seek to improve investment requirements in some sectors, and opens up new sectors for investment.

In line with the 12th FYP's priority for building a resilient and diversified economic base, the Cottage and Small Industries (CSI) sector is being opened up for FDI joint ventures with local partners—in select small-scale production and manufacturing activities, for which approval and clearances are also proposed to be fast-tracked.

Innovative financing

Priority is also being given to leveraging innovative and green finance. To date, these include the Bhutan Trust Fund for Environmental Conservation (BT FEC), the *Bhutan for Life* programme, the Biodiversity Finance Initiative (BIOFIN) project, the Reducing Emission from Deforestation and Forest Degradation (REDD)+ Readiness Project, the Climate Investment Fund, the Global Environment Facility (GEF), and the Green Climate Fund (GCF).

However, as the concept of innovative financing instruments is relatively new to the country, a need exists for strengthening capacities i.e. for formulating and implementing the appropriate policies and regulations; and for assessing opportunities, developing models and mobilising alternative sources of financing.¹⁵⁰

While domestic funding is limited, and is resorted to only if financing from the much cheaper external concessional windows is limited—domestic financing is expected to increase in the medium term due to gross financing need. Currently the Ministry of Finance issues T-Bills every month through competitive auction.¹⁵¹

In September 2020, the RGoB announced its first-ever sovereign bond issuance for public subscription, offering a three-year bond Series of USD 41 million at an annual coupon rate of 6.5 percent. This was initiated as a measure to support financing needs for COVID-19 pandemic recovery, while also opening up the space for leveraging innovative financing instruments for SDG-related financing.

This was followed by the issuance of a 10-year government bond in February 2021 using a yield-based auction. Both the issuance received overwhelming response from investors, indicating a strong appetite for government securities in the market. However, the domestic bond market is still at an infant stage of development. While several corporate bonds are listed in the stock market, trading in the secondary market is minimal.¹⁵²

¹⁴⁹ *FDI Annual Report 2020*. Department of Industry, Ministry of Economic Affairs, RGoB.

¹⁵⁰ UN-RGoB Joint Programme Document: *Building a Bhutan Integrated National Financing Framework for the Sustainable Development Goals (SDGs) and Gross National Happiness (GNH)*". January 2021.

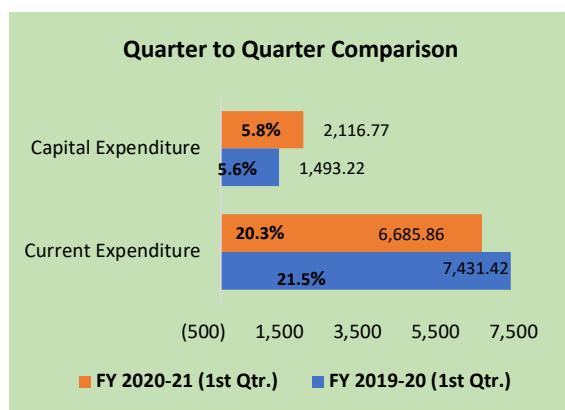
¹⁵¹ *Medium-Term Debt Management Strategy FY 2020/21 to 2022/23*. Ministry of Finance, 30th March 2021.

¹⁵² *Ibid*.

12th FYP reprioritisation

Capital activities in the 12th FYP have had to be reprioritised, as the economy slowed down and various interventions including the ECP were implemented. The total expenditure incurred on this front is provided in the table below.

Total Expenditure Status for FY 2020-21



Covid-19 Response and Measures

In million Nu.	FY 2019-20	FY 2020-21
Budget provided for Covid-19	2,033.3	1,076.7
DGRK:		
<i>Of which Income Support</i>	679.1	660.0
<i>Interest Payment Relief</i>	1,823.0	3,683.7
Total	4,535.4	5,420.4

(Source: State of the Nation Report, Dec. 2020)

The reprioritisation was carried out while maintaining the same level of capital outlay at Nu. 116 billion (Central agencies Nu. 51 billion; LGs Nu. 50 billion; and Flagship projects Nu. 15 billion), to prevent further expansion of fiscal deficit which is projected at Nu. 29 billion for the 12th Plan period.

The initiative to accelerate the plan through frontloading of its activities has substantially increased the capital budget allocation, constituting 32 percent of the plan outlay. During the quarter, a capital budget of Nu. 1,433.5 million has been incorporated for externally funded projects. Given the size of the capital expenditure, associated works are being closely monitored to ensure that capital budget is fully utilised for development projects.¹⁵³

Discussion during the ongoing midterm review of the 12th FYP indicated that total capital outlay for central agencies could increase by about Nu.10 billion, mainly due to incorporation of new programmes such as the ECP and other Covid-19 intervention activities. As mentioned, to avoid widening of fiscal deficit, efforts would continue be made to maintain capital outlay within the initial prescribed amount as far as possible.

Fiscal deficit, public debt and financing strategies

While the 12th FYP had set a target to maintain average fiscal deficit below three percent of GDP, this target looks increasingly uncertain given elevated expenditure requirements linked to COVID-19 mitigation and recovery.¹⁵⁴ Fiscal deficit is projected to have widened to 7.36 percent of GDP, and is estimated at Nu. 15,329 million for the FY 2020-2021.

The widening fiscal deficit is estimated to be financed largely through domestic borrowings, as net external concessional borrowings are only adequate for repayment of past external loans.

¹⁵³ Ibid.

