



THIRTEENTH FIVE YEAR PLAN

2024-2029

Royal Government of Bhutan

Thirteenth Five Year Plan

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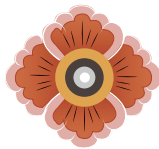
“During my reign as King, and for our generation, this is one of the most significant undertakings. It is an inflection point, a moment in history that is very important for us. This is a mandate and opportunity for us all – the King, the government, and the people to join hands and work tirelessly to pave the road to the future.”

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

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Executive Summary

Background and Introduction

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

Bhutan's development journey: Guided by visionary monarchs and with the support of development partners, Bhutan has achieved remarkable progress since the inception of planned development in 1961. Its development philosophy of GNH, which advocates for a holistic and responsible approach to sustainable and inclusive development, has inspired global policy frameworks including the 2030 Agenda for sustainable development and its 17 goals.

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

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

However, Bhutan is currently confronted with one of the most critical challenges in its development journey, with a significant number of its prime-age workforce emigrating in search of better economic opportunities abroad. Despite broad-based success, the economy struggles to generate sufficient productive jobs, leading to high youth unemployment and limited financial security for many of its people. The COVID-19 pandemic exacerbated existing vulnerabilities, causing a historic growth contraction in 2020 and reversing poverty reduction gains.

While the economy is on the path to recovery, it faces inflationary pressures and domestic risks due to strains in the financial sector .

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

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

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

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

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

The 13th Five Year Plan – Deliverables, Strategies and Programmes

Economic Development

Situational overview: Bhutan has experienced rapid economic growth, with GDP per capita reaching USD 3,833.03 in 2022. However, there has been limited job creation with structural changes in the economy driven largely by public sector investments in hydropower. Economic diversification efforts are hindered by geographic challenges, inadequate infrastructure, and institutional barriers. Along with the persisting challenge of high youth unemployment, Bhutan is facing an increasing out-migration of citizens at prime productive age seeking better economic opportunities.

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

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

Strategies and Programmes: The economic development outcome will be driven by three national programmes. The Economic Transformation Programme aims to

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

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

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

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

Social Development

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

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

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

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

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

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

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

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

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

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

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

Education governance will be enhanced by strengthening governance for tertiary and

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

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

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

Security

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

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

Key deliverables: The 13th FYP aims to *safeguard and strengthen Bhutan's "sovereignty, territorial integrity, security, unity, well-being, resilience and economic prosperity"*. This

objective will be pursued through two outcomes encompassing national security, community vitality, cultural vibrancy and identity, disaster preparedness and resilience, and international engagement.

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

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

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

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

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

Under the Digital Transformation Programme, Bhutan seeks to strengthen its resilience against cyber threats while creating a secure and trustworthy digital environment for its people and businesses. The country's digital infrastructure

and cybersecurity capabilities will be strengthened with the development of a comprehensive National Cybersecurity Strategy, and the establishment of legal and regulatory frameworks to safeguard critical information infrastructures.

Governance

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

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

Meanwhile, public perception and confidence in state institutions is affected by a surge in corruption including financial irregularities, limited capacities for dealing with complex cases, ambiguity in legal codes leading to procedural irregularities, and unintegrated data systems leading to delayed justice sector services. Legal aid services remain to be fully implemented, and restorative justice measures particularly for children require strengthening. Oversight capacities of parliamentarians also require enhancement, along with improving outreach to citizens through meaningful engagement with civil society and the media.

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

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

sector; (3) Availability and utilisation of data and statistics for foresight-oriented policy, planning and service delivery; and (4) A strengthened digital ecosystem driving transformation.

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

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

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

The Digital Transformation Programme aims to position Bhutan as a digitally empowered and resilient society through four key strategies i.e. promoting inclusive digital governance, building a thriving digital economy, cultivating a vibrant digital society, and investing in key enablers. The latter is foundational to Bhutan's digital transformation agenda, with key enablers being digital infrastructure, skilled digital workforce development, modernising legislation, cybersecurity, and fostering research and development collaboration. As a cross-cutting programme, many of its initiatives will contribute directly to enable the delivery of outputs across all four clusters and national programmes of the 13th FYP.

Local Government Plan: Over successive five-year plans, Local Governments (LGs) have exercised increased autonomy to plan and implement development initiatives in alignment with national objectives. To ensure continued coherence and synergy with national priorities, local government plans in the 13th FYP are integrated with central plans based on their formulation around seven LG key result areas that enable LGs to not only address local challenges but also contribute to the broader goal of achieving a *High Income GNH Economy by 2034*.

These LGKRAs or strategic priorities of LGs are vibrant local economies, quality education and skills development, improved health and wellbeing of residents, proactive social security and support measures for residents, effective disaster risk management and safety in local communities, strengthened culture and identity, and effective delivery of citizen-centric public services.

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

Fiscal Outlook for the 13th FYP

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

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

The projected fiscal deficit is BTN 55,938 million, equivalent to 2.97 percent of GDP. Public debt by the end of the plan period is estimated at BTN 474,419.064 million,

representing about 94.8 percent of estimated GDP. The majority of debt is external, particularly for hydropower projects, with a declining external debt-to-GDP ratio projected over the plan period.

Plan Implementation and Monitoring and Evaluation

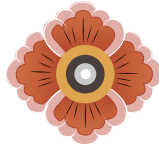
Implementation of the 13th FYP: The success of the 13th FYP hinges on effective execution, underpinned by key strategies and mechanisms that foster transparency, efficiency, and accountability in implementation. Thus, the 13th FYP integrates long-term strategic goals by focusing on economic development, standardising health and education services, developing infrastructure based on spatial planning, and promoting private sector engagement while streamlining government roles. Furthermore, to enable efficient public service delivery, the 13th FYP will address contradictory policies to foster efficient implementation.

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

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

Based on a *Monitoring Accountability Framework*, the OCASC will conduct annual, mid-term, and terminal reviews to ensure accountability and alignment with national objectives with progress measures as detailed in the 13th FYP results matrix. The DPBP, MoF in coordination with OCASC will monitor implementation of projects through the annual plans and budget.

Evaluations will be based on an *Evaluation Accountability Framework*, with evaluation plans developed and commissioned by the C4CS, and Heads of Agencies and LGs. Social accountability will be actively promoted with greater stakeholder involvement including citizen participation, to enhance transparency and efficiency in project delivery.



CHAPTER– 1

Introduction

1.1 Background

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

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

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

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

1.2 Country Profile

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

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

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

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

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

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

1.3 Guiding Principles of Development

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

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

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

Box 1: The GNH Index

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

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

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

Traditionally, Bhutan's FYPs also take into consideration other international commitments – including key human rights instruments and multilateral environmental agreements which are listed in Annexure 3.

1.4 Bhutan's Development Story

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

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

Consistent prioritisation of the social sector over successive five-year plans, including the provision of free health and education services, has led to phenomenal improvements in life conditions and opportunities for the Bhutanese people. With unprecedented reductions in mortality and morbidity rates, life expectancy is estimated to have increased from 33 years in 1960 to 72 years by 2020.⁴ Bhutan's

³MFC Data- growth average for the past 42 years (1980-2022).

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

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

population is increasingly educated with universal primary education close to achievement, and youth literacy today is at 97.7 percent.⁵

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

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

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

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

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

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

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

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

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

Bhutan's success with GNH could not be better demonstrated than through the exemplary leadership of our monarchs. In contrast to the struggles associated with instituting democracies elsewhere, Bhutan's democracy is the outcome of The Fourth Druk Gyalpo's vision and meticulous planning over several decades. Prior to His Majesty's voluntary abdication in 2006, the foundations for democratic institutions had been laid and initiatives had been set in motion to strengthen people's participation in decision-making at the local and national levels.⁹

Upon His Majesty the King Jigme Khesar Namgyel Wangchuck assuming the role as Head of State, and Bhutan's adoption of the Constitution in 2008, constitutional bodies were established and enhanced to uphold the rule of law, ensure free and fair elections, and improve the transparency, efficiency and accountability of public institutions.¹⁰ In addition to several rounds of successful local government and parliamentary elections, the formalisation of the civil society sector has facilitated greater citizen engagement in the national agenda including enhanced role of media.

Cross-cutting themes such as gender equality and empowerment, disability inclusion, among others continue to be promoted and strengthened through relevant laws, policies and systems. Reflecting an overall state of good governance today, Bhutan ranks 38 of 137 countries in the Bertelsmann Transformation Index (BTI). In the World Bank's Worldwide Governance Indicators for 2020, it ranks 72 of 209 countries for 'government effectiveness' and 61 of 209 countries for 'rule of law'.¹¹

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

Measures were put in place to protect the most vulnerable sections of society. To mitigate long-term impacts on social outcomes, an education-in-emergency and adapted curriculum was rolled out, while essential healthcare services

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

¹⁰ BTI Transformation Index. Bhutan Country Report 2022. <https://bti-project.org/en/reports/country-report/BTN>

¹¹ World Bank Worldwide Governance Indicators. <https://knoema.com/uyggkzc/new-page>

were managed separately from the pandemic. A National Resilience Fund was established, and several monetary and fiscal measures were put in place. The Druk Gyalpo Relief Kidu provided support to those whose livelihoods were most affected. Under an Economic Contingency Plan, the tourism, construction and agriculture sectors were provided priority support.

As a result, Bhutan was able to keep the potentially devastating health and social impacts of the pandemic to a minimum. This was only possible because His Majesty made deliberate efforts with the welfare of the people foremost in mind. The Bhutanese people in turn acted with solidarity, and people from all walks of life contributed to the national efforts through cash, kind and a remarkable level of volunteerism.

As the greatest proponents of GNH, a concept that in itself is revolutionary in a world driven by consumerism and short-term gains, our Kings and the Bhutanese leadership have had to make difficult “GNH decisions”. It is precisely owing to this that Bhutan remains one of the most peaceful countries in the world, with its rich natural environment and cultural heritage enriching the quality of life of its people. Indicating progress across multiple domains of wellbeing, its GNH Index has improved steadily from 0.743 in 2010 to 0.756 in 2015, and to 0.781 in 2022.¹² By all these measures, Bhutan has succeeded, and we must appreciate where we have reached as a nation.

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

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

Even as we take pride that our investments in social development have enabled our people to pursue jobs in advanced economies, we must anticipate the potential implications of this trend on the country’s stability. Its continuation could lead

¹²The Centre for Bhutan and GNH Studies (2023). GNH 2022.

to direct loss of human capital and skills, amplify the challenge of filling critical positions especially in the health and education sector, and present social and cultural implications as increasing numbers of Bhutanese settle abroad.

Despite impressive growth and transformation over the decades, the Bhutanese economy has been beset with numerous challenges that persist today. Growth continues to be heavily reliant on hydropower-driven, capital-intensive public sector investments – without commensurate generation of job opportunities. Meanwhile, high youth unemployment levels have persisted, increasing by 7.7 percent since 2021 to reach 28.6 percent in 2022.¹³

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

Meanwhile, the COVID-19 pandemic has immensely impacted the economy and heightened social vulnerabilities. Suffering serious setbacks in socioeconomic progress, growth dropped to a historic low of -10 percent in 2020. Bhutan's success with poverty reduction over the past decades saw a reversal, with 12.4 percent of the population found to be poor in 2022.¹⁴ From an implementation perspective, the preceding 12th FYP (2018-2023) was one of the most challenging to execute with almost three years of the plan period derailed by the pandemic – resulting in bringing the economy to near recession levels.

Even as the economy recovers with growth of 4.1 percent in 2021 and 5.2 percent in 2022, it faces inflationary pressures emanating from the international geopolitical fragmentation and global fuel crisis among other external risks. Prolonged financial sector strains with limited fiscal space, including from possible delays in hydropower projects and liabilities in the financial sector, present domestic risks to growth and debt dynamics.¹⁵

Given this state of affairs, it is apparent that Bhutan's success with GNH has not been balanced. Its performance on the economic dimension has been much

¹³ National Statistical Bureau (2022). *2022 Labour Force Survey Report Bhutan*.

¹⁴ National Statistical Bureau (2022). *Bhutan Poverty Analysis Report 2022*. It should be noted that an upward revised poverty line has been adopted in 2022.

¹⁵ Ministry of Finance (December 2022). *Macroeconomic Situation Report. First Quarter Update: FY 2022-23*.

weaker, in comparison to the social, cultural and environmental dimensions. At the same time, the multidimensional issues facing Bhutan today have become more complex and nuanced, and many of these – such as youth unemployment, substance abuse, rural-urban disparities, outflow of educated citizens – are invariably rooted in or intersect with structural issues in the economy.

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

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

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

1.5 Way Forward and Long-Term Goal

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

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

His Majesty The Druk Gyalpo

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

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

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

His Majesty The Druk Gyalpo

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

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

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

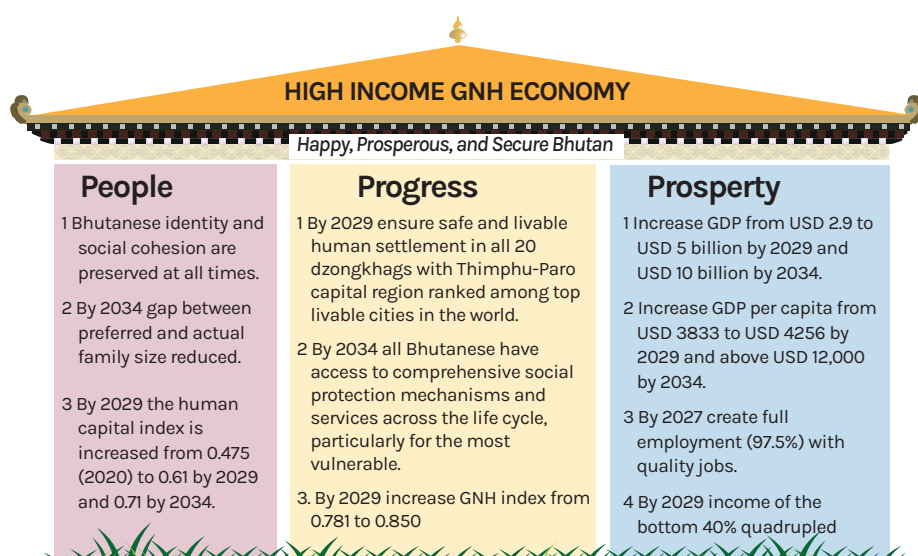
“High-income” status is defined by a USD 10 billion economy and GNI per capita of above USD 12,695. This target has been set considering the need to ensure adequate wealth generation, which will ultimately be channelled towards fulfilling broad-based development priorities while reducing dependence on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

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

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

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

The 3Ps are interconnected and indivisible, and collectively they uphold the principles of inclusiveness, resilience and sustainability as guided by GNH and the SDGs. The national key performance indicators (KPIs) for the 3Ps – which have



been agreed upon through numerous consultations and deliberations – will in their entirety provide the long-term strategic direction for Bhutan’s development plans spanning the next 10 years.

