



**Thirteenth Round Table Meeting
15-16 March, 2017
Thimphu, Bhutan**



**Gross National Happiness
for
the Global Goals**

**Report of the 13th Round Table Meeting
Between Bhutan and its Development Partners**

*Prepared by the Joint Task Force for the 13th RTM
Royal Government of Bhutan and the United Nations in
Bhutan*



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Photo 1: Guests and participants



Photo 2: Technical sessions

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1. Introduction

The Royal Government of Bhutan (RGoB) held its 13th Round Table Meeting (RTM) on 15th and 16th March 2017, in Thimphu, Bhutan. This fell broadly around the midpoint in the implementation of its 11th Five Year Plan (2013-2018), and at the preparatory phase for its upcoming 12th Plan (2018-2023). The RGoB thus had the opportunity to take stock of development progress to date, review challenges, and work on strategies to ensure the full alignment of development assistance for achievement of national priorities and Global Goals.

The Honourable Prime Minister of Bhutan, H.E. Lyonchhen Tshering Tobgay, inaugurated this important event, which was jointly organized by the RGoB and the United Nations (UN) Systems in Bhutan. It was co-chaired by H.E. Lyonpo Damcho Dorji, Minister for Foreign Affairs, and H.E. Haoliang Xu, the UN Assistant Secretary-General, UNDP Assistant Administrator and Regional Director, Asia and the Pacific.

Over 39 representatives of Bhutan's international development partners, and 40 resident development partners attended the event. The forum also saw active participation of representatives from Ministries, Constitutional Bodies, Parliament, autonomous agencies, Local Government, Civil Society Organizations (CSOs), and private sector associations.

Background, Theme and Objectives

RTMs were initiated in the early 1980s as an important forum for policy dialogue and aid coordination. The forums are usually held twice over the course of a Five Year Plan (FYP) period, and are also an occasion for Bhutan and its development partners to discuss common interests and issues, and to strengthen cooperation.

For the 13th RTM, the Royal Government chose the theme of "*Gross National Happiness for the Global Goals*".

In September 2015, Bhutan along with other UN Member States adopted *The 2030 Agenda for Sustainable Development Goals (SDGs)*. With a set of 17 goals and 169 associated targets that are integrated and indivisible—encompassing social, economic and environment issues—these Global Goals set important standards for society as a whole to aspire and adhere to. The global community's acceptance of this much broader and inclusive development agenda is significant for a nation that has long championed the need for a higher purpose to development, as

expressed by its Gross National Happiness (GNH) vision.

As a holistic and responsible approach to sustainable development, GNH is, in the words of His Majesty the King, “development with values”. Having guided the country’s socioeconomic progress since its inception of planned development, GNH continues to find expression in Bhutan’s policies and programs, including in the current and upcoming FYPs. Given such an orientation, the nation’s existing policy framework demonstrates an already high level of integration of SDG goals and targets.

The following were the objectives of the 13th RTM:

1. To increase awareness of the progress made during the 11th FYP period, and of the opportunities and remaining challenges; and
2. To recognize and highlight the contribution of Bhutan’s development partners to date, assess remaining financing gaps, and strengthen the foundation for continued and future partnerships in the socioeconomic development of Bhutan.

2. Summary of Proceedings

The agenda for the 13th RTM was set in motion with an offering of *Marchang*¹ to launch and bless this important event. Following the ceremony, the Honourable Prime Minister of Bhutan, H.E. Lyonchhen Tshering Tobgay, delivered the inaugural address.



Photo 1: Inaugural session in a traditional ceremony

Inaugural Address²

Recalling a journey of ups and downs after its emergence from self-imposed isolation and onto planned development in 1961, Lyonchhen expressed appreciation for key factors that enabled Bhutan to not only stay the course but to excel in it – one being the wisdom and guidance of its beloved monarchs, the other being the generosity and cooperation of its development partners, and the third being the hard work and dedication of its people.

“(The) 12th Five Year Plan is going to be a watershed plan. It is the last mile in our development journey towards LDC graduation...”

~ Prime Minister Tshering Tobgay during the launch of the 12th FYP Guidelines at the 13th RTM

¹ *Marchang* is an alcohol offering used to launch important events and to secure the blessings of deities and spirits to ensure fruitful outcomes. In Bhutanese culture, the *Marchang* ceremony is a widely practiced ritual of inauguration and celebration.

² The Hon’ble Prime Minister’s full inaugural address is provided as Annex 2.

Dubbing the journey as “unique” for its Gross National Happiness (GNH) approach, the country’s successes in the social, cultural, environmental and governance spheres were highlighted. It was noted that these successes and the subsequent phasing out of some development partners bear testament to Bhutan’s ability to manage its own development. Thus, Bhutan’s imminent graduation from the category of Least Developed Countries (LDC) is something to look forward to. At the same time, the fact that Bhutan remains highly vulnerable—economically, geographically, and to climate change impacts—makes its pursuit of sustainable economic growth and inclusive development a distinct challenge.

Nevertheless, the RGoB remained confident that these challenges would be overcome with the continued hard work of the Bhutanese people, and the generous support and guidance of development partners. As illustrated by development partner contribution to the 11th FYP—which totaled Nu. 68 billion and exceeded the expectations of RGoB—it is apparent that the depth and scope of partnerships in Bhutan’s development has increased.

Lyonchhen expressed that the upcoming 12th FYP is the last mile in its journey to overcoming these challenges. With the support of its partners, Bhutan would be able to approach its LDC graduation in a considered manner, ultimately leading to a successful outcome.

Introductory Remarks³

Co-chairing the RTM for the second time, having also co-chaired the 12th RTM in December 2013, H.E. Haoliang Xu—the UN Assistant Secretary-General, UNDP Assistant Administrator and Regional Director, Asia and the Pacific—delivered the introductory remarks for the 13th RTM.

Making reference to a quotation of His Majesty the King, that “...the world must progress together, or fail together”, His Excellency recounted that the same sentiment and determination had led to the creation of the United Nations (UN) in 1945. He said that the UN has been privileged to support Bhutan’s vision and to deliver human results together since 1971, when Bhutan joined the UN.

³ The Co-Chair’s introductory remarks are provided as Annex 3.

Bhutan may be small and landlocked, but it is well poised to be “a giant of sustainable development”. Though unsung, Bhutan’s progress is a success story for the peace that it enjoys, and as one of the least-corrupt countries in the world. It is also one of the fastest-growing economies, accomplished without comprising its commitment to environmental protection. Its conservation ideology, the peaceful inception of constitutional democracy, and its pioneering of new approaches to biodiversity and climate finance are just some of the other elements of this success story.

“...the world must progress together, or fail together...”

~ His Majesty the King
Jigme Khesar Namgyel
Wangchuck

The Co-Chair also stressed on five megatrends that may have a profound impact on the Asia-Pacific, including Bhutan as an LDC that is going through the last mile to graduate. These megatrends include: a new world order with changes in the global balance of power; urbanisation and sustainable development; climate change; rising inequalities in Asia and the Pacific; and the Fourth Industrial Revolution.

Despite its successes, Bhutan also faces a host of development challenges. In addition, its democracy is still at a young stage, with more to be done in relation to its work around access to justice for all – a critical component of ‘leaving no-one behind’. His Excellency urged development partners to stay engaged, in order to support Bhutan in dealing with these challenges, as well as to help its young democracy continue to flourish. In this regard, the UN would continue to be a strong and reliable partner.

As an idea that has inspired people, institutions and governments the world over to reconsider the purpose of development, and to reflect on the meaning of progress, Bhutan’s GNH philosophy was described as a groundbreaking innovation of His Majesty the fourth King. His Excellency said that with everyone committed to the achievement of the 17 Sustainable Development Goals, the 13th RTM was an opportune time to meet together to focus on the theme of “Gross National Happiness for the Global Goals”.

Launch of the 12th FYP Guidelines

Following the delivery of the opening statements by the Prime Minister and the Co-Chair, the Secretary of the Gross National Happiness Commission (GNHC), Mr. Thinley Namgyel, introduced the *Guidelines for the Preparation of the 12th Five-Year Plan*.

The Secretary highlighted two key concerns with regard to planning and implementation, as expressed by His Majesty the King through some of the Royal Addresses delivered in recent years. The main message was that Bhutanese are good in making plans—and many at that—but we are not so good in implementation. We suffer from lack of coordination and cooperation, and poor quality work. Related to this was also the message that if there is will and determination, it is not impossible to deliver well.

Drawing on the wisdom of these messages, the Secretary explained that the guidelines for the 12th FYP place a strong emphasis on implementation, by enhancing what is referred to as the “Triple C” – Coordination, Consolidation and Collaboration. Coordination refers to strengthening working relations between and among central agencies, autonomous agencies, local government, and constitutional bodies, among others, at all levels of planning and implementation.

Consolidation refers to building up on past investments by strengthening human capacities, systems and processes, and by properly operating and maintaining existing infrastructure rather than going into further infrastructure expansion. Collaboration refers to strengthening partnerships, going beyond government agencies, and in particular with civil society organizations and the private sector – all the while respecting each other’s mandates, roles and responsibilities.

The Secretary expressed and put on record the GNHC Secretariat’s appreciation and gratitude to all who supported and participated in the formulation of the guideline. Extensive consultations had been held with various stakeholders including members of Parliament, Constitutional bodies, central agencies, local government, civil society organizations, the private sector, political parties, as well as development partners. The wide-ranging inputs and feedback through this process had helped articulate national priorities. In particular, the UNDP’s technical and financial support towards the 12th FYP preparation was acknowledged and appreciated.

Following this introduction, the Prime Minister together with the two Co-Chairs for the event—Lyonpo Damcho Dorji and H.E. Haoliang Xu—formally launched the guidelines. The Prime Minister made a request to all development partners and public officials to offer prayers for a successful formulation and implementation of the 12th FYP.



Photo 2: Launch of the 12 FYP planning guidelines

Opening of Side Events

The Hon'ble Prime Minister then proceeded to open the side events, which showcased local products and innovative ideas to development partners. Participating agencies included the Ministry of Economic Affairs (MoEA), Ministry of Agriculture and Forests (MoAF), National Environment Commission (NEC), Agency for the Promotion of Indigenous Crafts (APIC), Tarayana Foundation, and Voluntary Artists Studio, Thimphu (VAST).



Photo 3: Opening and Display of Side events

Technical Sessions

The introductory remarks of the RGoB Co-Chair, H.E. Lyonpo Damcho Dorji, was delivered at the beginning of the technical sessions.⁴

Over the course of four technical sessions spread over the two-day forum, delegates and other participants were briefed on various aspects of Bhutan's development including progress and challenges. This was done through a series of presentations made by RGoB agencies, as listed below, each of which was followed by an interactive discussion session opened to the floor:

- 1) *GNH Survey Results (2015)* by Ms. Tshoki Zangmo, Researcher, Centre for Bhutan Studies & GNH Research
- 2) *SDG Alignment to Gross National Happiness* by Ms. Doma Tshering, Director, Department of Multilateral Affairs, Ministry of Foreign Affairs
- 3) *State of the Environment and Update on Bhutan's INDC* by Mr. Karma C. Nyedrup, Officiating Secretary, NEC; and by Mr. Thinley Namgyel, Chief, Climate Change Division, National Environment Commission Secretariat
- 4) *Update of Macroeconomic Scenario* by Mr. Nim Dorji, Secretary, Ministry of Finance
- 5) *Current Socioeconomic Development and Way Forward* by Mr. Thinley Namgyel, Secretary, Gross National Happiness Commission

Development partners also delivered individual statements to highlight areas of contribution and reaffirm commitments to partnership with Bhutan. A detailed summary of each of the presentations and ensuing discussions, as well as key highlights of statements delivered by development partners, are presented in the next sections.

Concluding Session

The 13th RTM came to a successful close with development partners reaffirming their commitment and support to Bhutan. Expressing appreciation for its GNH approach and early efforts at integrating the SDGs into the national planning framework, they noted Bhutan's socioeconomic achievements while also acknowledging important challenges that remained. The two Co-Chairs made concluding statements, following which the Prime Minister also shared some reflections. Main points from these closing statements are highlighted in the conclusion section of this report.

⁴ The Co-Chair's introductory remarks are provided as Annex 4.

3. Main Areas of Discussion

The 13th RTM discussions were led by RGoB presentations on some of the key themes in Bhutan's development journey including GNH and the concerted effort to take the concept forward with GNH indices; the alignment of GNH with Global Goals as Bhutan gears towards integration of the SDGs in its planning processes and targets; and a strong and continued emphasis on environmental stewardship. These discussions laid the ground for the additional briefings provided on the country's current macroeconomic situation in particular; and more broadly its socio-economic development status in the 11th Five Year Plan (FYP) period, and the way forward to the 12th FYP.

These subject areas are elaborated upon in the following sub-sections based on the material delivered by presenters from the respective government agencies, as well as the discussions that ensued with development partners. Copies of the original power point presentations can be accessed at: <http://rtm.gnhc.gov.bt/presentations/>. Where applicable, specific points of discussion that appear as part of this text are attributed to the relevant government representative and/or development partner that raised them.

(i) GNH Concept and Operationalization: Findings from the 2015 GNH Survey and Index

History and Concept

GNH has guided Bhutan's socioeconomic development since the early 1970s following His Majesty the Fourth Druk Gyalpo Jigme Singye Wangchuck's proclamation that: "Gross National Happiness is more important than Gross National Product". However, the values and ideas behind the concept date back to the Legal Code of 1729, which was introduced by the nation's founder Shabdrung Ngawang Namgyel. The legal code essentially stated that if the Bhutanese State cannot create happiness for its people, then there is no purpose for its existence.

Over the past couple of decades, policymakers, development planners and scholars have all contemplated and debated the GNH concept. His Majesty the King Jigme Khesar Namgyel Wangchuck has provided further stimulus to the discussion, often defining GNH as "development with values".

Today, GNH stands for development that is:

- Holistic or multidimensional, in that it recognizes not only the material and physical needs but also social and spiritual needs of people;
- Balanced, in that it emphasizes well-rounded and balanced progress towards GNH attributes;
- Collective, in that it views “happiness” to be an all-encompassing collective phenomenon;
- Sustainable, in that the pursuit of this goal is for the benefit of both the current and future generations; and
- Equitable, in that the pursuit of this path should lead to the achievement of reasonable and equitable distributed level of happiness and wellbeing.

The Constitution of the Kingdom of Bhutan mandates the State to “...promote those conditions that will enable the pursuit of Gross National Happiness”. The Centre for Bhutan Studies and GNH Research⁵ elaborates on these “conditions” in terms of improving and/or ensuring physical and mental health; spirituality; good education; clean environment; vibrant community; strong and vibrant culture; good governance; decent standard of living; work-life balance, among others.

However, in order to achieve GNH, it is not only the enabling conditions that are required. The right attitude is essential, meaning that a general sense of GNH ethos and values must be present in the wider society, if action is to be GNH-oriented. Government may provide all the necessary conditions, but it has to be complemented by citizens doing their part – so it is a two-way process.

Developing Assessment Tools

GNH poses the fundamental question of what progress really means and how it is assessed. Back in 1999, the Royal Government conducted a good governance exercise on the theme of transparency, efficiency and accountability, which was followed by another exercise in 2005. It was during this process that the RGoB decided the time had come to develop an index that incorporated the values of GNH.

⁵ The CBS & GNH Research is an autonomous government agency mandated to carry out research on GNH, and other multidisciplinary studies on or related to Bhutan.

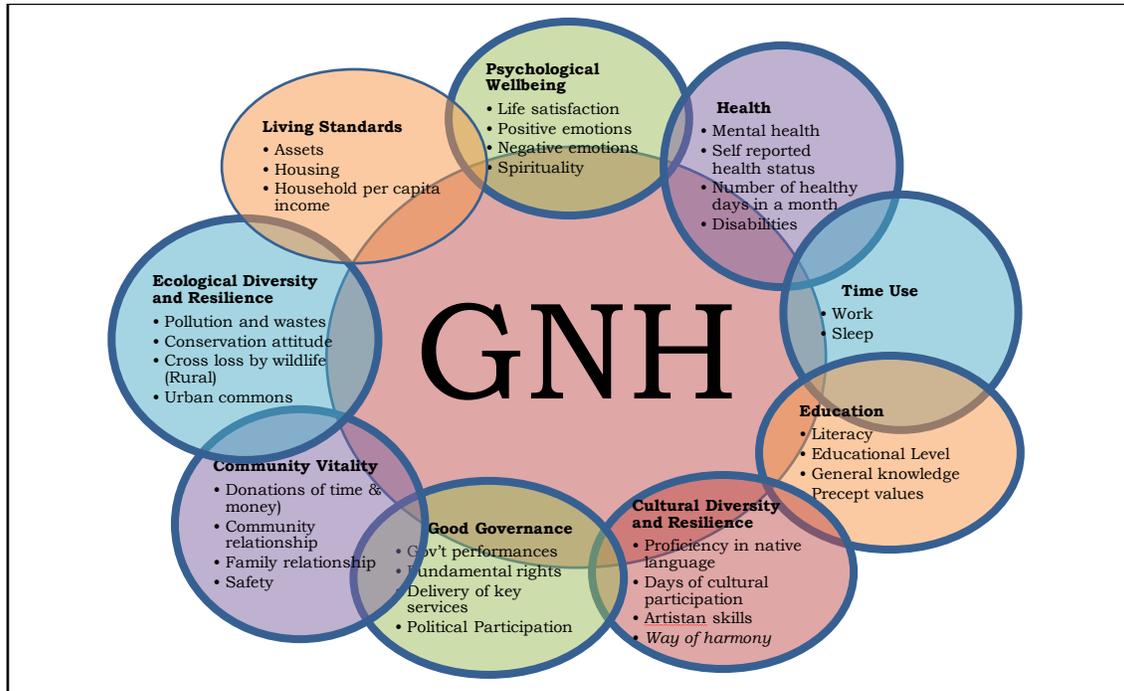
The objectives of this index (initially called the Bhutan Development Index) are:

- To determine benchmarks and assess progress in order to improve quality of life outcomes, to enhance collaboration between organizations, and to help highlight some of the shared responsibilities across the organizations;
- To aid in decision making i.e. help decision-makers understand the dynamics of development issues, to better understand how citizens perceive their quality of life, etc.; and
- To increase awareness and understanding of the GNH concept.

The CBS adopted a domain-based approach towards defining the indicators of GNH, in order to enable better understanding and integration of the concept into the planning process. The criteria on which the domains and their corresponding indicators are developed are, that they be:

- Comprehensive enough to include all the vital aspects considered important from a GNH perspective;
- Non-overlapping in the sense that each domain makes distinct contributions to happiness; and
- Accessible in the sense that all the indicators can be converted into questionnaire form as the necessary information is collected through surveys.

GNH Domains and Indicators



The GNH indicators were developed based on: extensive literature reviews on existing indicators, policy documents, among others; a participatory approach that included steering and working committees, and consultations with Cabinet ministers, national and international specialists across a wide range of areas; and a series of empirical/pilot tests to check for relevancy to prevailing policy and culture, clarity of interpretation, and to remove systematic biasness.

The GNH Index and 2015 Findings

The GNH Index is a number that provides an at-a-glance picture of the country's GNH status. It is a single value, multi-dimensional and survey-based measure of wellbeing and happiness of the Bhutanese population. It is calculated using the Alkire-Foster methodology for poverty measurement.

The first national-level GNH survey was carried out in 2010 with financial support provided by the UNDP in Bhutan. The second survey was conducted in 2015 with the financial support of the Japan International Cooperation Agency (JICA) and the RGoB. For the first time, 29.9 percent of the interviews were conducted using tablets [Computer Assisted Personal Interview (CAPI)] with the support of the World Bank. This drastically helped reduce errors in terms of data cleaning and entry.

The 2015 GNH Survey used a sample of 7,153 people aged 15 years and above. A four-stage stratified random sampling method was adopted for the survey.⁶ The survey thus has the potential to capture demographic change and trends comprehensively—an important feature especially in Bhutan’s context, given its small population due to which changes can occur rapidly.

CBS provides detailed findings and analysis of both the 2010 and 2015 GNH surveys online at: www.grossnationalhappiness.com. A key highlight of assessments following the 2015 study is that the GNH Index has improved slightly from 0.743 in 2010, to 0.756 in 2015. However, it should be noted that this overall score is only useful in the sense that it shows the general direction of where the country is headed. What is more interesting is to look deeper into the individual domains and indicators, and how they relate across various demographic profiles.

Distribution of people by happiness level

	GNH-2010		GNH-2015	
	% of population who are:	Average sufficiency of each person across domains	% of population who are:	Average sufficiency of each person across domains
Deeply Happy	8.29%	81.45%	8.42%	80.95%
Extensively Happy	32.57%	70.73%	34.97%	70.80%
Narrowly Happy	48.74%	59.13%	47.87%	59.11%
Unhappy	10.40%	44.65%	8.75%	45.18%
GNH Index	0.743		0.756	

For example, as per the 2015 GNH survey findings, there has been an increase in the overall standard of living with improvement in almost all basic services like health and roads since 2010. Improvements are also noted in some cultural indicators with people participating more in certain cultural events. The number of healthy days, as experienced/reported by the people, has also seen a general improvement.

On the other hand, there is a less favorable assessment of perceived government performance. There has also been a worsening in the status of some of the domains more widely. These include almost all indicators under the psychological wellbeing domain, indicating that Bhutanese are less satisfied than before with their lives, jobs, and relationships. Similarly, almost all of the indicators under the community vitality domain have deteriorated, with more people reporting lower levels of

⁶ www.grossnationalhappiness.com

trust towards neighbors and across communities, as well as decreasing levels of sense of belongingness to communities. Mental health is another area that is assessed to be at lower levels than before.

While the overall GNH index score is higher for urban areas, closer analysis shows that this is because urban areas score higher in terms of conventional indicators such as basic infrastructure, living standards, health and education. On the other hand, rural areas score better in indicators of community vitality such as trust levels, volunteering, donating, and sense of community, as well as in indicators related to cultural diversity.

... It might be useful to look at the situation of youth beyond employment, and consider more comprehensive responses to improving capacities for life skills...

~ Paraphrased comment made by a Development Partner during discussions at the 13th RTM

These trends could generally be a reflection of the fact that people find it more difficult to deal with various life issues in urban areas, where traditional structures of social support tend to be weaker.⁷ The younger generations today are also more exposed all kinds of Information Communication Technologies (ICTs), which has huge impacts on mindsets and values. It would therefore be interesting and important to think about the kinds of impact this could have on the posterity of the GNH concept.⁸ Thus for longer-term considerations, it might be useful to look at the situation of youth beyond employment, and consider more comprehensive responses to improving capacities for life skills.⁹

In terms of gender, the GNH index score is consistently lower for females in 2010 and 2015. This holds true for females across all districts in the country. Females are basically lagging behind in most domains including living standard, time use, health, etc. Decrease in happiness levels are also noted by age, in that older people report being less happy than younger ones.

Another finding is that Bhutanese farmers show the lowest GNH index score across all occupations. However, since the survey samples are not representative by occupation (due to budget constraints), this should *not* be taken as a confirmative finding for

⁷ Based on comments made by UNFPA representative during the discussion session.

⁸ Based on comments made by World Bank representative during the discussion session.

⁹ Based on comments made by UNFPA representative during the discussion session.

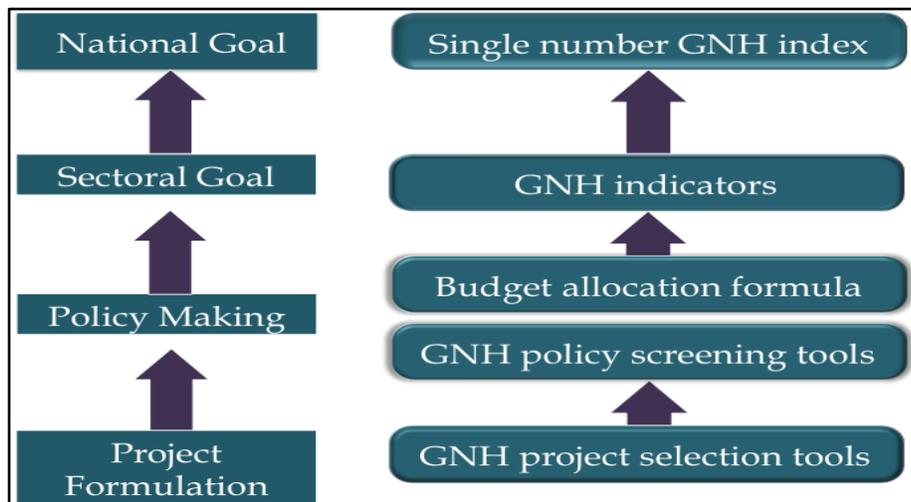
immediate policy use. Nevertheless, as a consistent finding in both the 2010 and 2015 surveys, it is indicative of the quality of life for farmers as they also reported the highest levels of stress across occupations. Likewise under the ecological diversity domain, wildlife prevalence was an indicator that suggested increase in stress levels among farmers. Most farmers in almost all the districts were found to be losing more than 50 percent of their share of crops to wildlife.¹⁰

The issue of human wildlife conflict is actually well recognized by policymakers, and both the 11th and 12th FYPs place emphasis on addressing this with several interventions already in place. A related issue from the perspective of policy is that of rural-urban migration and the resulting shortage of farm labour, which the government is currently trying to address with emphasis on balanced regional development.

Given the current trend of flow from the east to the west of the country, interventions in the current Plan include growth centres in Nganglam in the far-eastern part, and Kanglung in the east of Bhutan. While rural-urban migration cannot be completely stopped, these are some of the interventions that will continue to be taken up in the 12th FYP.¹¹

Integration into Planning Processes

Ultimately, GNH assessments must be used towards evidence-based decision-making for achievement of GNH. In the longer-term outlook, the framework for integrating GNH into policies is as follows:



¹⁰ In response to the question posed by the Government of Japan representative on why farmers scored among the lowest GNH index in 2015, the presenter from CBS provided further elaboration on the findings.

¹¹ The GNHC Secretary also provided follow up responses with regard to low GNH index of Bhutanese farmers.

The single number GNH index can be used in directing the national goal. The GNH indicators reach out to the sector level as the index is decomposed to provide more specific information across domains and demographic profiles. A long-term plan is to eventually have some kind of a budget allocation formula based on this set of domains.

Screening tools based on the domains have been developed in order to facilitate GNH integration into policy. This is because—while the indicators themselves can serve as evaluative tools to track developmental progress over time—other tools are also essential in maneuvering towards GNH targets in order to advance in the right direction. For instance, there may be good indicators but unless actual projects and policies are checked and ensured for alignment with GNH, it would be difficult to translate the principles of GNH to practice. Therefore, it becomes extremely important to have externally measurable pro-GNH screening tools.

Based on this rationale, the GNH Commission subjects all draft government policies to a GNH Policy screening tool—which was introduced in 2009—to ensure that policies contribute to the overall happiness and wellbeing of the people. This is an excel-based tool with 22 variables derived from the nine domains of GNH.¹²

It is assessed on a scale of 1-4 whereby 1 denote a negative score, 2 is uncertain, 3 is a neutral score, and 4 denotes a positive score. A policy needs to score a minimum of 66 (3*22 variable) to be considered GNH-favourable. A policy scoring less than 66 has to be revised to address the elements/variables scoring less than three, and the revised policy is subject to additional rounds of review until it is considered to be in line with GNH.