¹⁵⁴ <https://www.cabinet.gov.bt/wp-content/uploads/2020/07/PR-Phase-2-fiscal-and-monetary-measured.pdf>

In the medium term, the fiscal deficit is projected to remain elevated as non-hydro revenues remain subdued, whereas government spending continues to rise as mentioned.¹⁵⁵

As of December-end 2020, the total public debt was Nu. 225,026.228 million, which is about 122.6 percent of GDP. The share of external debt was about 97.2 percent of the total debt, mainly comprising of hydropower debt (73.9%), and accounting for 119.1 percent of GDP.¹⁵⁶ The singling out of hydropower debt is important as it constitutes the major portion of public debt, and is considered based on commercial viability of hydropower projects—with revenue able to meet hydro debt servicing cost without much difficulty to date.

Nevertheless, Bhutan’s current macroeconomic situation is a concern. During the ongoing mid-term review of the 12th FYP, fiscal targets including ‘fiscal deficit as percent of GDP’, ‘debt to GDP’, non-hydro revenue growth rate, and revenue from SOEs were reported as “at risk” of not achieving the 12th FYP targets.

Even with the economy expected to rebound in the medium term, fiscal deficit is expected to remain high during the next fiscal year. With financing requirement projected to be significantly higher than pre-pandemic years, public debt accumulation is expected to accelerate. Therefore, the RGoB has formulated a *Medium-Term Debt Management Strategy* for implementation over the 2020/21—2022/23 financial years.

Meanwhile, an assessment on how much it will cost the government to achieve the SDGs has not yet been carried out; and the current resource allocation formula does not consider the costs of attaining SDGs. To address these and other concerns, including the need to develop sustainable financial strategies to ensure successful implementation of FYPs and SDGs, the RGoB is working towards an Integrated National Financing Framework (INFF) in partnership with UN agencies in the country.¹⁵⁷

The establishment of the INFF is expected to support Bhutan in its efforts to “attain optimal allocation of its limited public resources; attract private investment into sustainable development priorities, including to respond to COVID-19; facilitate a smooth and sustainable graduation from the LDC category; strengthen gender-responsive approaches to financing and promote gender equality; build resilience to threats posed by climate change and health crises; and create for its people the “*Just, Harmonious and Sustainable Society through Enhanced Decentralization*” envisaged by the 12th Five Year Plan and beyond.”¹⁵⁸

5.1.2 Statistical capacity

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 decentralised statistical system. 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. It provides key statistics on economics, environmental, population and social statistics, while also promoting greater use of statistical information for informed decision-making.

¹⁵⁵ State of the Nation Report, Dec. 2020, op.cit.

¹⁵⁶ *Public Debt Situation Report: For the quarter ended 31st December 2020*. Ministry of Finance, February 2021.

¹⁵⁷ UN-RGoB Joint Programme Document, op.cit.

¹⁵⁸ Ibid.

A comprehensive review of Bhutan’s data ecosystem, carried out in 2016-2017, had revealed critical gaps in the national statistical system. It underscored the need to explore domestic resource opportunities, to support mandatory and designated statistical operations, and to meet data requirements of the 12th FYP and SDGs.¹⁵⁹ Improvement of data and statistics management was therefore identified as an operational priority action—requiring relevant policies and legislations, as well as technical capacities to be strengthened.

The NSB’s *Strategic Plan to Improve Statistics in Bhutan (July 2020-June 2023)* seeks to address these issues by improving data governance and enabling factors. Among others, Big Data will be explored, administrative data will be strengthened, and a local level data architecture will be established. It also aims to increase the frequency of current surveys and census (such as the population and housing, RNR and economic censuses); ensure the conduct of the Bhutan Multiple Indicator Survey; and introduce an Annual Household Income and Expenditure Survey.

Under the strategy, a data sharing mechanism will be established, data dissemination will be enhanced using diverse platforms, and the importance of data-driven decision making will be promoted. To date, several guidelines, codes and standards have been developed to improve data harmonization.¹⁶⁰ Leveraging the use of administrative data for statistical purposes, and to fill data gaps, the NSB has launched the first Vital Statistics Report earlier this year.

Despite these efforts to improve data management and availability, key issues and challenges remain. While the NSB has prepared a draft Statistical Act to address impediments arising out of a lack of legal basis, the outcome is still awaited.

The sustainability of periodic surveys and census is a big concern, as these are dependent on development partner support, which has decreased over the years. Efforts need to be strengthened, to ensure funding for the timely conduct of essential surveys and census. In addition, strengthening capacities for disaggregated data production, as well as capacities for utilization of the available data for decision-making purposes remains a key need.

An assessment of SDG indicators and targets in Bhutan’s first VNR report had revealed data gaps in terms of adequacy, timeliness and quality. While SDG data availability (reported in section 3.2.1) was mostly related to health, poverty, education and employment, the second VNR process indicates that much of the data pertaining to the situation of women, children and vulnerable groups, and on nutrition and health are dated. Climate observation data is also lacking. It should be noted that while data availability has improved slightly since the first VNR, as indicated by the assessment for the second VNR, SDG data in 2018 was found to be most scarce in the areas of energy, infrastructure and governance.

5.1.3 Partnerships for development

With the 12th FYP emphasizing the “Triple C” (Coordination, Consolidation and Collaboration) as a fundamental principle underpinning all goals, strategies and programmes, the need to mobilize collaborative efforts between public and private sectors, communities, civil society and academia, among others, is recognized.

¹⁵⁹ *Bhutan’s Data Ecosystem Mapping, 2017*. NSB and GNHC, RGoB.