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

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

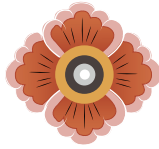
With the expected improvements in health, education and life outcomes, key progress indicators will include the sustained increase in our human capital index from 0.475 in 2020 to 0.61 by 2029 and to 0.71 by 2034. Simultaneously we will have reduced the gap between preferred and actual family size by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

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

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

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

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



CHAPTER– 2

13th Five Year Plan (FYP) Framework

2.1 Strategic Objectives

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

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

Bhutan aims to achieve economic prosperity where citizens enjoy a high standard of living, with high levels of income and access to resources – by increasing its GDP to USD five billion and GDP per capita to above USD 6,174 by the year 2029. New and creative solutions will be developed and implemented to address our economic, social, and environmental challenges and to create new opportunities for growth. Every effort will be made to ensure that economic development is environmentally sustainable, socially responsible, and economically viable in the long term, so that current needs of the Bhutanese people are provided for while also preserving natural resources for future generations.

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

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

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

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

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

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

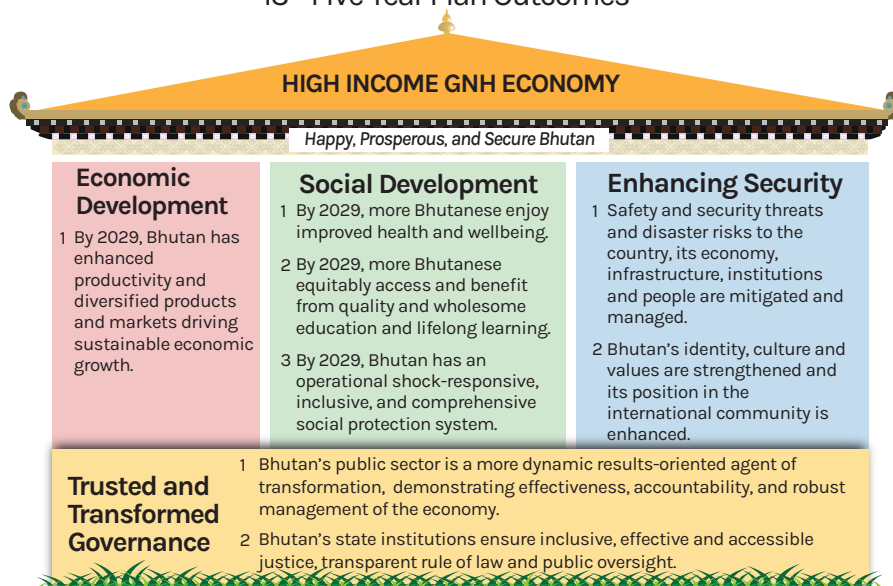
Trusted and Transformed Governance: *Bhutan has a transformed and trusted governance ecosystem that drives accelerated economic growth and improves people's lives*

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

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

2.2 Outcomes and Outputs

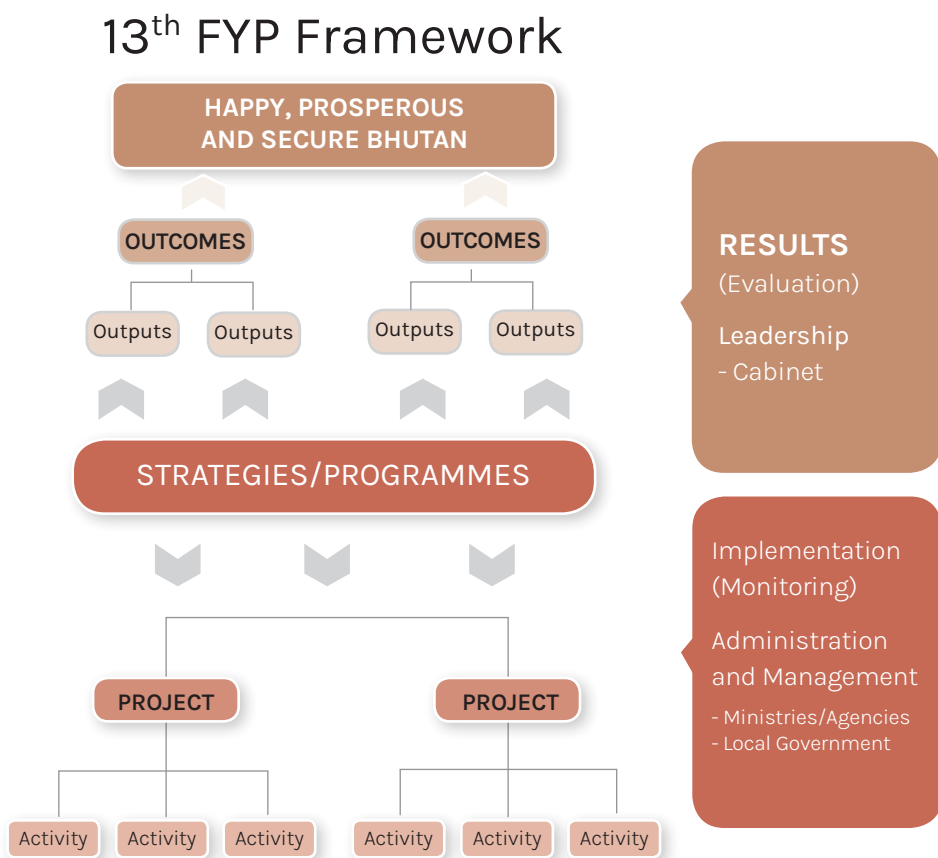
The key deliverables of the 13th FYP constitute eight outcomes and 36 outputs at the national level identified under four strategic themes of Economic Development, Social Development, Enhancing Security and Trusted and Transformed Governance. These deliverables shall be achieved through the implementation of eight national programmes and the Local Government Plans.

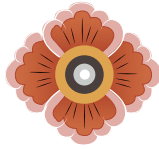
13th Five Year Plan Outcomes

These are detailed in Chapter 3, which also outlines the eight national programmes that will be implemented towards achieving the outputs and outcomes across the economic, social, security and governance clusters.

2.3 Plan Structure

The 13th FYP is structured as depicted in the framework below.





CHAPTER– 3

Deliverables, Strategies and
Programmes of the 13th FYP

3.1 Economic Development: *A High Income Country Driven by Innovation and Sustainability*

Situational overview

Bhutan's economy has grown rapidly over the last four decades, with growth averaging 10.9 percent since the 1980s. GDP per capita has also increased substantially during the period reaching USD 3833.03 in 2022, which was amongst the highest in the region and also compared with some peer countries.¹⁶ The structure of the economy has evolved, with contributions from secondary and tertiary sectors surpassing the primary sector contribution comprising agriculture, livestock and forestry.

While agriculture dominated growth in the early decades of development, the share of the sector declined substantially from 38.6 percent in 1980/81 to 14.42 percent by 2022/23. Meanwhile, the industry sector's share almost doubled from 15.4 percent to 28.31 percent over the same period. The share of the service sector in the economy remained relatively stable at 46 percent in FY 1980/81 and 46.61 percent in 2021/22, but saw an increase to 51.82 percent in 2022/23.¹⁷

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

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

¹⁶ MFCC Data - growth average for the past 42 years (1980-2022).

¹⁷ MFCTC File, Ministry of Finance.

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

3.1.1 Enhanced productivity and diversified products and markets driving sustainable growth

3.1.1.1 Key challenges and issues

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

Meanwhile, ensuring a healthy, educated and skilled workforce with higher productivity is a long-term priority that is also beset with constraints. These emanate from issues with quality and relevance of education and skills development, and a small population. These are key challenges that need to be addressed, with some of the priority issues for the 13th FYP elaborated below.

Low productivity: The average productivity of the entire economy is low. Huge productivity differentials exist across economic sectors with most capital-intensive sectors offering limited employment potential. In 2022, the agriculture sector engaged the majority (43.5 percent) of the labour force while recording the lowest share of GDP (14.67 percent). Meanwhile the industry sector employed the fewest (13.7 percent) with a large share of GDP (31.82 percent). The output share of the service sector was 53.5 percent, and while it employed 42.8 percent of the labour force more than half (52 percent) lacked the required skills.¹⁸

On the capital productivity front, capital stock is concentrated in building and construction activities which are primarily spurred by public sector investments in infrastructure for hydropower generation, and health and education services. Infrastructure costs are compounded by high transportation costs due to the country’s difficult mountainous terrains, remoteness and landlocked situation.

¹⁸ National Statistics Bureau (2023). *National Accounts Statistics 2023*.

At the same time, investment in productive assets such as machinery and equipment are very low and still at a growing stage.

An important dimension of productivity is entrepreneurial and institutional capability. The general business and public service ecosystem for institutions and firms is characterised by high administrative and opportunity costs – with lengthy and complex procedures including the requirements for licensing and large number of permissions/authorisations. In addition, there is high policy uncertainty that is further compounded with legacy doubts and issues against businesses, impeding swift regulatory reforms needed to address evolving circumstances.

Limited market access: Bhutan's integration into the regional and international economy has been limited given its inability to engage in increased trade. Import and export costs are very high, with its logistic performance index being the second lowest among the South Asian countries in 2022. The majority of Bhutan's trade is with India, and access to international markets is limited to about 27 potential destinations – with the latter requiring efficient trade routes and logistics connections to make them potentially favourable destinations for Bhutanese exports.¹⁹

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

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

Cottage and small-scale businesses dominate the sector, respectively making up over 30 percent and close to 65 percent of the total active industrial licences in the country as of June 2023. These mainly operate in retail and trade, construction

¹⁹ The World Bank (2023). *Connecting to Compete 2023: The Logistics Performance Index and its Indicators*.

and transportation services, tourism, and light industry. Most businesses are sole proprietors (96 percent) and very few are incorporated companies (three percent).²⁰ The country possesses only a handful of large industrial groups typically active in retail, domestic trade and construction.

Trade expansion is hindered by uncompetitive and limited range of products, gaps in trade facilitation, high technology costs, and a small market that does not provide for scale to build competencies and expand outside. The sector suffers from suboptimal capacity, knowledge and organisation, and productivity is impacted by inappropriate skills. These, in turn, are linked to quality and relevance of the education system, low investment in training, lack of training incentives and schemes, as well as poor work ethics. Therefore, economic diversification is still limited, and private sector contribution to growth and job creation is minimal.

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

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

Limited access to finance: Sound financial system is a critical component of the economy. While substantial capital expenditure is expected to be sourced through external grants, sizable capital will still have to be mobilised from domestic financial institutions and capital markets to realise the goal of a USD five billion economy by the end of the 13th FYP.

However, both the banking sector and capital market are still at a nascent stage and critical players in the financial ecosystem are currently non-existent. The Financial Services Act 2011 restricts direct engagement of foreign investors in portfolio investments. The growth of a skilled financial workforce has been limited.

²⁰ Ministry of Industry, Commerce and Employment (2023). *Annual Industry Report 2022-2023*.

In addition, access to finance has traditionally been limited to large corporations possessing the required collateral. The cost of borrowing is very high, with Bhutan having the highest net interest margin in the region.²¹

In 2024, Bhutan's capital market consisted of 18 listed companies, totalling BTN 46 billion in market capitalisation, equivalent to 20 percent of GDP.²² This is in stark contrast to most developed nations that have high ratios with Switzerland at 270 percent, the United States of America at 197 percent and the United Kingdom at 104 percent, while rapidly emerging markets are also reaching high ratio levels with South Korea at 127 percent and India at 99 percent.²³

Limited access to finance is one of the key reasons hindering private sector growth, given that the sector's composition is dominated by small businesses which face collateral issues in obtaining bank lending. This inability to expand and the lack of entrepreneurial activities due to inadequate financing is illustrated by the fact that in 2022, only 2.7 percent of firms were new and over 95 percent of the firms employed less than five people.²⁴

3.1.1.2 Key deliverables

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

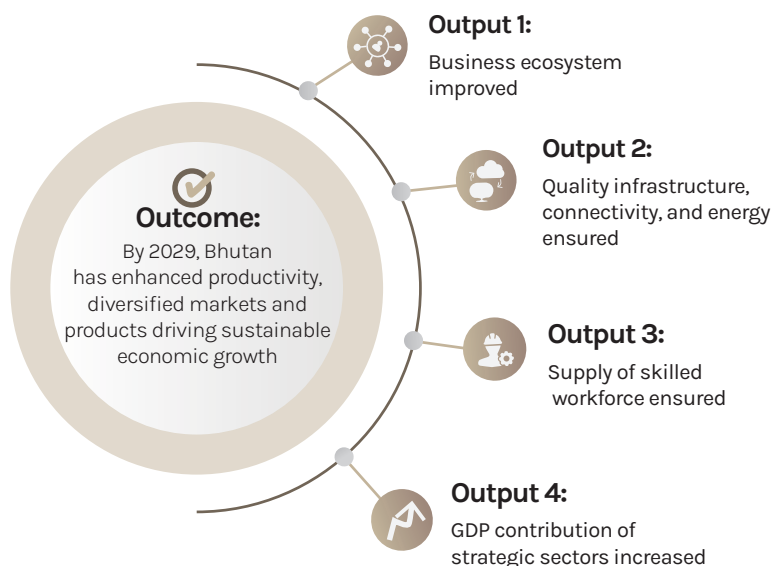
The 13th FYP shall strive to build national productive capacity and integrate the Bhutanese economy into regional and international markets through diversified products and markets. Progress towards this outcome will be based on improvements in living standards, youth employment, Gini coefficient, and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

²¹ Royal Monetary Authority (November 2023). Core Indicators Report.

²² Royal Securities Exchange of Bhutan website: <https://rsebl.org.bt>, accessed in May 2024.

²³ Asian Development Bank (December 2021). Report on Bhutan's Capital Markets and Alternative Investment Markets Regulations. Technical Assistance Consultant's Report, Project Number: 51252-004.

²⁴ MoLHR, RGoB (June 2022), Establishment Survey 2022; and NSB (2018), Economic Census of Bhutan 2018.



Deliverable 1: Improved business ecosystem.