In this regard the approach taken by the GNH Commission—as the national planning and coordinating agency—is that even if a program or activity does not contribute to strengthening a GNH domain, it should at least *not* have a negative impact. At times, mitigation measures will need to be put in place to ensure minimum negative act if certain activities have to be carried out in spite of their potential negative side-effects.

For example: A road construction project may contribute to improved living standards (facilitating economic activity by increasing access to

¹² The information provided here regarding application of the GNH screening tool is based on the GNH Commission's presentation material for the 13th RTM.

markets), time use (reducing walking/driving time), psychological wellbeing (reducing stress due to easing of traffic congestion), and community vitality (easier for families to visit hometown which in the past could mean 2-3 days of walking).

However, in spite of such positive contribution to many other aspects of GNH, it still has some negative impact on the ecological aspects such as habitat fragmentation, possible landslides, dust pollution, etc. In such case, the appropriate mitigation measures must be put in place to minimize impact, if the project is to go ahead.

In terms of the upcoming 12th FYP, almost all of the 33 GNH indicators have been integrated into the national key result areas of the Plan as shown below:

12th Five-Year Plan (2018-2023) Targets

SL No	Key Performance Indicator (KPI)	Unit of measurement	Baseline sufficiency level (2015)	Target	Source
NKRA 3: Poverty Eradicated & Inequality Reduced					
3.7	People enjoying sufficiency level of asset	Percentage (%)	81		GNH Survey, 2015
3.8	People enjoying sufficiency level of household per capita income	Percentage (%)	59		GNH Survey, 2015
3.9	Inequality of SWB	10 point scale from 0-10	6.88		GNH Survey, 2015
NKRA 4: Culture & Traditions Preserved and Promoted					
4.1	People enjoying sufficiency in speaking native language	Percentage (%)	95	≥ 95	GNH Survey, 2015
4.2	People enjoying sufficiency in cultural participation	Percentage (%)	46	≥ 46	GNH Survey, 2015
4.3	People enjoying sufficiency in Zorig Chusum skills	Percentage (%)	63	≥ 63	GNH Survey, 2015
4.4	People enjoying sufficiency in Driglam Namzha	Percentage (%)	43	≥ 43	GNH Survey, 2015
NKRA 5: Healthy Ecosystem Services Maintained					
5.5	People enjoying sufficiency level of ecological issues index	Percentage (%)	88		GNH Survey, 2015
5.6	People enjoying sufficiency level of responsibility towards environment	Percentage (%)	79		GNH Survey, 2015

SL No	Key Performance Indicator (KPI)	Unit of measurement	Baseline sufficiency level (2015)	Target	Source
NKRA_7: Quality of Education& Skills Improved					
7.9	People enjoying sufficiency level of values index	Percentage (%)	99		GNH Survey, 2015
7.10	People enjoying sufficiency level of knowledge index	Percentage (%)	8		GNH Survey, 2015
NKRA_13: Democracy & Decentralization Strengthened					
13.4	People enjoying sufficiency level in political participation	Percentage (%)	48		GNH Survey, 2015
13.5	People enjoying sufficiency level in fundamental rights	Percentage (%)	51		GNH Survey, 2015
NKRA_14: Healthy and Caring Society Enhanced					
14.8	People enjoying sufficiency level in general mental health	Percentage (%)	89		GNH Survey, 2015
14.9	People enjoying sufficiency level in safety	Percentage (%)	92		GNH Survey, 2015
NKRA_15: Livability, Safety and Sustainability of Human Settlements Improved					
15.6	People achieving sufficiency in community relationship indicator	Percentage (%)	30		GNH Survey 2015
15.9	People enjoying sufficiency level in housing	Percentage (%)	58		GNH Survey 2015

Against the backdrop of the SDGs and the “data revolution”, Bhutan’s collection of such extensive and non-conventional data can be viewed as pioneering the data revolution in its own way. Using such data to shape policy action in general and eventually to shape budgetary allocation is highly innovative. However, a question that arises is whether all this information can be reflected in the country’s upcoming Population and Housing Census of Bhutan (PHCB) in May-June 2017.¹³

Currently, the RGoB is working on improving overall data information in the 12th FYP. With particular focus on improving data on vulnerable groups, some of the concerns highlighted by the GNH survey findings would be addressed. The availability of disaggregated data would also cover all relevant indicators in terms of the SDGs. As such, key GNH indicators and findings as well as the SDGs would be incorporated into the 12th FYP.¹⁴

“Bhutan’s collection of such extensive and non-conventional data can be viewed as pioneering the data revolution in its own way. Using such data to shape policy action in general and eventually to shape budgetary allocation is highly innovative.”

~ Comment made by a Development Partner during the discussions at the 13th RTM

¹³ Based on comments and questions posed by representative from UNITAR during the discussion session.

¹⁴ Based on the response provided by GNHC Secretary.

It would, however, not be possible to incorporate the entire GNH index into the PHCB for practical reasons including the huge cost implication. RGoB would, of course, continue discussions and explore possibilities as the GNH index itself undergoes various stages of refinement over time.¹⁵

Challenges

Going forward, some of the challenges foreseen relate to relevancy and weighting of GNH indicators. The current set of indicators has been developed through a vigorous process, but the question is whether these indicators will continue to be relevant across the country and over time. Targets for some of the indicators might be achieved in 10 to 20 years down the line, and in any case it will be necessary to review and refine the indicators based on evolving policies, priorities and other conditions over time. This also applies to the weighting among indicators.

Although the GNH Index—in particular the one based on the 2015 survey results—has been incorporated into the upcoming 12th FYP, it has not yet been fully institutionalized. As such, financing is a major issue, with CBS having to mobilize resources for every survey it undertakes towards computing the GNH index. The last two national-level GNH surveys received the support of Bhutan’s development partners, but resource sustainability continues to be a major challenge going forward.

(ii) GNH and SDG Alignment

For the first time in the annals of UN resolutions, happiness was recognized as a fundamental goal with the United Nations General Assembly’s adoption of Resolution 65/309: “Happiness: Towards a Holistic Approach to Development”. Initiated by Bhutan, co-sponsored by 68 countries, and adopted by consensus in July 2011, resolution 65/309 invited countries to pursue the elaboration of additional measures that would capture the pursuit of happiness and wellbeing in development, with the view to guiding policies.¹⁶

Bhutan’s own effort on this front, as elaborated earlier, is illustrated by the development and fine-tuning of GNH indices, and their

¹⁵ Based on the response of the CBS presenter.

¹⁶ Reference to the “Happiness Resolution” was made by the UN RC in Bhutan, who asked how the international community/development partners could help Bhutan in maintaining the momentum generated by that initiative.

gradual application into policies and programs by the RGoB. At the same time, in today's interconnected and globalized world, national development efforts such as Bhutan's must fit in the wider template of global development frameworks. As His Majesty, the King has said:

No nation today can stand alone in achievement. Time is slowly telling us that there can be no lasting individual success without success as a community and there cannot be lasting national progress and success if it does not fit into a future of global peace, harmony and equality. The world must progress together or fail together.

His Majesty's inspiring words aptly sum up Bhutan's approach to development and sets the course going forward. It also resonates with the approach of the 2030 Agenda for Sustainable Development, which underscores an agenda for people, planet and prosperity.

At the global level, the SDGs provide a universal, comprehensive and transformative set of development goals. The global development template and framework has been set, and it is now the second year of the implementation of the SDGs. One of the valuable lessons learned from the MDGs is that integration and mainstreaming of global frameworks into national policies, plans and strategies will be crucial for the success of the SDGs. The entire development discourse and landscape is going to be dictated by the SDGs for at least the remaining 13 and half years.

Given the close alignment between GNH and the SDGs (as will be elaborated shortly), the international community's constant support to Bhutan's efforts—as well as their own pursuit and realization of Agenda 2030—would be a fundamental way in which the inspiration and momentum of the 2011 "Happiness" resolution is taken forward.¹⁷

GNH-Inspired National Development Framework

While Bhutan's development plans have always been guided by the GNH philosophy, it is only from the 9th FYP (2003-2008) that GNH as a development framework has been explicitly highlighted in the five-year plans and programs. The current 11th FYP follows a Results Based Planning framework with the formulation of 16 National Key Result Areas (NKRA) based on the four pillars of GNH i.e. the inter-related and

¹⁷ Based on the responses of the Foreign Ministry presenter and the Finance Secretary to UNRC's query.

mutually reinforcing pillars of sustainable and equitable socio-economic development, promotion of culture, preservation of the environment, and good governance.

Global development frameworks adopted by the UN have actively fed into the national planning process, with previous plan documents reflecting the MDGs, IPOA, VPOA, Hyogo Framework, Beijing Platform for Action and others, including their follow up processes. Currently the SDGs are being integrated into national priorities of the 11th and 12th FYP.

Global Goals: Sustainable Development Goals

The 2030 Agenda for Sustainable Development, within which the SDGs form the core, sets 17 Goals and 160 targets for implementation by members of the global community.

Bhutan has welcomed the SDGs for many reasons including the following key aspects:

First, the SDGs are a universal set of goals that are applicable to everyone, and to which all must contribute. Secondly, they are comprehensive and holistic: Goals 1 to 6 cover the social dimension, Goals 7 to 11 cover the economic dimension, and Goals 13 to 15 cover the environmental dimension. Goal 16 deals with the issue of peace and security, and Goal 17 deals with the Means of Implementation and Global Partnerships.

Thirdly, the SDGs require an integrated approach to development in a departure from the siloed approach; synergy and coherence are called for in the implementation of the goals. Fourthly, the principle of leaving no one behind is a key element and highlights the need to reach the most vulnerable and weakest. Finally, the 2030 Agenda emphasizes the need for Global Partnerships, with Goal 17 providing a good framework for Global Partnership to pursue the SDGs.

As the SDGs are ambitious and sets the bar, it has the potential for transformative change, with each goal within it setting means of implementation targets. There are certain SDGs that can be a game changer for Bhutan. The economic goals are extremely important given the fact Bhutan is already doing so much on the environmental goals. In that respect, SDG 8 (good jobs and economic growth) and SDG 9 (innovation and infrastructure) are critical.

Commonalities between GNH and SDGs

Given the many complementarities between SDGs and GNH, transitioning from the MDGs to the SDGs and integrating the SDGs into the national planning framework has been fairly seamless for Bhutan. For instance, SDGs and GNH both advocate a holistic approach to development; both put people and planet at the centre; and both have poverty eradication and sustainable development as central pillars. Bhutan's national development framework therefore provides an excellent avenue through which to pursue the SDGs.

While the SDGs advocate the pursuit of development in its three dimensions—social, economic and environment—in a balanced and integrated manner, GNH encompasses those dimensions as well the additional dimension of culture. Within its broad framework of the four pillars, 16 of the 17 SDGs are well captured. The one Goal that stands as an exception is SDG 14, pertaining to oceans, seas and marine resources. While the SDGs do not have specific goals related to culture, indicators under Goal 8, 'promoting economic growth and decent jobs', does touch upon promoting local culture and products for sustainable tourism.

As shown in the table below, the SDGs fit well within the core dimensions of GNH, demonstrating a high degree of convergence between the two:

The four pillars of GNH and the SDGs

Sustainable and Equitable Socio-Economic Development	Conservation and sustainable management of Environment	Good Governance	Preservation and Promotion of Culture
Goal 1: No Poverty	Goal 7: Affordable and Clean Energy	Goal 5: Gender Equality	
Goal 2: Zero Hunger	Goal 12: Responsible consumption and Production	Goal 16: Peace, Justice and Strong Institutions	
Goal 3: Good Health and Wellbeing	Goal 13: Climate Action		
Goal 4: Quality Education	Goal 15: Life on Land		
Goal 6: Clean Water and Sanitation			
Goal 8: Decent Work and Economic Growth			
Goal 9: Industry, Innovation and Infrastructure			
Goal 10: Reduced Inequalities			
Goal 11: Sustainable Cities and Communities			
Goal 17: Partnership for the Goals			

Localization of SDGs: GNH Scorecard for Bhutan in the 11th Plan

The synergy between SDGs and the 11th FYP is illustrated in the scorecard below:

RAPID INTEGRATED ASSESSMENT – BHUTAN SDG PROFILE (134 targets prioritized out of 143 – excluding SDG-17 on Mol and SDG-14 on Oceans)

#	Policy Area/ Sector	SDG-1: Poverty					SDG-2: Hunger				SDG-3: Health								SDG-4: Education						SDG-5: Gender				SDG-6: Water and Sanitation										
		1.1	1.2	1.3	1.4	1.5	2.1	2.2	2.3	2.4	2.5	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9	4.1	4.2	4.3	4.4	4.5	4.6	4.7	5.1	5.2	5.3	5.4	5.5	5.6	6.1	6.2	6.3	6.4	6.5	6.6
1.	Education	X ¹				X ²	X ³													X ⁴	X ⁵	X ⁶	X ⁷	X ⁸	X ⁹	X ¹⁰	X ¹¹				X ¹²	X ¹³	X ¹⁴						
2.	Health	X ¹⁵				X ¹⁶	X ¹⁷				X ¹⁸	X ¹⁹	X ²⁰	X ²¹	X ²²	X ²³	X ²⁴	X ²⁵														X ²⁶	X ²⁷	X ²⁸	X ²⁹				
3.	HR Development & Management	X																																					
4.	Employment	X ³⁰																																					
5.	Renewable Natural Resources	X ³¹				X ³²	X ³³		X ³⁴	X ³⁵	X ³⁶																												
6.	Tourism			X ³⁷																		X ³⁸																	
7.	Trade, Industries & Mines			X ³⁹													X ⁴⁰																		X ⁴¹				
8.	Hydropower, Renewable Energy and Hydromet																																						
9.	ICT and Media																																						
10.	Transport															X ⁴²																							
11.	Roads & Bridges																																						
12.	Construction			X ⁴³																							X ⁴⁴			X ⁴⁵		X ⁴⁶							
13.	Human Settlement and Housing			X ⁴⁷																													X ⁴⁸	X ⁴⁹					
14.	Emerging Social Challenges	X ⁵⁰	X ⁵¹	X ⁵²				X ⁵³	X ⁵⁴													X ⁵⁵				X ⁵⁶	X ⁵⁷	X ⁵⁸		X ⁵⁹	X ⁶⁰	X ⁶¹							
15.	Sports												X ⁶²									X ⁶³	X ⁶⁴										X ⁶⁵	X ⁶⁶					
16.	Preservation and Promotion of Culture	X ⁶⁷																X ⁶⁸					X ⁶⁹																
17.	Conservation of Environment																																	X ⁷⁰	X ⁷¹	X ⁷²			
18.	Good Governance																											X ⁷³											

As an SDG priority country, an assessment of the SDGs vis-à-vis the 11th FYP was conducted in October 2015 to assess the level of integration and gaps in localization of the SDGs. The Rapid Integrated Assessment conducted by UNDP showed that at the target level, 143 targets were found relevant for Bhutan against the 169 SDG Targets. From the 143 relevant targets, 134 have already been integrated into the 11th FYP.

This illustrates the high level of alignment between the GNH approach to development and the principles of the 2030 Agenda. With such strong resonance between national goals and the global goals, it is not surprising that the 2015 GNH Survey revealed an increase in the level of happiness of Bhutanese people by 1.7 percent from 2010.

Alignment and Integration of SDGs with the National Development Plans

11th FYP and the SDGs

As mentioned earlier, national priorities for the 11th Plan have been translated through the 16 national key result areas, which in turn have been formulated along the four pillars of GNH. Of these 16 NKRAs shown in the table below, 14, highlighted in yellow and orange, are clearly aligned with the SDGs; NKRAs 5 and 6, which are related to culture, are the only exceptions.

 Eleventh Five Year Plan and the SDGs 			
1. Economic Growth Sustained	5. Strengthened Bhutanese Identity, social cohesion and harmony	9. Water Security	13. Gender friendly environment for women's participation
2. Poverty Reduced and MDG plus achieved	6. Indigenous wisdom, arts and crafts promoted for sustainable livelihood	10. Improved disaster resilience and management mainstreamed	14. Corruption Reduced
3. Food Secure and Sustained	7. Carbon neutral/Green & climate resilient development	11. Improved public service delivery	15. Safe Society
4. Employment	8. Sustainable utilization and management of Natural Resource	12. Democracy and Governance strengthened	16. Needs of Vulnerable Group addressed

 SDGs aligned to the NKRAs
  NKRAs not in SDGs
  Three SDGs prioritized in the 11th Plan

The seven NKRA highlighted in yellow represent the three SDGs that were prioritized in the 11th Plan for showcased results. These are Goal 1: End poverty in all its forms everywhere; Goal 13: Take urgent action to combat climate change and its impacts; and Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

12th FYP and the SDGs

That the 12th FYP Plan (July 2018-July 2023) coincides with the early years of SDG operationalization is fortuitous. This will allow Bhutan to continue strategizing the implementation of the SDGs at the national level with the support of its development partners. The SDGs have served as a guiding basis while formulating the guideline for the 12th FYP preparation. This has resulted in a high level of alignment between SDGs and the 12th Plan’s 16 NKRA that have been identified, as shown in the table below:

GNH – SDG Synergy in the 12th FYP

16 National Key Result Areas	16 Sustainable Development Goals
NKRA_1. Macroeconomic Stability Ensured	Goal 8, 10 & 17
NKRA_2. Economic Productive Capacity Enhanced	Goal 7, 10, 12
NKRA_3. Poverty and Inequality Reduced	Goal 1 & 10
NKRA_4. Culture and Tradition Preserved and Promoted	
NKRA_5. Healthy Ecosystem Services Maintained	Goal 6
NKRA_6. Carbon Neutral, Climate and Disaster Resilient Development Enhanced	Goal 9 & 13
NKRA_7. Quality of Education and Skills Improved	Goal 4
NKRA_8. Food and Nutrition Security Enhanced	Goal 2
NKRA_9. Efficiency and Effectiveness of Public Service Delivery Improved	Goal 16
NKRA_10. Gender Equality and Women and Girls Empowered	Goal 5
NKRA_11. Productive and Gainful Employment Created	Goal 15
NKRA_12. Corruption Reduced	Goal 16
NKRA_13. Democracy and Decentralization Strengthened	Goal 16
NKRA_14. Healthy, Safe and Caring Society Enhanced	Goal 3
NKRA_15. Livability and Sustainability of Human Settlements Improved	Goal 11 & 12
NKRA_16. Justice Services and Institutions Strengthened	Goal 16

In all, 16 NKRA reflect 16 out of 17 SDGs. At the indicator level, the 119 Key performance indicators (KPIs) of the 12th plan are relevant to 62 SDG indicators. In keeping with national priorities and

circumstances, RGoB has drawn from the SDG targets and indicators while developing the KPIs for the NKRA.

Additional Observations

As SDGs are in strong consonance with GNH, Bhutan's pursuit of GNH has taken forward the integration of the SDGs into the national planning processes and programs. As development partners are also being guided by the SDGs, RGoB recognizes the importance of presenting linkages clearly: national priorities can be understood better within the global context, making it easier for partners to identify concrete areas and measures for support and collaboration.¹⁸

Security in its various aspects and at different levels is one of the basic parameters for wellbeing issues. This includes physical and emotional safety, as well as cyber security and vulnerabilities associated with the use of ICTs. For the first time in the history of the UN, security issues are reflected in a set of SDGs. Likewise for Bhutan it is only recently that issues of security are being included in its national development plans. The 12th FYP guidelines include livability safety, and sustainability of human settlement under NKRA 15. This has come about partly in consideration of the 2015 GNH survey findings where most indicators under psychological wellbeing and community vitality were found to have deteriorated.¹⁹

Security would therefore also figure into the GNH-SDG alignment strategy, and there is scope for collaborative efforts in this area at many levels. As a concrete example, the ITU together with the World Bank in Bhutan are working on the establishment of the computer incidences response team, and has carried out a cyber drill simulation exercise. Likewise, there is scope for working with/through other agencies on matters like online child protection, etc.²⁰

Management of disasters and risk reduction is another critical consideration, and the UN and other countries are working on bringing in the Sendai Framework²¹ into the SDG promulgation. Given Bhutan's

¹⁸ Based in part on a comment made by the representative from the Government of Austria during the discussion session.

¹⁹ Based on comments by the representatives from UNODC and ITU, and the response provided by the GNHC Secretary.

²⁰ Based on ITU representative additional comments.

²¹ The Sendai Framework is a 15-year, voluntary, non-binding agreement which recognizes that the State has the primary role to reduce disaster risk but that responsibility should be shared with other stakeholders including local government, the private sector and other stakeholders. It aims for the *substantial reduction*

vulnerabilities to climate change impacts and natural disasters compounded by its geography, this is also an area that figures prominently in the national planning framework under NKRA 6 and as a crosscutting issue. Institutional arrangements have been made at the central, district and grassroots levels in terms of how to respond to disaster risks.²²

In addition, as it also faces economic shocks and vulnerabilities—such as when it faced serious issues of imbalances in the external sector in 2012—an economic surveillance and monitoring system has been established to provide timely information on the performance of various sectors in the economy, so that decision-makers can issue policy directives and interventions on timely and well-informed basis.²³

While the RGoB is thus committed to implementing an ambitious development agenda based on GNH and the SDGs, data reliability is a critical issue especially given the challenge of developing statistics for both GNH and SDGs. Recognizing this, the National Statistical Bureau (NSB), GNHC and UNDP Bhutan are working together to carry out a data ecosystem mapping for Bhutan. Baselines will have to be set for the 12th Plan, carrying out additional surveys in the process as may be required, so that “lack of data” does not become an excuse for poor/non-delivery.²⁴

Financing the SDGs and Way Forward²⁵

The question of financing for development (SDGs) is an important one, and is addressed by the Addis Ababa Action Agenda (AAAA). It essentially says that ODA is part of the solution, but it is only a part of the solution. Public finance, domestic resources, and private sector funding are other components, with government fiscal space and domestic revenue an important part of the solution.

Estimates vary as to how much financing will be required for developing countries to integrate SDGs. One estimate is that it

of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries. (Source: <http://www.unisdr.org/we/coordinate/sendai-framework>).

²² Based on comment and question posed by representative from WFP, and the response provided by Finance Secretary.

²³ Ibid.

²⁴ Based on a comment/question from the representative of the EU, and on the GNHC Secretary’s response.

²⁵ Based on comments and questions raised by the Representative from Government of Thailand, and the responses provided by the Co-Chair, Finance Secretary and GNHC Secretary.

would be in the trillions of dollars per year; another estimate is at about 135 billion dollars; yet another is at 127 billion dollars; and UNCTAD estimated an annual 63-65 billion dollars a year.

Based on SDG 17, which is about global partnership: would it be possible for various international organizations and development countries to have a kind of tripartite partnership? For example, development cooperation between Thailand and Bhutan focuses on developing human resources in the health sector, and there's a mother and child health program in partnership between Bhutan, Thailand, UNFPA and UNICEF. Could such models of partnership also be a way forward?

How is Bhutan going to finance the integration of the SDGs given its rising debt level of more than 100 percent of GDP?

~ Question asked by a Development Partner during the discussions at the 13th RTM

Specifically in Bhutan's context, how can free health and education continue to be financed? The question of how Bhutan is going to finance the integration of SDGs becomes even more pertinent in light of its rising debt level, which is currently reported at more than 100 percent of GDP.

With debt to GDP ratio being one of the key indicators of economic performance and also macroeconomic stability, this remains one of the key challenges for Bhutan. At the same time, it is important to understand that debt in Bhutan is subject to a 'moderate rate of distress' based on the IMF and World Bank's joint debt sustainability analysis.

Given the links between the SDGs and GNH, there are clear opportunities to localize the SDGs through the national key result areas in the FYP framework. In absence of any reliable estimate of SDG costing, using such a proxy is an option for Bhutan. Going forward, Bhutan will go through three FYPs in reaching Agenda 2030; using estimates for each Plan period, Bhutan sees that it will need at least half a billion dollars each year to sustain various initiatives related to achieving SDGs.

Government budget would therefore remain one of the main sources of financing the SDGs. Besides ODA, the revenue base will need to be broadened through tax reforms to provide additional fiscal space, so that the additional priorities of the 12th FYP and the SDGs can be taken up.

This would have to be supplemented by the corporate and private sectors, as well as CSOs and media in terms of achieving SDG targets and goals of relevance to their respective areas. The government has so far taken two initiatives: the adoption of the public private partnership policy to leverage resources for large-scale infrastructure development; and the initiation of capital market financing through the sale of bonds and government securities.

Generally speaking, the private sector is an important source of financing. Agencies like IFC, new innovative source of financing like BIOFIN, and vertical funds like Global Environment Facility should be explored, and the UNDP has also helped several ASEAN countries to prepare what's called the "financing for development assessment."

Clearly Bhutan has national goals to achieve, and the government is serious about taking development forward with strong linkages between GNH and SDGs. Such an ambitious vision will have many requirements and challenges including financing, data, gender equality, to name just a few. Meanwhile, Bhutan has been identified as a country likely to be eligible to graduate out of the LDC Category. The SDG period must therefore be one where countries like Bhutan that are least developed must be able to undertake transformative change, and for that to happen, the support of its development partners is critical.

(iii) State of the Environment and Climate Change Initiatives

The Bhutanese way of life has long been infused with a strong sense of environmental conservation. It is a key principle consistently promoted by the Bhutanese leadership, and underpins socioeconomic development in the country. Such an approach not only enables the provision of direct environmental services and inter-generational equity for its people, it also results in positive contributions to the global commons.

However, Bhutan's efforts to balance environmental conservation and development needs is a huge challenge. Recognizing environmental management to be crosscutting, all matters relating to the protection, conservation, and improvement of the natural environment is coordinated by the National Environment Commission (NEC)—a high

level multi-sectoral body chaired by the Prime Minister.²⁶

Environmental Policies and Legislations

National policies and legislations to safeguard the environment include the Constitution of the Kingdom of Bhutan, in particular Article 5 on Environment; the Forest and Nature Conservation Act 1995; the Environmental Assessment Act 2000; the National Environmental Protection Act 2007; the Waste Prevention and Management Act 2009; and the Water Act of Bhutan 2011.

“We have adequate legislations in place. What we require are more technical and managerial resources to effectively enforce these legislations.”

~ NEC Presenter at the 13th RTM

In addition, any development activity with potential impact on the environment is subject to the Environmental Impact Assessment (EIA) process.

As outlined above, adequate legislations are in place, and Bhutan has also had since 1998 its environment strategy document called the *Middle Path*, which has served as a key reference document for sustainable development. However, the enforcement of these legislations and strategies remains a critical challenge for Bhutan as it clearly requires more technical and managerial expertise, and in some instances requires establishment of proper baseline information.²⁷

In this regard, the next two sub-sections talk about Bhutan’s state of the environment, and the contents of its Intended Nationally Determined Contribution (INDC) to the Paris Agreement.