¹⁶⁰ These include a Bhutan Statistical Quality Assurance Framework, Bhutan Standard Statistical Code, Bhutan Standard Statistical Geographic Code, and Guidelines to Conduct Surveys. Currently under development is a Bhutan Standard Industrial Classification, and a Bhutan Standard Classification of Occupations.

As such, one of the operational priority actions identified in the first VNR was improving stakeholder coordination. However, stakeholder consultations for the second VNR suggest that progress on this front is slow. The issue of weak coordination and collaboration continues to impact effective implementation of policies and programmes—within and across all sectors and at all levels.

Local Government representatives expressed the need for clearer guidelines and support, for example in aligning local plans and programmes to SDG targets and indicators. A general view among private sector representatives is that government consultations are mostly cursory, and lack deeper comprehension of private sector needs—as there is a fundamental disconnect in priorities and mode of operation. Recognising this, the national taskforce for developing Bhutan’s 21st Century Economic Roadmap was largely comprised of private sector representatives, which is a significant departure from usual practice.

Over the years, CSOs have increasingly been engaging on a wide range of development priorities, with some working in partnership with government agencies. CSO role is significant in the areas of environment, health, skills development, and youth engagement—and critical gaps in social service provision are filled in by CSOs. However, as mentioned earlier, the lack of a clear guideline for engagement with government partners presents a key challenge; to address this, one is currently under development. Capacity gaps and issues of sustainability are also impending factors faced by CSOs, and more remains to be done to improve the enabling environment for their participation in development activities.

The role of academia in initiating and generating knowledge and innovation is recognised in policy circles, and effort is being made to invest expanding that role. For example, climate studies are increasingly being incorporated in tertiary institutions with research being undertaken by the Royal University of Bhutan; and NKRA 16 in the 12th FYP was a concrete outcome of the collective efforts of the justice sector in partnership with the Jigme Singye Wangchuck School of law.

However, much remains to be done to realise the full potential of academia and research institutions in the country. Stakeholder consultations suggest that more effort and coordination is required, both on the part of government as well as within academic institutions themselves. In this regard, the 12th FYP has outlined the creation of a research endowment fund as a priority. At the moment, however, more remains to be done to increase the size of the fund, ensure sustainability, and to put in place efficient governance modalities.

Bhutan continues its efforts to strengthen regional and international partnerships, so that all countries can achieve SDGs together. The importance of regional initiatives and strengthening regional cooperation, especially in the context of trade, transit and energy cooperation, is well-recognised.

In collaboration with the Government of India (GoI), the first Bhutan-India Start-up Summit was held in February 2020, to promote entrepreneurship and to establish linkages for cottage and small industries between the two countries. A monthly “virtual dialogue” was also initiated to discuss and resolve trade issues.

A new trade route between Bhutan and India was opened from Ahlay, Pasakha to ease traffic congestion, and an additional two riverine ports in Assam have been notified to expand and diversify market access. This will go a long way in strengthening waterways transport and trade between Bhutan, India and Bangladesh, and will cater to central and east Bhutan. Bhutan and

Bangladesh signed a Preferential Trade Agreement in December 2020, and this is expected to boost trade between the two countries.¹⁶¹

Both regional and multilateral cooperation are also considered critical to working out common and shared solutions to addressing issues that transcend geographical boundaries, such as the impacts of climate change and natural disasters. Discussions are underway with international partners on collaborating in the areas of food security, ICT in education and cybersecurity. Bhutan is also seeking their expertise in solving water sustainability issues. Likewise, strengthening cooperation with all other development partners, in mutually beneficial areas, is considered important for the successful achievement of national objectives and the SDGs.¹⁶²

As reported in its first VNR, continued support of development partners in implementing the SDGs and achieving the 2030 Agenda is of paramount importance—especially given the last mile challenges, and economic and climate vulnerabilities it continues to be challenged with as a landlocked developing country scheduled for LDC graduation in less than three years.

5.1.4 Use of technology and innovation

The importance of science, technology and innovation is well-recognised as an important means of implementation. The 12th FYP's emphasis is on enhancing productive capacity of the economy through upgrading technology, and advancing research and innovation capacity in key sectors and industries. Environment-friendly industrial development practices, along with creativity and innovation to promote value addition in the manufacturing process, and the establishment of a Research Endowment Fund are underscored in the plan.¹⁶³

As Bhutan embarks towards rapid digital transformation, it has become crucial for it to ensure reliable mobile cellular services, and international and domestic internet connectivity. Towards this end, the “Digital Drukyl Flagship Programme” is currently under implementation in the 12th FYP. The components of this programme are provided in [Box 8](#). Bhutan has also initiated the establishment of a Third International Internet Gateway. Investment in the area of Satellite and emerging technology is being prioritised, with four engineers sent abroad to study satellite development.

The need to leverage ICTs as well as the potential to do so became all the more apparent as the COVID-19 pandemic necessitated several restrictions on movement including lockdowns. The use of digital technologies became essential to continuing education, delivering regular as well as pandemic-related health services, and the delivery of many essential public services (LG taxes, etc.).

It has also been instrumental in implementing work-from-home modalities, with the Royal Civil Service Commission issuing guidelines and respective agencies adopting modes of continuing their functions remotely. Containment measures necessitated the development of essential digital applications (Apps.) and platforms, to ensure safety as well as public service delivery on various fronts.¹⁶⁴

With it, however, the issue of digital literacy and digital divide came to the fore. At the same time, it revealed data gaps on ICT infrastructure and services at disaggregated levels. To better understand the multiple dimensions of the digital divide and how differential capacity and

¹⁶¹ State of the Nation Report, 2020 op. cit.