This requires deregulation as well as harmonisation and implementation of strategic policies, and improvements in business services delivery. Increased private sector participation will have to be facilitated through development of growth centres, increased foreign direct investments, and improved access to finance, e-commerce, and trade and logistics facilities. This shall be complemented by the Druk Holding Investments Limited (DHI) and SOEs focusing on investments beyond the capacity of the private sector.

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

Deliverable 2: Quality infrastructure, connectivity and energy.

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

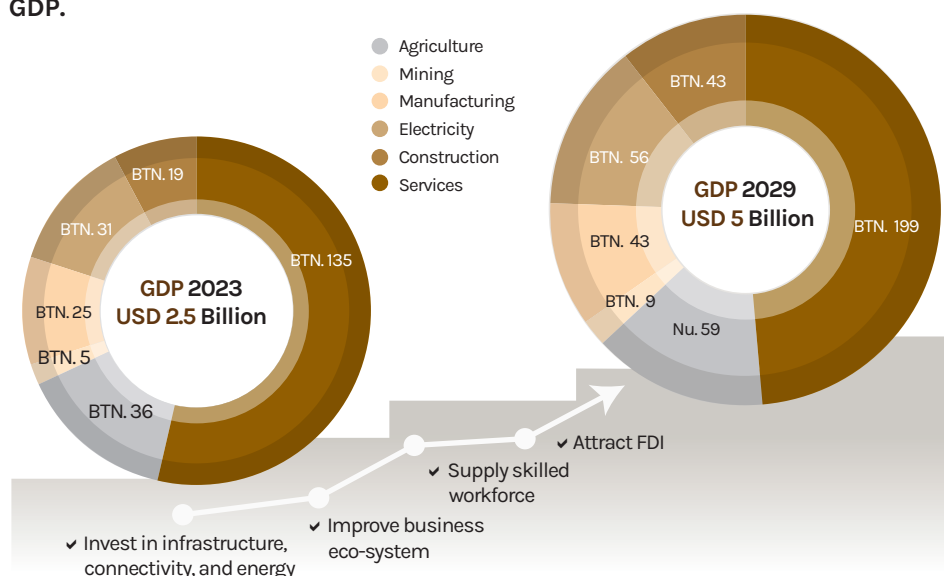
It also requires development and operationalisation of infrastructures such as dry ports, industrial estates, and export processing zones to enhance productivity for economic development. Additionally, to improve accessibility, reliability and affordability of energy, the harnessing of non-hydro renewable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

Deliverable 3: A skilled labour force.

A skilled labour force is essential for economic diversification and improved productivity. In particular, effective solutions are needed to address the persistent issue of high youth unemployment due to skills mismatch, lack of employment opportunities in the private sector, and youth not being keen on blue collar jobs. This entails training and certification including reskilling of the domestic labour force for specific skills as per market requirement, and upgradation of qualifications through courses relevant to the needs of the 21st century market.

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

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



Increasing the sustainable contributions to GDP by strategic sectors requires intensified efforts at diversifying and greening the economy. It entails investments in traditional and new sources of growth – ensuring that the activities undertaken promote reduced carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services. In addition to conventional sectors, contribution to GDP is expected to be enhanced with climate financing and carbon trading, attracting at least 300,000 tourists annually, and by capitalising on natural endowments such as wind and solar power. The sector-wise growth targets is as provided in Table 1 below:

Table 1: Sector-wise GDP projection

Sector	Nominal GDP (Million BTN)		
	Base Year (2023)	Target (2029)	Growth (%)
Agriculture	36,479	58,698	8.3%
Mining and quarrying	4,629	9,089	11.9%
Manufacturing	24,606	43,590.74	10.0%
Electricity/Energy	30,534	55,999	10.6%
Water and water-based industries	54	103	11.2%
Construction	19,197	43,114	14.4%
Digital technology	NA	15,000	

(MFCTC ,MoF)

3.1.2 Strategies and Programmes

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

3.1.2.1 Economic Transformation Programme

The *Economic Transformation Programme (ETP)* will be largely driven by the Economic Cluster comprising the Ministry of Industries, Commerce and Employment (MoICE), the Ministry of Energy and Natural Resources (MoENR), the Ministry of

Infrastructure and Transport (MoIT), the Ministry of Agriculture and Livestock (MoAL), and related agencies and stakeholders. A total outlay of BTN 80,000 million is allocated to this programme to implement close to 76 projects as briefly captured below.

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

ETP Strategy 1: Facilitating private sector development and participation

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

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

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

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

A robust entrepreneurship culture is critical for economy-wide innovation and productivity, and sustained economic growth. To support entrepreneurship and job creation, the government will establish new - and improve existing - start-up centres to incubate and nurture innovators and special talents. Manufacturing industries including cottage and small industries will be promoted with the development of dry ports and industrial parks. Reforms in business licensing and tax framework will be undertaken, to allow specialisation or focus on specific activities rather than businesses being the importer, supplier and manufacturer. Currently, without an industry licence, entrepreneurs are unable to be part of the industry supply chain as taxes are levied for the import of goods that are part of the supply chain.

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

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

Private sector participation will be enhanced through privatisation and divestment, public-private partnership, and outsourcing. These mechanisms entail collaboration between the public and private sectors to take advantage of expertise, resources, and market-driven practices. Such collaboration is expected to result in higher investments, creation of jobs, innovation, and improved efficiency.

While acknowledging the significant contribution of SOEs in economic activities and budget revenue, the government will encourage gradual privatisation of those SOEs that can be operated more efficiently by the private sector. Wherever feasible, government services will be outsourced to the private sector, including constructions and operation of facilities such as dry ports and industrial parks. Public Private Partnerships (PPPs) will be pursued to enable the utilisation of private sector resources, expertise and innovation towards the provision of critical public infrastructure and services, with shared risks. A business-friendly

policy and regulatory climate, where innovation and privatisation will thrive, will be ensured. The government will identify a few infrastructural projects to pursue through the PPP model, with government handholding to make it a success and for future replication.

ETP Strategy 2: Investing in strategic infrastructure

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

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

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

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

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

(i) Agriculture and livestock

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

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

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

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

(ii) Tourism

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

1. Emphasising unique Bhutanese hospitality, efforts will focus on providing visitors with authentic uncontrived experiences that showcase the rich cultural heritage and natural beauty of Bhutan, by developing various tourism products.
2. Bhutan will strive to maintain its reputation as a leader in sustainable tourism practices, with a strong emphasis on preserving the environment and promoting responsible travel. This will be done through partnerships with media and other platforms.
3. Tourism will be promoted as a catalyst for sustainable development, generating economic opportunities while preserving Bhutan's cultural and natural heritage. This will be pursued through enhancing service standards, strengthening data and intelligence and capacity development.
4. Special attention will be given to promoting tourism in Dzongkhags with fewer or no tourist arrivals, and to promote yearlong tourist arrival in the country.
5. Support production of international films and documentaries on culture, environment, lifestyle and Bhutanese arts and tradition as part of tourism product development and to promote Bhutan as a tourism destination.
6. Efforts shall be doubled to professionalise tourism services by improving quality and efficiency of visa, accommodation, transport, information and roadside amenities services.
7. By diversifying and enhancing tourism products and experiences, professionalising services, and implementing vigorous marketing strategies to attract new markets, the goal is to attract at least 300,000 tourists annually from diverse sources.

(iii) Hydropower

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

In addition to prioritising the completion of the Punatsangchhu-I (1,200 MW) and Punatsangchhu-II (1020 MW) hydropower projects, the government will initiate the following new large hydropower projects in the 13th FYP:

1. Nyera Amari - 404 MW
2. Kholongchu - 600 MW
3. Dorjilung - 1125 MW
4. Bunakha - 180 MW
5. Wangchhu - 900 MW
6. Khoma Chhu - 363 MW
7. Dangchhu - 170 MW
8. Chamkhar Chhu-I - 770 MW
9. Sankosh - 2,585 MW
10. Kuri-Gongri - 2,800 MW

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

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

(iv) Alternative renewable energy

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

1. Development of 500 MW utility-scale solar projects at various locations
2. Implementation of various solar projects including rooftop installations in urban and rural areas, prosumer models, Agri-Solar projects, rural energy supply projects, and Solar Thermal projects
3. Completion of 23 MW Wind power projects
4. Implementation of a 1 MW pilot Green Hydrogen Project

(v) Mining

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

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

(vi) Manufacturing

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

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

(vii) Construction

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

Efficiency of the sector will be enhanced through FDI engagements including joint ventures/PPPs, adoption of new/green technology, and policy reforms pertaining to standards and practices. To support Bhutanese construction firms in availing work abroad, market linkages will be strengthened and established. Financing

support will be geared towards incentivising new efficient and green technology, and will include concessional credit for the use of new technology in construction.

(viii) Niche services

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

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

Promoting the country as a destination for niche services requires not only service sector related regulatory reforms and infrastructure development, but also reforms in other sectors such as immigration and labour to facilitate the movement of people.

(ix) Digital and creative economy

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

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

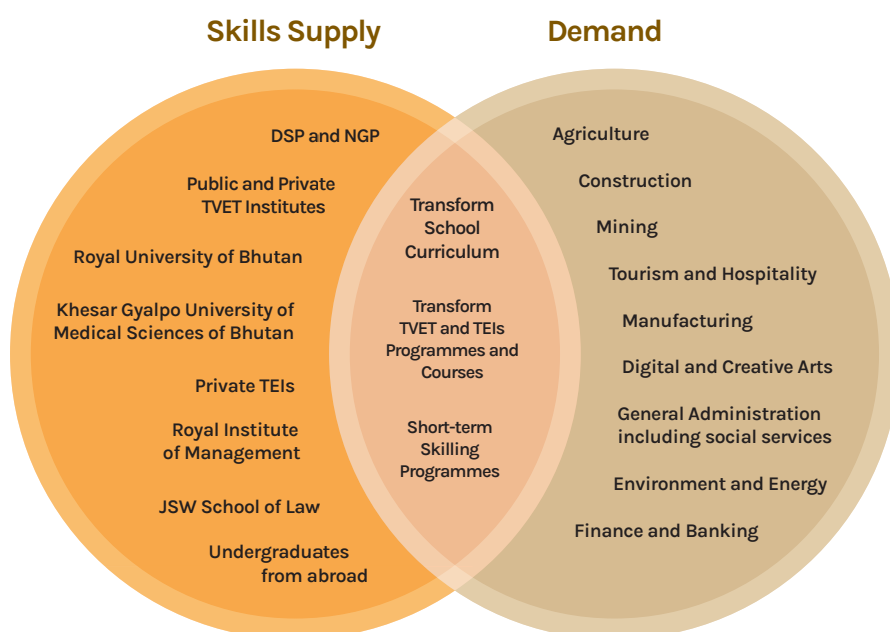
Under the *Digital Transformation Programme* spearheaded by GovTech Agency, digital infrastructure will be strengthened to ensure nationwide connectivity with reliable, high-speed and low-cost internet for businesses. Three additional data centres (targeting export of services) will be established. Monetisation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

3.1.2.2 Twenty-first Century Skilling Programme

This programme is aimed at equipping the Bhutanese population with relevant knowledge and skill-sets for 21st century economic needs. Investment in this area will capitalise on human resources in the country while supporting gainful employment of youths, and will serve as a means for Bhutan to attain high-income status over the long-term. Key interventions include transformation of the Technical and Vocational Education Training (TVET) system, tertiary education system, and the promotion of a culture of life-long learning.

Towards building a 21st century workforce, BTN 10 billion will be invested through this programme. Tertiary Education Institutes (TEIs) including Royal University of Bhutan (RUB), Royal Institute of Management (RIM), Jigme Singye Wangchuck

Matching skills demand and supply



School of Law (JSW Law), Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB), and the Department of Workforce Planning and Skills Development under the Ministry of Education and Skills Development (MoESD) are key agencies driving this agenda.

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

Table 2: Labour supply projection within 13th FYP period²⁵

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

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

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

To equip the workforce with the relevant vocational and technical skill sets, investment will be directed towards transforming TVET. This will include establishment of infrastructures with state-of-the-art technology, enhancing

²⁵ MoICE (2023). *Labour Market Information Bulletin 2023*.

professional capabilities of faculties, and restructuring, upgrading and diversifying training programmes and courses to align with market demands.

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

Likewise, targeted skills training will be provided to the existing workforce in priority economic sectors, who would require upskilling and reskilling. The civil service workforce also plays a significant role in the economy, and will therefore continue to be provided with opportunities to pursue long-term studies, in addition to competency-based short courses and certification in priority fields.

3.1.2.3 Ecological Diversity and Resilience Programme

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

As Bhutan embarks on the 13th FYP with ambitious growth targets, the *Ecological Diversity and Resilience Programme* is aimed at ensuring the country's pursuit of a low-carbon and climate-resilient development pathway and promoting green growth. This will entail the implementation of Bhutan's *Long-Term Low Greenhouse Gas Emission and Climate Resilient Development Strategy (LTS)*, which anchors mitigation strategies and adaptation plans in key sectors.²⁶

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

²⁶ The LTS anchors mitigation strategies in the manufacturing industries, food security, transport, and human settlement sectors; and adaptation plans in the energy, water, agriculture, transport, forest and biodiversity, and human health sectors.

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

Sustainable forest resources management includes the enhancement of protected and conservation area management, monitoring and evaluation for long-term sustainability of natural resources, and research and development (R&D) to facilitate optimal benefits from forestry. To generate national revenue and secure rural livelihoods, forest areas under Sustainable Forest Management Programmes will be increased, and commercial plantations will be created and maintained. Community-based enterprises for wood, non-wood and ecotourism products will be established, along with a Wood Innovation and Technology Hub to promote proper utilisation of available timber resources.

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

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

Building carbon assets is a key priority, given Bhutan's status as the world's first carbon-negative country and its commitment to remain carbon neutral in perpetuity. This includes the establishment of a Bhutan Carbon Market and the Bhutan Climate Fund, which were launched at COP28 in December 2023. With an initial focus on hydropower and forestry sector, the Bhutan Climate Fund will build on "the country's Kyoto Protocol experience, robust and transparent infrastructure systems, and strong political commitment, including the Carbon Market Rules approved in 2023".²⁷

²⁷<http://www.nec.gov.bt/news/launching-bhutan-climate-fund-at-cop28-dubai-uae>

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

Promotion of a circular economy will be prioritised as part of efforts to ensure sustainable consumption and production practices in the country. This includes, among others, investments in the development of circular economy enterprise, facilities for waste material recovery and incinerator, and enhancement of Integrated Waste Information Management System.