A. Bhutan State of the Environment Report 2016

The overview presented below is based on the Bhutan State of the Environment Report (BSER) 2016, which can also be accessed from the National Environment Commission’s website:

<http://www.nec.gov.bt/nec1/index.php/publications/state-of-the-environment/>

²⁶ This paragraph is based on comments made by development partners, and responses provided by NEC representatives regarding the inherent challenges of pursuing sustainable development, as well as the crosscutting nature of environment management.

²⁷ Ibid. All other points/questions raised during the discussion session have been integrated throughout the rest of the presentation texts in this section.

The contents of this report bear direct relevance to the SDG Goals number 6, 7, 12, 13, and 15. The report essentially lays out the main environmental issues facing Bhutan and identifies actions that will need to be taken going forward.

Land

Bhutan's forest cover according to the recent forest inventory is 71 percent, and this is very close to the 70.46 percent recorded in the BSER 2016. Bhutan faces some critical issues related to land-use conversion, especially from hydropower development and its associated activities such as the installation of power transmission and distribution lines, as well as road construction, among others.

Given their impact on biodiversity, air quality, water resources, and food production, it will be imperative to conduct a Strategic Environment Assessment to address cumulative impacts of all these activities on the environment. In addition, food and nutrition security must be integrated into national development planning. Critical forests, habitats and watersheds must be identified and prioritized. A land capability mapping needs to be conducted. It will also be important to conduct studies on ecological footprint and local ecological carrying capacity.

Water

Bhutan has one of the highest per capita water resources availability (94,500 m³ per capita) with its river systems mostly fed by rainfall, glacial and snow melt. A rapid assessment conducted in 2012 found that 17 percent of streams and 28 percent of springwater sources are safe for consumption. In spite of such a high per capita water availability, Bhutan is still facing a growing issue of water scarcity, as well as water user conflicts between industries, domestic use, agriculture use, among others. There are also the risks of water borne diseases, increased run-off, landslides, and Glacial Lake Outburst Flooding (GLOF).

Recommendations are thus being made to adopt a "Bhutan Water Security Index" as a key indicator for the 12th FYP, which would include reference to the National Integrated Water Resource Management Plan. To take this forward, river basin management committees will be established to prepare "River Basin Management Plans." Given the limited number of water monitoring stations in the country, there will have to be an expansion of such stations. In addition, given that information on ground water is very poor, ground water assessment will also have to be conducted.

Air

While air quality in Bhutan has generally been pristine, recent rapid socioeconomic development activities have placed increasing pressure on air quality particularly in urban areas. Given their impact on human health and crop production, the trend of increasing particulate matter (PM) levels and greenhouse gases (GHG) are of concern. Current programs to address these issues include the enforcement of environmental standards and monitoring; the promotion of electric vehicles by the government; efforts to scale up mass transportation; provision of free electricity in rural areas; and a ban on second-hand vehicles import.

Additional recommendations are to revise air quality standards, strengthen their implementation and improve the data management system. Presently, air quality monitoring stations are located in Pasakha, Rinchending, Gelephu, Deothang, Paro and Bumthang. Additional ones are proposed in Kanglung, Samtse, Gelephu, Deothang, Paro and Bumthang to strategically expand coverage so that air quality data can be collected for the entire country. Other recommendations are to promote vehicle emission control measures, and to strengthen regional cooperation to curb transboundary air pollution.

Biodiversity

Bhutan is known for its rich biodiversity. Half of the country is under protected areas and biological corridors (51.40 percent of land area). These protected areas are unique in the sense that they have ecological representation of the whole ecosystem, and are connected by the biological corridors. They are home to 200 species of mammals of which 24 globally are threatened, one is critically endangered, 11 are endangered and 12 are vulnerable; as well as to 700 species of birds, of which 18 are globally threatened species, 4 are critically endangered, and 14 are vulnerable.

Over time, however, these areas are also at risk of facing the increasing pressures of development activities such road construction, habitat fragmentation, forest fires, human wildlife conflict, etc., as many questions why such a huge area is locked up from conventional use.

Recommendations thus include incorporating biodiversity concerns into the Strategic Environmental Assessment, and the Environmental Impact Assessment at the project level; maintaining minimum environmental

e-flows for aquatic life; updating the list of flora and fauna and invasive alien species; establishing baseline information for aquatic species; and demarcating boundaries for all protected areas.

Crosscutting Issues

Waste management is one of the key emerging crosscutting issues for Bhutan. While dealing with municipal waste is relatively under control, it is the lack of technical capacities and facilities to manage e-waste, and medical and industrial wastes that are a growing concern. This has to be addressed at a program level and relevant expertise and resources will be critical in this regard.

Bhutan has in place the Waste Prevention and Management Act 2009 and its Regulations of 2014, which have elaborate provisions to address all these issues. However, in absence of financial resources and other support required for its implementation, it has not been adequately enforced. The National Integrated Solid Waste Management Strategy 2014 is also in place, but yet to be operationalized. As such, these existing strategies and regulations need to be taken forward. In addition, the promotion of public-private partnership in waste management is also encouraged.

Climate change is the other main crosscutting issue with its impacts on the economy, agriculture, water, human settlements and health. Some of the steps that Bhutan needs to take in this regard include developing a climate change strategy or a long-term comprehensive strategy; increasing/improving coordination for access to climate change finance; and enhancing knowledge generation on the impact of climate change.

E-Flow Project

The Austrian Development Cooperation is supporting the NEC with the e-flow project. Objectives of this project are to avoid negative impact on environment from hydropower development by establishing “minimum environmental flow”, and to assess and determine the environmental flow of rivers.

Expected outcomes are to have in place essential information such as the minimum environmental flow level for: at least one river; one hydropower project that is under construction; one hydropower project that is under operation; and one hydropower project that is being planned for development. As such, capacities of NEC and other key agencies will need to be built up to undertake e-flow assessments.

In addition, institutional linkages will be established and strengthened; information on minimum environmental flow will be incorporated into higher education curriculum; capacities will be strengthened to conduct studies in accordance with developed guidelines; and mass awareness will be developed.

B. Bhutan's Intended Nationally Determined Contribution to the Paris Agreement

Bhutan submitted its Intended Nationally Determined Contribution (INDC) to the Paris Agreement on 30th September 2015, using the flexibilities provided for LDCs and Small Island States (SIDs) to submit strategies and plans. Existing legislation, policies, strategies and assessments were all referenced, and the preparation of the INDC was a fully national process.

The taskforce comprised of the technical committee on climate change or the MSTCCC at the technical level, as well as sector representatives, and was led by the NEC. Several rounds of technical consultations were conducted in addition to a high-level review. The process was made possible with the financial support provided by the UNDP and the European Commission.

National Context

Before highlighting the contribution of its actions, Bhutan's INDC first looks at the national context in terms of GHG emissions, vulnerability to climate change, and legal basis as summarized below.

GHG Emissions

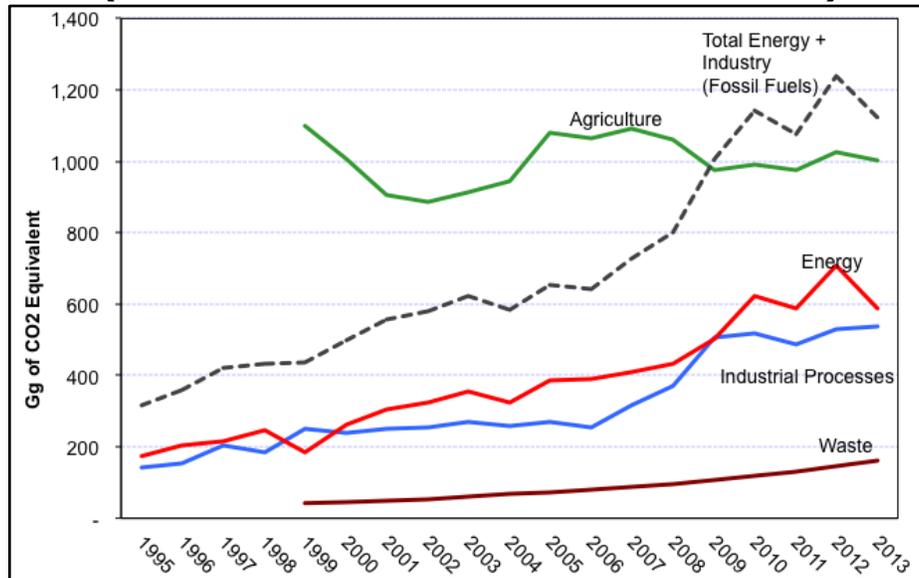
GHG emissions are still relatively low, with total emissions estimated at 2.2 million tons CO₂ equivalent in 2013. In the global context, this sits at 0.0 percent, ranking at 167 out of 200 countries. Taking into account the forests sinks, the uptake by Bhutan's forests is estimated at 6.3 million tons CO₂, which is three times the emission from project activities.

Emissions from the agricultural sector are still relatively high, with emissions mainly from subsistence farming and livestock rearing. On the other hand, with energy generation in the country mainly from hydropower, emission levels from the energy sector are low (in terms of energy generation). This trend with agriculture has been quite stable. The concern, however, is with the rising emissions from the increase in

fossil fuel-based energy consumption in transport, industries, and waste.

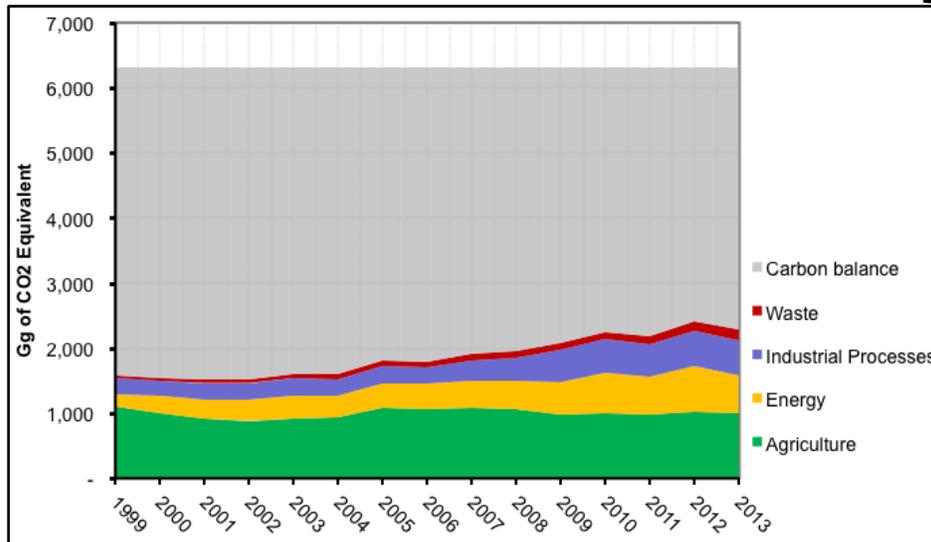
Over time, fossil fuel emissions from energy and industries have overtaken agriculture emissions, reflecting the change in Bhutanese economy from subsistence-based to more manufacturing- and consumption-based activities. This is illustrated in the following graph.

Trends in GHG Emissions from Bhutan
(all sectors without land use and forests)



What this means in terms of Bhutan's commitment to remain carbon neutral, and the carbon budget, can be understood from the profile of the total emissions as illustrated in the following chart. Essentially what it shows is that Bhutan is currently at 2.2 million tons, and the estimated carbon sink is 6.3 million tons, still leaving about two thirds of breathing space.

Trends in GHG Emissions and Carbon Budget



Vulnerability to Climate Change

Bhutan is located in a very fragile mountainous ecosystem of the Eastern Himalayas. Its economic structure is such that it is highly dependent on climate-sensitive sectors such as water resources, whether it is for basic living needs or for hydropower and other economic activities. Agriculture is largely subsistence, and a majority of the population depends directly on forests and natural resources for their livelihoods.

Legal Basis

The INDC has its legal basis in the Constitution of the Kingdom of Bhutan, wherein Article 5 is solely on the environment, and Article 8.2 and Article 22.1 also touch on the environmental duties across various levels of society. Legal basis can also be found in the National Environmental Protection Act 2007, and the Environmental Assessment Act 2000. Existing policies of relevance are the Forest Policy 2011, and the Economic Development Policy.

Contribution of Actions from Bhutan

Mitigation

The main contribution is the carbon neutral commitment that Bhutan made to the global community in 2009 and reiterated at COP 15, basically committing that emissions from Bhutan will not exceed its forest sink capacity. The other commitment is to maintain the minimum 60 percent forest cover as enshrined in its Constitution. However, the

challenge is that Bhutan as an LDC still has a development imperative. At the same time, the Constitution recognizes that the government manage “secure ecologically balanced sustainable development while promoting justifiable economic and social development”.

Bhutan’s approach to mitigation is through the pursuit of low emission development (LED) pathways across all sectors. In this regard, international support to implement the relevant strategies, plans and actions are required. Nine priority actions have been identified for low GHG emission development, and each action has several sub-activities and further details can be viewed in Bhutan’s INDC available for download at: <http://www.nec.gov.bt/nec1/index.php/climate-change/indc-of-bhutan/>

In summary, these priority actions are: forest sink management; promoting low carbon transport; sustainable waste management; greening industry to adopt energy efficient measures; clean renewable energy (promoting other alternative renewable energy and partaking in any international arrangements for clean energy); climate smart livestock farming, as well as climate smart agriculture (basically for food security); demand side management; and green buildings and smart cities, recognizing that urbanization is a growing phenomenon.

Adaptation (to the adverse impacts of climate change)

The next major action is adaption, which is very important for Bhutan as a highly vulnerable country. Although not required in the INDC, the RGoB chose to include this component in order to communicate concerns and priority needs for adaptation to the impacts of climate change.

Bhutan has stated in its INDC that National Adaptation Plans (NAPs) would be the vehicle to communicate adaptation priorities and needs under the Paris Agreement. The NAP process was identified as a means to counter vulnerability and for integration of adaptation in the national development process. The priority adaptation needs identified in the INDC are based on the NAPA and the Second National Communication to UNFCCC, and other sectoral plans and priorities.

There are 10 priority adaptation needs to address impacts of climate change. Key among these is water security; some parts of the country are experiencing drying out of water sources, which among others is a concern in relation to hydropower. The rest of the adaptation needs are: climate resilient agriculture; ecosystem services (forest biodiversity);

resilience against climate hazards; climate health risks; climate proof transport infrastructure; resilient livestock farming; enhanced climate information services; diversified energy generation; and resilient urban and rural settlements.

Means of Implementation

In terms of remaining carbon neutral, the forest sinks will be maintained and monitored through the national forest inventory process (NFI), and also REDD+ activities i.e. the window under the climate change framework for addressing forestry. Mitigation of GHG emissions would be across sectors using “Low Emission Development Strategies” (LEDS). In terms of institutions and process, existing institutions will be used. These include the high-level national climate change commission—which also functions as the national climate change committee—chaired by the Prime Minister, and including representatives from government ministries and the private sector.

“Considering the historical and current emissions from Bhutan and our imperatives for sustainable development, Bhutan’s INDC is most ambitious and more than our fair share of efforts to combat climate change. Therefore, in putting forward this INDC, we once again call on the international community to support our efforts to mitigate and adapt to climate change”.

~ Bhutan’s INDC

At the technical level there is a climate change coordination committee (C4). Key components will be integrated into the five-year development plans, with synergies across all relevant sectors and levels. The existing legal and policy framework such as NEPA 2007, EDP, etc. which were mentioned earlier would be used. In order to enable action across all sectors, there will have to be systematic programs for awareness-raising, capacity building, education and research. And lastly on financing, the achievement of these climate actions will

depend on the level of international support, especially given that Bhutan has its own development needs and imperatives as well as the “additional burden” of adaptation and mitigation.

In terms of what Bhutan is doing towards implementation, it is signatory to the Paris Agreement but the necessary parliamentary review and ratification process is still ongoing and is expected to conclude by the 2017 Summer Session. Following that process, the INDC would become Bhutan’s first NDC or nationally determined contribution.

The integration into the 12th FYP is ongoing, with priority actions being integrated in NKRA 6 and also other areas. A project elaborating

elements of the INDC for implementation by Industry (DOI/MOEA), Renewable Energy (DRE, MOEA), and Housing (MOWHS), is currently underway and with support from the UNDP and the European Commission. With the support of the World Bank, a cost-benefits analysis of being carbon neutral is also being undertaken to facilitate long-term decision-making, including macroeconomic modeling.

Looking ahead to the upcoming 12th FYP and Paris Agreement cycles, Bhutan would need to have a National Adaptation Plan before 2020 including the establishment of a process; work on this has recently started with Green Climate Fund (GCF) funding and UNDP support. By 2020, the second INDC would also be due in addition to a long-term strategy for LEDS.

(iv) Macroeconomic Scenario

Bhutan is one of the smallest economies in the world with a GDP of about 2 billion USD, but it is also one of the fastest growing economies. Moving from primary towards secondary and tertiary sectors, the Bhutanese economy has seen significant structural changes over the decades of planned development. This growth is driven primarily by the public sector through high level of investments in hydropower, as well the financial support of its development partners. As such, Bhutan faces a high level of current account deficit, and the structural change and robust growth over the years have not translated into corresponding increase in secondary and tertiary sector jobs.

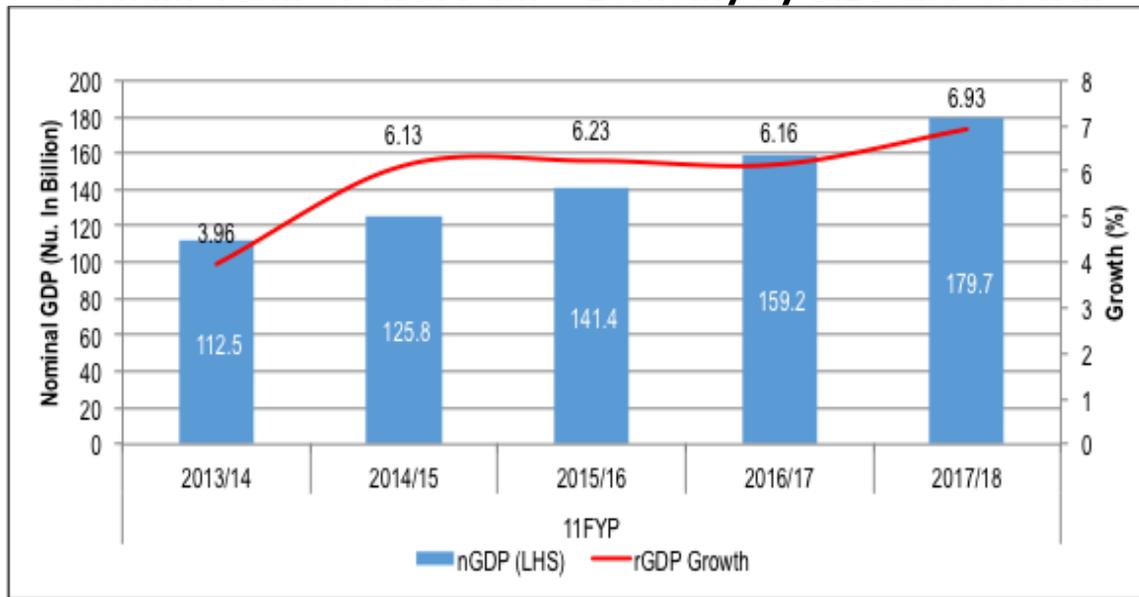
A. Macroeconomic Performance in the First Half of the 11th FYP

Real Sector

Growth

Bhutan experienced imbalances in the external sector in the fiscal year (FY) 2012, because of which growth slowed down in FY 2013/14 to just over three percent, as the Royal Government intervened with various fiscal measures and monitoring interventions, raising credit.

Medium-Term Growth Path – Economy by Size and Growth



However, with accommodative fiscal measures and prudent monetary policy, growth picked up thereafter over the following two years of the 11th FYP averaging at about 5.4 percent. Going forward in the outlook of the last two years of the Plan period, growth is expected to average at a rate of 6.5 percent.

Per Capita Income

Bhutan has done exceptionally well in terms of growth in per capita GNI, which increased from USD 2,329 in FY 2013/14 to USD 2,529 in FY 2014/15, and is projected at about US\$ 3,000 at the end of the plan. While it has also performed well in terms of Human Assets Index, meeting the LDC graduation threshold of 66 percent, it is yet to meet the Economic Vulnerability Index (EVI) criteria, given its high level of economic vulnerability and risks of disasters. Therefore, sustaining Bhutan's efforts especially in improving its EVI will be critical in order for it to be able to graduate in the next couple of years.

Sector Share to GDP - Agriculture

The industry and service sectors contributed about 40 percent and 38 percent to GDP respectively. Meanwhile contribution by the agriculture sector remained consistent at a low level of 13 percent, which is expected to further decline to about 11 percent by the end of the 11th FYP period.

The three main factors affecting agricultural productivity in Bhutan include the steady pace of rural-urban migration, diminishing farm labour, and prevalence of human-wildlife conflict as mentioned elsewhere. Given that agriculture is the main source of livelihood for about 70 percent of the population, and that it provides employment for 56 percent of the population, this sector is critical for Bhutan and requires concerted focus in order to ensure food security, as well as for rural development and economic diversification.²⁸

As such, the government has made several interventions with the support of development partners. These include farm mechanization to help address farm labor shortage, and also to help cultivate barren and fallow land; as well as the introduction of electric fencing to protect crops from wildlife damage. The government is also at an advanced stage of introducing rural crop insurance to address the major challenge posed by natural disasters.²⁹

Given the importance of agriculture for livelihood and employment in Bhutan, coupled with the decline in agriculture's share to GDP over the years, and considering the rising level of youth urban unemployment – one strategy being explored by the RGoB is the meaningful and gainful engagement of youth in agriculture. This is being tested through such means as farm mechanization, improving market access, increasing year-round productivity, among others.

Employment

One of the priorities in the 11th FYP is maintaining full employment. While overall unemployment rate was 2.5 percent in 2015, youth unemployment has been increasing from 9.4 percent in 2014 to 10.7 percent in 2015. With most of the unemployed youth residing in urban areas, urban youth unemployment has been on the rise from 13.5 percent in 2012 to 28 percent in 2015. Youth unemployment is thus a major area of concern and the government has initiated several programs to address this issue.³⁰

One such program looks at employing youth in agriculture, given the potential to (contribute to) increasing domestic productive capacity and share of agriculture to GDP. The program entails the agriculture ministry

²⁸ Based on comments/questions raised by representatives from the World Bank and ITU, and on the response provided by the Finance Secretary.

²⁹ Ibid.

³⁰ This discussion on the prospect of addressing youth unemployment through interventions in the agriculture sector is based on the response provided by the Finance Secretary to the comments and questions raised by the IFAD representative and the UN DRR in Bhutan.

identifying and setting up fertile farmland for cultivation, and the formation of youth groups to take responsibility for farming and managing the land. Such initiatives are currently at a very initial stage, but it is anticipated that they will eventually be scaled up and replicated across the country.

However, market access and seasonality of agriculture produce continue to be major challenges. As such, the creation of market access is being facilitated with support from International Fund for Agricultural Development (IFAD), and the agriculture ministry is also providing facilities such as greenhouses to enable the production of agricultural produce throughout the seasons. Farm mechanization, with the Government of Japan providing substantial numbers of power tillers, is also encouraged to attract and retain youth on the farms.

External Sector

Trade Balance

As an import-driven economy importing more than 80 percent of its consumption and investment, Bhutan continues to face the challenge of managing its balance of trade. This dependency on imports is apparent from the increase of imports from Nu.50.8 billion in FY 2011/12 to Nu.62.6 billion in FY 2014/15. Given its USD 2 billion economy, this translates into USD 1 billion on imports. It should be noted, however, that most of the imports are capital goods for investments. Meanwhile in the same period, exports increased from Nu.30.9 billion to Nu. 35.9 billion.

In the FY 2011/12 trade deficit was 21.8, which deteriorated to 25% in 2015/16. This is projected to improve in the last two years of 11th FYP as most of the hydropower projects are in completion stage. At the same time, an economic stimulus plan has been implemented to increase domestic productive capacity for import substitution.

Current Account

Despite various measures put in place, the current account deficit is very high touching 29 percent of GDP in FY 2015/16, having increased from 23 percent in 2011/12. The deficit is mainly caused by the negative balance of trade, followed by the payment for debt services, and especially remittances for import of labor. Capital and financial account—which mainly constitutes loans and grants received from development partners—largely finance this deficit. The situation is

expected to improve in next two years with the completion of several hydropower projects and subsequent export of about 80-90 percent of the electricity generated.

As revenue projections include expected revenue from hydropower projects, and as this in turn is used in the government's planning of development activities, any slight change in project completion has a huge impact on Bhutan. Going forward into the 12th FYP, with three major hydro projects slated to be commissioned, revenue inflow is also expected to be substantial especially in the latter part of the Plan period.

In this regard, the management of the sector including hydropower inflows is extremely important, as huge inflows can lead to money multiplying and credit expansion leading to increased imports, which was what Bhutan experienced during the macroeconomic imbalances in 2012 and the so-called INR crises. The RGoB is working on establishing a Stabilization Fund, wherein any flow of excess revenue could be channeled to this fund so that it does not destabilize the fund flow in the economy.³¹

A high-level group was also instituted and studies have been conducted to provide recommendations going forward i.e. especially in terms of sequencing hydropower construction, so that potential imbalances can be paced out over time to minimize impacts of any delays.³²

Balance of Payment

Bhutan has always operated a positive balance of payment with the exception of two instances. Driven by imports, imbalances were faced in the external sector in FY 2011/12, causing a shortage of the Indian Rupee (INR) in the economy; and in FY 2014/15 Bhutan availed credit facility from the Government of India. Given its otherwise consistent positive balance of payment, Bhutan has managed to accumulate a high level of international reserves, which is presently estimated to be USD 1.1 billion in INR and convertible currency.

The buildup in reserves is mainly through loans and grants receipts, while export accounts for only a very small portion. Reserves are currently adequate from a risk-based perspective i.e. Bhutan can meet 100 percent of its debt service, provide back up of money supply in the

³¹ Based on the responses provided by Finance and GNHC Secretaries to the question posed by the World Bank representative.

³² Ibid.

market, and meet 10 months of essential imports requirement. The 2012 INR crunch pushed Bhutan to learn from the experience and to put in place prudent reserve management practices. Presently as a policy, 20-30 percent of the reserve is maintained in INR, and 60-70 percent is maintained in convertible currency.

More recently, the Government of India's move to demonetization in late 2016 also impacted business activities and placed pressure in the Bhutanese economy. Bhutanese farmers especially faced difficulties as the move coincided with the season for auctioning agricultural produce, mainly potatoes, and prices were affected. While the farmers were eventually paid, the Food Corporation of Bhutan (FCB) still has the amount deposited (INR 68 corers) frozen and awaiting resolution.³³

Monetary & Financial Sector

Credit Growth

With money supply mainly driven by domestic credit and net foreign assets, FY 2011/12 saw impressive lending by financial institutions. Policy interventions in FY 2012/13 led to money supply being driven mainly by net foreign assets i.e. net receipts of remittances, and loans and grants.