¹⁶² Background Paper for the 14th Round Table Meeting, March 2019, op. cit.

¹⁶³ Bhutan's first VNR Report, op.cit.

¹⁶⁴ State of the Nation Report, op.cit.

intent work to amplify existing inequalities, the Ministry of Information and Communications is working towards filling the data gaps and better address needs of local communities.

In addition, through the Rural Connectivity Programme (RCP), effort is underway to connect previously unconnected households in remote and far-flung villages, with basic telecommunication facilities and 2G, 3G and 4G mobile communication services. The programme focuses on fast tracking universal connectivity and addressing the digital divide by ensuring availability of technology as a way to foster social inclusion.

At the same time, with increased time spent online, especially by children and young people, the issue of online safety has been highlighted as various protection concerns emerged. In recent years, the issue of cyber-security has also emerged and has become a national concern. Between July-November 2020, 60 cybersecurity incidents were encountered. As such, the development of a National Cybersecurity Strategy is underway for 2021-2025, and efforts are being made to educate children and their caregivers on meaningful use of technology.

In addition, key challenges that remain to be overcome is the affordability and reliability of the international gateway, limited pool of skilled IT professionals, and the lack of technical experts in the domestic market to meet and fulfill the demand and requirements of local ICT projects. At the same time, while recognising the need to excel in technology and innovation in the 21st century, it will be useful to have a ‘national technology transfer agenda’ to find the best technologies and models that fits Bhutan, and to adapt it to local context. Such opportunities could be leveraged through international partnerships.

An example of this is the earthquake impact modeling that is being done with the international partners. Bhutan actually offers a good platform to try out new innovation and technologies because it is small enough, and it is a priority area for the government as evident from having dedicated a flagship programme for advancing uptake of digital technologies in the 12th FYP. There is therefore great potential for exploration and for transfer of technologies.

5.1.5 Way forward

With the onset of the COVID-19 pandemic, the country’s revenue landscape and funding priorities have been significantly altered. This was reinforced during the ongoing midterm review of the 12th FYP, where budgetary agencies have been directed to prioritise activities that would contribute to job creation and economic growth; and to deprioritise others including those that cannot be implemented due to the pandemic. Considering the economic downturn and elevated debt levels, Bhutan will continue to implement the most effective strategy options that present the least risk, as outlined in its *Medium-Term Debt Management Strategy* for the remainder of the 12th FYP period.

At the same time, it will scale up efforts to strengthen its financing ecosystem as it works on developing the INFF—as a means to support SDG implementation and facilitate achievement of 12th FYP priorities. This will entail an assessment of the country’s financing landscape, review of existing policy frameworks, exploration of institutional arrangements and financing mechanisms that can help scale up support for the FYPs and SDGs, and institutional and capacity strengthening related to financing.¹⁶⁵

With the implementation of the *Strategic Plan to Improve Statistics in Bhutan*, efforts are ongoing to address issues of data adequacy, timeliness and quality. However, the resource

¹⁶⁵ UN-RGoB Joint Programme Document, op.cit.

requirements are huge and presents a key challenge to this effort. Meanwhile, much of the data on the situation of women, children and vulnerable groups, and on nutrition and health are dated; climate observation data is also lacking. Therefore, efforts need to be strengthened to ensure funding, especially for essential surveys and censuses. While development partner support will continue to be critical, domestic resources will also need to be explored.

At the same time, leveraging Big Data will be important, especially considering the increasing pace of change across all SDGs. As the pandemic has also demonstrated, real-time or near real-time data has become indispensable for effective response measures. This will require robust information sharing amongst and across agencies, while using ICT. A need also remains for strengthening capacities—both for data production and utilisation (including effective use of data for decision-making).

The need and potential for leveraging ICTs has been underscored by the pandemic, as digital technologies became essential for continued delivery of essential public services across the SDGs. The situation in essence has necessitated a push to pursue the digitalisation agenda—with movement restrictions leading to an increase in e-commerce and FinTech, in addition to a continuous process of improving online education systems, work-at-home modalities, among others.

At the same time, the pandemic brought to the fore a need to address—especially over the long term—issues such as the digital divide and digital literacy, online safety and cyber security, reliability and affordability of Internet, and the limited domestic pool of ICT expertise. Going forward, a ‘national technology transfer agenda’ may be useful and could be leveraged through international partnerships—to support Bhutan’s digitalisation and innovation agenda.

As Bhutan moves closer to graduation from LDC category in 2023, and as it works on implementing GNH and the SDGs, it continues to explore opportunities to strengthen the foundations for broader partnerships. Towards this end, efforts will continue towards improving the enabling environment for greater engagement with domestic partners. As mentioned earlier, engagement with civil society will benefit from clear guidelines which are under development. Efforts to further capacitate LGs in implementing development activities and the SDGs will be strengthened.

Likewise, private sector partnerships will continue to be strengthened, building on the positive experience of private sector engagement in contributing to national economic policies. Field expertise will be leveraged to enhance productive capacities, finding solutions to addressing the youth unemployment issue, as well as for domestic resource mobilisation.

To enhance the role of academia and research institutions, the creation of a research endowment—as highlighted in the first VNR as well as in the 12th FYP—will be taken forward. Among other measures, it will be necessary to increase the size of the fund, develop and implement ideas to ensure its sustainability, and put into place efficient governance modalities.