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

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

The national hydrological and meteorological services will be enhanced to ensure timely provision of critical information and services that support ecologically balanced sustainable development, as well as for protecting lives and property. A 24X7 National Weather and Flood Warning Centre (NFWFC) and Scientific and Communication Facilities will be constructed.

Key systems and services will be strengthened, which include the National Hydromet Observation Network and Infrastructure, aviation meteorological services, weather and climate services, and hydrological and Glacial Lake Outburst Flood (GLOF) early warning services. Cryosphere monitoring and research will also

be strengthened along with technical standards and research capacity. The public and particularly farmers will be made aware of climate services including weather forecasts, to help avoid losses with crop production and harvesting. A total outlay of BTN 14,000 million is allocated for this programme.

3.2 Social Development: *A Healthy and Productive Society Founded on Equitable and High-Quality Health, Education and Social Protection*

Situational overview

Bhutan has made significant advancements in various aspects of human development. Its Human Development Index (HDI) score improved from 0.581 in 2010 to 0.681 in 2022, placing it in the medium HDI category.²⁸ Similarly, it has made remarkable progress on the Multidimensional Poverty Index (MPI), reducing multidimensional poverty from 12.7 percent in 2012 to 5.8 percent in 2017, and further to 2.1 percent in 2022.²⁹ However, with the adoption of the Moderate Multidimensional Poverty Index (MMPI), the MMPI was recorded at 7.6 percent in 2022.³⁰

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

Box 3: Challenges brought on by demographic changes

Bhutan's Total Fertility Rate (TFR) has declined from about six births per woman in the mid-1980s to 1.7 births per woman in 2017, below the replacement level of 2.1. The *National Health Survey (2023)* reported a TFR of two births per woman for the three years preceding the survey. Despite high reproductive capacity, average family size is declining given increased access to modern contraception, female empowerment, and development in human capital and urbanisation. The *Bhutan Living Standards Survey (BLSS) 2022* reports that household (family) size declines in relation to living standards – with the average size at five in

²⁸ United Nations Development Programme (2024). *Human Development Report 2023-2024*.

²⁹ National Statistics Bureau and OPHI-University of Oxford (2014, 2017 and 2022). *Bhutan: Multidimensional Poverty Index 2012, 2017 and 2022*.

³⁰ National Statistical Bureau (2022). *Poverty Analysis Report 2022*.

the poorest per capita consumption quintile as compared to 2.7 in the richest quintile, and with larger household size in rural than in urban areas across all wealth quintiles.

This demographic shift, alongside increasing life expectancy, is projected to raise the old-age dependency ratio from 11.2 percent in 2022 to 26.2 percent by 2050, as the number of people aged 65 years and above is expected to triple from six percent to 17.3 percent in the same period³¹ and quadruple to 24 percent by 2060.³² The ageing of the population has significant economic, social, and human capital implications, such as a shrinking workforce, increased demand for healthcare and social services, and a heavier burden on the younger generation. To address these challenges, it is crucial to invest in healthcare and social support systems to ensure that the elderly can age with dignity while minimising the strain on societal resources.

Meanwhile, low fertility rates are exacerbated by high levels of out-migration, especially among younger people. According to the Ministry of Foreign Affairs and External Trade (MoFAET), as of 2023, there are 42,829 Bhutanese residing in 111 countries, registered with various Bhutanese embassies and missions. Of this, 19.87 percent are students, 14.40 percent are working, 9.69 percent are dependents, 0.67 percent are religious personnel, and the occupations of the remainder 52.48 percent are unascertained. This figure does not account for unregistered Bhutanese living abroad. Additionally, the Jobseeker Survey Report 2022³³ reported that 70.3 percent of youth job seekers were considering working outside of Bhutan due to better perceived employment opportunities, while 68.9 percent were actively looking for employment and training overseas.

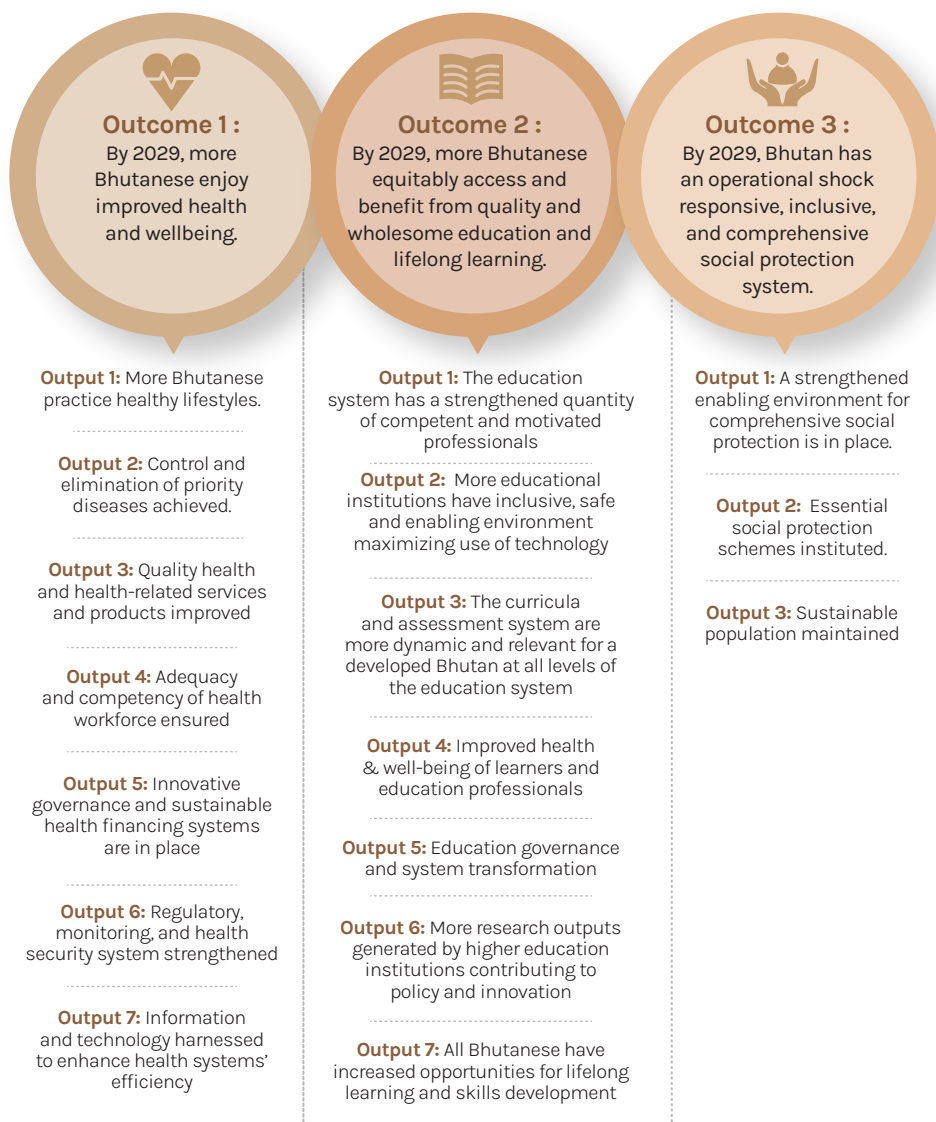
As far back as 2018, the Ministry of Home Affairs identified 4,333 households as gungtongs, largely due to rural-to-urban migration, which poses challenges to social development planning. The urban population increased from 30.9 percent in 2005 to 37.8 percent in 2017 and is projected to rise to 56.8 percent by 2047 – driven by migration from rural to urban areas for better socioeconomic opportunities.³⁴ According to the *Population and Housing Census of Bhutan (PHCB)* 2017, Thimphu received the highest number of migrants at 59,578, followed by Chhukha and Paro with 12,084 and 11,802 migrants respectively.

³¹ National Statistical Bureau (2018). *Population and Housing Census of Bhutan 2017*.

³² World Bank Group (2023) and UN Population Estimates.

³³ MoLHR, RGoB (2022). *Jobseeker Survey Report 2022*

³⁴ NSB (2019). *Population Projections Bhutan 2017-2047*.



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

3.2.1 Improved Health and Well-being

3.2.1.1 Key challenges and issues

Bhutan is experiencing a shift in epidemiological profiles requiring resource-

intensive interventions and specialised health services. While it continues to deal with communicable diseases such as tuberculosis, HIV/AIDS, zoonotic diseases, and the rising threat of antimicrobial resistance, non-communicable diseases (NCDs) pose an increasing burden on the health system accounting for more than 73 percent of all deaths in the country. These are mainly attributed to changes in lifestyle, poor dietary habits, and an ageing population. In less than 20 years, the NCD proportion of the national disease burden has risen significantly from 35 percent to 62 percent.³⁵

Mental health issues are also on the rise with anxiety, depression, and mental and behavioural disorders due to alcohol and substance abuse being most common. Anxiety and depression problems were most prevalent among those aged 15-19 years old (16.2 percent).³⁶ Determinants of mental health are multi-dimensional and influenced by genetic, social and economic factors including health status and family and working environment.³⁷

Meanwhile, ensuring inclusive and equitable access to people-centred quality healthcare services remains a major challenge. A key contributing factor is the acute shortage of human resources and large capacity gaps, particularly at the specialised levels. The current ratio of doctors and nurses per 10,000 population is 3.3 and 14.1 respectively, far below the required levels. The health workforce including administrative staff, totals just over 4,000 against an estimated need of more than 10,000.³⁸ Attrition rates among health professionals have been increasing in recent years, with critical health workforce attrition rate recorded at 11.25 percent in January 2024.³⁹ Addressing this shortage necessitates strategic interventions and efforts to bolster capacities and retain existing staff.

Despite free health services, out-of-pocket spending has steadily risen from 12 percent of total health expenditure in 2014 to 15.40 percent in 2020.⁴⁰ Many patients bypass local healthcare services, overwhelming referral hospitals, including those who could be managed at district levels. Many Bhutanese patients requiring critical care are referred outside the country, with the number of referrals as high as 1,301 patients in the FY 2022-23 at a cost of BTN 501.02 million⁴¹ – highlighting

³⁵ World Bank Group (2024). *Sustainable Health Financing in Bhutan*.

³⁶ Ministry of Health (2023). *Service Delivery Indicators 2022-2023*.

³⁷ Ministry of Health (2022). *Annual Health Bulletin 2022*.

³⁸ Ministry of Health (2023). *Annual Health Bulletin 2023*.

³⁹ (RCSC Report) – Not sure where this report is, couldn't find the stats in the available reports on RCSC website...

⁴⁰ Ministry of Health (2024). *National Health Accounts Report*.

⁴¹ National Medical Services (2024). *Referral Unit Records*.

the need to enhance the quality and coverage of healthcare services across all levels of facilities.

The sustainability of the health system is a major concern amidst escalating healthcare costs, advancing health technologies, increasing public expectations, and the rapid rise in NCDs and an ageing population. The possibility of acute health emergencies and pandemics arising from natural disasters, climate change induced disasters and zoonotic diseases present additional risks. Therefore, the health governance system and the management of healthcare facilities and service delivery all require a reformed approach to ensure timely, high quality interventions with a focus on early detection and prevention.

3.2.1.2 Key deliverables

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

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

Deliverable 1: More Bhutanese practise healthy lifestyles.

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

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

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

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

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

Deliverable 4: Adequate and competent health workforce.

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

Deliverable 5: A sustainable health financing system and innovative governance.

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

Deliverable 6: Strengthened regulatory, monitoring and health security system.

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

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

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

3.2.2 Quality and Wholesome Education and Lifelong Learning

3.2.2.1 Key challenges and issues

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

However, ensuring equitable and quality access to education at all levels remains a key challenge. Although it is recognised that providing early childhood care and development (ECCD) can ensure a healthy start to life and contributes to better learning outcomes, current ECCD enrolment in Bhutan is only 38.7 percent.⁴² There are significant disparities in access to ECCD centres across districts, low-quality learning experiences, and limited services for children with disabilities or at risk of disabilities.

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

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

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

An initial assessment by Cambridge revealed that the standards for English, mathematics, and science are close to those of Cambridge standards in primary

⁴² MoESD (2023). *Annual Education Statistics 2023*.

and lower secondary (from Classes PP to Class 8), but for upper higher secondary (Classes 9 to 12) only about 50 percent alignment is observed. This sub-standard curriculum and assessment system can affect the preparedness of students for higher education or international standards.

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

Meanwhile, key issues persist around enrolment and completion of education, with the gross enrolment ratio at the tertiary level within the country at 18.1 percent in 2021.⁴³ Technical and Vocational Education and Training (TVET) enrolment is also low, with only 1,602 students (close to three percent of higher secondary graduates) enrolled in public TVET institutions.⁴⁴ TVET in the country continues to



⁴³ MoE, RGoB (2021). *State of Tertiary Education of Bhutan 2021*.

⁴⁴ MoESD (2023). *TVET Statistics of Bhutan 2023*.

suffer from poor public perception, incoherent policy framework, non-sustainable financing, and weak governance.

TVET programmes are outdated and supply-driven, with weak or missing linkages to industry needs and limited pathways between high school, TVET institutions, and tertiary education. TVET infrastructure and facilities are poorly equipped, digital technology uptake is limited, and there is an inadequate supply of qualified TVET professionals and lack of post-training support for graduates.⁴⁵

3.2.2.2 Key deliverables

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

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

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

Deliverable 1: Adequate, competent and motivated education professionals.

This requires strengthening the capacities of education professionals across all levels, from ECCD centres to tertiary institutions, including TVET institutes and SEN schools. Educators and instructors need to be equipped with essential skills, such as ICT/digital proficiency, and ability to identify and address early signs of violence and protection issues.

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

⁴⁵ MoLHR, RGOB (2021). *National TVET Reform Strategic Plan 2021*.

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

Deliverable 3: A dynamic and adaptive curriculum and assessment system.

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

Deliverable 4: Improved health and wellbeing of learners and educators.

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

Deliverable 5: Transformed education governance and system.

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

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

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

Deliverable 7: Lifelong learning and skills development opportunities.

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



3.2.3 An Inclusive and Comprehensive Social Protection System

3.2.3.1 Key challenges and issues

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

Most Bhutanese cannot afford to own homes, resulting in a heavy reliance on rental housing and facing moderate to severe rent burdens. In Bhutan, more than 40 percent of monthly household income is spent on housing rent⁴⁶ while internationally, a baseline of 30 percent of household income is considered as the maximum proportion of income to be used as rental payment.⁴⁷

⁴⁶ RGoB (March 2019). *National Housing Policy (Revised) 2019*. MoWHS

⁴⁷ Indian Institute of Management, Bangalore (2015). *Affordable Housing: Policy and Practice in India*.