The Bhutanese economy experienced overheating in 2011/12, where credit growth exceeded the threshold of five percent over GDP as per Basal-III conditions. Monetary policy interventions including helped to moderate and contain credit growth below this five percent growth since 2012. As a consequence, economic activities slowed down with very low growth recorded in FY 2013/14.

Going forward, private credit growth is expected to grow with the intervention and implementation of minimum lending rates (MLR) by the Central Bank. This introduction of MLR has made financial institutions highly competitive, facilitating growth in the credit sector with a focus towards productive sector.

Inflation

Bhutanese inflation—which mirrors Indian inflation given that more than 80 percent of its goods and services are imported from India—moderated from 10.9 percent in 2012 to 3.22 percent in 2016, with inflation rates falling in both food and non-food items. With the inflation

³³Based on the response provided by Finance Secretary to a question posed by the ADB representative.

targeting policy adopted by India, inflation in the medium term is anticipated to remain low.

B. Fiscal Position

Key Policies and Framework

Key fiscal policies of the RGoB include:

- 1) Containing fiscal deficit at three percent of GDP over the 11th FYP period i.e. to maintain an average fiscal deficit at three percent over the period July 2013 – July 2018, while year-on-year inflation could exceed or be less than this. So, for instance in 2017, Bhutan is running a fiscal deficit of 5.2 percent.
- 2) Covering recurrent expenditure by domestic revenue. This is a constitutional requirement and is one of the cornerstones of Bhutan's fiscal policy.
- 3) One of the key fiscal targets set in the 11thFYP, which is that domestic revenue should cover 85 percent of total expenditure by the end of plan period.
- 4) Non-hydro debt stock not exceeding 35 percent of GDP, as part of the public debt policy, given that Bhutan faces the challenge of rising debt level.
- 5) Maintaining ratio of hydropower debt service to hydropower export within 40 percent, given that major source of revenue is from hydropower exports to India.

Based on these policies, the 11th FYP has the following fiscal framework:

- Initially a revenue and grant amount of Nu. 198 billion was set, with the mid-term review finding that the same level could be maintained. However, domestic revenue was revised downward from Nu. 139.8 billion to Nu. 127.02 billion—a decrease of 9 percent—due to the delay in commissioning of hydropower projects. This is an indication of Bhutan's economic vulnerability associated with overdependence on a single sector.
- In terms of outlay, Nu. 213 billion was allocated for the 11th FYP and has been revised to Nu. 218 billion. The revision was mainly on account of new priorities included in capital expenditure; but the recurrent expenditure was revised downward in order to align with the revision in revenue projection.

- Fiscal balance has been revised again to accommodate new and emerging priorities of local governments into the overall Plan, resulting in an increased fiscal deficit Nu. 15 billion to Nu. 22 billion.
- However, with fiscal deficit at 2.6 percent, the overall fiscal target of maintaining deficit below three percent will be maintained.
- Current expenditure reduced by 12.7 percent reflecting the downward revision from revenues from hydropower projects.
- As coverage of total expenditure by domestic revenue will be about 60 percent, the set target of 85 percent will not be met.

Fiscal Path

Although there was a decline in revenue, there has been an increase in grant inflow following the conduct of the last (12th) RTM in 2013. This helped Bhutan maintain the fiscal deficit on its path to remain below three percent of GDP. Fiscal balance was positive for the first two years of the 11th FYP, indicating a slowdown in its implementation. However, in the next two years of the Plan a fiscal deficit of over five percent is foreseen with the acceleration in the implementation of program and disbursement of funds.

Coverage of Expenditure by Domestic Revenue

While recurrent expenditure is covered by domestic revenue, capital expenditure is mainly financed by loans and grants given the insufficient domestic revenue source. So, while Bhutan depends mainly on loans and grants to finance capital expenditure, this is expected to decline from 95 percent in 2013/14 to 63 percent in 2017/18 with the phasing out of development assistance by some of its development partners.

Public Debt

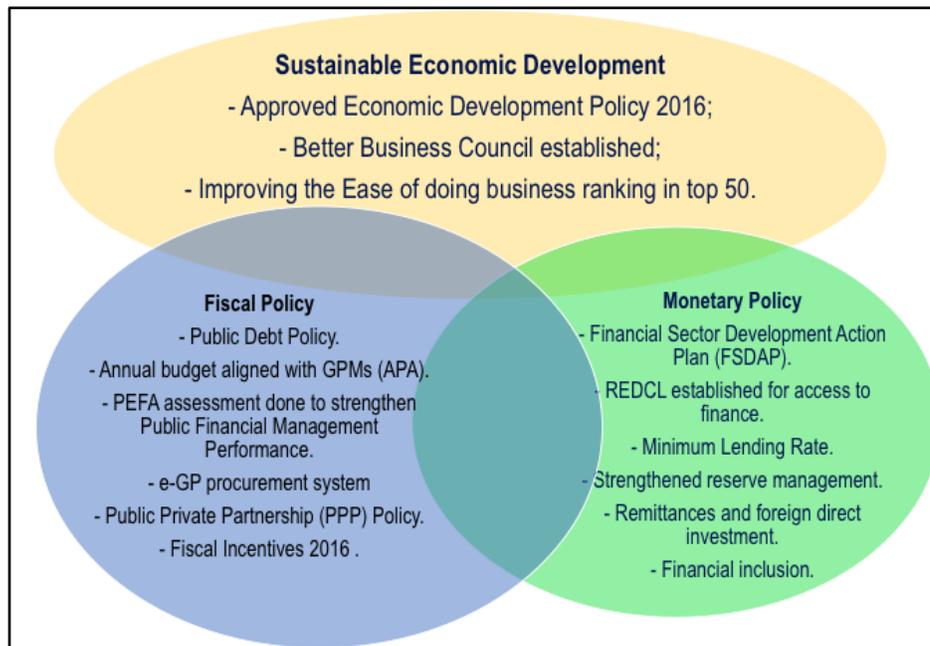
Rising public debt is a major challenge for Bhutan with debt level in 2015/16 as high as 113 percent of GDP, up from 96 percent in 2013/14. This is expected to decline below 100 percent by the end of the 11th FYP period. It should be noted that more than 70 percent of the debt flow is for hydropower projects, which are considered viable projects that are self-servicing and not causing any pressure on the treasury.

However, given that public debt is high, Bhutan participates in the IMF Article for Consultation on a 24-month cycle, which last took place in 2016. The joint IMF and WB DSA 2016 carried out a debt sustainability

analysis, confirming that the debt dynamics of Bhutan are subject to moderate risk of distress i.e. that risk is reduced to an extent as Bhutan has high levels of international reserves, and also more than 70 percent of debt flow pertains to viable hydropower projects, which will have sufficient revenue streams to finance.

C. Policy Initiatives

To facilitate the pursuit of sustainable economic development, the RGoB has instituted several macroeconomic policy initiatives, illustrated in the diagram below:



The Economic Development Policy (EDP) 2016 offers many game-changing policy measures and initiatives including concessions for FDIs. The Better Business Council has been established to provide a platform for businesses to interact in promoting ideas and initiatives. And one of the key targets for Bhutan is to improve its ease-of-doing-business ranking in the top 50, which at present is at 71 out of 189 countries. Underpinning these initiatives are several monetary and fiscal interventions that have been made by the government.

On the fiscal front, Public Debt Policy was adopted to ensure prudent debt management. Annual budgets have been aligned with annual performance targets under the General Performance Management System (GPMS). Public Expenditure and Financial Accountability (PEFA) standards have been used to assess public finance management, in

addition to following regular reporting requirements. An e-Government procurement system is being initiated; the Public Private Partnership Policy has been adopted; and Fiscal Incentives 2016 will include vast concessions to promote business initiatives.

On the monetary front, the Financial Sector Development Action Plan (FSDAP) with more than 170 action points to improve the financial sector has been announced. The Rural Enterprise Development Corporation Ltd. (REDCL) has been established to promote and enhance rural access to credit. Minimum Lending Rate has been reduced; the Central Bank has strengthened reserve management; and remittances and FDI are being promoted. Going forward, one of the most important agendas is Financial Inclusion, with international conferences being planned towards May 2017 to bring international expertise into the discussions on financial inclusion and for charting a roadmap going forward.

D. Macroeconomic Outlook for the 12th FYP Period (2018-2023)

Looking ahead to the 12th FYP period, there are some key indicators to take note of. A growth rate of about nine to 10 percent is expected in the first three years of the 12th FYP, which will then gradually decline to five percent towards the end of the Plan period. However, as growth will be driven mainly by consumption with the completion of major hydropower projects, it is a concern.

In terms of external debt, debt stock will fall drastically with the completion of the hydropower projects. By the end of the 12th FYP a debt stock of 50 percent of GDP will be maintained, which will be well in line with the country's debt management strategy of maintaining debt stock at least 60 percent of GDP.

As for fiscal balance, a high level of fiscal deficit is foreseen in the first two years of the 12th FYP. Fiscal position is expected to improve after these initial two years with the commissioning of the hydropower projects.

Macroeconomic Outlook for the 12th FYP

UNIT		2018/19	2019/20	2020/21	2021/22	2022/23
Real Sector						
Real GDP Growth	% yoy change	9.4	9.4	10.7	9.6	5.8
Consumption	In percent of GDP	69.3	72.8	75.1	73.9	70.9
Gross Investment	In percent of GDP	40.7	35.6	30.0	26.2	24.6
External Sector						
Trade Balance	Nu. in Billion	22.4	19.0	14.0	26.2	29.0
Trade Balance	In percent of GDP	(12)	(9)	5.3	9	9.5
Current account balance	Nu. in Billion	-34.1	-29.9	3.9	19.6	25.6
CAB % of GDP	In percent of GDP	-16.5	-12.7	1.4	6.2	7.3
Gross Official reserves	Months of Imports (GNFS)	10.4	10.0	7.4	6.4	5.8
External debt	In percent of GDP	93.2	85.6	74.4	60.9	50.6
Debt service ratio	External debt service to export	14.2	9.5	8.5	23.9	25.1
Fiscal Sector						
Tax Revenue	In percent of GDP	10.3	9.4	9.0	8.3	9.5
Total expenditure	In percent of GDP	27.4	25.2	23.9	24.6	19.3
Current Balance	Ratio of DR to RE	91.6	93.7	138.5	157.9	128.8
Fiscal Deficit (% of GDP)	In percent of GDP	(11.0)	(10.5)	(6.6)	(0.1)	(3.4)
Total Debt (% of GDP)	In percent of GDP	93.2	85.6	74.4	60.9	50.6
Monetary Sector						
Broad money	% yoy change	22.0	14.4	27.3	26.0	22.5
Domestic credit	% yoy change	15.52	11.33	11.20	13.70	14.92
Inflation	% yoy change	5.66	7.24	7.53	7.28	6.81

A tentative fiscal projection for the 12th FYP—presented in subsequent sections of the report—indicates that without continued support from development partners, Bhutan will be running a high level of fiscal deficit. On the other hand, if support especially in terms of loans and grants are forthcoming at the present level, it will be possible to maintain a fiscal deficit within three percent of GDP.

As such, RGoB's focus in the medium term is to ensure growth and macroeconomic stability through economic diversification and financial inclusion. In addition to diversification of economy being identified as a national key result area in the 12th FYP³⁴, the EDP 2016 proposes restructuring the macroeconomic base by prioritizing the

The first two years of the 12th FYP will see a high level of fiscal deficit – 11 percent in 2018/19, and 10.5 percent in 2019/20

~ Preliminary fiscal protection for the 12th FYP

³⁴ Additional discussion on economic diversification, private sector development, and on maintaining sustainable levels of fiscal deficit in this section are based on the response provided by the Finance Secretary and a representative of the Ministry of Economic Affairs to the comments/questions raised by representatives from UNFPA, World Bank and the Government of Austria.

“five jewels” i.e. hydropower, agriculture, cottage and small industries, tourism, and mining. It also includes expansion into the areas of finance, construction, ICT, trade, industry, transport, education, health, etc.

Given its comparative advantage for Bhutan, hydropower will continue to be a priority, but emphasis will also be placed on developing the other sectors to balance out the economy. Within the energy sector, alternative sources such as solar and biogas are also being considered to enhance energy security and to diversify sources of energy; the challenge lies in terms of cost and enabling policies, and much will depend on the level of support that the government is able to provide.

Private sector development will continue to be emphasized, especially given that growth in this sector has been slow despite the focus on it as the “engine of growth” over the last decades. Efforts will also be made to broaden the revenue base to contain fiscal deficit at sustainable levels, and one of the key initiatives will be the introduction of goods and services tax (GST). RGoB will also look into innovative financing for integration and localization of the SDGs, as well as strengthening and deepening fiscal decentralization. In all this, the continued support of development partners will be critical to achieving the SDGs and realizing GNH.

(v) Current Socioeconomic Development and Way Forward

Bhutan is on track to achieving its 11th FYP targets for green socioeconomic development, but is unlikely to achieve the targets for self-reliance within this Plan period.

A. Status of the 11th Five Year Plan (1st July 2013 – 20th June 2018)

Progress towards 11th FYP Objective

The mid-term review (MTR) of the 11th FYP—conducted from May 2015 to August 2016—provides an overview of Bhutan’s socioeconomic development progress in the first half of the Plan period. This progress is charted against the 11th FYP objective to achieve “Self-reliance and Inclusive Green Socio-economic development”.

Self-Reliance

Reviewing the 'self-reliance' status in the context of energy security, fiscal sustainability and food self-sufficiency, the MTR indicates that achieving this target in the current Plan is a challenge. This is a clear reflection of Bhutan's economic vulnerability.

In terms of energy, three major hydropower projects with a total capacity of 2,950 MW are under construction but their completion has been delayed due to geological issues. As such, the projects will only be commissioned in the 12th FYP, and the 11th Plan target of increasing installed capacity from 1606 MW to 4,546 MW will not be realized. While alternative renewable energy sources are also available, their contribution to energy generation as of now is very low and such initiatives are also relatively new. To date, two wind turbines producing 600 Kilowatts of energy have been installed, benefitting about 300 households.

In terms of the fiscal target of meeting 85 percent of annual expenditure through domestic revenues, coverage currently averages about 65 percent. As highlighted in the previous sub-sections of this report, this target will not be met owing to the delay in completion and commissioning of the hydropower projects. As for food self-sufficiency (cereals, vegetables, meat, dairy and egg), the current achievement is 70 percent against the target of 75 percent; however, the main staple in the Bhutanese diet, which is rice, is still dependent on imports with local production meeting only about 50 percent.

Inclusive development

The social sectors, particularly health and education, continue to be given high priority as in past FYPs with the allocation of the largest share of the budget to these sectors. Based on performance in poverty, health and education indicators, Bhutan is on track to attaining the goal of inclusive development.

Targets set in the 11th FYP include the reduction of: income poverty from 12 percent in 2012 to less than five percent in 2018; multidimensional poverty (MPI) from 25.8 percent in 2010 to less than 10 percent in 2018; and Gini-coefficient from 0.36 in 2012 to 0.3 in 2018. While the latest MPI and income poverty status will be known after the completion of the Population and Housing Census (PHCB) and the Bhutan Living Standards Survey (BLSS) set to be carried out in 2017, past trends in

poverty reduction and relentless targeted interventions in the 11th Plan period suggest that the efforts will have yielded positive results.

As for selected education and health indicators: In 2016, basic net enrollment ratio was 96.2 percent, meeting the 11th FYP target; and gender parity was 1.03 at the primary level, 1.15 at the secondary level, and 0.82 at the tertiary level. Stunting dropped from 33.5 percent in 2010 to 21.2 percent in 2015. Immunization coverage at 96 percent has exceeded the Plan target of 95 percent. Maternal mortality rate improved to 86 per 100,000 live births, reaching the Plan target of <100 MMR. Likewise, 97.7 percent of population has access to improved drinking water supply nearing the target of 100 percent.

Green development

As covered in earlier sub-sections of this report, Bhutan is clearly doing well in terms of the targets to remain carbon neutral, and to ensure the constitutional requirement of maintaining at least 60 percent forest coverage. With forest coverage at 71 percent as per the recently completed National Forest Inventory, Bhutan is absorbing three times more CO₂ emissions than it emits.

Key Initiatives

Given the significant reduction in poverty rate, which is 12 percent as of 2012, the focus in recent years has been on addressing the needs of the poorest of the poor. This is being done mainly through two targeted Poverty Intervention Programs.

The Rural Economy Advancement Program (REAP) looks into sustainable livelihoods including through promotion of poultry farming, vegetable gardens and other income-generating activities. Of the 104 villages identified under this program, interventions are ongoing in 75 villages. Some of the findings from the 2015 GNH survey are also being used towards this program.

The Targeted Household Poverty Program (THPP) has so far seen the completion of a socioeconomic survey of 3,154 households. These households were identified by local governments based on criteria such as lack of housing, schooling, education, among others; teams from the GNHC followed up with physical verification of each household to confirm their poverty status, and in the process also discussing the kinds of interventions needed or perceived to be useful. Based on this process, interventions are currently being formulated.

As already highlighted in earlier sub-sections of this report, some of the policy initiatives in the 11th FYP include the revision and approval of the EDP 2010, as well as the revision and recent issuance of the fiscal incentive framework. Under the Financial Inclusion agenda, the Rural Enterprise Development Corporation Ltd. (REDCL) was established; banking services were established in 176 *gewogs*; and financial inclusion and priority sector lending policies are being drafted.

Under the School Reform Program, Central Schools have been created aimed at improving quality of education; of the 60 schools planned, 57 have been established. Work is also in full swing for the widening of 480 kilometres of the Northern East-West Highway (Thimphu-Trashigang), which is intended for completion by late 2018. In terms of rural welfare, another important initiative is the provision of 100 units of free electricity per month to rural households.

Amidst the many other climate and environmental initiatives highlighted earlier, the electric vehicle initiative deserves special mention though it is still in very early stages. Launched in 2014, the motivation behind this stems from the fact that while Bhutan sees an annual revenue generation of about Nu. 10-12 billion from hydropower, almost 70 percent of it is spent on importing fossil fuel largely used for operating vehicles.

Electric vehicles could be a natural choice for Bhutan given the availability of cheap electricity, and the potential for reduced carbon emissions from vehicular sources. There has however been some implementation challenges related to a lack of charging facilities, among other issues. Meanwhile, the government continues to provide incentives including tax exemption and free electricity in public charging stations.

Key recent initiatives related to governance include the establishment of the Government Performance Management System (GPMS) to enhance accountability and performance. This is a new office directly under the Prime Minister's Office, which has spearheaded the signing of Annual Performance Agreements (APA) with all public agencies. With the launch of Government to Citizen (G2C) services, some 77 services are currently provided online. Towards gender mainstreaming, maternity leave has been extended from three to six months and crèches are being established in office premises with seven up and running so far.

Challenges

While national level indicators project a fairly positive picture of Bhutan's socioeconomic development, issues abound at disaggregated levels. For instance, while national poverty rate in 2012 was 12 percent, rural poverty rate was close to 17 percent as compared to two percent for urban poverty. Poverty rate across districts range from a high of 32 percent to a low of one percent.

While national unemployment rate in 2015 was 2.5 percent, youth employment is more than 10 percent. The 2015 GNH survey reports lower GNH index levels for females than males, and for rural residents than their urban counterparts. While girls outnumber boys in primary and secondary education, gender parity at 0.82 is still low at the tertiary level.

As such, in moving forward to the 12th FYP, more focus will be given to addressing the various indicators at disaggregated levels. Bhutan recognizes that while it has achieved most of the MDGs and also exceeded targets of some, there is more to be done in terms of malnutrition, HIV Aids, female enrolment in tertiary education, tuberculosis, and that even those MDGs achieved require more focus at the disaggregated levels.

Other critical challenges as highlighted elsewhere relate to its economic vulnerability including overdependence on the hydropower sector and lack of economic diversification; vulnerability to climate change and natural disasters; quality of health, education and other services; emerging issues including growing incidences of non-communicable diseases (NCDs); and issues related to data reliability and the potential (negative) impact on evidence-based decision making.

B. Way Forward: Guidelines for the Preparation of the 12th Five Year Plan (1st July 2018 – 30th June 2023)

The preparation for the 12th FYP started in February 2016. Extensive consultations have been held with all stakeholders across the board. The overall Plan objective, and national key result areas or outcomes to be achieved in the five-year period have been finalized.

Currently, agency and local government key result areas—outcomes to be delivered towards achievement of national key result areas—are being formulated and finalized by central ministries, agencies and local governments, respectively. The final step will be the formulation of

agency/local government programs, and the draft 12th FYP is tentatively set for finalization by the end of 2017.

Strategic Framework

The goal of the 12th FYP is to maximize Gross National Happiness (GNH), and the objective is to achieve a “Just, Harmonious and Sustainable Society through enhanced Decentralization”.

As with earlier Plans, the objective and strategic framework is guided by the GNH philosophy, Royal Addresses, the Constitution, the “Strategy for GNH” document, the “Vision 2020” document, and international and regional goals. Stakeholder consultations have been particularly extensive for the 12th Plan preparation, and the 2015 GNH survey results have been used to integrate the nine domains of GNH into the framework for the first time.

Vision 2020, which initially set out in 2000, is the longer-term perspective plan. While it will end about halfway through the 12th FYP period, key elements of the document will continue to be relevant. At the same time, preparation on Bhutan’s next vision document will commence once the 12th FYP formulation is finalized. Whether this will be a 20-year vision as with the earlier document and therefore valid up to the year 2040, or aligned with the SDGs up to 2030, is not yet decided.

To work towards achieving the 12th Plan objective, there are 16 National Key Result Areas (NKRAs) as shown in the following table.

So for instance, NKRA 9 relates to communication within the broader context of development infrastructure and public service delivery.³⁵ The role of communications in development highly important, contributing to more than 20 percent of GDP in some countries through mobile banking telecommunications services, citizen access to government services, etc. At the same time, with increasing disposable income and access to various forms of ICTs, irresponsible media consumption is seen to be a general trend.

Bhutan too could benefit from exploring a greater role for ICT in development, as it is already doing, for example through various government-to-citizen and -business services being provided as

³⁵ The focus on communication in this and subsequent paragraphs is based on the response provided by GNHC Secretary to the comment/question raised by the representative from UNESCO.

well as other ICT-related initiatives which will see greater detail once agency level key result areas are finalized for the 12th Plan.

At the same time, it will need to be prepared against the potential ill effects of ICT engagement. Responsible consumption of media will need to be promoted, which will require working at the fundamental behavioral level as legislation alone is not adequate. Media can play a critical role in terms of impacting gender equality whether through strengthening or breaking down stereotypes of women, or in facilitating environmental conservation and sustainable economic progress, to name a few examples.

12th FYP National Key Result Areas (NKRA)

1. Macroeconomic Stability Ensured	5. Healthy Ecosystem Services Maintained	9. Infrastructure, Communication and Public Service Delivery Improved	13. Democracy and Decentralization Strengthened
2. Economic Diversity and Productivity Enhanced	6. Carbon Neutral, Climate and Disaster Resilient Development Enhanced	10. Gender Equality Promoted, Women and Girls Empowered	14. Healthy and Caring Society Enhanced
3. Poverty Eradicated & Inequality Reduced	7. Quality of Education and Skills Improved	11. Productive & Gainful Employment Created	15. Livability, Safety and Sustainability of Human Settlements Improved
4. Culture & Traditions Preserved & Promoted	8. Water, Food and Nutrition Security Ensured	12. Corruption Reduced	16. Justice Services and Institutions Strengthened

To look at another example, NKRA 10 concerns gender equality. Recognizing the need to improve women and girl’s participation at various levels, this is an area that is being emphasized in both the 11th and 12th FYPs. Areas like female education levels and female unemployment are just some of the examples. In addition, gender is also identified as one of the crosscutting issues in both Plans, so that all agencies and local governments continue to mainstream gender.

A key difference in the 12th Plan is that there will be a greater and clearer sense of ownership and responsibility over the NKRA’s than there was in the 11th FYP. The midterm review of the 11th Plan was a revelation of the fact that no one really “owned” the NKRA’s. For most stakeholders, the focus was more on (for example) the number of schools, hospitals,

kilometres of road, etc., rather than looking at performance and delivery in terms of the bigger picture as intended by the national key result areas.

To avoid this kind of disconnect, the 12th Plan identifies relevant lead agencies for each of the 16 NKRA. Lead agencies are responsible for coordinating with relevant agencies and partners, to discuss issues, work out solutions, and ensure implementation.

So for example: for NKRA 1, the Ministry of Finance as the lead agency will bring on board the sector banks, the national statistical bureau, GNHC, etc., to work together towards ensuring macroeconomic stability of the country. For NKRA 3, the lead agency is GNHC given that poverty eradication and reduction of inequality is a crosscutting matter.

For NKRA 8, given the interconnected and crosscutting nature of ensuring water, food and nutrition security, two agencies share the lead i.e. the National Environment Commission on water security, and the Ministry of Agriculture and Forests on food and nutrition security; they will coordinate with all other relevant agencies including the Ministries of Health and Education.

In addition, several high priority multi-sector interventions or “flagship programs” are identified, based on national significance and potential for high socioeconomic impact. At the moment, these include: integrated water security; economic diversification; quality of education; livelihood of vulnerable groups; improving highlands livelihood program; and national human resources development. These programs will complement the efforts of both central and local government, and will require multi-sectoral coordination. It is proposed that the funds for these projects should be above and over the allocation for the central and local government agencies.

The Plan also seeks to mainstream crosscutting themes such as environment, disaster management, gender, vulnerable groups, and sports in program and projects of all agencies to ensure alignment with the GNH approach. And as elaborated upon in earlier parts of the report, preliminary assessments indicate high integration of the SDGs in the 12th FYP framework. Further integration at deeper levels is expected as the Plan continues to be formulated and finalized.

Another key aspect of the 12th Plan is that it takes into consideration not only the various development challenges facing the country but also underlying process-related issues. As such there is strong emphasis on the “Triple C”—coordination, consolidation, and collaboration—across all

sectors and development actors in order to enhance efficient implementation of policies and program. The process has already started with agencies working together wherever relevant when formulating their key result areas.

Preliminary Fiscal Projections

The total outlay for the 12th FYP is preliminarily projected at about Nu. 292 billion. This amounts to about 33.9 percent more than the outlay of 11th FYP, comprising of 67 percent increase in current expenditure and about five percent increase in capital expenditure. In spite of the delay in commissioning of hydropower projects, an increase of about 70 percent in domestic revenue is foreseen in the 12th Plan, which is projected at about Nu. 214 billion.

Preliminary Fiscal Projections (in Nu. Millions)

Particulars	11 FYP Revised Estimate	12 FYP Projection	% change
Revenue & Grants	196,132	268,978	37 %
Domestic Revenue	127,025	214,563	69%
Grants	68,470	54,415	-20 %
Outlay	218,158	292,425	34%
Total Expenditure	215,793	292,425	36%
Current	105,927	177,100	67%
Capital	109,866	115,324	5%
Fiscal Balance	-22,026	-23,447	
Fiscal Balance <i>without Grants</i>	-91,134	-77,861	
In percent of GDP			
Fiscal balance	-3 %	2%	
Fiscal balance <i>without Grants</i>	-12 %	-6 %	

Grants are projected to decrease by almost 20 percent, though it must be noted that this is only a projection based on past trend. It is not based on any development partner commitments to the 12th Plan, which are yet to be made at this relatively early stage. Even with this internal projection of about Nu. 54 billion in grants, Bhutan is still facing a fiscal deficit of about Nu. 23 billion.