Regional and multilateral cooperation also remain critical, and increasingly so in working out common and shared solutions for issues transcending geographical boundaries—such as the impacts of climate change. Development partner support will continue to be instrumental in Bhutan’s efforts to implement and achieve national development priorities and the SDGs. This has assumed even greater significance against its impending graduation from LDC category, with efforts underway to ensure that graduation is smooth, sustainable and irreversible.

Box 8: Digital DrukYul Flagship Programme

The Digital DrukYul Flagship Programme broadly consists of the following nine components:

- (i) *National digital identity*: This component focuses on setting up a digital identity platform to authenticate digital identity, which is a fundamental requirement for delivery of online services.
- (ii) *Government initiated network*: This component focuses on ensuring reliable connectivity, by connecting government offices to the fiber optic backbone network; and on improving reliability with the setting up of network redundancy and closing up open network rings.
- (iii) *Integrated citizen services*: The objective of this component is to make G2C or Government-to-Citizen services more efficient and user-friendly through end-to-end integration online; and to make the contents available in the national language.
- (iv) *ICT capacity and capability enhancement*: The main objectives under this component are to develop capacities of ICT professionals through upskilling programmes; and to bridge the digital divide through digital literacy training, development of digital content, and creation of digital advocacies through different outreach channels.
- (v) The *E-business-integrated business licensing system* under the Ministry of Economic Affairs will take into account all prerequisites for starting a business, to improve the business ecosystem in the country.
- (vi) *E-business-National Single Window (NSW) System* for the Ministry of Finance will facilitate with the import and export of goods.
- (vii) The *digital school* component focuses on developing an e-learning platform system and an Education Management Information System (EMIS) for the Ministry of Education.
- (viii) *Electronic Patient Information System (ePIS)* under the Ministry of Health will centrally store electronic medical records (EMR) for all patients, and help provide better health services through the use of EMR.
- (ix) *Bhutan Integrated Tax System (BITS)* for the Ministry of Finance encompasses functionalities of direct taxes as well as Goods and Services Tax (GST).

6. Conclusions and Way Forward

6.1 Key conclusions

SDG awareness

Most stakeholders are aware of the SDGs at a broad level, and view them as closely aligned with GNH and integrated into 12th FYP. However, detailed understanding and capacity to align sector/agency/LG plans and programmes to SDG targets and indicators remain limited. While there is broad agreement on the need to strengthen awareness of the SDGs, and on a need for planners and implementers to be more conversant with the “SDG language”, it was also suggested that what matters more is for development plans and programmes to be well-executed.

Progress across the SDGs

When Bhutan undertook its first VNR exercise in 2018, all SDGs with the exception of SDG 17 were assessed to be on track. Given this base, and considering that identified priority issues are being addressed with the recommended policy actions under implementation in the 12th FYP, it can be reasonably surmised that broad-based progress is being made across most SDGs.

However, given significant impact of the COVID-19 pandemic on the economy and livelihoods, and on the revenue landscape and education, it is likely that progress of several related SDGs is “at risk” today i.e. SDGs 1, 4, 8, 10, 17.

The economic impacts have been particularly severe, especially on tourism. Additional lockdowns and disruptions could pose further damages, and the pace of implementing structural changes to diversify the economy could be affected over the longer-term. Rising unemployment and falling incomes, coupled with escalation of inflation could reverse progress on alleviating poverty and other social vulnerabilities—thereby posing risk to SDGs 1, 8 and 10. Prolonged school closures could also have high social and economic costs, particularly for those already vulnerable.

Besides anticipated impacts on key learning outcomes due to loss of instructional time, and possible impact on quality due to disruptions in mode of delivery, the need for fundamental reforms in the education system has been highlighted by the royal decree. While this is a positive step forward—as the reforms are essentially intended to improve education outcomes by making it more relevant for the 21st century—it is also an indication of significant gaps in the current system. As such, SDG 4 is assessed to be “at risk” at this point in time.

With SDG 17 already assessed to be “at risk” in the first VNR, any progress since then would be reversed given the widening fiscal deficit; increasing trend in non-hydro debt (although still within national target levels); and increased expenditures amid decreasing domestic revenue. Although significant steps are underway to address other implementation challenges outlined in the first VNR, statistical capacity and data availability remain constrained; coordination and collaboration remain weak; and more remains to be done to strengthen domestic partnerships.

Emerging issues, challenges and opportunities

Globally, the COVID-19 pandemic presents one of the greatest challenges in recent history, and this is true for Bhutan as well. While the health impacts have not been as severe for the country, the impacts could be devastating if local transmission cases escalate. The health

system's capacity to deal with a prolonged pandemic is of great concern—with epidemiological changes already placing pressure on the sustainability of free healthcare services.

The impacts of the pandemic have also been deep and far-reaching, with SDGs 1, 4, 8, 10, 17 particularly at risk, as mentioned. Impacts have also been evident across other SDGs.

Issues of online safety, cyber security and the digital divide were highlighted, as education and public services went online. Increasing incidences of anxiety, depression and other mental health issues are also being reported. Concerns over food and nutrition security were amplified as weaknesses in value chain management and distribution became apparent.

While many of these are not new, the pandemic has cast greater attention to these issues which are of increasing concern. It has also effectively exposed many of the persistent issues and challenges to implementing good strategies and programmes in the country. These include data gaps, coordination issues, weak culture of monitoring and evaluation, lack risk assessments factored into plans and programmes, among others.

At the same time, the pandemic has also highlighted the possibilities for overcoming such challenges. For instance, while data management and coordination efforts were put to the test as various response measures were rolled out, improvements were visible after learning from the initial glitches. The Bhutanese spirit of community cooperation, led by committed leadership at all levels, was evident as people from all walks of life contributed in myriad forms and within their individual capacities.