Enhancing access to affordable housing and home ownership is a critical challenge requiring urgent attention especially in urban areas. Currently, 51.7 percent of households in Bhutan own their dwellings, while more than one-third (37.9 percent) live in rented houses, and little more than one-tenth (10.5%) live in rent-free dwellings. In urban areas, only 13.8 percent of all households own their dwellings, while 68 percent live in rented houses, and 18.2 percent live in rent-free dwellings.⁴⁸

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

In particular, addressing the needs of PWD has been particularly challenging without a dedicated national nodal agency and adequate funds. As per the PHCB 2017, the disability prevalence rate in the country is 2.1 percent or 15,567 persons, with higher prevalence in more remote and poorer districts. Access to essential services and employment opportunities for PWD are limited by the lack of disabled-friendly infrastructure, assistive technology, special needs educators and caregivers, and prevalence of social stigma and discrimination.⁴⁹ There are no explicit social protection schemes incorporating disability-specific schemes, despite the *National Policy for Persons with Disabilities 2019* stipulating the full inclusion of PWDs in social protection and support services.

A Vulnerability Baseline Assessment (VBA) conducted in 2016 identified 14 socio-economic vulnerable groups in the country.⁵⁰ However, the lack of up-to-date disaggregated data, particularly for key social indicators, poses significant challenges to adequately identifying and addressing the needs of these groups.

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

⁴⁸ NSB (2022). *Bhutan Living Standard Survey 2022*.

⁴⁹ Gross National Happiness Commission and UNDP (2017). *Vulnerability Baseline Assessment for Bhutan 2016*.

⁵⁰ *Ibid*.

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

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

3.2.3.2 Key deliverables

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

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

Deliverable 1: An enabling environment for comprehensive social protection.

This requires the necessary policy and guidelines to be developed and put in place. Key to this is the harmonisation of existing policies and their consolidation under a comprehensive *Social Protection Policy*, defining programmes, target groups, and funding modality.

Deliverable 2: Strengthened and expanded essential social protection programmes.

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

Deliverable 3: Maintenance of a sustainable population scenario.

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

3.2.4 Strategies and Programmes

The social development outputs across the three outcome areas will be delivered through the implementation of the Healthy Drukyl Programme, the Education Transformation Programme, and the Socio-cultural Resilience and Community Vitality Programme. All three programmes rely on leveraging ICTs for enhanced efficiency of services and have components under the Digital Transformation Programme. The Governance Transformation Programme is a key enabler for the success of all programmes.

3.2.4.1 Healthy Drukyl Programme

The Healthy Drukyl (HD) programme, with a budget of BTN 20 billion, is dedicated to ensuring good health and wellbeing of the Bhutanese population. A systemic and whole-of-society approach will be adopted to enable the delivery of quality preventive and curative healthcare services. The Ministry of Health (MoH) will take the lead in implementing this programme, working closely with National Medical Services (NMS), The PEMA Secretariat, Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB), Royal Centre for Disease Control, Bhutan Olympic Committee (BOC), relevant ministries, civil society organisations, and local governments, to ensure effective collaboration and coordination.

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

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

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

Central to this effort is the development of a competent, well-equipped and adequate health workforce. Investments will be prioritised for professional

development through upgradation and skills development. Efforts will be made to create supportive work environments that promote work-life balance and foster career advancement to retain skilled professionals.

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

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

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

To improve health outcomes while reducing financial and administrative burden on the healthcare system, investments in preventive and promotive healthcare will be prioritised. This entails the proactive identification and elimination of health risks, interventions such as immunisations and health screenings, promotion of healthy lifestyles, and combating NCDs. Over time these measures are expected to reduce hospitalisations, emergency room visits, and costly treatments for advanced diseases – thereby improving cost-effectiveness and minimising pressure on limited resources.

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

Amongst others, digital health capabilities will be enhanced to strengthen health information and communication for improved healthcare services. This will be done by harnessing the innovative potential of digital communication and social media, and by adopting ICT-enabled case-based surveillance for infectious

diseases (HIV, TB, leprosy, zoonoses, vaccine preventable diseases).

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

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

HD Strategy 3: Rationalising health facilities for improved service delivery

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

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

3.2.4.2 Education Transformation Programme

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

The Ministry of Education and Skills Development (MoESD) has been allocated BTN 30 billion to uplift the quality of education while optimising resources. Interventions to transform the school education system are grouped under four

key strategies of transforming curriculum and programmes across all levels of education, transforming the educational workforce, building fit-for purpose infrastructure, and enhancing education governance.

EdTP Strategy 1: Transforming curriculum

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

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

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

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

Given the increasing importance of digital skills and the integration of National Digital Identity (NDI) in public service delivery, the NFE curriculum will be revamped to impart essential skills beyond merely improving the literacy rate.

ETP Strategy 2: Transforming educational workforce

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

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

EdTP Strategy 3: Building fit-for-purpose infrastructure

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

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

Additionally, some schools will be repurposed into specialised schools for STEM, Music and Arts, TVET, Sports and Rehabilitation/Recovery. Strengthening digital infrastructures to enhance teaching and learning will be at the core of infrastructure development intervention. The ministry will also focus on improving existing school infrastructure including making it more inclusive and disaster-resilient, along with enhancing access to affordable low-cost housing facilities for teachers. Similarly, improving the quality and ensuring fit-for-purpose infrastructure of

TEIs will involve creating technology-driven learning environments. Attention will also be given to enhancing the liveability for learners and instructors to create an enabling environment across institutions.

EdTP Strategy 4: Enhancing education governance

Governance of both tertiary and TVET institutions will be strengthened. This will translate into greater functional autonomy for TVET. TEIs will adopt new and innovative business models for revenue generation to bolster their financial sustainability. The enabling environment for private sector participation will be facilitated as a means to increase access and choice of services with potential improvements in their quality, and as a viable partner in instituting innovative and sustainable financing mechanisms.

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

3.2.4.3 Socio-cultural Resilience and Community Vitality Programme

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

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

To ensure a holistic disability Inclusion approach in government programming, the action plan for the *National Policy for Persons with Disabilities 2019* will be taken forward. Furthermore, the government will pursue structural and legal reforms to promote work-life balance, empowering individuals and families to enhance their own social security. This approach is expected to contribute to a sustainable population development strategy, as improved social security conditions and work-life balance could encourage individuals to have the desired number of children.

Some of the measures that will be explored are the implementation of non-discriminatory workplace policies, fostering shared responsibilities and ensuring conducive conditions for childbearing, flexible and remote working avenues, matching working hours with childcare hours, addressing barriers to child adoption, and resolving any discouraging practices.

3.3 Strengthening Security: A Safe and Resilient Bhutan with Strengthened Sovereignty, Territorial Integrity, Unity, Well-being and Economic Prosperity

Situational overview

Bhutan has enjoyed political stability and peace for over a century, and safeguarding its sovereignty and territorial integrity continue to be fundamental priorities. In addition, it has become increasingly important to ensure protection and strengthen resilience to any form of threat that can undermine the country's stability, progress and wellbeing.

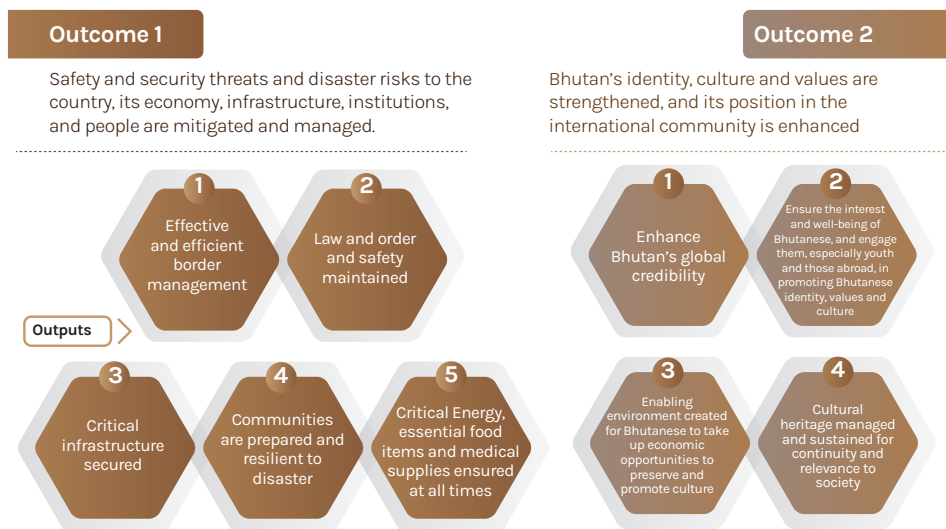
These include conventional as well as 21st century security concerns such as connectivity, critical infrastructure, energy security, cyber security, disasters and other emergency situations. It also includes fundamental priorities such as the safety and vitality of Bhutanese communities both home and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

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

3.3.1 Improved Safety and Security of the Country

3.3.1.1 Key challenges and issues

Bhutan faces critical challenges in its connectivity infrastructure, including limited



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

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

The northern east-west national highway has 34 bridges along its 489.33 km stretch, while the Phuentsholing-Thimphu Asian highway has 12 bridges along

147.9 km, the Samdrup Jongkhar-Trashigang primary national highway has 14 bridges along 174.5 km, and the Gelephu Trongsa primary national highway has 26 bridges along 188.8 km.⁵¹ In the absence of alternative routes for these bridges, the risk of disruptions is high.

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

The importance of ensuring cybersecurity in the 21st century has been highlighted by the cyber-attacks on Costa Rica leading to a ‘state of emergency’ in 2022. In Bhutan, a total of 127 cybersecurity incidents were reported in 2022-2023, and is increasing every year.⁵² Majority of incidents were related to software vulnerabilities, fraud-related incidents such as phishing and scams, ransomware, privileged account compromise and application compromises.

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

Meanwhile, internal law and order is compromised by rising crime rates and drug-related offences, particularly in urban areas like Thimphu and Paro. Despite a temporary reduction in crime during the COVID-19 restrictions, the overall crime rate of 45.84 per 10,000 population remains a concern – with 56 percent of offences committed by individuals aged 18-31 years. Drug-related crimes constitute a significant portion, with substance abuse being the primary cause. In 2022, registered drug-related offences increased by 161.51 percent, attributed partly to heightened vigilance by law enforcement agencies.⁵³

Bhutan is committed to remaining carbon-negative and focuses on hydropower-generated electricity to meet its growing energy demands. Ensuring energy security, economic growth, and environmental sustainability is a priority. However, seasonal power shortages are expected to increase significantly over the lean seasons due to limited water flows and increase in domestic demand at around nine percent annually.

⁵¹ MoWHS, RGoB (2020). *Road Classification and Network Information of Bhutan 2020*.

⁵² GovTech Agency records, 2023.

⁵³ Royal Bhutan Police. *Statistical Yearbook 2022*.

Ensuring sufficient availability of essential food and medical items is of utmost importance particularly during times of crisis and emergency situations. However, Bhutan imports most of its essential food items and all pharmaceuticals except traditional medicines. The score for essential food sufficiency is low at 25.17 percent for rice, 50.35 percent for maize, and 27.11 percent for meat. On the other hand, 64,000 acres of land is fallow and farmers still experience crop losses between 19-43 percent annually to wildlife.⁵⁴

Bhutan is vulnerable to a range of natural and man-made hazards due to its geographical location and socio-economic conditions. Earthquakes, with an average magnitude of 6.3, pose a significant risk, especially for traditional rural buildings. Monsoon-related flooding affects over 70 percent of settlements, infrastructure, and agricultural areas; traditional timber-based buildings are susceptible to fire hazards; and there are 17 potentially dangerous glacial lakes which pose a major threat at any time.⁵⁵

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

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

⁵⁴ Ministry of Agriculture and Livestock (2023). 12th FYP Terminal Evaluation Report.

⁵⁵ National Centre for Hydrology and Meteorology, 2023.

3.3.1.2 Key deliverables

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

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

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

Deliverable 1: Effective and efficient border management.

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

Deliverable 2: Maintenance of law and order.

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

Deliverable 3: Secured critical infrastructure.

Critical infrastructure will be secured through robust planning, risk management, and investment in infrastructure that is resilient to hazards and disasters. This entails identification and assessment of critical infrastructure, and the implementation of standard operating procedures (SOP) and relevant protection

initiatives. It also requires mechanisms to ensure compliance with safety laws and regulations – including land-use and urban planning, building codes, environmental and resource management, and health and safety standards.

Deliverable 4: Disaster resilient institutions and communities.

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

Deliverable 5: Ensured supply of critical energy, essential food items, and medical food.

The critical requirements refer broadly to the minimum amount needed to sustain basic human needs and particularly to sustain those needs during emergency or crisis situations.

3.3.2 Strengthened Community Vitality and International Engagement

3.3.2.1 Key challenges and issues

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

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

Therefore, the decline in customary institutions such as community self-help practices and social support networks, as suggested by anecdotal evidence as well as the results of GNH surveys, is a concern. The cultural diversity and community vitality indices (2 out of 9 domains), which are integral components of the GNH

index, have declined by -3.2 percent and -5.1 percent from 2015 to 2022.⁵⁶ Specific indices related to cultural participation and Driglam Namzha have also decreased – from 45.7 percent and 43.3 percent respectively in 2015 to 31.4 percent and 31 percent in 2022. Additionally, the sense of belonging to local communities among Bhutanese has declined from 64.4 percent to 62.7 percent.

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

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

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

3.3.2.2 Key deliverables

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

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

⁵⁶ Centre for Bhutan and GNH Studies (2023). GNH 2022.

Deliverable 1: Bhutan's global credibility is enhanced.

Bhutan's global credibility will be enhanced by promoting Brand Bhutan and maintaining a reputation based on trust, credibility and integrity. This requires strengthened international engagement with existing and new partners. It entails the signing/ratifying of international treaties and conventions as appropriate, and fulfilling reporting and membership obligations. It also entails strategic contributions to be made – including through the UN Peacekeeping Programme, and by upholding and delivering on commitments to the climate agenda and the SDGs.