In terms of resource allocation, the 12th FYP will see greater elements of decentralization than in the past. So for example: the indicative amount of Nu. 115 billion for capital outlay will see more of a fifty-fifty

(percent) distribution between central agencies and local government, with Nu. 50 billion earmarked for each. This is a shift from the 11th FYP allocation proportion of about 30 percent to local government as compared to 70 percent to central agencies. The remainder of the total outlay (Nu. 15 billion) is earmarked for Flagship Programs.

Another element to take note of is the allocation of tied and untied funds. Of the funds allocated to central agencies, 80 percent of it will be tied-funds to be used for priority projects/programs, which agencies are expected to have planned at the beginning of the 12th FYP. The remaining 20 percent will be untied funds with the flexibility to be programmed on an annual basis. Such an approach is expected to address some of the financial risks associated with planning i.e. should there be any further delays in hydropower project completion/commissioning, RGoB would give priority to ensuring the allocation of tied-funds.

The final point is that unlike for the central agencies, allocation of resources for local governments (LGs) are through Annual Capital Grants, based on a resource allocation formula, which currently includes population, area, multidimensional poverty index, and transport cost index.

4. Potential Areas for Cooperation

The presentations and discussions over the two-day forum highlighted existing and potential areas for cooperation and partnership between Bhutan and its development partners. Given consistent as well as emerging challenges—and the high bar set by its GNH-SDG aspirations to conduct and deliver on development programs and activities in a holistic and responsible manner—the following are some areas in which Bhutan will need, and benefit from, the support of development partners.³⁶

Avenues for Partnership

- ❖ Addressing **disparities or issues of inequity at disaggregated levels**, for example with regard to income and multidimensional poverty
- ❖ Enhancing **economic diversification** – agriculture, eco-tourism, ICT, CSI, etc.
- ❖ Creating **meaningful employment** for youth
- ❖ Promoting greater **gender** balance in education, health, governance, etc.
- ❖ Improving **quality** of health, education, and other public services with a focus on strengthening human resources capacities, such as adequate numbers as well as expertise of doctors, teachers, nurses, technicians, engineers, managers, etc.
- ❖ Addressing **emerging challenges** - NCDs, deteriorating psychological wellbeing and community vitality indicators particularly in urban areas, vulnerable groups, climate change issues, disasters, etc.
- ❖ Integrated **water security**
- ❖ Livelihood for **vulnerable groups**
- ❖ Bridging the **fiscal deficit** projected for the 12th FYP
- ❖ Strengthening **data** management and analysis
- ❖ Financing **GNH surveys** and **research capacities** to support evidence-based decision-making

³⁶ This list is based primarily on the areas identified in the GNHC presentation, supplemented by additional areas that were mentioned during other presentations and subsequent discussion sessions.

- ❖ Investment in ***start-ups and social enterprises with an environment component*** (such as the ones supported by the UNDP Small Grants Program, for example the small-scale egg-tray factory, incense-making, local cosmetics production, and other such ideas that involve local communities including women and youth)
- ❖ ***Private sector investment/FDI in environmental products and services*** such as new energy-efficient clean technologies, industrial states, cold storage residence, more climate-resilient agricultural products, waste management, etc.
- ❖ ***Besides financial and technical support to fund programs and build capacities, Bhutan would also value development partners sharing innovative ideas***—especially in its efforts to address persistent challenges such as youth unemployment, human-wildlife conflict, lack of economic diversification, poor political participation of women, to name just a few.

Indications of Support and Cooperation by Development Partners

Over the course of the 13th RTM, development partners (DP) reaffirmed their commitment and support to Bhutan’s development. This is summarized and presented below in the order that DPs delivered their statements on 16th March 2017. *Copies of the statements that DPs submitted are provided in Annex 5.*

Development Partner Expressions of Support at the 13th RTM in Thimphu, 2017

#	Development Partner	Support
1.	Thailand	<ul style="list-style-type: none"> -Support has mainly been in the area of human resource development, with RCSC and CNR as key agency partners - Offer support in health mgt., residency, psychiatry, training of nurses, etc. for new hospitals -Will recruit senior, retired Thai doctors to help in capacity building in Bhutan; Approx. 60 Thai doctors dispatched to Bhutan so far -Economic empowerment in local communities...supporting OGOP since 2013 -SDG 17 more evident than ever...committed to partnership with RGoB and private sector.
2.	India	<ul style="list-style-type: none"> -Mutually beneficial cooperation in hydropower sector, with assistance in the area bearing direct impact on communities including the SDPs and other project-tied assistance; -GoI has noted the 12th Plan Guidelines and priorities -Expressed their commitment to continue working closely with RGOB
3.	United Nations System	<ul style="list-style-type: none"> -Will support RGOB in its transition to LDC graduation -Is working and will continue support to addressing remaining challenges: MPI level in health, education & living std.; economic vulnerabilities; unemployment rates among youth; emerging social issues; women's political participation; NCDs; climate change impacts on livelihoods, hydropower and agriculture -Will continue in concert with RGoB in creating enabling environment for the rule of law, data, etc. -New financing windows -Look forward to working with RGOB in implementing AAAA; evidence-based investment case; committed to taking forward with RGoB SDG 1, 13, 15, and their essential linkages to other SDGs. -Will be guided by the 12th FYP & 3 Cs, in the formulation of new UNDAF One Program, which involves RGoB, Civil Society and Private Sector -Reaffirms commitment and support to 11th FYP and formulation of 12th FYP Guidelines.

4.	Japan	<ul style="list-style-type: none"> -Agriculture and rural development sectors: Improvement of machinery and equipment, and road development: 9.60 USD million -Infrastructure development: reconstruction of national highway bridges, 215.16 USD million -Grant Aid for diagnostic equipment to JDWNRH 5.51 USD million -Will continue to support 11th FYP, addressing the remaining needs and to ensure meeting Bhutan's self-reliance goals and targets, democracy, elevation of living standards -High regard for GNH framework, and will continue to support Bhutan's efforts towards its development objectives
5.	European Union	<ul style="list-style-type: none"> -In full support of 11th FYP and will engage in the 12th FYP -Has tripled development cooperation, now at Euro 42 million -Supports Decentralization (fiscal decentralization and civil society) -Climate change is a priority...committed additional Euro 5 million (towards rural development & climate change program; fiscal decentralization; strengthening of CSO society in grants, schemes and capacity building). All these will start this year until 2121 -Additional Euro 4 million for integration into regional and global markets -The new EU consensus on development will be aligned to Agenda 2030
6.	Austria	<ul style="list-style-type: none"> -28 years of development partnership with support for RCSC in implementing results-oriented approach, the justice sector, training opportunities for HTMTI -Together with World Bank, provides support to improve public finance management - Sustainable tourism viewed as an important sector; hospitality training and provision of international level certification; contribution to hydropower development -Fully supports 11th FYP objective -Expects transformation of partnership with Bhutan once it achieves self-reliance status -Offers financing mechanisms, public and private financing, soft loans and business partnerships, technical transfers
7.	Australia	Assists with building capacity in Bhutan through Australia Award Program with more than 700 scholarships offered under this program; support also to civil society and private sector
8.		-Working in Bhutan since 2003, on private sector development, tourism sector, agro business, ICT-enabled agri. practices

	International Finance Cooperation	<ul style="list-style-type: none"> -Challenges now are in Bhutan's natural and competitive advantages; together with the World Bank, intends to expand its portfolio in Bhutan -Supports 12th FYP- towards financial inclusion; private sector development; these investments will not require sovereign guarantees and will not add to public debt. Issue is not investment, but what are the opportunities and processes? -Synergy between GNH and IFC approach of Preserving culture and environment while ensuring good governance -Will be supporting NKRA 2 on economic diversity and on KRA...productive and gainful employment
9.	HELVETAS Swiss Intercooperation	<ul style="list-style-type: none"> -Partners for more than 40 years -In the next five years, will focus on: skills training, local governance, civil society, ...and thus contribute to NKRA 3, 7, 11 & 13
10	Global Fund	<ul style="list-style-type: none"> -Has been working with Bhutan since 2005, investment of approx. USD 50 million -Global Fund's USD 3.6 million allocation estimated for next 3 years -Prospects for additional financing in addressing additional diseases
11	(Bhutan Trust Fund for Environmental Conservation	Commits USD 7.5 million for the 12 th FYP
12	World Wildlife Fund	<ul style="list-style-type: none"> -Last 40 years' support to Bhutan -Committed to working with Bhutan in its 12th FYP core areas -'Bhutan for Life'- would be contributing to 5 of 16 NKRA
13	Save the Children	<ul style="list-style-type: none"> -Offers support for child development programs as long as RGoB requires -Support has focused on Education – ECCD, Child Protection, Disaster Risk Reduction -Would like to continue support along these themes in the next five years
14	World Bank	<ul style="list-style-type: none"> -Financing for development is critical; PPP important; important to take private financing into account—WB will be happy to take part in this -Investment in human development critical—WB will be happy to support Bhutan in this

		-Will focus more on systems, climate change, and gender
15	Singapore	-Key contributions are customized technical support, scholarships, study tour for Bhutanese officials -Assistance in development of ICT master plan, partnership with RCSC -Looking forward to partnership in health care, IT education services and possibility of establishing skills training centres
16	Asian Development Bank	-ADB has committed USD 380 million including grant and concessional loan for 2013-17 -USD 255 million committed for 2018 alone -Bhutan will no longer be eligible from 2019 onward for the concessional window, given that it is not at a high debt distress level -Need for private sector development has become even more important as it moves towards middle income sector—reaffirms ADB’s continued commitment
17	International Union for Conservation of Nature	-Committed to delivering against the SDGs—Climate change adaptation, protective areas, transboundary watershed mgt, wetlands, human-wildlife conflict, etc. are some specific areas of potential partnership
18	Netherlands	Although support has phased out, still many opportunities to collaborate: disaster management, civil society, studies in the Netherlands....

Some specific offers of support were also made by some of the DPs in response to the various presentations made by the RGoB. These are listed below:

- ✓ With regard to the work on Bhutan's GNH Survey and Index, UNITAR extended support in providing expertise in data analysis and building national capacities.
- ✓ With regard to e-waste management, International Telecommunication Union (ITU) will extend support in providing resources and technical expertise.
- ✓ The Government of Thailand will finance the construction of a small-scale waste management factory in Thimphu. They are awaiting a formal proposal on this from the RGoB.
- ✓ ITU is already working with FAO at the regional level to develop an e-agriculture strategy toolkit and with MOIC and MOAF to develop the ERNR masterplan. ITU proposes further collaboration with the government of Bhutan to support with similar work.
- ✓ The UN System in Bhutan offered its support to RGoB's preparation of the next Vision document to follow Vision 2020.
- ✓ UNICEF committed to working with Bhutan in the 12th FYP in the areas of nutrition, education, immunization, water & sanitation, early childhood care, neonatal mortality, child protection, and special education needs
- ✓ UNESCO, through the One UN framework, extended cooperation and support in the areas of sector-wide collaboration; technical support; monitoring and evaluation; framework for the Bhutan Education Blueprint 2014–2024, and SAARC framework for education; SDG goal localization, implementation and monitoring; cultural and heritage preservation, including standard cooperation to improving quality of living in a heritage area; and strengthening role of media in promoting the green economy, and in fighting stereotypes and promoting women employment.
- ✓ The EU extended help in exploring opportunities in terms of promoting foreign investors in Bhutan as potential investors from abroad are interested

5. Conclusion

The 13th RTM witnessed a vibrant exchange of views between Bhutan and its development partners during the formal sessions of the meeting as well as on the sidelines of the event. As summarized by the Co-Chair, H.E. Haoliang Xu, the presentations made by the RGoB **provided participants with a good understanding of critical aspects of Bhutan’s development aspirations, processes and challenges.**³⁷

Particularly encouraging was the linkages drawn between GNH and the SDGs, which showed that **the Royal Government—based on its GNH approach—is clearly committed to the Global Goals.** Based on this, delegates engaged in active and constructive discussions. A key question was on how the 2030 agenda can be effectively financed and implemented, not only by Bhutan but by other developing countries as well.

Other important **questions pertaining to addressing Bhutan’s many development challenges** included: how will it manage the required data revolution? How will issues such as gender equality, economic diversification, early childhood education, youth unemployment, solid waste management, human-wildlife conflict, etc., be addressed? While development partners appreciated Bhutan’s commitment to environmental conservation and contribution to reducing climate change impacts, there was also concern over how this can be continued in light of pressing socioeconomic development needs.

The RGoB for its part expressed confidence that **through the constant encouragement, support and goodwill of its development partners and friends, Bhutan will be able to address the persistent and emerging challenges it faces.** As summarized by the Co-Chair, Lyonpo Damcho Dorji, at the current growth trajectory, Bhutan is likely to be found eligible for LDC graduation for the second time during the 2018 Triennial Review, which would mean its exit from this category following an agreed Smooth Transition period.³⁸

While welcoming the fact that Bhutan has been found eligible for graduation, **RGoB has always recognized that graduation is not an end in itself** but a means to achieve structural change, poverty eradication, and economic diversification, which in turn would lead to

³⁷ Co-Chair H.E. Haoliang Xu’s Concluding Statement is provided as Annex 7.

³⁸ Co-Chair Lyonpo Damcho Dorji’s Concluding Statement is provided as Annex 6.

self-reliance, inclusive, and green socio-economic development that is sustainable.

As both an LDC and LLDC located in a fragile mountain environment, **Bhutan also approaches this milestone with cautious optimism. Optimism, as graduation is a mark of success; cautious because there must be confidence that graduation is sustainable and any risk of backtracking is avoided.** This is particularly critical in the face of persistent and emerging challenges including narrow base economy, over reliance on a single source of revenue, as well as threat of climate change and susceptibility to natural disasters.

As recognized through important intergovernmental decisions, the importance of **smooth transition has been repeatedly emphasized as critical to graduation that is sustainable and irreversible**, and not disruptive to ongoing development plans and processes. These intergovernmental decisions recognize further **the critical importance of continued and sustained international support to transition strategies.**

That having been said, with Bhutan's graduation from LDC category imminent, **the Royal Government sees the 12th FYP as the last mile to graduation.** As also expressed by the Hon'ble Prime Minister, if Bhutan cannot graduate from LDC status, it would be a disservice to its development partners who have stood by it for so long. Further, if graduation cannot be sustained, it would be a disservice to future generations of Bhutanese. **LDC graduation should be approached with dignity. In fact, it is in Bhutan's interest to push for graduation, rather than being pushed to graduate.**³⁹

As expressed by the Co-Chair, H.E. Haoliang Xu, when Bhutan is at this last mile towards LDC graduation, now is not the time for development partners to withdraw support. The RGoB presentations were very clear in terms of fiscal projection and needs for the 12th FYP. In his view, Bhutan not only needs but also deserves international support, and **it would be crucial to have development partners strongly committed to walk that last mile with Bhutan.**

In this regard, what kinds of contributions can development partners make over the next five years? **Development partners were urged to carefully review the areas in the 12th FYP under preparation, and identify the national key results they will support and work**

³⁹ The Hon'ble Prime Minister's Closing Remarks is provided as Annex 8.

with, so as to avoid duplication in helping Bhutan's efforts. It was reiterated that **development partners include not just bilateral and multilateral partners but also civil society and private sector.**

Bhutan remained appreciative of the demonstration of solidarity – for the support that has been provided thus far, and for which it continues to receive. **It also remained grateful for the important contributions made by those development partners who have now phased out, while looking forward to the increasing scope of new partnerships.** Such support will ensure that Bhutan can continue its work to realize its cherished overarching objective of self-reliance, and also the fulfillment of Global Goals. As expressed by the Hon'ble Prime Minister, **Bhutan accepts development support with dignity and humility.**

Looking ahead, **GNH is clearly the way forward.** Bhutan needs to prove to itself that economic growth is possible without undermining social progress, without compromising culture, and without destroying environment. **Bhutan must demonstrate that development can be holistic, balanced, sustainable and inclusive.** It must ensure that it can achieve the targets that it has agreed to in the 2030 Global Agenda.

In conclusion, **the 13th RTM objectives were met** with the interactive format of the meeting providing greater space for discussions – thus creating greater awareness of progress to date, and of remaining challenges and opportunities. Development partners acknowledged with appreciation the frank and open nature of RGoB presentations and interactions. In addition to the presentations, the various interventions from the floor also recognized and highlighted the contribution of Bhutan's development partners dating as far back as the 1960s.

Fiscal projections covering the 11th and 12th FYPs indicated likely financing gaps. The interactive format of the event, frank exchanges, and goodwill on all sides, were some of the contributing factors to strengthening foundations for continued and future partnerships in Bhutan's socio-economic development. Given the **commitment of support by some development partners** during the RTM, it also went beyond mere fulfillment of the set objectives.

So what next? As aptly articulated by the Co-Chair, H.E. Haoliang Xu, the timing of the 13th RTM is optimal as the 12th FYP is under formulation and nearing finalization. Based on the proceedings of the forum, it is important for all delegates to keep the momentum and **take the**

message back to respective headquarters that the Bhutanese government is serious about development (with values).

6. Annexures

Annex 1: Program for the 13th RTM

14th March 2017

9:00- 17:00 Registration at your Respective Hotels
18:30 Reception hosted by H.E Lyonchhen Tshering Tobgay, Honourable Prime Minister of Bhutan at Tashi Taj, Thimphu

Day 1

15th March 2017

Venue: National Convention Centre, Royal Bhutan Banquet Hall, Thimphu

Inaugural Session

08:30-09:00 Registration
09:00-09:15 Inaugural Ceremony (Offering of Marchang) by Dzongdag, Thimphu Dzongkhag Administration
09:15-09:30 Inaugural Address by the H.E Lyonchhen Tshering Tobgay, Hon'ble Prime Minister of Bhutan
09:30-09:45 Introductory Remarks by H.E. Haoliang Xu, UN Assistant Secretary-General, UNDP Regional Director for Asia and the Pacific. Co-Chair for the RTM
09:45-10:20 Launch of 12th FYP Guidelines by HPM followed by Group photograph
10:20-10:45 Opening of side events
10:45- 11:10 Refreshment
Technical Session I Chaired by H.E Lyonpo Damcho Dorji, Minister for Foreign Affairs, Royal Government of Bhutan (RGOB), Co-Chair for the RTM

- 11:10-11:20 Introductory Remarks by H.E Lyonpo Damcho Dorji,
Minister for Foreign Affairs, RGOB
- 11:20-11:50 Presentation on GNH Survey Results (2015) by
Tshoki Zangmo, Researcher, Centre for Bhutan
Studies & GNH Research
- 11:50-12:20 Discussion
- 12:20-12:30 Wrap-up of Technical Session I
- 12:30-14:00 Luncheon
- Technical Session II** Chaired by H.E. Haoliang Xu, UNDP Assistant
Secretary General, UNDP Regional Director for Asia
and the Pacific. Co-Chair for the RTM
- 14:00-14:30 Presentation on SDG alignment to Gross
National Happiness by
Ms Doma Tshering, Director, Department of
Multilateral Affairs, Ministry of Foreign Affairs.
- 14:30-15:00 Discussions
- 15:00- 15:30 Refreshment
- 15:30- 16:00 Presentation on State of the Environment and update
on Bhutan’s INDC by Karma. C Nyedrup,
Environment Specialist and Thinley Namgyal, Chief
Environment Officer, Climate Change Division,
National Environment Commission Secretariat
- 16:00- 16:30 Discussion
- 16:30- 16:45 Wrap-up of Technical Session II
- 18:30
Le Meridian, Dinner jointly hosted by 13th RTM Co- Chairs at
Thimphu

Day 2

16th March 2017

Technical Session III Chaired by H.E Lyonpo Damcho Dorji, Minister for Foreign Affairs, RGOB, Co-Chair for the RTM

09:00-09:30 Presentation on Update of Macro Economic Scenario by Mr. Nim Dorji, Secretary, Ministry of Finance

09:30-10:00 Discussion

10:00-10:45 Presentation on the Current Socio Economic Development and Way Forward by Mr Thinley Namgyel, Secretary, Gross National Happiness Commission (GNHC) Secretariat

10:45-11:15 Discussion

11:15-11:30 Wrap-up of Technical Session III

11:30- 12:00 Refreshment

Technical Session IV Chaired by H.E. Haoliang Xu, UNDP Assistant Secretary-General, UNDP Regional Director for Asia and the Pacific. Co-Chair for the RTM

Morning Session

12:00- 13:00 Statements by Development Partners

13:00-14:30 Luncheon

Afternoon Session

14:30- 16:00 Statements by Development Partners

16:00-16:30 Refreshment

Concluding Session

16:30 Concluding Statement by, H.E. Haoliang Xu, the UN Assistant Secretary-General, UNDP Regional Director for Asia and the Pacific. Co-Chair for the RTM

Concluding Statement by H.E Lyonpo Damcho Dorji, Minister for Foreign Affairs, RGOB, Co-Chair for RTM

Annex 2: Inaugural Address by the Honourable Prime Minister of Bhutan

Transcribed

Lyonchhen Tshering Tobgay's Speech delivered at the Inaugural of the 13th Round Table Meeting on 15th March 2017 at the Royal Banquet Hall, Thimphu

Kuzuzangpo. I have the honor of conveying to you the warm greetings and the best wishes of His Majesty the King of Bhutan.

I want to welcome all our guests, from near and far. Some of you have come from across the world - the other side of the world - from New York, Geneva, Middle East and Thailand. I want to welcome each and every one of you and wish you a very happy stay and a successful deliberation here.

Your Excellency, Haoliang Xu, Assistant Secretary General, Assistant Administrator of UNDP, Director of the Asia Pacific Region, I extend you a special welcome and thank you for agreeing to Co-Chair the 13th Round Table Meeting with His Excellency Lyonpo Damcho Dorji, the Foreign Minister.

I would like to thank the United Nations Development Programme (UNDP) country office for organizing the Round Table Meeting. I am happy to welcome Gerald Daly back to Bhutan.

My dear friends, planned development in Bhutan started as recently as in 1961. So our journey till then was cut off from rest of the world in self-imposed isolation and has been relatively short compared to most of the countries; and it has been marked by ups and downs.

Living in a mountainous country, every journey has ups and downs; and we have managed to deal with the ups and downs. And in our case, guided by the wisdom of our beloved Monarchs, and benefitting from the generosity and support and cooperation of our development partners. Foremost of our development partners is our friend and neighbor India. We have managed to scale our mountains rather successfully.

Since 1961, the Government of India has provided us with generous supplies. The first two plan-periods were entirely funded by the

Government of India, and people of India continue to provide us with a range of support, covering all aspects of our socio-economic development.

Japan, has been our partner since the early 1960s and has helped us develop our agricultural and energy sectors, and build many infrastructure.

The European Union are our other bilateral donors.

The UN agencies came in shortly after we became a member of the United Nations in 1971. UNDP has been our development partner along with many other UN agencies including the UNCDF, WHO, FAO, GEF, UNFPA, UNICEF, WFP and many others. In fact, we have worked with every UN agency that has relevance in Bhutan and benefitted from this association in one way or the other.

The European Union has been our development partner since 1984. We have worked with them and benefitted in areas of renewable natural resources, local government and climate change.

The World Bank and the Asian Development Bank are important development partners. An indication of just how important they are to us is, in the last six years both the World Bank and the Asian Development Bank have established country offices in Thimphu.

Our development journey is different; it is unique. It is one that is guided by the development philosophy of Gross National Happiness. I believe our journey has been largely successful.

In the area of social development we have achieved remarkable progress. Today all our children go to schools; education is completely free. All our citizens receive free healthcare; essential drugs are provided through the proceeds of the Health Trust Fund – a fund that many of you have helped establish. As a result, between 2007 and 2012, poverty in Bhutan was more than halved.

Economic growth has also been impressive. In the last 10 years alone, the GDP in Bhutan has more than tripled. Per capita income has increased to \$ 2,719. More importantly, our economy is inclusive and environmentally sustainable.

As the last surviving Vajrayana Buddhist Kingdom, we have the responsibility to protect our cultural and spiritual heritage. I am pleased

to report here that our cultural heritage and our spiritual heritage are thriving, for our future generations and for the world.

In the area of environment, Bhutan stands as a model to the world. Our Constitution requires that 60% of our land be maintained under forest cover for all time and today, after the most recent Forestry Inventory, we know that our forest cover is more than 71%. More than 52% of our country is protected as nature reserves, nature parks and wildlife sanctuaries, and biological corridors interconnect all these protected areas. We are a biodiversity hotspot and our rich environment means that we are also carbon sink.

However some of our biggest achievements have been made in the area of governance. Here we stand apart from most of the countries. We are a Democratic Constitutional Monarchy, but our people did not have to fight for democracy. We did not have to shed blood for democracy. In fact, our people did not want democracy. Instead, it was imposed by our Kings against the will of our people.

Today, we have our Constitution; we have all the enabling legislations that are required for a vibrant democracy. The institutions of democracy – an independent Judiciary; free and independent media; Anti-Corruption Commission; an independent Election Commission; CSOs, are all in place. We have already conducted two rounds of Local Government Elections and two rounds of Parliamentary Elections. And even as we meet today, the country is getting ready for its third round of Parliamentary elections. Local Government in Bhutan is growing from strength to strength with our emphasis and support for decentralization.

These successes and much more have been achieved because of the wisdom and steering leadership of His Majesty the King, the generous support and cooperation of our development partners, and the dedication and hard work of our public servants.

Our successes have been recorded by other measures, for instance we have achieved most of our Millennium Development Goals. In fact, many of them, including education and reducing poverty were achieved way ahead of our planned timeframe. I acknowledge there are some areas where we still need improvement and these include women's participation in politics, women's enrollment in tertiary education and the need to reverse the incidence of HIV/AIDS. But by and large, we have exceeded expectations especially in terms of achieving the targets of the Millennium Development Goals.

But what's more important for Bhutan is our GNH level. We take Gross National Happiness seriously – as a guiding philosophy, as a public policy instrument and in the implementation of our plans and programs.

In 2010, the Center for Bhutan Studies and GNH Research conducted a GNH Survey. A little later in 2015, another nationwide GNH Survey was conducted. The GNH composite index that the CBS came out with presented a slight but statistically significant improvement.

In 2010, the GNH index was calculated to be 0.743 and in 2015 it was 0.756. The GNH Survey measured 9 domains and broke them up into 33 indicators and 123 variables. 8,871 people were interviewed. Each interview lasted for one and a half hours during which 149 questions were asked. We have a wealth of data from the happiness and wellbeing levels of our people. This data is used to improve planning and public policy in Bhutan.

Some of the data are interesting. For example – our citizens feel that the government services are improving but they also feel that the government is not performing well. So, I think this is good on two fronts; one, our people are receiving services; two, the fact that they are not satisfied with the government's performance means that the principles of democracy is being understood at the very grass-root levels!