There is therefore a clear need to build on these collective strengths and potential, as Bhutan works on recovering from the pandemic, while also working towards a more sustainable and effective development trajectory. Providing much needed impetus to this agenda, are the Royal Decrees issued by His Majesty The King, to reform the civil service and education system. If handled well, this will go a long way in building productive capacities of the economy and in strengthening the means of implementation for GNH and the SDGs.

6.2 Next steps

Moving forward, Bhutan will continue to implement the 12th FYP to ensure achievement of all 17 NKRA's and the various Flagship Programmes. The reprioritisation of the Plan, based on the results of the ongoing midterm review results, is expected to aid with its timely and effective implementation. Through this process, effort will continue to be made to sustain progress across all SDGs.

At the same time, Bhutan's LDC transition strategy will be developed and implemented, with a focus on addressing: the unstable macroeconomic environment; growing debt burden; limited technology and human capital; low productive capacities; an insufficiently diversified economic base and export basket inhibiting trade expansion; and high vulnerability to natural disasters and economic shocks. The strategy will aim at sustaining Bhutan's graduation with momentum, building resilience while addressing remaining structural challenges, and adjusting to the loss of LDC benefits.

Against this backdrop, the following is a summary of policy options and actions for consideration.

Enhancing SDG awareness and integration

While what's most important is that the principles of GNH and SDGs are effectively implemented through development plans and programmes, it would also be beneficial for planners and implementors to be more conversant with the language of the SDGs. This could enhance communication on agency mandates, for coordination with relevant international entities, and to access support.

The SDG targets and indicators also offer useful measures of progress. Although Bhutan has developed its own KRAs from national to agency to local levels, and also has in place the GNH index, international comparativeness could be enhanced with greater integration and alignment wherever possible. It could also aid with enhancing local frameworks for monitoring and evaluation, and strengthen implementation efforts based on clearer targets and measures.

While central agencies could take a more proactive approach to this process, Local Governments require more support given relatively less capacity at the local levels. The GNHC as the lead coordinating agency for FYPs and the SDGs could provide clearer guidelines and support wherever needed, on SDG integration and on how reporting can improve.

Although it is clear that GNH and the SDGs are closely aligned, the language of everything being mainstreamed can at times limit deeper exploration of issues on the ground, and make it difficult to assess progress objectively.

Building back better and transforming systems

- (i) While the pandemic has posed immense challenges to the economy and heightened social vulnerabilities, it also presents an opportunity for “re-thinking development” and to work on a green recovery—an approach that is entirely in tune with Bhutan’s GNH philosophy.
- (ii) Bhutan’s 21st century economic roadmap, currently under formulation, is expected to provide strategic direction to address concerns over persisting economic vulnerabilities. It will aim to contribute in a transformational way to all aspects of the Bhutanese economy, including strengthened macroeconomic stability, trade expansion, enhanced productive capacities, economic diversification, technological advancement, and mitigating vulnerability and building resilience.

As the roadmap takes shape, it will be important to ensure a firm basis on the principles of inclusiveness and sustainability, in line with GNH and the SDGs.

- (iii) The experience of responding to the pandemic in terms of ensuring food and nutrition security has reinforced the need for a holistic agriculture policy.

Such a policy will need to consider both short- and long-term requirements, including a move from “food security” to “food sovereignty”; be inclusive and sensitive to the dynamics of agricultural workforce; fully consider climate change impacts and sustainability issues associated with agriculture productivity; and factor in needs for unforeseen events such as natural disasters and the current pandemic.

- (iv) With the National Health Policy currently under revision, it will be important to ensure that adequate emphasis is given on preventative approaches—especially in light of the increasing dominance of NCDs and their associated health, social and financial costs.

Enhancing essential services and accountability

- (i) Building on the existing social protection mechanisms in the country, a more holistic and sustainable approach could be designed—taking into consideration a universal coverage and a life-cycle approach, with strengthened shock-responsiveness. This can involve, for example:
- Diagnoses and strengthening shock-responsiveness and possible expansion of existing systems (e.g., based on efficiency, management, reach or impact), especially to protect vulnerable groups;
 - Exploration of new forms of protection (e.g., temporary/semi-permanent basic income cash transfers or child-sensitive cash transfers);
 - Expansion of visual data platforms to help identify vulnerable groups, and to design and monitor shock-responsive programmes.
- (ii) A key lesson from the pandemic is that the differentiated needs of women, children and vulnerable groups still need constant advocacy—to ensure no one is left behind especially in times of emergencies and disasters. While the ongoing impact assessment will inform development of proper systems and procedures for future emergency preparedness, it also presents an opportunity to intensify efforts towards long term, overall systemic strengthening of protection services.
- (iii) The various systemic-, services- and capacity -gaps in providing quality mental healthcare—including treatment/rehabilitation and reintegration services for substance abuse afflictions—requires urgent attention. This will require enhanced multisectoral and stakeholder coordination, including greater engagement between the health sector and other actors working on providing social services.
- (iv) Ensuring that legal aid is operational—as mandated by the Constitution, the Penal Code, the CCPA, and other legislation—will be critical to addressing protection issues among other legal concerns. On the larger spectrum of ensuring access to justice, alternative dispute resolution mechanisms/centres need to be made operational; and legal literacy and access to legal advice needs to be strengthened.
- (v) Capacities of Members of Parliament will continue to be strengthened, towards enhancing institutional, legislative, oversight and representational functions; and mechanisms to facilitate greater engagement with a wider set of stakeholders will be developed. In doing so, it will be important to establish clarity on the extent of MPs’ oversight functions, particularly with regard to monitoring the implementation of FYPs and SDGs.
- (vi) To harness the full potential of the GPMS for improving public service efficiency and effectiveness, efforts will be strengthened to address the persisting challenge posed by data accessibility and reliability; and to enhance uptake capacities within the civil service. However, this will require sustained resources.