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

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

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

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

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

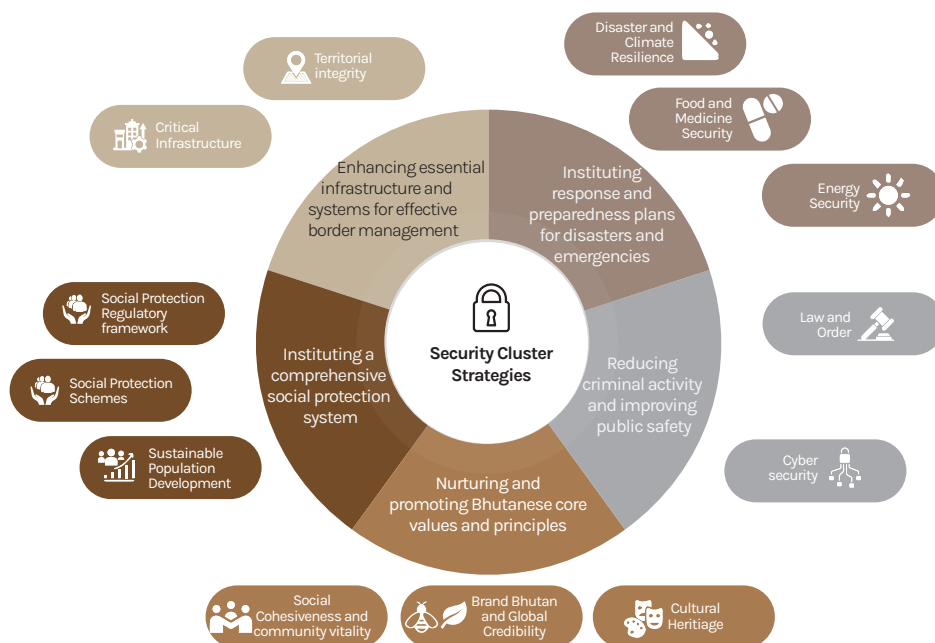
In addition to tangible culture, this requires appropriate emphasis on the intangible aspects of culture such as language, knowledge, skills, attitudes, beliefs, music, oral traditions and festivals. It also requires proper identification, registration and verification/authentication of heritage sites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

3.3.3 Strategies and Programmes

The security cluster outputs across the two outcome areas will be delivered through the implementation of the Socio-cultural Resilience and Community Vitality Programme, and the Digital Transformation Programme led by GovTech Agency – with the Governance Transformation Programme a key enabler. Through these interventions, the 13th FYP adopts a risk-informed approach to the country's socio-economic development.

3.3.3.1 Socio-cultural Resilience and Community Vitality Programme

This programme is aimed at strengthening Bhutan's resilience to various risks that could undermine its stability, progress and wellbeing, through comprehensive management of emerging and imminent threat perceptions. Interventions will be



made in the key areas of border management, disaster and emergency readiness, social protection, public safety and internal law and order, cultural preservation and promotion, and promotion of Brand Bhutan.

These efforts will be led by the Cabinet Secretariat, Ministry of Home Affairs (MoHA), Royal Bhutan Police (RBP), Dratshang Lhentshog, and MoFAET, in close collaboration with LGs, Royal Bhutan Army (RBA), Dessung, National Commission

for Women and Children (NCWC), the Film Association of Bhutan (FAB) and other CSOs, MoIT, MoICE, and GovTech Agency. A total of BTN 12,000 million is allocated for this programme.

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

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

A national single window for automation of trade facilitation will be established. Immigration clearance will be automated at key border entry points, embedding all immigration permits with QR code. A rapid response system to address immigration offences will be established. Collaboration and cooperation among various border control agencies as well as local communities will be promoted, towards improving immigration procedures, preventing illegal activities, and safeguarding territorial integrity.

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

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

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

The capacities of Disaster Management Committees (DMC), local government entities, simulation facilitators, and Search and Rescue (SAR) teams will be built

and strengthened for efficient coordination. Community preparedness will be strengthened through public education and the enhancement of early warning systems. Insurance schemes for vulnerable groups and communities will be instituted and promoted. *In addition, disaster response capacities, particularly for supply and logistics, will be enhanced by the initiative to improve surface and air connectivity under the economic development cluster.*

SRCV Strategy 3: Reducing criminal activity and improving public safety

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

Reformatory programmes will be institutionalised along with humane prison management practices, to reform offenders and reduce recidivism rates. The police force will be modernised by leveraging technology and community engagement, to create safer environments and promote greater sense of security among residents in local communities.

SRCV Strategy 4: Nurturing and promoting Bhutanese core values and principles

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

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

Efforts to uphold and promote Bhutan's intangible cultural heritage will include the digitisation of cultural and religious events, creation of a conducive environment for custodians of spiritual heritage, engagement of local governments and

communities in fostering community vitality, and engagement of the younger generation in local culture and language through digital technology. The priority is to enhance Bhutanese people's sense of belonging to their local communities, and appreciation of the Bhutanese value system.

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

Furthermore, the government will continue to maintain friendly and cooperative relations with all countries for peaceful co-existence and to promote a just, peaceful and secure international environment. Through effective engagement with the international community and by promoting Brand Bhutan, it will enhance its global credibility. Bhutan will strengthen its relations with other countries and entities, ensuring coherence and cohesiveness of its foreign policy, and by being proactive in undertaking strategic engagements.

3.3.3.2 Digital Transformation Programme

Under this programme led by GovTech Agency, digital infrastructure will be strengthened while undertaking key initiatives to strengthen cybersecurity. To ensure protection of critical information infrastructures and improve cybersecurity culture and society, a comprehensive National Cybersecurity Strategy will be developed and the necessary legal and regulatory frameworks will be put in place. Cybersecurity capabilities will be built to support the implementation of cybersecurity standards and technologies. A total outlay of BTN 10,000 million is allocated for this programme.

3.4 A Transformed and Trusted Governance

Driving Accelerated Economic Growth and Social Development

Situational overview

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

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

One of the key intents of the governance cluster is to reduce operating costs through improved efficiency and effectiveness in the delivery of public services. This entails leveraging technology and engaging in meaningful partnerships with the private sector, civil society and other key stakeholders. Creating an enabling environment for their effective participation in the national agenda is crucial.

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

Outcome 1

Bhutan's public sector is more dynamic, results orient agent of transformation, demonstrating effectiveness, accountability and robust management of the economy.

Outcome 2

Bhutan's state institutions ensure inclusive, effective access to justice and transparent rule of law and public oversight.

Outputs



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

3.4.1 A dynamic and results-oriented public sector demonstrating effectiveness, accountability and robust management of the economy

3.4.1.1 Key challenges and issues

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

Data ecosystem gaps: Bhutan’s data ecosystem is not able to adequately meet the growing demand for high-quality, timely statistics required for effective planning, decision-making, and policy formulation. The statistical data currently generated by the National Statistical Bureau does not fully support evidence-based decision making due to lack of expertise in adapting to emerging technologies, and the limited use of ICT in data collection, processing and dissemination. Addressing this issue is crucial, and necessitates a comprehensive reassessment and improvement of the institutions and mechanisms responsible for collecting, compiling, processing and disseminating statistics.⁵⁷

Low tech maturity: Investing in advanced technologies and optimising their usage has become indispensable to driving growth and sustaining development initiatives. Bhutan’s GovTech Maturity Index (GTM) data dashboard of 2022 falls in group B which is at level “High”, but digital citizen engagement at 0.317 on a scale of 0.0 to 1.0 is below the global average of 0.449 due to low digital literacy. Similarly, GovTech enabling indices score of 0.531 is below the global average reflecting poor infrastructure and an inadequate legislative and policy framework.

⁵⁷National Statistics Bureau (November 2020). *Strategic Plan to Improve Statistics in Bhutan: July 2020-June 2023*.

Additionally, developing a safe and robust payment system infrastructure has become essential for the efficient functioning of economic activities. Currently, Bhutan's International Payment Gateway (IPG) system is characterised by low volume of inflows – with the Royal Monetary Authority's annual payment system report in 2022 presenting a total inflow of BTN 24.26 billion, which is half the outflow of BTN 50.67 billion. Addressing these technological and infrastructural deficiencies is crucial for effectively leveraging technology in the 13th FYP.

Weak cyber security: The Royal Audit Authority's Performance Audit Report on Preparedness for Cybersecurity 2023 reveals a surge in cyber incidents reported by government agencies in recent years – with 611 cyber security incidents reported in the 12th FYP period alone.⁵⁸ These incidents, ranging from phishing attempts to data breaches, pose significant risks to the government's digital infrastructure and the general public. Current regulations governing data privacy are not robust enough to protect Bhutan from cybercriminals. Furthermore, the nation's ability to combat cyber threats is hampered by the lack of a well-defined national cybersecurity strategy.

The diverse range of incidents and vulnerabilities (1,184)⁵⁹ handled by the Bhutan Computer Incident Response Team (BtCIRT) since 2016 underscores the urgent need for developing and implementing a robust National Cybersecurity Strategy. Among these incidents, vulnerabilities detected in application systems accounted for 839 incidents making it the highest category every year. This poses significant risks, especially with the launch and mainstreaming of Bhutan's National Digital Identity (NDI).

Disparities in user experience of public service delivery and challenges with maintaining a talented and appropriately-sized civil service: Effective public service delivery in the country remains a concern despite significant reform initiatives that are in place since 2022. Citizens continue to bear the brunt of ineffective initiatives, experiencing delays and frustrations when trying to access essential services. The Citizen Satisfaction Baseline Survey Report 2021 indicates disparities between rural and urban areas, with rural citizens expressing lower satisfaction levels in both the 'assurance' and 'accessibility' components of public services delivery.⁶⁰ There is a critical need to place user experience in the forefront in service design, ensure continuous effort towards effective and reliable automation, remove redundancies, and enhance coordination among sectors.

⁵⁸ Royal Audit Authority (2023). *Performance Audit Report on Preparedness for Cybersecurity*.

⁵⁹ GovTech Agency data compiled from Request Tracker for Incident Response (RTIR), 2024.

⁶⁰ Conducted by the Public Service Delivery Division of the Cabinet Secretariat in 2021.

Additionally, post COVID, the attrition rate among civil servants increased to 16 percent during 2022-2023, of which 3,413 had resigned voluntarily. The attrition rate has now slowed down but the issue of retaining the best and brightest is a challenge going forward. This troubling trend raises serious questions about the sustainability and attractiveness of a career in the civil service, underscoring the urgent need for comprehensive reform. This includes the need for reforms based on meritocracy, with robust talent management and human capital development backed by an agile Human Resource Management system.

Management of macroeconomic instabilities and exogenous shocks: Bhutan faces structural impediments and external shocks that threaten Bhutan's macroeconomic stability as per the Budget Report for FY 2023-2024.⁶¹ Although inflationary pressures have declined since the COVID-19 pandemic, standing at 3.2 percent as of March 2023, inflation is expected to persist in the short to medium term due to wider supply chain disruptions.

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

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

While the World Bank classifies Bhutan's external debt distress as moderate, the accumulation of public debt and concerns over a potential debt crisis are significant issues. As of 31st March 2023, total public debt accounted for 132.1 percent of GDP for FY 2022-23, with 119 percent being external debt, primarily from hydropower projects borrowings, and 13.1 percent being domestic debt. Although non-hydro debt stock has been maintained within the stipulated threshold of 35 percent of GDP, averaging 31.5 percent over the four years of the 12th FYP period up to 31st March 2022, the overall debt situation requires careful monitoring.

⁶¹ Ministry of Finance (2024). Budget Report for FY 2023-2024.

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

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

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

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

A proactive approach to disaster risk reduction and preparedness – which also accounts for pandemics and other emergency situations – is an urgent priority. Currently, this is hindered by lack of a strategic overview and risk-informed development approach, poor multi-sectoral coordination, inadequate infrastructure and capacities of key institutions, among other factors. There is limited capacity for the integration of DRR in infrastructure planning and development, and sensitivity to the differentiated needs of vulnerable groups.

Poverty reduction has been a key aspect of Bhutan’s development agenda. Over the 10th FYP (2008-2013) and 11th FYP (2013-2018) periods, efforts intensified with targeted programmes to root out extreme poverty. Since the 12th FYP (2018-2023), interventions to reduce poverty and inequality have been mainstreamed across multi-sectoral programmes.

In 2022, Bhutan’s poverty rate was set at 12.4 percent, based on an upward-revised poverty line – which indicates that 12 out of every 100 individuals belong to households with a monthly per capita real expenditure below Nu 6,204. Additionally, 0.4 percent of the population were classified as subsistence poor, with four out of every 100 persons residing in households with a monthly per capita consumption below the food requirements of BTN 2,852. Poverty incidence is higher in Zhemgang, Samdrup Jongkhar, Samtse, and Trongsa, while Thimphu and Punakha have the lowest poverty rates. All four Thromdes consistently exhibit poverty rates below 10 percent.⁶²

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

3.4.1.2 Key deliverables

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

⁶² National Statistics Bureau (2022). *Poverty Analysis Report 2022*.

The 13th FYP shall ensure that an ‘agile, high-performing fit-for purpose public sector’ drives and enables effective governance, with greater integrity and accountability in fostering inclusive and sustainable growth. Demonstrating responsiveness to the evolving needs of the Bhutanese people, the public sector will ensure implementation of evidence-based policy decisions, and delivery of high-quality services with effective utilisation of resources and digital technologies.

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

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

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

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

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

In addition, a fully operational multi-year rolling planning and budgeting approach should be implemented starting July 2024. This should be accompanied by an effective monitoring and evaluation system and increased audit coverage of 90 percent. By 2024, procurement processes should be simplified to mitigate supply

risks, prevent unauthorised spending, and align procurement workflows with business objectives and strategies.

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

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

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

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

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

3.4.2 Inclusive and effective access to justice with transparent rule of law and public oversight

3.4.2.1 Key challenges and issues

Rule of law and access to justice: Rule of Law is foundational to ensuring peace, opportunity and justice – as it underpins sustainable development, accountable government, and respect for fundamental rights that are guaranteed by the Constitution. Despite its phenomenal socio-economic progress, Bhutan’s rule of law index score is at 69, where 100 indicates a very high Rule of Law. Bhutan is ranked at 39th of 150 countries in the global listings.⁶³ Enhancing access to justice

⁶³ World Economics data accessed from <https://www.worldeconomics.com/> in May 2024.

is a key priority, as recommended by the *Corruption Perception Index 2023* report, which entails streamlining judicial processes and enhancing business regulatory environments.

A key challenge to dispensing timely justice services is the lack of capacities and specialised skills for dealing with increasingly complex cases. The absence of an effective system for enforcement has resulted in several judgements remaining unenforced, impacting public confidence in the judiciary. Procedural irregularities and inconsistencies are often the result of ambiguity in the *Civil and Criminal Procedure Code (CCPC)*.