Overall, 91.2% of the people interviewed, say that they are happy. Now this means that 91.2% of the people basically have the satisfaction level over half the GNH domains. But 43.4% of the people interviewed say that they are 'deeply or extensively happy' which means that they record satisfaction levels over two-thirds of the GNH domains. And I think that is a very good result.

These successes mean that we have the experience to continue our journey of development. Well, these successes have also meant that some of our donors have felt that we are able to walk the path independently. After many years of working together, Switzerland, the Netherlands and Denmark have phased out. We are deeply grateful for their cooperation and we want to celebrate our achievements with them.

But other developing partners have come on board and those who are with us have increased the depth and scope of their partnership in Bhutan. For example when we started the Eleventh Five Year Plan (11th FYP), little more than three years ago, we had expected to raise Nu. 54 billion from our development partners. In actual we raised Nu. 68 billion, surpassing our expectations. This was possible because many of our

donors actually contributed more than what we projected. Chief among them is the Government of India, who has contributed Nu. 45 billion to our Five Year Plan, in addition to Nu. 5 billion to help us with our Economic Stimulus Plan. I want to acknowledge the generosity of the Government of India and thank His Excellency, Ambassador Jaideep Sarkar.

Japan's contribution which has always been important has also increased over the last few years. I would like to thank Ms. Mayumi Tsubakimoto for coming all the way here from the Ministry of Foreign Affairs.

The European Union's contribution has tripled compared to their last commitment. And I wish to thank Ms. Paola Pampaloni and her delegation for making their time to participate in today's meeting; and through you thank the European Union for the generosity and support. With these support, we are well on the way to achieving the objectives of the 11th Five Year Plan, which is "Self Reliance and Inclusive Green Socio-economic development."

A year and a half ago, we did a Mid-Term Review of how we are performing in the 11th Five Year Plan. The 11th Five Year Plan has 6,154 Key Performance Indicators. We went through all the indicators at the central, district and grass-root level, i.e. the local government levels, and the results were very encouraging.

Of the 6,154 Key Performance Indicators, we have learnt that 49% of the indicators have been achieved. Almost half the indicators were achieved in the first two years. 48% of the indicators are on track and only 3% of the indicators were identified at risk.

Now, the two questions that come to our mind is: How did we measure the indicators? And are the results trustworthy?

The answer to the first is that we had established the whole of government management system called the Government Performance Management System (GPMS); and it is because of the Government Performance Management System, where we measure the performance of government agencies on a yearly basis whereby we are able to track the performance of the government during the 11th Five Year Plan.

As to the second question, 'Are the results trustworthy?' This is a question that I am really interested in and so the National Statistics

Bureau (NSB) has been charged with improving the quality and integrity of the data.

To summarize, we have both good news and bad news.

First, the good news: we are ready to graduate from the LDC category. The Committee for Development Policy in 2015 has earmarked Bhutan as a country that is ready to graduate from being a Least Developed Country. This comes as good news, which is an indicator of our collective successes and testimony of hard work. It is proof that we can walk this development path independently on our own. We look forward to the 2018 triennial review by the Committee for Development Policy and we in Bhutan will be delighted if we do graduate as an LDC.

The bad news is that we are still very vulnerable. We may graduate, but our economy, our entire GDP is just \$ 2 billion – \$ 2 billion for the whole country of Bhutan. The country that is relatively large given that our population is only 750,000, and this population is spread thin throughout the country. What this means is that the per capita cost for building infrastructure and the per capita cost for delivering services is much higher than it will be in most other countries. And for an economy of only \$ 2 billion, this is going to be a huge challenge.

To make matters worse, our economy is dominated by hydropower and subsistence agriculture. Our trade is recorded at 27% of our GDP; we import much more than we export; and most of what we export is hydropower. Our current account deficit is 31% of GDP and quite alarmingly our debt to GDP ratio is at 116%.

Add to this, youth unemployment is rising. Overall unemployment stands at 2.1% of our workforce. But because of the social progress that we have achieved and because our economy is still very shallow, we have not been able to create the jobs that are required for our youths. The latest unemployment results for youth indicate that 13.2% of our youths are unemployed.

58% of our population depends on agriculture but most of it is barely subsistence farming. We do not produce enough to feed our own people, forget about exporting foods. 58% of our population depends on agriculture but only 2.93% of our land is cultivable, that is barely 278,000 acres that are available for cultivation and this is why poverty is still a reality in rural Bhutan. Today, 12.7% of our population is below the threshold for education, health and living standards defined by the multidimensional poverty index.

So, we are vulnerable. Our economy is small; our population is small; we are a landlocked country. Within this landlocked country, most of our population lives in very rural areas. We are prone to natural disasters and this is why our economy is fragile and we are vulnerable.

However, we are confident that we can overcome these challenges. I believe that we are set to embark on this last mile of our journey that will lead to our country graduating from a status as a Least Developed Country. To overcome our challenges, we need to continue to work hard; but with the generous support and guidance of our development partners, I am confident that we will be able to undertake the journey successfully.

This last mile in development, I believe, is represented by our 12th Five Year Plan, the implementation that will begin in 2018. And later today, we will be launching the 'Guideline for the Preparation of the 12th Five Year Plan' Framework for development. The guideline is inspired by the many Royal addresses and profound messages of His Majesty the King; inspired by our Constitution and the Vision 2020. The framework incorporates the findings of the GNH Survey that was conducted in 2015, and it incorporates our obligation to fulfill the targets of the 17 Sustainable Development Goals.

The 12th Five Year Plan Framework has been developed in consultation with all stakeholders: ministries, autonomous agencies, constitutional bodies, judiciary, dzongkhags, local governments, major CSOs, private sectors like Bhutan Chamber of Commerce and Industry and several associations. Consultations were also held with the political parties. What this means is the 12th FYP is not a political document, rather due to the nature of wide consultations the 12th FYP truly belongs to the people.

Based on these wide range of consultations, we have agreed that the objective of the 12th Five Year Plan will be "Just, Harmonious and Sustainable Society through enhanced Decentralization." We will have major focus on economic diversification, youth employment, agriculture, quality of education and decentralization. We have come up with 16 National Key Result Areas, which corresponds to the 9 domains of GNH and they incorporate all Sustainable Development Goals that are relevant to Bhutan.

The Framework will be presented to the central agencies, to the dzongkhags and the local government so that they can come up with their agency specific Key Result Areas and Local Government Key Result

Areas. We will continue to take in their information and then allow the relevant agency to prepare their plans and programs.

Two important surveys are currently being carried out. One, the Living Standard Survey is being conducted at the moment and the other is the Population and Housing Census that is being conducted after 11 years. The results of these surveys will also provide us with valuable feedback for the 12th Five Year Plan – the last mile in our development journey towards LDC graduation.

The 12th Five Year Plan has already taken a year in making. I want to thank and congratulate the Secretary of the Gross National Happiness Commission, Thinley Namgyel and his very capable team and all other civil servants for contributing towards the development plan.

The idea is, in five years, we will be able to achieve all our national aspirations; the first and foremost of which is Gross National Happiness. We need to prove to ourselves that economic growth is possible without undermining social progress, without compromising our culture, without destroying our environment. We need to prove to ourselves that development can be holistic, balanced, sustainable and inclusive. We need to prove to ourselves that GNH is valid not just for government but for businesses as well; and to come up with systems to allow certification of businesses as GNH-friendly. We need to prove to ourselves that we can achieve the targets that we have agreed to in the 2030 Global Agenda.

This last mile is not a sprint; it is a walk but a walk that will be conducted deliberately. In the mountains of Bhutan we know that sprints are of very limited use. We need to walk; we need to walk slowly; but we need to walk deliberately with a sense of purpose.

With the wisdom and guidance of His Majesty the King, with your support, my dear friends in development, and with the hard work and dedication of our civil servants, I know that this last mile in development towards LDC graduation is not just possible but will succeed.

Tashi Delek!

Annex 3: Introductory Remarks by the Co-Chair H.E. Haoliang Xu

**UN Assistant Secretary General and UNDP Regional Director for
Asia and the Pacific, Mr. Haoliang Xu
Opening Remarks as Co-Chair
13th Round Table Meeting of Bhutan's Development Partners
Thimphu, 15 March, 2017**

Your Excellency Lyonchhen Tshering Tobgay, Prime Minister of Bhutan,
Your Excellency Lyonpo Damcho Dorji, Minister of Foreign Affairs,
Your Excellency Lyonpo Namgay Dorji, Minister of Finance,
Venerable Lamas
Distinguished guests,
Ladies and Gentlemen.

'Kuzuzang po la!'

I am deeply honored to share this platform here today with Your Excellency and to join with my fellow Chair, Lyonpo Dorji, in warmly welcoming you to the 13th Round Table Meeting of the Royal Government of Bhutan.

I would like to thank the Royal Government for this opportunity. Indeed, this is the second time I have co-chaired Bhutan's prestigious RTM series.

On my flight into Paro, I was treated to the most dramatic views of Bhutan's mountain peaks covered in snow. I am sure many of you had the same experience. I am confident that this is an auspicious sign as we gather to celebrate Bhutan's development successes, consider its challenges, and reflect on our respective roles in supporting the sustainable development of Bhutan, Honorable Prime Minister.

It was my deep privilege to be granted an Audience with His Majesty the 5th King yesterday, to benefit from his counsel ahead of this RTM. I am struck by his humility and his dedication to people centered-development.

I recall one quotation of His Majesty's that I came across in preparation for today. He said "the world must progress together, or fail together."

This same sentiment and determination led to the creation of the United Nations in 1945 and brought about UN support to Bhutan shortly after it joined the United Nations in 1971 and the opening of the United Nations presence, initially with UNDP, in Thimphu on the 14th of May 1979.

Since then, along with all the development partners of Bhutan, we have been privileged to support the vision of Their Majesties and the Royal Government, and to deliver human development results together.

I had the opportunity to see some of those results this week after I arrived. In Phuntsholing on Sunday, Dasho Dzungda of Chhuka showed me the pioneering engineering works underway to protect Bhutan's essential road arteries against landslides severely exacerbated by climate change. On Monday, I had the pleasure of joining the Honorable Minister for Home and Cultural Affairs as we launched the Virtual Zomdu communication system in his home constituency of Darla.

So many narratives about Bhutan commence with the reflection that it is small and landlocked. While both are true, so too is the fact that Bhutan has the potential to be a giant of sustainable development, and the cutting-edge development interventions I saw this week prove that.

Bhutan's progress is an unsung success story:

- The speed of the nation's progress in **improving the lives of its people** is remarkable: Extreme poverty declined from 35 percent in 2003 to 2 percent in 2012, according to the World Bank, while significant social investment has resulted in net enrolment ratio for basic education of over 96 percent.
- Bhutan ranks as the 13th most **peaceful** country in the world according to the Global Peace Index, and the 27th **least corrupt** nation out of 168 nations, according to Transparency International.
- Bhutan is **one of the fastest-growing economies** in the world, accomplished *without* sacrificing its commitment to environmental protection. Bhutan's real per capita income (GNI in 2011 PPP\$) increased by seven times since 1980 – a remarkable economic performance by any standards.

- Bhutan's **conservation ideology** sparked worldwide interest after the Honorable Prime Minister's 2016 TED Talk, with 1.7 million official views at last count. That TED Talk communicated to the global youth community Bhutan's constitutional commitment to 60 percent forest cover for all time, demonstrating politics with values.
- Since the peaceful inception of **constitutional democracy in 2008**, Bhutan has invested in developing and strengthening its democratic institutions, including the Parliament, with increasing transparency. His Majesty the King's decision to confer the National Order of Merit Award to 22 Civil Society Organizations during National Day celebrations speaks to the continuing opening of civic space.
- At the same time, I understand more **women** came forward to contest last year's local elections, with an increase from 5 percent in 2011 to 11 percent in 2016 of women elected.
- And Bhutan is pioneering new approaches to biodiversity and climate finance through such instruments as BIOFIN, in line with a commitment to press for progress on the Sustainable Development Goals.

These are just examples of Bhutan's successes, but we recognize that this distinguished journey is not yet complete.

Let me explain my perspective.

Last week, I met with UNDP's senior managers from across Asia and the Pacific to discuss the changing face of development. We brought in the Economist Intelligence Unit to help us understand the five megatrends that may have a profound impact on Asia-Pacific:

1. The first considers a **new world order with changes in the global balance of power**. The roles that the United States will play in the world, the positions it will take on world affairs such as trade, the rise of China as we witness the operationalization of the Asian Infrastructural Investment Bank, the potential for heightened regional tensions in different hot spots, the inevitable emergence of other major developing economies, are set to impact the course of development in the region.
2. Second was on **urbanisation and sustainable development**: With less than 50 percent of its people living in cities, the Asia-

Pacific region is just beginning to urbanise, but it is proceeding at a pace unprecedented in human history, adding some 44 million new urban residents each year. Efficient economic growth, greater economies of scale, and better educational opportunities are suddenly possible, but inequity spikes and nations risk falling into an urban middle-income trap, locked in unsustainable patterns of consumption and production.

3. **Third is climate change**, with the Asia-Pacific region the most vulnerable in the world to its effects. Extreme weather events such as floods, heat waves, storms and droughts increase in intensity and frequency. Women and children will bear the brunt, while the resulting damage to infrastructure and food production will hinder or reverse efforts to preserve ecosystems and tackle poverty. While there are efforts to invest in renewables, urbanization leads to greater not less pollution.
4. Fourth is **rising inequalities in Asia and the Pacific**, both in terms of income and opportunity, reflecting institutional weaknesses and social exclusion. Technological change, globalisation and market-oriented reform drive both rapid economic and rising inequalities. The rich will get richer faster. Poor access to education and health care amplifies the inequalities faced by children. Migration from rural to urban areas will increase. However, migration will come with greater inequality in urban areas.
5. **Last is the Fourth Industrial Revolution**: whereas the Asia-Pacific region's past economic booms have been driven by manufacturing, it will increasingly rely on robotics. This leads to temporary unemployment issues, especially due to automation in the work place. The increasing penetration of mobile internet access will open up new opportunities but it is not clear whether or not these lines of access will translate into improved livelihoods for marginalized ethnic groups or the very poor.

I stress these five trends this morning because Bhutan, as an LDC according to UN classification going through the last mile to graduate, but an MIC based on income according to the World Bank, is not immune from these major trends.

While Bhutan has achieved a lot, its challenges are multitude.

Economic vulnerability is a major concern given Bhutan's heavy dependence on hydropower. Bhutan has a very high level of public

debt but financing gap will continue for the foreseeable future, and productivity remains relatively low.

Bhutan's geography is another source of vulnerability, as it cannot capitalize on economies of scale. High trading costs lead to difficulties in diversifying the narrow economic base.

Bhutan sits in a seismically active zone, suffers from Glacial Lake Outburst Flows, and struggles to deal with climatic impacts from flooding to drought.

Bhutan is witnessing a youth bulge, youth unemployment, rapid urbanization, continued issues of gender-based violence, increasing pressure on the environment as development progresses. Each of these challenges are well articulated in the technical paper.

And let's not forget that Bhutan's democracy is still very young – it will be only 10 years old next year. Similarly, more needs to be done in relation to Bhutan's work around access to justice for all, which is a critical component of 'leaving no-one behind'.

To help Bhutan's young democracy to continue to flourish and deal with these challenges, Bhutan's development partners need to stay engaged to support the Government, which is fully committed to Bhutan's development and wellbeing of its people. For the UN, we will continue to be Bhutan's strong and reliable development partner.

Bhutan has a unique development philosophy. The Gross National Happiness is a groundbreaking innovation of His Majesty the 4th King. His idea has inspired people, institutions and governments locally and globally to reconsider the purpose of development, and reflect on the meaning of progress. As we all are committed to the achievement of the 17 Sustainable development goals, it is opportune that we meet together to focus on the theme of Gross National Happiness for the Global Goals.

CLOSING

For the next two days I look forward to a very open and constructive dialogue. My hope is that by the end of this RTM we will have a more intimate understanding of Bhutan's development challenges as well as the opportunities the 12th Plan may have to offer. I hope we will go home refreshed and ready to continue our engagement in Bhutan's sustainable development.

It comes back to His Majesty's wisdom: that "the world must progress together, or fail together." I am confident, Honorable Prime Minister, that we all want to "progress together" and we will stay engaged.

I wish you good dialogue, and Tashi Delek

END

Annex 4: Introductory Remarks by the Co-Chair H.E. Lyonpo Damcho Dorji

Introductory Remarks by Hon'ble Foreign Minister for the 13th Round Table Meeting held in Thimphu.

Excellencies, Distinguished Guests, Ladies and Gentlemen,

1. Allow me to also formally welcome you to this 13th Round Table discussion on the theme 'Gross National Happiness for the Global Goals'. I am pleased to see such a diverse group of distinguished participants. We greatly appreciate the effort made to be here with us. Without your generous and unfaltering support to our socioeconomic development processes over the decades, it would not have been possible for us to achieve the level of advancement that we are at today.

2. A special thank you to H.E. Haoliang Xu, UN Assistant Secretary-General, UNDP Assistant Administrator and Regional Director for Asia and Pacific, my co-chair for this important event. It is indeed a privilege and we are most grateful to have you co-facilitate our discussions over these two days.

3. Let me not repeat what has already been stated by the Hon'ble Prime Minister and the UN Assistant Secretary-General this morning; nevertheless I cannot emphasize enough the significance to Bhutan of this meeting, the objectives of which are:

a. To increase awareness of the progress made in our development efforts in the past five years, and of the opportunities and remaining challenges; and

b. To recognize and highlight the contribution of Bhutan's development partners to date, assess remaining financing gaps, and strengthen the foundation for continued and future partnerships in the socio-economic development of Bhutan.

4. Thus far, we have made significant progress in advancing our human and social development indicators. Efforts are being strengthened to assess and address emerging social issues, to ensure that essential services are provided inclusively and equitably. Gender equality and women's empowerment continue to be given strong focus at all levels. Important democratic governance institutions and processes continue to be strengthened.

Significant initiatives have also been taken on the environmental front, with Bhutan reiterating our commitment to remain carbon neutral in perpetuity. The economy has recovered from a low growth in 2013, and most of the planned development activities are under implementation, with key targets either achieved or on track to being achieved.

5. Despite this positive outlook, major obstacles remain in the face of persisting structural impediments. Our harsh geographical terrain, rapid demographic changes and urbanization trends, vulnerability to impacts of climate change, susceptibility to natural disasters and structural weaknesses in our economy, all make it difficult for us to fully realize the critical components of our current development goal of 'self-reliance and inclusive green socioeconomic development'.

6. Given the high level of synergy between our philosophy of Gross National Happiness and the principles of the Sustainable Development Goals, it is not a surprise that the Sustainable Development Goals and its targets are already integrated in our current policy framework. As such, for Bhutan, Gross National Happiness presents a localised means to the achievement of the Global Goals.

7. We remain confident that through the unrelenting support, good will and cooperation from our development partners, the Royal Government and the people of Bhutan will ably overcome any challenges and capitalise responsibly on opportunities.

8. We look forward to candidly engaging with you in the next two days to discuss ways and means to ensure the successful implementation of our development programs. We will continue to work in earnest to ensure the effective execution of all of our development programmes, so that we are victorious in achieving the transformation that the world collectively seeks.

9. Thank You.

Annex 5: Statements Submitted by Development Partners

Annex 5.1: Statement by Asian Development Bank (ADB)

Country Director, ADB Bhutan Resident Mission Statement on the Occasion of 13th Round Table Meeting Thimphu, Bhutan (15–16 March 2017)

Your Excellency Lyonpo Damcho Dorji, Minister, Ministry of Foreign Affairs, Royal Government of Bhutan; Your Excellency Haoliang Xu, UNDP Assistant Secretary-General; distinguished delegates; ladies and gentlemen.

I am honored to participate as the representative of the Asian Development Bank in this 13th Round Table Meeting. This forum is important, because it offers an excellent opportunity for the Royal Government of Bhutan (RGoB) and development partners to discuss policies and coordinate assistance.

The presentations by RGoB and the roundtable discussions have given me important insights about Bhutan's Gross National Happiness (GNH) approach, socioeconomic development, and the alignment of the 12th Five Year Plan (12FYP) to Sustainable Development Goals (SDGs).

We note from the guideline for preparation of the 12FYP that overarching objective is – “Just, Harmonious and Sustainable Society through Enhanced Decentralization.” The government will allocate a comparatively greater amount of the budget in the 12FYP to local governments and to social sectors through the Ministry of Health and the Ministry of Labour and Human Resources. This wise decision aims to reduce youth unemployment and improve quality human resources that will help the country to foster sustainable economic development and growth.

ADB has been a steadfast development partner of RGoB since 1982. ADB is one of the top contributing development partners to Bhutan, with a total financial assistance of about \$380 million (grants and loans) for the period from 2013–2017 plus about \$9M TA grant during the same period. For 2018 alone, we are programmed \$255 million (grant & loans). Our development journey together has deepened our collaboration and achieved tangible results. In 2014, ADB established our Resident Mission in Bhutan.

ADB reaffirms its commitment to enhance operations in Bhutan through expanding and strengthening capacity of our field office. This is particularly critical to ensure that the implementation of our projects is timely. We will continue to support RGoB's development agenda through our lending and non-lending assistance, and through our TA and knowledge products. Going forward, ADB will continue to serve RGoB as a reliable financier, a catalyzer in finance, and a coordinator for regional cooperation and integration.

ADB is confident that Bhutan will continue to overcome emerging challenges given its proven success record. Presently, Bhutan still receives grants from ADB's concessional fund window, but such grants are now being provided by ADB only to member countries that are experiencing urgent debt distress. Fortunately, Bhutan is not experiencing high debt stress. Therefore, from January 2019 Bhutan will no longer be eligible to receive ADB grants from the concessional fund window.

Next year, ADB will reassess Bhutan's economic situation and creditworthiness to determine whether the country should graduate from the status of Group A country to that of a Group B country. The expected graduation will enable RGoB to access more resources. We are also preparing a new Bhutan Country Partnership Strategy (CPS) 2019–2023, which will be used as the guiding document for our collaboration. As we prepare the new CPS we will continue to ensure that it is fully aligned with the 12FYP.

We are operating under an ever-changing development landscape. Therefore, we have to allow reasonable flexibility. Although our current CPS suggested that we focus on infrastructure and finance sectors, we have in our 2018 and 2019 pipeline, 2 grant projects programmed to support health and skills development. As Bhutan moves toward middle-income status, the need to develop its private sector has become more important in achieving sustainable, inclusive, and diversified growth.

ADB has been supporting RGoB in finding innovative solutions to facing up to new challenges including the development of private sector projects (one of them in collaboration with IFC) and PPP in hydropower projects. We also helped to establish the Better Business Council, who proposes policy recommendations to improve Bhutan's business environment and to support private sector development. And we included diversifying sources of renewable energy in our rural renewable project to pilot alternative sources such as wind turbines, solar energy, and biomass.

Having said this, ADB's country allocation is not sufficient to meet the financing cost of capital- intensive investment projects needed by the country. We welcome cofinancing proposals from other development partners, including private companies, to jointly finance and implement these projects.

In conclusion, I would like to reaffirm ADB's continued commitment to strengthen our partnership with the government, to achieve the national development goals.

Tashi Delek!

Annex 5.2: Statement by Austria

Statement by Austria

Thirteen Round Table Meeting (RTM) of Bhutan's Development Partners

Thimphu, 15 and 16th March 2017

Honourable Chair and Co-Chair, Excellencies, Ladies and Gentlemen

First Austria would like to express its thanks to the Royal Government of Bhutan to convene this 13th Round Table Meeting. The meeting is an important forum to take stock of the achievements and challenges of Bhutan in pursuing its development goals under the 11th Five Year Plan and an appreciated opportunity for discussion and coordination between the Royal Government of Bhutan and the International Donor Community on the way forward for the 12th Five Year Plan.

Austria and Bhutan are longstanding and successful development partners **for over 28 years**. Austria congratulates Bhutan for the significant achievements realised till now under the 11th Five Year Plan. As laid down in the Austria Bhutan Country Strategy 2015-2018 **Austria is ready to continue this fruitful partnership in the frame of the 11th Five year plan**. The **indicative budget for the bilateral development cooperation** amounts to 4 million Euros until 2018.

The last years have seen an **impressive performance of constitutional democratic institutions** in strengthening the rule of law, measures to increase transparency and accountability and to prevent and to stop corruption. The **Royal Audit Authority** as the supreme audit institution in the country has been outstanding in ensuring that public resources are used in the most efficient and effective way. Austria assists the Royal Audit Authority in strengthening the consistency and quality of audit reports and gender based auditing. Also the **Royal Civil Service Commission** has adopted a results-oriented approach in order to achieve efficiency gains in the performance of the civil servants and their public institutions. Together with the World Bank and the European Union Austria contributes to a multi donor fund to support the Royal Government of Bhutan in its strong commitment in strengthening public finance management in the country over the next years.

Austria highly values the performance of the **justice sector** of Bhutan in effectively protecting the constitution, the rights of citizens and in

enforcing the rule of law in the country. With Austrian co funding significant progress has been achieved in upscaling access to justice through new public district courts and specialization of professional legal service delivery. Austria also supports the faculty development of the Jigme Singye Wangchuck School of Law as a competence centre of higher legal education. And Austria contributes to the UN Programme ONE Bhutan earmarked for increasing access and establishing a legal aid system. Through these measures the justice sector has been able to develop public confidence and respect. Until the end of the 11th Five Year Plan period Austria's assistance will continue in the further improvement of district court infrastructure as well human resources.

Austria is pleased to observe a gradually **increasing number of Civil Society Organisations**. 50 civil society organisations have been registered until now. Increasingly taking up advocacy tasks and by participating actively in areas of public concern they can be excellent agents to the further societal and democratic development of the country. Austria holds that an informed and sustainable **tourism** has a high potential for revenue and employment generation and thus significantly contributes to poverty reduction. Supported by Austria the Royal Institute for Tourism and Hospitality is in operation since 2010 and has been instrumental in providing professional skills with international certification in tourism and hospitality sector. A 4 star training hotel at Motithang adjoining the training institute will be opened soon and will be able to provide on the job training to the students. Similarly, providing safe, reliable and affordable **energy** is another precondition for multi-dimensional poverty reduction. With funding from Austria thousands of households have been connected on grid in remote and environmentally sensitive areas. The Dagachhu Hydropower Plant adds 8% or 126 MW hydropower capacity to the existing total production output and the plant will earn gross revenue of Nu. 1.5 billion (Euro 21 million) annually.

Austria is aware that balancing development efforts and conserving the environment are huge challenges. Austria fully supports the 11th Plan objective of **Green Socio-Economic Development**. We assist in exploring renewable energies and energy efficient construction technologies as well as in strengthening national capacities regarding the preservation of aquatic systems in Bhutan. In order to secure the safety of the hydropower plants Austria assists also in the development of national safety guidelines and in building up capacities.

Austria would like to thank the Royal Government of Bhutan for sharing the **findings of the midterm review of the 11th Five Year Plan**.