Strengthening data and coordination

- (i) The sustainability of periodic surveys and census is a big concern, as these are dependent on development partner support, which has decreased over the years. Therefore, efforts need to be strengthened to ensure funding, especially for essential surveys and censuses. While development partner support will continue to be critical, domestic resources will

also need to be explored. In addition, strengthening capacities for disaggregated data production and utilisation remains a key need.

- (ii) Currently, much of the data on the situation of women, children and vulnerable groups, and on nutrition and health are dated. Data on household income, and on production activities of agricultural households—required for better understanding of drivers of welfare and poverty in rural areas—remain inadequate. To facilitate efforts towards increasingly targeted interventions, further assessments including focused analysis on the impact of urbanisation on poverty is required, based on updated data.
- (iii) The pandemic has necessitated the collection and digitisation of essential data, with different vulnerability layers geo-referenced to enable support for the most vulnerable households. Building on these initiatives, such data could be used for social protection programmes beyond the pandemic response.
- (iv) Climate-related data gaps that need to be addressed include activity data on greenhouse gas emission inventorisation from energy, industry, waste, and agriculture and forests; climate projection and observed data; and socio-economic data from all relevant sectors for vulnerability and adaptation assessment measures taken or planned.
- (v) To streamline monitoring and evaluation of investments made in the agriculture sector, agricultural statistics need to be improved. This includes development of market-related data; data on rural livelihoods including farmer income; and a near real-time integrated agriculture statistical, monitoring and reporting system.
- (vi) As made evident by the pandemic—with real-time data indispensable for effective response measures—leveraging Big Data will be important. This will require robust information sharing amongst and across agencies, while using ICT.
- (vii) To ensure that justice services are responsive, efficient and accountable, efforts to integrate information management systems between various justice institutions need to be sustained. The creation of this integrated system is important as it can serve as a full-fledged reliable source of information; promote data accuracy; streamline case management; and enable reporting of performance for the justice sector.

Leveraging technology and innovation

- (i) The movement restrictions imposed by the pandemic has in essence necessitated a push to pursue the digitalisation agenda, as digital technologies became essential for continued delivery of essential public services—including an increase in e-commerce and FinTech, online education, work-at-home modalities, among others. Going forward, a ‘national technology transfer agenda’ may be useful and could be leveraged through international partnerships—to support Bhutan’s digitalisation and innovation agenda. Meanwhile, sustained efforts will be required to ensure that no one is left behind in accessing essential public services, due to lack of digital literacy and facilities.
- (ii) To enhance the role of academia and research institutions, the creation of a research endowment—as highlighted in the first VNR as well as in the 12th FYP—will be strengthened. Among other measures, it will be necessary to increase the size of the fund, develop and implement ideas to ensure its sustainability, and put into place efficient governance modalities.

Strengthening technical capacities

- (i) To address issues of sustainability in the healthcare system, long-term capacity building will need to be prioritised. A health care financing strategy will be important, especially given Bhutan’s impending graduation from LDC category.
- (ii) To ensure certainty in the judicial system and delivery of quality justice services, maintaining consistency in the application of procedures and systems across all courts is important. This requires capacities to be strengthened at all levels of the judiciary—including professionalising the secretariat to enable judges to adjudicate cases effectively. Specialisation among judges is also needed, in view of several specialised benches being established.
- (iii) Amidst rapid socioeconomic and political development, corruption has taken on more sophisticated forms that are not as easily detectable. Anti-corruption efforts therefore need enhancement, including through upgrading necessary skills and techniques.
- (iv) Efforts to create a culture of SCP across government and whole of society need to be scaled up; and scientific methodologies and tools are necessary for the design and implementation of strategic SCP policies and instruments—all of which require institutional and technical capacities to be built/strengthened.
- (v) Although Bhutan is a carbon negative country, it continues to face increasing vulnerabilities due to rising global emissions. To ensure that it can continue to take climate action and remain carbon-neutral, national capacities—including innovative capacity to develop local solutions—need to be built and enhanced.

Ensuring preparedness for future pandemics and disasters

- (i) 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 FYPs and other development programmes are designed to be more risk resilient i.e. with forward looking assessments of possible risks and contingency plans in place.
- (ii) In particular, building health system resilience while also putting in place national response systems has become critical. To strengthen 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
 - increase effectiveness of public health response at points of entry into the country, by building on Bhutan’s own lessons from responding to the current pandemic.
- (iii) While earthquake preparedness and mitigation measures remain critical, and DMCPs had been developed for all local governments, a “central-local disconnect” hampers implementation. Therefore, technical support to improve disaster preparedness at the local levels is a critical need. The pandemic has also provided important lessons on strengthening multisectoral coordination; the need for up-to-date/real-time data; and the

need to consider putting in place functional contingency structures to facilitate effective response.