The provision of legal aid to indigent persons is yet to be fully materialised, as the Legal Aid Centre under the BNLI requires human resources and capacities for discharging services. Given that a significant portion of criminal caseloads involve misdemeanour, petty misdemeanour and violation offences, there is a need for strengthening restorative justice measures particularly for children.

The integration of data systems within the justice sector has become crucial for effective and efficient delivery of justice services – as currently the lack of linkages hinders information sharing, and causes delays to prosecutors and investigators for timely follow-up of cases. The judiciary has been criticised both for slow delivery and a lack of transparency. In 2023, a total of 9,837 new cases were registered, and 1,773 cases were carried forward from 2022 – of which 85.30 percent were addressed. Of the total 1,621 cases pending, 11.04 percent were pending beyond 12 months.⁶⁴

Increasing corruption: While the level of corruption in Bhutan is relatively low compared to other countries, recent findings by various agencies indicate a concerning surge in corruption. As per Transparency International's Corruption Perception Index for 2023, Bhutan scored 68 points consecutively for the sixth year in a row and has been ranked 26th for the third consecutive year. It is among 124 countries that have stagnant scores and has been consecutively placed in sixth position in the Asia and Pacific Region for the past 10 years.⁶⁵

Although Bhutan's overall integrity score has improved over the years, the actual perception of respondents on corruption trends in the country has increased (38.3

⁶⁴ *Judiciary of Bhutan (2023). Annual Report 2023.*

⁶⁵ Data and information accessed from: <https://www.transparency.org/en/cpi/2023/index/btn>; and <https://bhutantransparency.org>

percent in the 2022 and 2019 surveys, from 24 percent in 2016 and 14% in 2012)⁶⁶ – and correspond to the increasing number of complaints received by the ACC in the last decade.

The summary of national audit findings compiled from 327 reports highlighted a financial implication of BTN 7,525.50 million, of which 71.61 percent pertained to budgetary agencies and 28.40 percent to non-budgetary agencies. From the total irregularities of BTN 7,525.50 million during the FY 2021-2022, fraud and corruption amounted to BTN 26.14 million, non-compliance to laws and rules and regulations accounted for BTN 2.03 million, and BTN 5.46 billion under shortfalls, lapses and deficiencies – representing 0.35 percent, 27.09 percent and 72.56 percent respectively.⁶⁷

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

MP's legislative and oversight functions also call for a more regular and systematic outreach to citizens, and particularly with their constituencies. A recent needs assessment found that the NAB had conducted only one public hearing since its establishment in 2008, and identified resource constraints and relatively low levels of skills and confidence among MPs as impeding the more systematic roll-out of public hearings.⁶⁸

3.4.2.2 Key deliverables

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

The 13th FYP shall ensure that Bhutan's state institutions are appropriately capacitated to uphold the rule of law – so that the people enjoy equitable access to an inclusive and effective justice system, and are empowered to participate

⁶⁶ Anti-Corruption Commission, Bhutan (June 2023). *National Integrity Assessment 2022*.

⁶⁷ Royal Audit Authority (2022). *Annual Audit Report 2021-2022*.

⁶⁸ <https://www.idea.int/news-media/news/workshop-encourages-bhutan%E2%80%99s-parliament-adopt-public-hearings-engage-citizens>

more effectively in the national agenda and public space. With effective delivery of oversight roles by duty bearers, Bhutanese society will see reduced corruption and improved integrity.

Progress towards this outcome will be gauged by improvements in the country's scores on the corruption perception index and voice and accountability index including voter turnout, as well as on its national integrity score and public satisfaction in justice services.

Deliverable 1: An effective and citizen-centric justice sector.

Facilitated by an integrated justice sector data management system, this requires improvement in annual clearance rate of registered cases (from 82 percent to 87 percent), and an increase in the number of cases heard (from 3 percent to 15 percent) using an e-litigation platform. It also calls for reduced administrative complaints related to corruption (from 37.5% to 5% or less), as well as a reduction (by half from 62%) in pending enforcement rate for state prosecuted cases.

Deliverable 2: Enhanced parliamentarians and oversight bodies.

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

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

3.4.3 Strategies and Programmes

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

3.4.3.1 Transformational Governance Programme

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

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

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

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

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

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

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

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

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

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

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

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

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

The efficiency and effectiveness of justice sector services will be strengthened by instituting an integrated justice sector data management system. This will entail

the integration of individual data management systems of agencies involved directly or indirectly in delivering justice services i.e. the judiciary, OAG, ACC, RBP, NCWC, RMA, NAB and NCB.

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

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

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

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

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

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

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

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

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

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

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

TGP Strategy 4: Strengthening economic management

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

To strengthen public finance management, a medium-term budget framework and a debt strategy will be developed and implemented. Initiatives such as

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

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

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

TGP Strategy 5: Mainstreaming cross-cutting issues

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

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

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

TGP Strategy 6: Leveraging digital technology for governance and public services

Digital technology will be leveraged as a strategic tool to enhance efficiency, transparency and accessibility of governance processes and public services.

This involves embracing digital transformation across sectors, implementing e-governance initiatives, and promoting digital connectivity – which will be facilitated by GovTech Agency with the implementation of the Digital Transformation Programme.

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

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

3.4.3.2 Digital Transformation Programme

Bhutan's digital transformation initiative intends to steer the nation towards becoming a high-income GNH economy by fostering digital governance, economy and society and investing in key enablers.

The overall outlay for this programme is BTN. 10,000 million, of which BTN.5148.19 million will be invested in strengthening Digital Governance. BTN.1698.00 million is allocated for Digital Economy, BTN.610.65 million is allocated to Digital Society and BTN.2,542.34 million for enablers. The GovTech Agency will spearhead the implementation of this programme in close collaboration with all agencies across the four clusters.

DTP Strategy 1: Promoting digital governance

Digital governance will be centred on rethinking public service delivery, revolutionising government operations, and implementing intelligent governance practices. Initiatives within public service delivery will prioritise the enhancement of efficiency and citizen satisfaction through technology-driven solutions. Meanwhile, efforts to transform government operations will target the reduction of operational costs and the optimisation of processes. Smart governance

initiatives will underscore the importance of data-driven decision-making, citizen engagement, and open data initiatives.

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

DTP Strategy 2: Building a thriving digital economy

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

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

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

DTP Strategy 3: Cultivating a vibrant digital society

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

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

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

DTP Strategy 4: Investing in key enablers

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

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

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

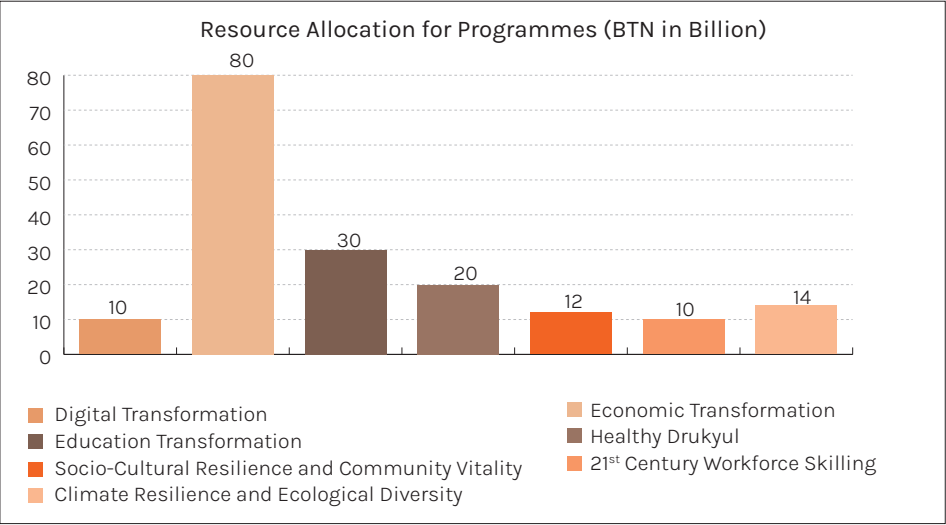
3.4.4 Local Government Plan

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

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

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

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



3.4.4.1 Key deliverables of the LGs- Local Government Key Result Areas

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

- 1. By 2029, *Dzongkhag/Thromde* has vibrant local economy with enhanced productivity and diversified local products.

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

3.4.4.2 Resource Allocation Framework

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

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

The total indicative resources allocated to LGs is BTN 72,000 million for the 13th Plan. Of this, BTN 34,000 million will be allocated to *Thromdes*, *Dzongkhags*, and *Gewogs* as block grants based on the Resource Allocation Formula (RAF) while BTN 38,000 million will be allocated for Project-tied Works as presented below:

- Allocated for projects proposed by *Dzongkhags* and *Gewogs* for *Chiwog* roads improvement, water supply and irrigation, chain link fencing, flood protection, land development and tourism product development among others.
- Allocated for projects proposed by *Thromdes* for roads, waste management and water supply.
- Centrally coordinated projects for LGs, such as education facilities and services, healthcare services, *Gewog* centre roads, larger irrigation and drinking water schemes, digital infrastructure and services, and human

settlement planning and utilities in *Dzongkhags*. LGs can choose to implement these projects if they have the implementation capacities.

Table 3: Indicative Resource Allocation

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

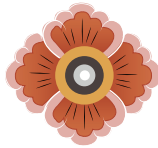
Annual grants of BTN 34,000 million will be allocated to *Dzongkhags*, *Gewogs* and *Thromdes* based on the RAF described below:

Table 4: Resource Allocation Formula (RAF)

Criteria	<i>Dzongkhag</i>	<i>Gewog</i>	<i>Thromde</i>
Resident Population	25%	20%	40%
Geographical Area	10%	10%	20%
Poverty Distribution (Headcount)	-	25%	10%
Climate Change Vulnerability Analysis Index	-	15%	10%
GNH Index (Inverse)	65%	15%	10%
Unemployment Distribution (Headcount)	-	-	10%
Transportation Index	-	15%	-
Total	100%	100%	100%

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

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



CHAPTER– 4

Fiscal Outlook for the 13th FYP Period

4.1 Fiscal Targets and Resource Projections

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

1. Fiscal deficit to be contained at an average of three percent of GDP during the plan period.
2. Tax-to-GDP ratio to be above 15 percent.
3. Non-hydro debt to be contained below 55 percent of GDP.

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

Table 5: Fiscal Framework for 13th FYP (BTN in Million)

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

Source: MFCC, MoF

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

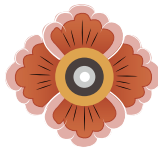
Grant: The total grant for the plan period is estimated at BTN 125,000 million, constituting 27 percent of total resources and financing at least 51 percent of capital expenditure. A major portion of the external grant (BTN 85,000 million) is from the Government of India (GoI), and the remaining (BTN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

4.2 Expenditure and Financing

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

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

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



CHAPTER– 5

Implementation of the 13th FYP

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

5.1 Performance Management and Accountability

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

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

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

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

Change management of the Plan: All agencies must ensure alignment of all Donor and RGoB funded Projects to the 13th Plan. The 13th Plan shall be reviewed

and updated annually. Any revision to the Plan targets, Programmes, Projects and Activities of the 13th Plan shall only be carried out through Cabinet Approval.

5.2 Salient Features of the 13th FYP

Five Year Plan drawn from 10-year long-term strategic plan: The 13th FYP kickstarts the pursuit of Bhutan's long-term goal of becoming a high-income GNH country by 2034. The focus provided by this long-term strategic plan will enable greater collaboration among stakeholders, and more efficient and effective utilisation of resources. This includes increased private sector engagement in the country's development process, through which the intention is to create more jobs over the plan period. Meanwhile, it will allow the government to focus on building infrastructure for uninterrupted connectivity, production and trade, as well as on removing policy barriers and streamlining public service delivery.

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

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

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

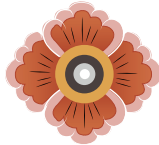
Annual planning flexibility for agencies and LGs through three-year Multi-Year Rolling Planning and Budgeting (MYRP): While the Plan is for a period of

five years, the MYRP approach will be implemented in the 13th FYP and will build towards long-term strategic objectives. Annual plans and budgets will be based on the MYRP anchored in measurable annual KPIs, and projects and activities will be implemented from the MYRP based on need. This will provide flexibility for agencies and LGs, enabling them to be robust, agile and dynamic and resulting in overall efficiency. Furthermore, the MYRPs will undergo mid-term reviews.

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

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

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



CHAPTER– 6

Monitoring and Evaluation

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

6.1 Monitoring

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

Guided by the M&E Framework, the OCASC will conduct annual, mid-term and terminal reviews based on the Monitoring Accountability Framework described in the table below. The Results Matrix will form the basis for assessing the National Goals, Cluster/Plan Outcomes, Agency Outputs and LGKRAs. On an annual basis, the Department of Planning, Budget and Performance (DPBP) under the Ministry of Finance shall monitor the implementation of projects and activities through the Annual Performance Targets and budgets in coordination with OCASC.