While good progress has been made, critical issues have been raised for example on the reliability of data, challenges in coordination and deficiencies in reporting the achievements of the national key results. Austria applauds the Royal Government of Bhutan's determination to live up to these challenges. The Royal Government of Bhutan deserves appreciation for the objective "Just, harmonious and sustainable society through enhanced decentralisation" of the upcoming 12th Five Year Plan. We welcome that the preparation of the 12th Plan is based on the findings of this midterm review and aligned with the Sustainable Development Goals. The 12th Plan should be characterized by effective and efficient implementation and accompanied by a human resources development plan, decisive enforcement of policies and close monitoring and steering mechanism at all levels in order to successfully yield tangible results.

In 2017 a joint midterm review of the Austria Bhutan Country Strategy will take place. The outcome of the review will form the basis for decision on the possible Austrian support of the 12th Five Year Plan.

Austria expects that the **longstanding cooperation** between Austria and Bhutan will be transformed into new forms of partnerships across many areas once Bhutan reaches its aim of self-reliance. As Bhutan will be reaching 'middle income' status bilateral development cooperation grant programmes gradually will be phased over to mature loan programmes. Austria offers financing mechanisms, where public and private sources of financing and technology transfers are blended which will help to further strengthen our excellent relationship and to lift it to a new level. For example is Bhutan **eligible for Austrian soft loans** and business partnerships. The business dimension of our bilateral cooperation could be further utilised in exploring new business and job opportunities in Bhutan.

We would like to conclude with our thanks for the **excellent preparation** of this 13th Round Table Meeting and our sincere wishes to the Government and the people of Bhutan for successful meeting the challenges that lie ahead.

Thank you and Tashi Delek

Annex 5.3: Statement by Australia

STATEMENT BY AUSTRALIA – RTM

Your Excellencies, Secretaries, Distinguished Delegates, Ladies and Gentlemen.

Australia and Bhutan enjoy a long and productive relationship. This year marks the 15th anniversary of diplomatic relations between our countries, but our partnership goes back much further than this, to the beginning of the Colombo Plan. Australia is privileged and deeply honoured to be represented at this important 13th Round Table Meeting and, on behalf of the Australian Government, I thank the Royal Government of Bhutan for its excellent arrangement of this meeting; and for the warm hospitality extended to me and to other delegates.

Australia commends Bhutan on its balanced approach to development under the philosophy of Gross National Happiness. We are pleased that high economic growth; significant improvement on socio-economic indicators; and advancement in good governance have positioned Bhutan well to achieve the Sustainable Development Goals. We congratulate the Royal Government on its development achievements to date, on the formulation of the Guidelines for Preparation of the 12th Five Year Plan, and on its frankness in articulating its development challenges going forward.

Australia is pleased to be able to make a significant contribution to Bhutan's human resource capacity development. In response to the priorities of the Royal Government, Australia's targeted assistance focuses mainly on capacity building of individuals in government, the private sector and in civil society, and we work closely with one another to ensure that our programs respond to Bhutan's needs.

Bhutan's stated commitment to improving gender equality outcomes resonates strongly with Australia. Both our countries place a high priority on women's empowerment, and gender equality principles are considered at all stages of our program and embedded in our joint activities.

Australia continues to help build capacity in Bhutan through the Australia Awards program. Since 2007, under this program, more than 700 scholarships (both short-term and long-term) have been offered to Bhutanese tertiary students. Many senior officials, career bureaucrats and other influential individuals who have been educated in Australia

have returned to Bhutan and are making a strong contribution to Bhutan achieving its development objectives. In recent years, 50% of scholarship awardees are women and we are confident that this will contribute to achievement of gender equality outcomes more broadly.

The Bhutan-Australia relationship continues to be strengthened through linkages with Australian tertiary institutions, which are helping build institutional capacity within the Royal Institute of Management, strengthen technical and vocational education through a partnership with TAFE NSW; and expand Australia's volunteers program in priority sectors. These activities play a critical role in building people-to-people linkages that will maintain the strong relationship between our countries over time. In 2016, Australian support also helped to build the capacity of the NGO RENEW, whose advocacy campaign aims to decrease the level of gender-based violence and contribute to the economic empowerment of women across the country.

Australia also supports Bhutan through our South Asia Regional Program, which supports the integrated management of water, food and energy at the basin scale, addressing climate risks and the interests of women and girls. Over the past three years the focus in Bhutan, through Australia's partners the International Finance Corporation and the International Centre for Integrated Mountain Development, has been on public-private partnerships to unlock huge hydropower potential, and we have also seen the development of a regional flood information system on the Brahmaputra-Ganges basins to support both communities and government better protect lives, livelihoods and infrastructure.

On behalf of the Australian Government, I would like to reaffirm Australia's ongoing and sincere commitment to assist Bhutan in achieving its development goals. We look forward to continuing our fruitful and close partnership in years to come.

Thank you

Tashi Delek

Annex 5.4: Statement by Bhutan Trust Fund for Environmental Conservation (BT FEC)

Your Excellencies, Hon'ble Representatives of Donor agencies, Ladies and gentlemen.

It is a great privilege for me to give this statement on behalf of the Bhutan Trust Fund for Environmental Conservation. BT FEC is a National Environmental Trust Fund created as envisioned by His Majesty, the 4th King of Bhutan in 1992 for sustainable financing, to protect our natural heritage and as a legacy for generations to come.

The fund's establishment was made possible through the unwavering contribution of initial capital to the tune of USD 21 million; made by the Global Environmental Facility (10), WWF-US (1), and the governments of Denmark, Finland, Norway, the Netherlands, Switzerland and the Royal Government of Bhutan (10). We are deeply indebted and grateful for their contributions to this noble venture of our country.

Considering the importance of BT FEC for sustainable financing in the field of conservation and fight against negative effects of climate change, His Majesty, in 1996, granted the Royal decree through the Royal Charter to govern the operations of the Fund. Since then, I am happy to report here today, the net endowment market value has grown more than double, i.e over \$50 million through investments in the global financial markets such as the mutual and index funds.

Since Inception BT FEC has supported 196 environmental projects as grants to various agencies of the Government, NGOs and private sector amounting to approximately US\$19.633 million. I am also very happy to mention here that based on past years' market trend, BT FEC commits the availability of US\$7.5 million, which is on average of US\$1.5 million annually for the 12th Five Year plan period.

Lastly, on behalf of the BT FEC Management, I would like to put on record and take the opportunity to thank The Royal Government of Bhutan for all the support and the representatives both present and absent here today for their valuable contributions to the BT FEC endowment fund for sustainable financing. Their contributions will go a long way in our effort for the conservation of Bhutan's floral and faunal Bio-diversity and eco-system at large.

Thank you and Tashi Delek

Annex 5.5: Statement by the European Union

STATEMENT BY THE EUROPEAN UNION

Paola Pampaloni, Deputy Managing Director for Asia and the Pacific,
European External Action Service, Brussels

H E. Honourable Minister of Foreign Affairs, TBC
H.E. Assistant-Secretary General of the United Nations, Mr Haoliang Xu;
Excellencies,
Colleagues development partners,
Ladies and gentlemen.

I am delighted to attend the Donor Round Table on behalf of the EU. This is an excellent opportunity to confirm flourishing EU-Bhutan relations and to discuss Bhutan's current 11th (2013-2018) and the upcoming 12th 5-year plan (2018-2023). It is also an opportunity to improve coordination among development partners for the next years.

Yesterday I was delighted to listen to the address by HE the Prime Minister on the country's achievements and challenges for the future development plans and the presentation of Bhutan's vision of the National Gross Happiness.

Bhutan's development has seen impressive results: a successful democratic transition, healthy economic growth, a large increase in per capita income and a halving of poverty levels. Bhutan is a constructive player in regional cooperation, notably in the South Asia Association for Regional Cooperation. And Bhutan has made great strides improving democracy, education, rule of law, as well as combating domestic violence, and protecting women and children's rights.

The EU fully supports the implementation of Bhutan's development plan (the current 11th Five-Year Plan) and will continue to engage with the Government for the formulation and implementation of the 12th FYP.

To demonstrate the strong commitment to support Bhutan in its development strategies, the EU has tripled the bilateral funding from our Development Cooperation Instrument for our current budgetary framework 2014-20. Our aid is now **42 million euro** compared with 14 million euro in the previous period 2007-2013. Our current support focuses on two key areas:

1. decentralisation, including fiscal decentralisation and civil society;
and
2. rural development and forestry.

Rural areas are home to most of Bhutan's people and a key development challenge is to ensure inclusive and equitable growth, which reaches also the remote areas of the country. As we heard yesterday, these are also identified priorities of the 12th FYP.

The **strategic objective** of EU programmes is to support Bhutan's democratisation and modernisation process and to reduce poverty through inclusive socio-economic development and growth.

Climate change is another priority in our cooperation, with particular attention to tackling the impacts of climate change on sustainable development. I am very pleased that the EU and Bhutan signed, in Paris at the COP 21, a joint declaration on cooperation on climate change. This declaration welcomes the high level of ambition of Bhutan's National Climate Plan. Moreover, under the so-called **Global Climate Change Alliance**, we committed additional 5 million Euro to combat climate change. Therefore our support is currently focusing on the following

- a) **Rural Development and Climate Change Programme**, which amounts now to a total of 21.5 million Euro delivered in the form of sector budget support and linked to the FYPs.
- b) **Local government and fiscal decentralisation**, which amounts to 20 million Euro and includes sector budget support to local government reforms and public finance management.
- c) **Strengthening of Civil Society**, with 2.5 million Euro in grant schemes and capacity building.

All these EU programmes will start this year and will continue approximately until 2021. In addition, the EU is exploring the possibility to provide 4 million Euro to support the integration of Bhutan in regional and global markets. This could be an important help in support of economic development through export diversification, increasing exports in selected value chains, notably horticulture and textile handicrafts.

Excellencies
Ladies and Gentlemen,

The new European Consensus on Development – “our world, our dignity, our future” – in conjunction with the EU Global Strategy for Foreign and Security Policy (June 2016) will recalibrate the EU Development Policy to be more visible and coherent with the 2030 agenda for sustainable development. The main objective is to focus the EU actions towards the achievement of the SDGs and to respond to evolving global challenges. This will be our common responsibility.

The EU remains committed to cooperate with the Royal Government of Bhutan. I wish you great success for the formulation and implementation of your new Five Year Plan. Thank you.

Annex 5.6: Statement by Global Fund

1. Thanks to the partners who have made this possible
 - Gross National Happiness Commission
 - Ministry of Foreign Affairs
 - UNDP
 - Ministry of Health
 - Thank you for the opportunity to be here for the discussion about the progress made against targets for 11th FYP and input into development of 12th FYP
 - It is an honor to be part of such a well-structured, analytical and thoughtful planning process and to better understand the outlook for development in Bhutan under the unifying agenda of Gross National Happiness for the Global Goals
2. Take the opportunity to thank the Queen Mother Ashi Sangay Chodem Wangchuk for all of the work that she is doing raising awareness about HIV in her visits throughout the country. We are fortunate to have such a prominent figure supporting the work of the National HIV Program and are grateful for her efforts to reduce stigma and discrimination and to promote prevention and testing.
3. Global Fund historical investment in Bhutan
 - \$14.58M historically, beginning in 2005 with TB and malaria grants
 - Currently in third round of grants which are worth \$6.0M across the three diseases
 - Amongst other things, the funding supports:
 - HIV treatment for 240 people currently living with HIV
 - TB diagnosis and treatment for over 4,600 people since 2005
 - Distribution of over 388,000 bed nets since 2005
 - Major accomplishments of the national disease control programs
 - Improved access to testing and treatment, including ensuring universal coverage of HIV testing in antenatal clinics and introduction of treatment for all people testing positive for HIV, a policy adopted by the Royal Government of Bhutan this past December
 - Improvement in the diagnostic capacity of the district hospitals and the Royal Government Center for Disease Control for TB detection, leading to earlier diagnosis for TB and MDR-TB patients
 - Substantial (95%) reduction in the number of malaria cases since 2005. Just over 100 (104) malaria cases notified last year, most (64%) of which were imported. Huge success of the National Vector Disease Control Program in controlling malaria transmission and working towards elimination.
 - Bhutan has successfully achieved the MDG targets established for malaria and tuberculosis
4. Looking forward some challenges remain to continue to ensure the Royal Government of Bhutan is able to successfully control and work towards elimination of the three diseases
 - Cross-border and rural-urban migration brings the risk of increased disease transmission.
 - The National Vector Disease Control Program has done an excellent job of screening migrant workers for malaria upon entry to the country, which has helped identify disease early and prevent onward transmission.
 - Important to continue to invest in these programs and remain vigilant, as neighboring countries with higher rates of all three diseases pose a risk to the disease control efforts in Bhutan.
 - Important to continue to update disease control strategies to address an increasingly urban population.

- Need for earlier detection and improved treatment and care for people living with tuberculosis, especially those with MDR-TB
 - Improvements in diagnostic technology have led to an increasing number of people being identified with multi-drug resistant tuberculosis, including one patient identified with pre-XDR-TB earlier this year.
 - Applaud efforts of TB Program to introduce new treatment regimens which shorten the length of treatment and have improved outcomes for MDR-TB patients and encourage acceleration of these efforts.
5. Allocation for Bhutan for 2018 – 2020 period will be USD \$3.58M covering the three disease programs¹
- Discussions have begun with the Ministry of Health and the country-level governing body which oversees the grant implementation to explore how those funds will be best invested to achieve impact in the three programs
 - Also looking to ensure that the funding be used to invest in systems and structures that will improve the health system overall and create a sustainable impact beyond the lifetime of the next set of grants
 - We look forward to supporting the efforts of the Ministry to both further decentralize disease control efforts, while at the same time strategically consolidating infrastructure and services, and will additionally look to leverage other partnerships in the country that will make our investment more impactful.

In conclusion, we are grateful to the Royal Government of Bhutan for the opportunity to be here for the 13th Round Table Meeting to explore how we can further strengthen our partnership with the Ministry of Health to support the objectives of the Gross National Happiness Commission and to ultimately create a sustainable impact in controlling and eliminating HIV, TB and malaria over the coming years.

¹ HIV \$1.08M; TB \$1.07M; Malaria \$1.43M

Annex 5.7: Statement by HELVETAS Swiss Intercooperation

Thirteenth Round Table Meeting between Royal Government of Bhutan and Development Partners Thimphu, 15-16 March 2016 Statement of the Delegation of HELVETAS Swiss Intercooperation

Excellencies, Dashos, distinguished delegates, ladies and gentlemen

1. HELVETAS has been a development partner to Bhutan for more than 40 years. The partnership is built on deep personal relationships and mutual respect. We take pride in being a partner to the country's significant achievements in the fields of education, infrastructure, rural economic development, and more recently, vocational skills training and decentralisation and local governance.
2. Bhutan has achieved several of the Millennium Development Goals (MDGs) and has made the same commitments towards the Sustainable Development Goals. Deepening decentralized democracy and supporting the growing role of the civil society and the private sector are also clear priorities for the country. Challenges of growing importance are rural-urban differences in poverty rates although urban poverty is also now becoming a topic of concern, youth unemployment and associated issues of lack of quality and mismatch in the relevance of skills training, the still limited growth of the private sector, and the fact that civil society organizations are, in many ways, still emerging and growing in their roles in a democracy. The 11th plan has recognized these challenges, and the national key result areas of the forthcoming 12th plan also suggest that these topics will receive attention.
3. I am pleased to reaffirm HELVETAS Swiss Intercooperation's commitment to remain engaged in Bhutan as the country moves forward in its development process. I am personally very happy about the continued cooperation between Bhutan and Switzerland despite SDC's decision to phase out from Bhutan. Keeping in mind the above mentioned challenges in the country and the priorities in the 12th plan, our focus in the next five years will be on skills training and entrepreneurship, and local governance and decentralization, thus contributing to the National Key Result Areas 3, 7, 10, 11 and 13.

4. Looking at these two areas of intervention, it is natural that we seek to continue our excellent partnership with the government and also to engage with the private sector more than we have done in the past. Investing in vocational skills will eventually not make as much difference as we would like if potential employers from the private sector are not engaged in, for example, apprenticeships. The same with civil society, including farmer groups and cooperatives, and local NGOs. These organized forms of civil society are an integral part of a democracy.

5. We are happy to note that the 12th five year plan will look into qualitative aspects of development, and into results based management, and data gaps. Lessons from the 11th five year plan mid-term review also show the need to give attention to these topics. These are issues we face during implementation of our programme.

6. HELVETAS welcomes the objective of the 12th Plan for a Just, Harmonious and Sustainable Society through enhanced decentralization. We stay committed for the 12th Plan period with our development experiences and expertise in the fields of vocational skills training and entrepreneurship, and local governance and decentralization, and, most importantly, building on our more than 4 decades of successful partnership.

HELVETAS Swiss Intercooperation thanks the Royal Government of Bhutan for the excellent preparation and arrangements for this Round Table Meeting. We would like to take this opportunity to wish the people of Bhutan the very best for the future.

Thank you and Tashi Delek

Thimphu, March 16th, 2016

Annex 5.8: Statement by India

Remarks by Ms. Esha Srivastava, Deputy Chief of Mission, Embassy of India, Thimphu: 13th Round Table Meeting of Development Partners: Thimphu, Bhutan: March 16, 2017

Lyonpo Damcho Dorji, Minister of Foreign Affairs, Royal Government of Bhutan,

H.E. Haoliang Xu, UNDP Assistant Secretary-General, UNDP Assistant Administrator and Regional Director, Asia and the Pacific,

Distinguished Delegates,

1. Government of India is happy to participate in the 13th Round Table Meeting that has brought together Bhutan's policy makers with representatives of various donors and multilateral organizations. I thank the organizers for the opportunity to speak briefly on the India-Bhutan development partnership.

2. Government of India has been associated with Bhutan's planning process since its inception in 1961. Over the years, the India-Bhutan development partnership has been supporting the Royal Government of Bhutan's economic priorities, plans and programmes. Cooperation in the hydropower sector between India and Bhutan is a true example of mutually beneficial relationship, providing clean electricity to India, generating export revenue for Bhutan, and further strengthening the bilateral economic linkages. The two countries have successfully concluded several power sharing agreements.

3. In recent years, the main vehicles of channeling assistance have been Project Tied Assistance or PTA projects and the Small Development Projects or SDPs. The SDPs, in particular, have made a direct impact in the lives of the communities where they are implemented with full peoples' participation. Overall, our experience has been that the Royal Government of Bhutan implements projects effectively and in a time bound manner, leading to considerable socio economic development, particularly in rural areas.

4. A clear vision of Bhutan's development priorities, based on the concept of Gross National Happiness, and objectives and good governance are key reasons behind the rapid strides Bhutan has made over the past many years. We heard yesterday from the Prime Minister about the commendable progress Bhutan has made in developing its

social and physical infrastructure. Economic growth is taking place side-by-side with balanced and inclusive development that has reached the last citizen. An important facet of Bhutanese society is the relatively high degree of gender equality. Nonetheless, the Government is taking extra steps in this regard and it is noteworthy that gender mainstreaming is a priority in both 11th and 12th Five Year Plans

5. We have noted the guidelines for preparation of the 12th Five Year Plan that seek to address the emerging challenges that face a rapidly changing Bhutan. The objective of the 12th Five Year Plan is building “a just, harmonious and sustainable society through enhanced decentralization”, and we hope that this National Development agenda will guide and inspire all stakeholders engaged in the task of nation-building.

6. The theme of this year’s meeting is ‘Gross National Happiness for Global Goals’. There is increasing international interest in Bhutan’s social and economic development model. Bhutan’s success has been to effectively mainstream the principles of GNH within its governance structure and processes. Therefore, the Round Table Meeting serves as a platform not only to hear what others have to say about Bhutan but also what Bhutan has to offer to the world.

7. I wish to place on record the tremendous cooperation that we have received, in particular, from the Gross National Happiness Commission which is the nodal agency for most of our development partnership programmes, and also from all other Ministries and agencies connected with our bilateral programmes.

8. In conclusion, I would like to reaffirm our commitment to continue to work closely with the Royal Government of Bhutan in the spirit of the unique relationship that our two countries share, drawing upon geographical proximity and cultural, economic and people to people inter-linkages.

Thank You and Tashi Delek!

Annex 5.9: Statement by International Union for Conservation of Nature (IUCN)

IUCN statement for the 13th Round Table Meeting, 15th-16th March 2017

Your excellencies, co-chairs, distinguished delegates, ladies and gentlemen

On behalf of IUCN, the International Union for Conservation of Nature, I would like to thank the Royal Government of Bhutan for your invitation and the opportunity to speak. Thank you also for your warm welcome and your generous hospitality.

On behalf of IUCN I offer my congratulations on hosting this successful, ambitious, and inspiring round table meeting.

IUCN's global programme is also aligned and focused on delivering against the Sustainable Development Goals, albeit a narrower selection than the comprehensive coverage described in this round table meeting.

IUCN would be honoured to make a contribution to the aspirations described during this meeting, to the best of our ability, drawing on our global and regional network of over 1200 government and non-government members; over 11,000 experts and practitioners in protected areas management, climate change adaptation, human wildlife conflict, water and wetlands management, forest landscape assessment, endangered species assessments, sustainable livelihoods development, and other relevant and related issues; and our good relations and accreditation with multilateral and global institutions such as the Global Environment Facility and the Green Climate Fund.

IUCN looks forward to further discussing and progressing with the Royal Government of Bhutan, and other partners, long term and strategic development of new initiatives to help meet the aspirations of the 12th five year plan, as well as options and opportunities related to specific partnerships and projects already in development, including:

- the options for participation with IUCN in a long term global initiative on ecosystem based adaptation to climate change in mountains,
- the options for developing further engagement with the Asia Protected Areas Partnership,

- further development of initiatives building on the BRIDGE transboundary watershed management project
- the options for supporting activities relating to wetlands and the Ramsar convention
- the options for further developing ideas and opportunities for assessment of species including Red List assessments building on the successful Red List of the Endemic Plant Species of Bhutan
- the options for working together with the Royal Government of Bhutan and other partners on the important issue of human wildlife conflict, and
- other opportunities that may contribute to the aspirations for Gross National Happiness set out over these two days.

Once again, on behalf of IUCN, thank you for the opportunity to participate in this inspiring event and for the opportunities and invitations to develop ways in which IUCN may make a contribution.

Your Excellencies, distinguished delegates, I remain at your service.

Christopher Howe
Director of Programme Development
IUCN Asia Regional Office

Annex 5.10: Statement by Japan

The 13th Round Table Meeting (15-16 March, 2017, Thimphu) Statement by Ministry of Foreign Affairs of Japan

Mr. Chairman, H.E. Lyonpo Damcho Dorji, Minister for Foreign Affairs,
Kingdom of Bhutan,
Mr. Chairman, H.E. Haoliang Xu, UN Assistant Secretary-General,
UNDP Assistant Administrator and Regional Director, Asia and the
Pacific,
Excellencies, Distinguished Delegates,
Ladies and Gentlemen,

It is my great honor to be given an opportunity to address the audience on behalf of the Government of Japan at this 13th Round Table Meeting. I would like to take this opportunity to express my sincere respects to the Royal Government of Bhutan for its strong ownership aiming at further promotion of the 11th Five Year Plan.

The last year marked the 30th anniversary of the establishment of diplomatic relations between Japan and Bhutan. The two countries have enjoyed historically cordial and friendly relations with wide-variety and multi-layered interactions. These include high-level visits between the Japanese Imperial Family and the Bhutanese Royal Family as well as grass-roots exchanges in various fields. Japan began its economic cooperation to Bhutan with the dispatch of an agricultural expert, late Mr. Keiji Nishioka, who was bestowed the title of "Dasho" by His Majesty the King of Bhutan for his life-long contribution to the development of agriculture in Bhutan.

Since then, successful results of our economic cooperation have been witnessed, particularly in the agriculture and rural development sectors. Moreover, Japan, as one of the major donors, has supported the self-reliant efforts of Bhutan for the progress and consolidation of democracy, elevation of living-standards, and other socio-economic development.

Mr. Chairmen,

With regard to the current 11th Five Year Plan, Japan has continuously supported Bhutan's development endeavors focusing on areas such as agriculture and rural development and infrastructure development. For this end, in the area of agriculture and rural

development, Japan has recently extended a grant aid for improvement of machinery and equipment for the construction of rural agricultural road in Bhutan (up to approx. 9.67 million US dollars), and for promotion of modernisation and improvement of productivity in agricultural sector through providing power tillers which are suited to cultivate mountainous areas of Bhutan (up to approx. 2.5 million US dollars).

In the area of economic infrastructure development, Japan has extended a grant aid for reconstruction of bridges on National Highway No.4 aiming at stable transportation by improving capacity and safety of those bridges (up to approx. 215.6 million US dollars). Last but not least, Japan has extended a grant aid for providing diagnostic equipment to the national and referral hospitals in Bhutan with a view to improving diagnostic capacity and accessibility to medical services in rural areas (up to approx. 5.51 million US dollars), which are targeted in the 11th five year plan.

Japan will continue to support Bhutan's efforts according to the 11th Five Year Plan and hopes that Bhutan will make the most of our economic cooperation under Bhutan's ownership, in order to enhance living standard of the people of Bhutan.

Mr. Chairmen and distinguished colleagues,

Having high regard for Bhutan's national development plan based on the basic principles of Gross National Happiness, Japan will continue to support Bhutan in addressing remaining development needs, and be ready to provide its full support to Bhutan's endeavors toward self-reliant development.

Japan hopes that Bhutan will steadily implement the 11th Five Year Plan in coordination with its development partners, based on the proactive discussions held during these two days towards goals of Bhutan 2020 and the next 12th Five Year plan.

Thank you for your attention.

Annex 5.11: Joint UN Statement

Joint UN Statement at the 13th Round Table Meeting, Thimphu,

Mr. Gerald Daly, UN Resident Coordinator

Kuzuzang Pola

Your Excellency, Lyonpo Damcho Dorji, Minister of Foreign Affairs,

Honorable Mr. Haoliang Xu, UN ASG, UNDP Regional Director, Asia and the Pacific and Regional UNDG Chair, ASG Nikhil Seth of UNITAR, Excellencies, Dashos, members of civil society, distinguished participants, colleagues from UN agencies and entities (based both internally and externally), ladies and gentlemen

Introduction

As the UN Resident Coordinator of the UN in Bhutan I am humbled to address the RGOB and its development partners. I start by noting that the 'One UN voice' is a pillar of Delivering As One and thus this statement is made on behalf of the UN entities that support Bhutan's development and is a reflection of our continuous efforts to partner with Bhutan within a relevant, coherent and effective framework. These UN agencies and entities are:

- **Resident Agencies:**
 - FAO, UNFPA, UNDP, UNICEF, WHO, WFP + UNODC, UN Women
- Non-Resident Agencies:
 - IFAD, UNAIDS, UNCDF, UNCTAD, UNDESA, UNEP, UNESCO, UNHABITAT, UNIDO, UNOCHA, UNOPS, UNV
- **And present also here today:**
 - ITU, UNIC, UNITAR, WIPO

As I will speak on behalf of these UN entities, I request your flexibility on my time duration.

Socio-Economic development:

Over the last decades, Bhutan has experienced strong economic performance, which is supported by rapid growth in industry and services and includes the construction of three major hydropower

projects. Discussions have started on Bhutan's graduation from the groups of LDC's via the Triennial Review conducted by the Committee for Development policy at the UN. We the UN will support the RGoB in this transition.