Strengthening partnerships

- (i) Towards enhancing a culture of democracy through engaged citizenship, the issue of low women’s representation in decision-making positions will benefit from more coordinated and substantive efforts among relevant agencies. Similarly, more can be done to improve access to information, so that important democratic entities such as the media and political parties can partake more substantially in important national developments.
- (ii) Towards improving the enabling environment for greater engagement with domestic partners, guidelines for collaboration between the Government and CSOs are under development. Likewise, clear guidelines or mechanisms will be useful for facilitating youth engagement in the country’s sustainable development and governance processes.
- (iii) Building on the experience of private sector engagement in contributing to national economic policies, field expertise could be leveraged to enhance productive capacities, finding solutions to addressing the youth unemployment issue, as well as for domestic resource mobilisation.
- (iv) Regional and multilateral cooperation remain critical, and increasingly so in working out common and shared solutions for issues transcending geographical boundaries— such as the impacts of climate change. In order to decouple GHG emissions from economic growth, investments in climate-friendly technology is required. To ensure successful implementation of SCP policy instruments, access to expert networks and existing solutions is critical—alongside opportunities for learning and replicating best practices as appropriate to the national context.

Development partner support continues to be instrumental in Bhutan’s efforts to implement and achieve national development priorities and the SDGs. This has assumed even greater significance against its impending graduation from LDC category, with efforts underway to ensure that graduation is smooth, sustainable and irreversible.

Going forward, Bhutan is drawing important lessons from the pandemic—including the need and possibilities for long-term, transformative and green solutions for its food system, local economy, public services delivery, approaches to learning, data ecosystem, and preparedness for disasters and future pandemics. Therefore, while working to “build back better”, Bhutan remains committed to accelerating the SDGs so that progress towards an inclusive, low-carbon and resilient development pathway—as envisioned by its GNH approach—is sustained.

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Appendix 1: Stakeholders Consulted

Government Agencies, Autonomous Agencies and Constitutional Agencies

1. Ministry of Foreign Affairs (Written contribution)
2. Ministry of Economic Affairs (Written contribution)
3. Ministry of Works and Human Settlements (Written contribution)
4. Ministry of Labour and Human Resources (Written contribution)
5. Ministry of Information and Communications (Written contribution)
6. Ministry of Health (Written contribution)
7. Anti-Corruption Commission (Written contribution)
8. Royal Audit Authority (Written contribution)
9. Royal Court of Justice (Written contribution)
10. Royal Civil Service Commission (Written contribution)
11. National Commission for Women and Children (Written contribution)
12. National Environment Commission (Written contribution)
13. Tourism Council of Bhutan (Written contribution)
14. SDG Working Committee, GNHC Secretariat (Online meeting)
15. National Statistical Bureau (Online meeting)
16. National Taskforce for the 21st Century Economic Roadmap (Online meeting)
17. Bhutan Innovation and Technical Education (BITE) Council (Online meeting)
18. Government Performance Management System and Public Service Delivery Division, Cabinet Secretariat (Online meeting)

Local Government – Districts (Online group meeting)

19. Haa Dzongkhag
20. Tashigang Dzongkhag
21. Dagana Dzongkhag
22. Trongsa Dzongkhag

Local Government – Municipalities (Online group meeting)

23. Gelephu Thromde
24. Samdrup Jongkhar Thromde
25. Phuentsholing Thromde
26. Thimphu Thromde

Media

27. The Bhutanese (In-Person meeting)
28. Bhutan Broadcasting Service (Online meeting)

Parliamentarians

- 29. National Council members
- 30. National Assembly members

Academia (Online group meeting)

- 31. Office of the Vice Chancellor, Royal University of Bhutan (RUB)
- 32. Jigme Singye Wangchuck School of Law
- 33. Khesar Gyalpo University of Medical Sciences
- 34. Sherubtse College, RUB
- 35. Royal Thimphu College

Private Sector (In-person group meeting)

- 36. Bhutan Chamber of Commerce and Industry
- 37. Handicrafts Association of Bhutan
- 38. Athang Institute
- 39. RSA Private Ltd.
- 40. Tourism industry/Hotels and Restaurant Association of Bhutan

Political Parties

- 41. Druk Nyamrup Tshogpa (online)
- 42. Druk Phuenshum Tshogpa (online)
- 43. People's Democratic Party (written contribution)
- 44. Bhutan Khuen Nyam Party (written contribution)

Youth

- 45. Group of 13 youth representing various youth groups
- 46. Tarayana School Club members (Peljoring HSS, Samtse; CNR, Lobesa; Gesarling, Dagana; GCIT, Mongar)

Civil Society Organisations (In-person thematic group discussion)

- 47. Royal Society for the Protection of Nature; and
- 48. Clean Bhutan.
- 49. Tarayana Foundation; and
- 50. Disabled Persons Association of Bhutan.
- 51. Bhutan Association of Women Entrepreneurs.
- 52. Respect, Educate, Nurture and Empower Women (RENEW); and
- 53. Bhutan Network for Empowering Women (BNEW).
- 54. Samdrup Jongkhar Initiative (Online bilateral meeting)

Development Partners

- 55. UNDP Bhutan (Online meeting)

56. UNICEF Bhutan (Online meeting with all programmes)
57. UNFPA Bhutan (Online meeting)
58. UNODC Bhutan (Online meeting)
59. WHO Bhutan (Online meeting)
60. WFP Bhutan (Online meeting with all officers)
61. International Telecommunication Union (Online meeting)
62. International Trade Centre (written contribution)
63. ADB, Bhutan Resident Office (Online meeting)
64. JICA, Bhutan Resident Office (In-person meeting)
65. Austrian Development Agency, Bhutan Resident Office (In-person meeting)