Table 6: Monitoring Accountability Framework

Areas of Monitoring	Reporting Agency	Frequency of Review	Accountability	Coordinating/ Agency to report to
National Goals (3Ps)	OCASC	Annual/Mid Term/Terminal	Cabinet and Cabinet Secretary	Cabinet
Plan/Cluster Outcomes	PPDs of Cluster Coordinating Secretaries	Annual/Mid Term/Terminal	Cluster Coordinating Secretaries	CASC, Cabinet Secretariat
Agency Outputs	PPDs of Agencies	Annual/Mid Term/Terminal	Heads of Agencies	OCASC, Cabinet Secretariat
LGKRAs	PPDs of LGs/ OCASC	Annual/Mid Term/Terminal	Dzongdags/ DT/Thrizens/ Thrompons/ Executive Secretaries	OCASC, Cabinet Secretariat

Annual Performance Target and budget delivery	Agencies	Annual/Mid Term/Terminal	Heads of Agencies/ LG	DPBP, MoF
International/ Regional Developmental Goals such as SDGs/DPoAs	PPDs of Relevant Agencies	Annual	Cabinet	OCASC, Cabinet Secretariat

6.2 Evaluation

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

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

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

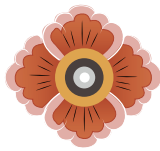
Table 7: Evaluation Accountability Framework

Areas of Evaluation	Who will evaluate?	Frequency	Coordinating Agency
GNH Index	CBS	Every 3-5 years	CBS&GNHR
Terminal Evaluation of the 13th Plan	CBS	End of Plan period	OCASC
Cluster/Plan Outcomes	CBS	Annually/ Min. of two Evaluations	OCASC

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Select National Programmes, Policies, and Regulations	CBS or Relevant Teams	Annually/Min. of one evaluation for Economic and Social cluster.	OCASC
Select Projects of respective agencies	PPDs of Agencies and LGs/Relevant Teams	Annually/Min. of one evaluation for each cluster and LGs.	Heads of Agencies/LGs

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



ANNEXURES

Annexure 1: Agency wise Indicative Outlay

Sl. #	AGENCY	Indicative Outlay (BTN in million)
1	Ministry of Energy and Natural Resources	8,532.46
2	National Centre for Hydrology and Metereology	1,704.60
3	Ministry of Infrastructure and Transport	45,000.00
4	Bhutan Civil Aviations Authority	150.00
5	Bhutan Construction and Transport Authority	92.35
6	Ministry of Agriculture and Livestock	15,000.00
7	Ministry of Industry, Commerce and Employment	9,480.71
8	Bhutan InfoComm and Media Auhtority	792.00
9	Corporate Regulatory Authority	115.00
10	Bhutan Standard Bureau	97.00
11	Competition and Consumer Affairs Authority	52.00
12	Ministry of Education and Skills Development	33,355.40
13	Royal University of Bhutan	2,628.00
14	Khesar Gyalpo University of Medical Sciences of Bhutan	1,566.00
15	Jigme Singye Wangchuck School of Law	1,158.10
16	Royal Institute of Management	500.00
17	Ministry of Health	19,125.19
18	Bhutan Olympic Committe	1,000.00
19	Ministry of Foreign Affairs and External Trade	1,516.47
20	Ministry of Home Affairs	5,824.77
21	Royal Bhutan Police	1,437.44
22	Dratshang Lhentshog	947.00
23	Royal Civil Service Commission	2,000.00
24	GovTech	10,000.00
25	Ministry of Finance	10,000.00
26	Cabinet Secretariat/PMO	2,534.32
27	National Statistics Bureau	200.00
28	Centre for Bhutan and GNH Studies	40.00
29	Bhutan National Legal Institute	113.95

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

Annexure 2: Annual Grant Allocation for Local Governments

Annexure 2a: Annual Grant Allocation for Dzongkhags

Sl. #	Dzongkhag	Total Allocation (BTN in million)	Sl. #	Dzongkhag	Total Allocation (BTN in million)
1	Bumthang	417.66	11	S/Jongkhar	535.84
2	Chhukha	516.80	12	Samtse	617.57
3	Dagana	436.19	13	Sarpang	543.11
4	Gasa	426.16	14	Thimphu	490.72
5	Haa	405.70	15	Trashigang	590.99
6	Lhuentse	432.51	16	Trashiyangtse	530.62
7	Monggar	477.57	17	Trongsa	500.72
8	Paro	492.19	18	Tsirang	461.95
9	Pemagatshel	508.77	19	W/Phodrang	591.73
10	Punakha	512.93	20	Zhemgang	510.29
				Total	10,000

Annexure 2b: Annual Grant Allocation for Thromdes

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

Annexure 2c: Annual Grant Allocation for Gewogs

Sl. #	Dzongkhag	Gewog	Total Allocation (BTN in million)	Sl. #	Dzongkhag	Gewog	Total Allocation (BTN in million)
1	Bumthang	Chhoekhor	84.81	32	Gasa	Laya	70.07
2	Bumthang	Chhumig	69.54	33	Gasa	Lunana	87.26
3	Bumthang	Tang	69.49	34	Haa	Bji	66.16
4	Bumthang	Ura	62.29	35	Haa	Gakiling	62.54
5	Chhukha	Bjagchhog	67.62	36	Haa	Kar-tshog	51.96
6	Chhukha	Bongo	93.01	37	Haa	Samar	56.45
7	Chhukha	Chapchha	58.92	38	Haa	Sangbay	60.91
8	Chhukha	Darla	84.20	39	Haa	Uesu	55.58
9	Chhukha	Doongna	61.22	40	Lhuentse	Gangzur	69.54
10	Chhukha	Geling	57.09	41	Lhuentse	Jarey	63.94
11	Chhukha	Getana	61.73	42	Lhuentse	Khoma	66.58
12	Chhukha	Loggchina	64.26	43	Lhuentse	Kurtoed	69.03
13	Chhukha	Maedtabkha	57.84	44	Lhuentse	Maenbi	62.17
14	Chhukha	Phuentshogling	81.40	45	Lhuentse	Maedtsho	62.54
15	Chhukha	Samphelling	67.51	46	Lhuentse	Minjey	60.20
16	Chhukha	Dorona	58.01	47	Lhuentse	Tsaenkhar	66.64
17	Dagana	Drukjeygang	57.26	48	Monggar	Balam	60.58
18	Dagana	Gesarling	54.51	49	Monggar	Chhaling	58.87
19	Dagana	Gozhi	57.95	50	Monggar	Chagsakhar	63.14
20	Dagana	Karmaling	53.62	51	Monggar	Dramedtse	63.62
21	Dagana	Karna	62.90	52	Monggar	Drepoong	56.83
22	Dagana	Khebisa	58.04	53	Monggar	Gongdue	67.66
23	Dagana	Largyab	55.42	54	Monggar	Jurmed	64.87
24	Dagana	Lhamoi Dzingkha	57.68	55	Monggar	Kengkhar	70.86
25	Dagana	Nichula	53.42	56	Monggar	Monggar	60.74
26	Dagana	Tashiding	57.31	57	Monggar	Narang	59.69
27	Dagana	Tsangkha	57.46	58	Monggar	Ngatshang	58.08
28	Dagana	Tsenda-Gang	59.88	59	Monggar	Saling	68.47
29	Dagana	Tseza	61.22	60	Monggar	Shermuhoong	64.87
30	Gasa	Khamaed	55.03	61	Monggar	Silambi	67.22
31	Gasa	Khatoed	54.19	62	Monggar	Thang-Rong	63.49

Sl. #	Dzongkhag	Gewog	Total Allocation (BTN in million)	Sl. #	Dzongkhag	Gewog	Total Allocation (BTN in million)
63	Monggar	Tsakaling	59.42	95	Punakha	Toedpaisa	56.75
64	Monggar	Tsamang	59.92	96	Punakha	Toedwang	59.68
65	Paro	Dokar	55.34	97	S/Jongkhar	Dewathang	59.31
66	Paro	Dopshar-ri	57.06	98	S/Jongkhar	Gomdar	71.89
67	Paro	Doteng	54.60	99	S/Jongkhar	Langchenphu	60.70
68	Paro	Hoongrel	46.86	100	S/Jongkhar	Lauri	68.77
69	Paro	Lamgong	62.42	101	S/Jongkhar	Martshala	67.59
70	Paro	Loong-nyi	61.56	102	S/Jongkhar	Orong	67.47
71	Paro	Nagya	66.39	103	S/Jongkhar	Pemathang	58.44
72	Paro	Sharpa	66.30	104	S/Jongkhar	Phuentshogthang	73.68
73	Paro	Tsento	71.10	105	S/Jongkhar	Samrang	51.38
74	Paro	Wangchang	50.75	106	S/Jongkhar	Serthig	67.09
75	P/gatshel	Chhimoong	56.66	107	S/Jongkhar	Wangphu	65.82
76	P/gatshel	Chhoekhorling	55.85	108	Samtse	Norgaygang	78.01
77	P/gatshel	Chongshing	56.94	109	Samtse	Pemaling	70.22
78	P/gatshel	Dechenling	60.32	110	Samtse	Sangacholing	68.47
79	P/gatshel	Dungmaed	58.98	111	Samtse	Norbugang	68.73
80	P/gatshel	Khar	61.86	112	Samtse	Denchukha	65.53
81	P/gatshel	Nanong	62.28	113	Samtse	Dophuchen	81.30
82	P/gatshel	Norboogang	78.57	114	Samtse	Doomtoed	61.73
83	P/gatshel	Shumar	70.74	115	Samtse	Namgyalchhoeling	74.91
84	P/gatshel	Yurung	56.20	116	Samtse	Phuntshopelri	85.71
85	P/gatshel	Zobel	60.10	117	Samtse	Samtse	66.42
86	Punakha	Barp	60.44	118	Samtse	Tashichoeling	63.87
87	Punakha	Chhubu	55.40	119	Samtse	Tading	74.47
88	Punakha	Dzomi	53.66	120	Samtse	Tendruk	80.52
89	Punakha	Goenshari	52.45	121	Samtse	Ugyentse	55.88
90	Punakha	Guma	55.87	122	Samtse	Yoeseltse	63.12
91	Punakha	Kabisa	58.65	123	Sarpang	Samtenling	56.54
92	Punakha	Lingmukha	53.15	124	Sarpang	Chuzanggang	56.92
93	Punakha	Shelnga-Bjemi	52.06	125	Sarpang	Dekiling	64.18
94	Punakha	Talog	52.84	126	Sarpang	Chudzom	61.61

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Sl. #	Dzongkhag	Gewog	Total Allocation (BTN in million)	Sl #	Dzongkhag	Gewog	Total Allocation (BTN in million)
127	Sarpang	Gelegphu	64.46	154	Thimphu	Lingzhi	63.02
128	Sarpang	Gakiling	56.15	155	Thimphu	Maedwang	67.94
129	Sarpang	Jigme Chhoeling	64.15	156	Thimphu	Naro	58.01
130	Sarpang	Serzhong	57.30	157	Thimphu	Soe	59.34
131	Sarpang	Shompangkha	52.29	158	T/yangtse	Bumdeling	73.47
132	Sarpang	Sengghey	53.55	159	T/yangtse	Jamkhar	58.16
133	Sarpang	Tareythang	47.70	160	T/yangtse	Khamdang	70.10
134	Sarpang	Umling	55.42	161	T/yangtse	Ramjar	57.75
135	Tashigang	Bartsham	59.39	162	T/yangtse	Toedtsho	63.45
136	Tashigang	Bidungg	59.80	163	T/yangtse	Tongmijangsa	62.01
137	Tashigang	Kanglung	81.61	164	T/yangtse	Yalang	60.04
138	Tashigang	Kangpar	64.94	165	T/yangtse	Yangtse	62.84
139	Tashigang	Khaling	69.84	166	Trongsa	Draagteng	87.00
140	Tashigang	Lumang	69.47	167	Trongsa	Korphu	63.00
141	Tashigang	Merag	70.66	168	Trongsa	Langthil	82.16
142	Tashigang	Phongmed	69.42	169	Trongsa	Nubi	81.65
143	Tashigang	Radhi	65.26	170	Trongsa	Tangsibji	66.27
144	Tashigang	Sagteng	71.34	171	Tsirang	Barshong	55.86
145	Tashigang	Samkhar	61.76	172	Tsirang	Patshaling	56.87
146	Tashigang	Shongphu	72.45	173	Tsirang	Dunglagang	60.61
147	Tashigang	Thrimshing	63.53	174	Tsirang	Gosarling	57.58
148	Tashigang	Udzorong	69.52	175	Tsirang	Kilkhorthang	57.56
149	Tashigang	Yangnyer	63.91	176	Tsirang	Mendrelgang	58.14
150	Thimphu	Chang	63.63	177	Tsirang	Sergithang	63.43
151	Thimphu	Darkarla	53.66	178	Tsirang	Pungtenchhu	61.99
152	Thimphu	Ge-nyen	50.73	179	Tsirang	Rangthangling	58.10
153	Thimphu	Kawang	65.38	180	Tsirang	Semjong	58.85

Sl.#	Dzongkhag	Gewog	Total Allocation (BTN in million)	Sl.#	Dzongkhag	Gewog	Total Allocation (BTN in million)
181	Tsirang	Tsholingkhar	59.44	194	Wangdue	Phobji	63.25
182	Tsirang	Tsirang Toed	58.93	195	Wangdue	Ruebisa	63.25
183	W/Phodrang	Athang	64.29	196	Wangdue	Saephu	71.47
184	W/Phodrang	Bjenag	63.16	197	Wangdue	Thedtsho	60.78
185	W/Phodrang	Darkar	80.17	198	Zhemgang	Bardo	72.76
186	W/Phodrang	Dangchhu	63.74	199	Zhemgang	Bjoka	63.11
187	W/Phodrang	Gangteng	61.25	200	Zhemgang	Goshing	67.27
188	W/Phodrang	Gase Tshogongm	61.87	201	Zhemgang	Nangkor	74.58
189	W/Phodrang	Gase Tshowogm	55.56	202	Zhemgang	Ngangla	76.15
190	W/Phodrang	Kazhi	66.84	203	Zhemgang	Phangkhar	69.01
191	W/Phodrang	Nahi	54.32	204	Zhemgang	Shingkhar	68.24
192	W/Phodrang	Nyishog	68.37	205	Zhemgang	Trong	66.07
193	W/Phodrang	Phangyuel	56.94		Total		13,000

Annexure 3: Bhutan's Key International Commitments

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

Sl. #	Treaty Description	Treaty Name	Signature Date	Ratification Date
1	Convention on the Elimination of All Forms of Discrimination against Women	CEDAW	17 Jul 1980	31 Aug 1981
2	International Convention on the Elimination of All Forms of Racial Discrimination	CERD	26 March 1973	-
3	Convention on the Rights of the Child	CRC	04 Jun 1990	01 Aug 1990
4	Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict	CRC-OP-AC	15 Sep 2005	09 Dec 2009
5	Optional Protocol to the Convention on the Rights of the Child on the sale of children child prostitution and child pornography	CRC-OP-SC	15 Sep 2005	26 Oct 2009
6	Convention on the Rights of Persons with Disabilities	CRPD	21 Sep 2010	-

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

Sl. #	MEA/Treaty	Name	Signature Date	Ratification/ Accession/ Succession Date
1	United Nations Framework Convention on Climate Change	UNFCCC	1992	25 August 1995
2	Convention on Biological Diversity	CBD		1995
3	International Plant Protection Convention			June 1994
4	UN Convention on the Law of Sea			December 1982
5	Kyoto Protocol			26 August 2002
6	Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal			26 August 2002
7	Convention for International Trade in Endangered Species	CITES		August 2002

8	UN Convention to Combat Desertification	UNCCD		August 2003
9	Vienna Convention for the Protection of the Ozone Layer			23 August 2004
10	Montreal Protocol on Substances that Deplete the Ozone Layer			23 August 2004
11	South Asian Wildlife Enforcement Network	SAWEN		January 2010
12	RAMSAR Convention on Wetlands,			January 2012
13	Nagoya Protocol (Access and Benefit Sharing)			30 September 2013
14	Kigali Amendment to the Montreal Protocol			27 September 2019
15	Paris Agreement		April 22, 2016	19 September 2017