In the social sphere too, Bhutan has made impressive progress. The net enrollment ratio for basic education stands at 96.2 per cent. Bhutan is amongst the top 15 countries that have seen greatest improvements in the ICT Development Index where it is 117 out of 175 countries.

Good Governance:

Bhutan will celebrate the 10th year anniversary of Democracy next year. It has made great progress in governance through greater transparency and accountability. Bhutan is the 27th least corrupt country in the world. Bhutan ratified the United Nations Convention against Corruption in 2016, reiterating its commitment to counter corruption. While the world became less peaceful, Bhutan was ranked the 13th most peaceful country in the world. With such significant progress on the economic, social and political fronts, Bhutan focuses on sustaining achievements, and on ensuring that development gains are equitable and benefit all Bhutanese people.

The UN in Bhutan notes with humility that we have had the opportunity to work together with and serve the Royal Government of Bhutan for the last four decades in addressing national issues, and being able to witness and support Bhutan's unique development trajectory.

Remaining Challenges:

Despite the significant progress, challenges persist. The multidimensional poverty index reflects that 12.7 per cent of Bhutanese still fall below the threshold in terms of health, education and living standards. Bhutan remains highly vulnerable to external shocks. Economic diversification commensurate with growing demands is yet to take place and is currently predominantly driven by the hydropower sector, which has limited potential for the creation of productive jobs to absorb a growing and an increasingly educated labour force. Unemployment rates among youth remain comparatively high, yesterday, honorable Lyonchheon quoted a figure of 13.2 %.

Bhutan is also confronted with emerging social challenges such as: disabilities; substance abuse; domestic violence and gender-based violence; child protection issues; and youth-related issues. While a

notable improvement in women's participation in local elections of 11 per cent was significant, more attention is needed in enhancing women's political participation. I would like to take the opportunity to thank the members of civil society who assisted the RGoB in achieving this milestone. Despite a remarkable reduction, neonatal mortality – deaths occurring in the first 28 days of birth – is still high, accounting for 70 per cent of infant and more than half of under-five deaths.

Attention needs to be also paid to address non-communicable diseases that now account for over three-quarters of all deaths in Bhutan and the probability of premature deaths, before the age of 70, from one of the four main Non-Communicable Diseases is one in five. Climate change impacts such as flood occurrences and potentially severe fluctuations in seasonal weather patterns, can have significant consequences for both lives and livelihoods in Bhutan and affect long-term sustainability of its hydropower and agricultural based economy.

UN's Support to RGoB and 12th FIVE YEAR PLAN linkage with SDGs:

The United Nations agencies that work in Bhutan is already responding to these challenges in close collaboration with the RGOB and with other national and international partners.

We will continue supporting the RGoB in promoting inclusive economic growth, promoting climate and disaster resilience, improving access to and availability of weather and climate services, mobilizing the potential of youth and women, and promoting increased access to and usage of essential social services. The UN will continue creating enabling conditions for a food- and nutrition-secure economy, promotion of rule of law and access to justice and protecting and empowering vulnerable groups—including institutionalizing social protection schemes especially for women and children, and improving data availability and usage for decision making purposes in concert with the RGoB. We are committed to taking the lessons of Development that have been achieved here in Bhutan (for example in the area of Gross National Happiness, such as respect for the environment, accountability to the people and transparency, etc) to the wider international community. We will be inspired by the resolution adopted by the General Assembly 65/309 in 2011 and titled "Happiness: towards a holistic approach to development" and I quote:

"Conscious that unsustainable patterns of production and consumption can impede sustainable development, and

recognizing the need for a more inclusive, equitable and balanced approach to economic growth that promotes sustainable development, poverty eradication, happiness and well-being of all peoples”

Some say Bhutan is a small country, but in a world of challenge and upheaval I believe its leadership is a beacon to the World with respect to holistic development that is both pro people and pro planet.

We look forward to working very closely with the RGOB of Bhutan in making the SDGs a reality for all Bhutanese. The similarities between Bhutan’s development philosophy of Gross National Happiness and the SDGs both of which pursue a sustainable socio-economic development path are very significant and were comprehensively detailed yesterday by Aum Doma. A rapid integrated assessment conducted by the UN in October 2015, indicated high levels of integration of the SDG targets already into the 11th Five Year Plan. Out of 143 SDG targets, 134 SDG targets were included in the 11th Five Year Plan. Similarly, a preliminary review of the 12th Five Year Plan that is currently under formulation, shows that the 16 National Key Result Areas are closely related with the SDGs.

Changing financial environment (Addis Ababa Action Agenda; changing partner presence; new financing windows)

We stand committed to support Bhutan in its development journey, and we are acutely aware of the changing global ODA patterns and its implications on UN’s operations globally and on countries directly, including Bhutan. For this, we look forward to working very closely with the RGOB in the implementation of the Addis Ababa Action Agenda. The UN will support Bhutan in exploring and accessing alternate sources of financing and in so doing, we will support the building of an evidence-based investment case to attract investors to partake in the nation’s unique conservation journey, with special emphasis on the achievement of, SDG 1 on poverty eradication, SDG 13 on Climate Action, SDG 15 on Life on Land, and their essential linkages to the other SDGs.

Constant and Changing roles of UN Agencies

As always, the Convening power of the UN – most especially in an international context – is and will remain our key comparative advantage. Given the global political and environmental challenges we face, we the UN, as always, place our good offices at the service of the RGoB.

Take this opportunity to thank the RGoB and the Royal Bhutan Army for the and 48 personnel who are currently serving and 17 who have already served with UN Peacekeeping.

The UN system in Bhutan will remain a relevant, critical, and committed partner of the RGoB and its citizens, the UN will increasingly engage in providing innovative solutions to the government. That increasingly will be upstream policy work.

This will be pursued through: the use of global and regional expertise; enhancing local capacity to collect, generate, analyze and translate relevant and reliable strategic data and information; and using limited resources more efficiently by leveraging and prioritizing investments for sustained development. With respect to innovation, we will bring best-case practices from the international arena and help with their contextualization to the needs of Bhutan.

Khada Lap Thuengo which roughly translates as What you say and what you do must be in harmony.

You will note that I have not specifically mentioned the work of any individual UN agency/entity in this statement. The reason is that like the RGoB, we in the UN are currently developing the UN strategic framework known as UNDAF-One Programme (2019-23) with our counterparts within the RGoB, civil society and the private sector.

We will adopt an inclusive planning process – a whole of society approach – guided by the RGOB model. We will be guided by the 12th plan (with special consideration for the 3 'C's of the RGoB which are co-ordination, collaboration and consolidation).

The UNDAF-One programme is where the UN agencies and entities will come together with specific and detailed contributions which are focused on delivering results. This accountability framework will help ensure that what we say and what we do is in harmony.

We look forward to engaging with all our partners, CSOs, and private sector that are gathered here, and including many other stakeholders. We will strive with both our hearts and minds to follow-through on implementing the specific commitments we make in the UNDAF-One Programme.

In conclusion, let me reaffirm the commitment of the UN system to contribute and support the implementation of the 11th Five Year Plan

and formulation process of the 12th Five Year Plan and its implementation through the “Delivering as One” approach.

Thank You and Tashi Delek!

Annex 5.12: Statement by Save the Children

Save the Children's Statement at the 13th Round Table Meeting of Royal Government of Bhutan and Development Partners held in Thimphu: 15 – 16 march, 2017

Your Excellency, Lyonpo Damcho Dorji, Hon'ble Foreign Minister, Royal Government of Bhutan, Your Excellency Mr. Haoliang Xu, UNDP Assistant Secretary-General, UNDP Assistant Administrator and Regional Director, Asia and the Pacific. Co-Chair for the RTM, Senior Government Officials of the Royal Government of Bhutan and esteemed Colleagues from development partner agencies.

I would like to thank the Royal Government of Bhutan and the UNDP for the opportunity provided to Save the Children to be part of the Round Table Meeting and make a statement at this August gathering even though Save the Children is not really a donor in the true sense of the word.

The socio economic progress made by Bhutan over the last couple of years and also the state of Gross National Happiness, as evident from the survey results, is commendable.

The presentations made by officials of the Royal Government of Bhutan has provided us with a clear picture of Bhutan's current situation, challenges and its aspirations for the next five years and beyond. It was also very gratifying to see the clear alignment of the objectives of the 12th Five Year Plan and its key result areas with the nine domains of Gross National Happiness and also with global and regional development goals such as the SDGs.

Save the Children has been in Bhutan since 1982 – a testimony to our long term commitment to the children of Bhutan, and at the same time a testimony to the mutual trust, confidence and good partnership between Save the Children and the Royal Government of Bhutan.

I would like to assure the Royal Government of Bhutan that Save the Children will continue to support child development programs in Bhutan for as long as the RGOB needs us.

Even though Save the Children is the largest International Non-Governmental Organization working for children, it has to compete for funding its country programs in a highly competitive development funding environment today. In spite of this challenging environment, we

have been able to steadily increase funding support to the Bhutan Country Program. I am happy to inform that we intend to make sure to maintain or increase that level of support.

Our key areas of support has been in the areas of Education – primarily focusing on Early Childhood Care & Development (ECCD), Child Protection and child-focused Disaster Risk Reduction in partnership with the GNH Commission and the various RGOB ministries and CSO partners. We would like to continue to support programs under these themes during the next five years and we see good alignment with the 12th Five Year Plan Objectives and National Key Result Areas.

Finally, I, on behalf of Save the Children would like to thank the Royal Government of Bhutan for the hospitality and kindness shown to me for this RTM trip. I would also thank the Royal Government of Bhutan and in particular the Gross National Happiness Commission and the Ministry of Foreign Affairs for all the courtesies and privileges and guidance and collaboration accorded to the Save the Children program in Bhutan so far and I hope that this will continue during the coming years also.

Thank You and Tashi Delek!

**Ms. Delailah M. Borjah, Country Director for Nepal and Bhutan,
Save the Children**

Annex 5.13: Statement by Singapore

His Excellency Lyonpo Damcho Dorji His Excellency Xu Haoliang
Excellencies

Distinguished participants

Ladies and gentlemen

1. First off, allow me to convey my Ambassador's regrets for not being present today. He is unable to be here as we have a Minister visiting New Delhi during this period. That said, I wish to thank the Royal Government of Bhutan for their arrangements and hospitality. I also extend my appreciation to them for the insightful and informative presentations, including about the achievements of the 11th Five Year Plan, and the priorities and challenges of the 12th Five Year Plan.
2. Singapore and Bhutan enjoy warm and friendly ties, cemented by the close personal and working relationship that our leaders share. We were pleased to welcome Prime Minister Tshering Tobgay on his visit to Singapore in November 2016, and Minister for Labour and Human Resources Ngeema Sangay Tshempo earlier this year. We remain in close touch with our Bhutanese counterparts to identify areas of mutual interest, and potential aspects of cooperation.
3. Singapore and Bhutan share many similarities and, by extension, challenges. Both are small nations with resource, population, and geographical constraints, and are susceptible to global and regional developments. Such commonalities make the sharing of development experiences and best practices all the more salient. A common thread linking both countries is the importance of human resources. We often say in Singapore that our only resource is our people. Significant attention has been committed to ensure that Singaporeans embrace the concept of lifelong learning, and consistently strive to improve themselves. Just recently we introduced the SkillsFuture movement, which encourages all Singaporeans to participate in programmes and courses to upgrade their skills. In a similar fashion, one of Bhutan's priorities is to develop the potential of its people rather than pursue pure economic achievements. It is an exemplary model of a country where development – and happiness – takes precedence.
4. It is under this context that one of Singapore's key contributions to Bhutan involves the offering of customised technical assistance programmes, scholarships, and study visits for Bhutanese officials. Over 950 Bhutanese officials have benefitted from programmes

organised under the ambit of the Singapore Cooperation Programme (SCP). Under the SCP, Bhutanese officials have received training in fields including finance, public administration, ICT, and economic development. I am pleased to share with participants that close to 200 officials have received training in Singapore since the last Round Table Meeting in 2013.

5. Our cooperation with Bhutan goes beyond the SCP. The erstwhile-Infocomm Development Authority of Singapore (IDA) assisted with the development of Bhutan's ICT Masterplan between 2013 and 2015. Since the previous year, Singapore Polytechnic has been working with the Bhutan Royal Civil Service Commission (RCSC) on a three-year training programme on public sector innovation. We offer training to anti-corruption and Foreign Service officers, and our cooperation extends to sectors such as immigration and checkpoints.
6. Looking ahead, both countries are exploring the possibility of doing more in the fields of healthcare and skills. In fact, just last week a delegation from Singapore Health Services (or SingHealth) was in Bhutan to explore possible areas of collaboration in the medical sphere. ITE Education Services (or ITEES) is also in discussions with the Ministry of Labour and Human Resources on the possibility of establishing a Skills Training Centre in Thimphu.
7. The existing and prospective fields of cooperation outlined above set the stage for an expansion of our already broad levels of engagement. Singapore remains committed to assisting Bhutan in achieving its development goals, and we look forward to working more closely with Bhutan towards this end.
8. Thank you.

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Annex 5.14: Statement by Thailand

**Statement by
His Excellency Mr. Virasakdi Futrakul
Deputy Minister of Foreign Affairs of Thailand
at the Thirteenth Round Table Meeting (RTM)
16 March 2017, Thimphu, Kingdom of Bhutan**

Your Excellency Lyonpo Damcho Dorji,
Minister of Foreign Affairs of the Royal Government of Bhutan,
Your Excellency Mr. Haoliang Xu, UN Assistant Secretary-General,
UNDP Regional Director for Asia and the Pacific,
Distinguished delegates,
Ladies and Gentlemen,

1. It is a great honour for me to be here at the Thirteenth Round Table Meeting today. On behalf of His Excellency the Minister of Foreign Affairs of Thailand and Bhutan's development partners from Thailand, I wish to reaffirm over commitment to development cooperation with Bhutan as you pursue the implementation of Gross National Happiness and SDGs Goals.
2. The Thirteenth Round Table Meeting is organised at the opportune time at the mid-point of Bhutan's Eleventh Five Year Plan (2014-2018) and at a moment when the Twelfth Plan is still under preparation.
3. Bhutan has made remarkable progress in recent years. This Meeting provides an opportunity for all development partners to take stock of their development cooperation with Bhutan and to identify new areas of cooperation.
4. **It is important to ensure that our development partnership operates in synergy towards the realisation of goals in Bhutan's priority areas and the achievement of the Global SDG Goals by 2030 based on the guiding principles of Gross National Happiness (GNH).**
5. Given the theme of this current meeting, GNH for SDG, and the centrality accorded to GNH in the sustainable development of Bhutan, I am pleased to inform that the **GNH Centre Thailand** was established last year in Bangkok, as the first ever GNH knowledge hub outside Bhutan. And at the end of this month,

representatives from the GNH Centre Thailand will be sharing the principles of GNH at a seminar organised by Thailand International Cooperation Agency (TICA), Ministry of Foreign Affairs of Thailand.

Mr. Co-Chairs,
Distinguished delegates,
Ladies and Gentlemen,

6. This meeting has highlighted the great strides made by Bhutan in elevating the standard of living of her people.
7. Accordingly, Thailand is honoured to be Bhutan's development partner for the past 25 years (since 1992).
8. Our multiple-sector development cooperation range from **human resource development through fellowship and scholarship programmes, volunteer programmes, and development cooperation projects under bilateral and trilateral frameworks.**
9. Our bilateral cooperation has been devised to meet the specific needs of Bhutan. And to this end, Thailand International Cooperation Agency (TICA), Ministry of Foreign Affairs of Thailand, has been working closely with government agencies of Bhutan to strengthen **the capacity of Bhutan's personnel in line with Bhutan's priorities, namely agriculture, healthcare and education professionals.**
10. The Royal Civil Service Commission (RCSC) and the College of Natural Resources (CNR) are among our key partners. Our past three Three-Year HRD Plans from 2007 onwards as well as other frameworks of cooperation have brought 1,300 officials from Bhutan to study and train in Thailand.
11. Thailand remains committed to further capacity building with Bhutan under the framework of the next Three-Year Plan (2017-2019). By the end of this Plan, around 300 officials will have received training in various fields in Thailand.

Ladies and Gentlemen

12. **As Bhutan is building several new hospitals to promote medical services to the people, Thailand is pleased to offer training in health management, health services system and long-term medical specialty and residency training in five areas (Pathology, Anaesthesiology, Radiology, Forensic and Psychiatry).** Thailand is willing to consider proposals for the training of nurses.

13. In addition to the seventy young Thai volunteers who have been working for the past ten years in development areas with their counterparts in Bhutanese government agencies under the **Friends from Thailand programme**, we are considering sending senior volunteers, in particular retired medical doctors, to contribute to the capacity building in the medical field in Bhutan.
14. For almost ten years, almost sixty young Thai volunteers have been dispatched to Bhutan in fields tailored to the requirements of the Bhutanese Government. **Seven of them are currently in Bhutan** to further strengthen youth partnership and people-to-people relations.
15. Our development cooperation also includes economic empowerment of local communities. Currently, Thailand and Bhutan are cooperating on the implementation of **One Gewog One Product (OGOP) Development for Bhutan** as one of our development cooperation projects.
16. The project was initiated in 2013 following interest shown by the Bhutanese side after the visits to projects of One Tambon One Product (OTOP) in Thailand. Through the training of personnel in related fields, such as product design and market linkages, Thailand highly hopes that OGOP will serve as a success model for **community enterprise development** in Bhutan. In addition, this year, the Thai government has invited the Bhutanese government to participate in Thailand's OTOP fairs, which are held twice a year and attended by several hundred thousand people.

Mr. Co-Chairs,
Distinguished delegates,
Ladies and Gentlemen,

17. In light of the active cooperation between various global partners present at this meeting today, it is evident that **the Global Partnership or the Goal 17 of SDGs is more relevant than ever.**
18. I would thus like to end by reaffirming that **Thailand stands ready to expand our collaboration with other development partners including the private sector** for the sustainable development of Bhutan and the happiness and well-being of Bhutanese people.

Tashi Delek and Thank You.

Annex 5.15: Statement by World Wildlife Fund (WWF) Bhutan

WWF Bhutan Statement at the 13th Round Table Meeting

Convention Centre, Thimphu

Your Excellencies, Distinguished Chairs, ladies and Gentlemen,

At the outset, I would like to join the distinguished delegates of this august gathering to offer our sincere commendations to the Royal Government, in particular, the Ministry of Foreign Affairs and the GNH Commission for this important and Proactive undertaking, to lay out the vision and framework for the 12th Five year Plan,- the last mile in Bhutan's journey towards becoming a Middle Income country. Thank you for the invitation and inspiration.

On behalf of WWF Global network, I am humbled to convey the warmest greetings of our colleagues and over 5 million supporters, well-wishers and volunteers, who are committed to a lifelong passion of protecting this amazingly Beautiful Planet of ours.

As we all know very well, humanity is at the cusp of making some important choices and decisions. Choices we make will decide how we share this beautiful planet with the rest of the species, and the world we will leave behind, for our children. Decisions we take will determine the survival of our own species on this planet.

World's first 'Climate Model' paper, published in 1967 turned exactly 50 yesterday. The groundbreaking research and climate model predicted Global Warming, almost perfectly. Good scientific paper but not very good news for the world. The perils of Climate Change is no longer a prediction, it's a Stark Reality. It is the single largest threat to the survival of humanity on this Planet.

The journey of WWF in Bhutan began in 1977 inspired by Bhutan's farsighted vision to protect and manage more than 50% of its sacred and most diverse land of the Eastern Himalayan Eco-region. WWF, considers this partnership with the Royal government, an immense privilege in traversing this journey of sustainability for the well-being of the present and future generations of Bhutan and its environment. This unique foresight, not just for Bhutan, but for the rest of the planet, emanates from the selfless leadership of Bhutan's Visionary Monarchs and genuine commitment of the Bhutanese people towards their environment.

Wangchuck centennial Park, the largest National park of Bhutan, co-managed with WWF for the first five years, protects one of the last pristine and intact water reservoirs of Asia – supplying freshwater to millions downstream and driving the largely hydro based economic growth in Bhutan.

WWF's investment over the last 40 years is mirrored in the unique evolution of Bhutan's Protected Area system that provides massive environmental services, valued at almost 15 billion dollars per annum as per one cursory study. These pristine Natural Capital of Bhutan cannot be recreated with any scale of modern technology or investments, and its intrinsic value is appreciating as we speak, with the rapid degradation of other pristine ecosystems around the world.

Conservation is inherently linked with sustainable development – A vision that Bhutan foresaw right from the crowning of the First King of Bhutan in 1907. The returns on the visionary Investment of Bhutan's visionary Kings are being reaped by the present generation, and millions who live across the border. The moral conscience of humanity can still take some comfort, knowing Bhutan is still harboring some of the most threatened and critically endangered animals that have been wiped out from other parts of the world.

Distinguished Mr Co- Chair,

In our profession, we are also beginning to realize that our Work around the world is not just saving the Tiger and the Coral reefs, but increasingly, it is also about saving humanity.

According to a new WHO report, more than one in four deaths in children below the age of five are linked to polluted environments. Every year 1.7 million children die because of various environmental pollution and Risks. Studies have also shown that the largest impact of degraded and polluted environments are mostly felt by the most vulnerable and the poor. And human- wildlife conflict continues to plague poor farmers across Bhutan.

Increasingly, we are also realizing that Conservation must combine Idealism and Realism, and to that effect, addressing sustainable livelihood issues becomes a priority while implementing conservation programs in the Protected areas. Together, we must strive to change the popular notion of Human Wildlife Conflict to Human Wildlife Co-existence. In this day and age, the traditional conflicts between nature and commerce can be resolved through Innovative designs, technology

and strategic investments. Modernity and global collaboration offers new ways to rediscover our connection to ecosystems, in ways that can improve livelihoods and build economies with minimum ecological footprint. Bhutan's natural resource sector is well positioned to capitalize upon this new wave of innovation and Green enterprise, that is increasingly gaining prominence around the world.

This Round Table Meeting is taking place at a critical moment in Bhutan's development journey. While Bhutan's commitment to conserving the nation's natural wealth for future generations is extraordinary, bigger environmental challenges are ahead of us. Fortunately, Bhutan is well placed in terms of having all the fundamentals of a progressive and inclusive nation state. The strong participation of the private sector and the civil society in this RTM is a clear testimony of the importance the royal Government attaches to their role under the new realities of a democratic state.

WWF Bhutan is committed to working closely with the Royal Government to implement the core programs of the government's 12th Five-Year Plan to ensure a "Just, Harmonious and a Sustainable Society". Under the auspices of the SDGs and WWF's global conservation goals, we wish to work closely with the royal government. We remain committed in offering our network capital and expertise in Bhutan's ambitious policy to remain Carbon Neutral and embrace the SDGs within its unique development vision of Gross National Happiness.

The "Awesome" park in the words of His Excellency the Prime Minister from his TED talk, are at the heart of Bhutan's Carbon Neutral Strategy. However, with changing priorities in a democracy, conserving and managing Bhutan's 52% Protected Area network system can be hugely expensive. Therefore "Bhutan for Life" with a goal to raise 40 million US dollars, an initiative of the Royal government, is designed to access a wide range of financing sources in partnership with various development partners and corporate donors from all over the world.

This model of project finance for permanence (PFP) is derived from the ingenuity and financial rigor of private investors in financing large-scale projects. A signature component of the PFP approach is a single closing that delivers pledged funds when conditions for Permanence are met, which serves to motivate the parties and guarantees the 'Returns of their conservation investments' over the long term. The financing initiative is particularly effective in leveraging non-traditional sources of funds based on Bhutan's track record of political stability, greater

transparency and accountability, and sound social, economic and environmental policies.

In taking these programs forward, we would be explicitly contributing to 5 of the 16 national key result areas (NKRA) and complimenting the remaining NKRA's of the 12th Five-Year Plan. In closing, on behalf of the entire WWF Global network, I would once again like to convey our immense gratitude to all our partners in the government, for their inspiration and unwavering support and friendship, and at the same time, giving us the unique privilege to secure lasting conservation in one of the Extraordinary places on this planet.

Thank You and Tashi Delek.

Annex 5.16: Statement by World Intellectual Property Organization (WIPO)

13th Round Table Meeting: Bhutan

Thimpu, March 15 & 16, 2017

Statement by the World Intellectual Property Organization (WIPO)

Honorable Lyonpo Damcho Dorji, Minister for Foreign Affairs

Royal Government of Bhutan

His Excellency, Mr. Haoliang Xu, UN Assistant Secretary-General
of the UN and Executive
Secretary of ESCAP

Excellencies, Ladies and Gentlemen

Allow me at the outset, to place on record our deep appreciation to the Government of Bhutan for inviting the World Intellectual Property Organization (WIPO) to participate in the Thirteenth Round Table Meeting and to convey to you warm greetings from Dr. Francis Gurry, Director General of WIPO, and his best wishes for successful and productive deliberations.

The International Context

Intellectual property can often be construed as a policy space best suited to large, industrialized economies backed by considerable expenditure on R&D and vast cultural industries. The reality is quite different and, as Director General Gurry has often pointed out, "the centre of wealth creation has been shifting from tangible assets or physical capital to intangible assets or intellectual capital".¹

Intellectual property as a mechanism to incentivize and promote innovation and creativity – these intangibles of which we speak – has become increasingly important for all economies, developed, developing and least developed.

I think that anecdotal demonstration of this can be seen in the membership of WIPO itself. In 1975, the year after the Organization was established as a UN Specialized Agency, it had 60 Member States. Today, WIPO has 189 Member States, spanning all regions of the global and covering countries at all levels of development, all of whom benefit in different ways from the services, products and assistance which we offer.

¹ 'Re-Thinking the Role of Intellectual Property', speech delivered at the University of Melbourne, Australia, August 22, 2013

Situation of Intellectual Property in Bhutan's Development Efforts

In the case of Bhutan, the importance of intellectual property comes through at all levels of its development efforts.

In terms of Bhutan's unique development philosophy of Gross National Happiness, it is clear that intellectual property has an important role to play, particularly through the contributions it can make to socio-economic development and to the preservation and promotion of culture.

In terms of Bhutan's policy settings, it is noteworthy that intellectual property figures directly in the Economic Development Policy 2016 as an enabling mechanism for business.

In terms of planning, the 11th Five Year Plan articulates a specific project designed to develop and strengthen intellectual property.

WIPO's cooperation to date with Bhutan

Against this backdrop, the World Intellectual Property Organization has a history of constructive cooperation with Bhutan since it joined the Organization in 1994, working to develop and strengthen the intellectual property architecture in the country.

In particular, WIPO has worked closely with the Department of Intellectual Property of the Ministry of Economic Affairs and:

- provided advice and assistance in the development of a national intellectual property policy;
- assisted with the modernization of intellectual property legislation and provided legislative advice in the areas of patents, trademarks, designs, geographical indications and copyright;
- helped establish a Technology and Innovation Support Center (TISC) network which provides Bhutanese innovators with access to locally based technology information and services;
- augmented the capacity of the Intellectual Property Office through the deployment of automation equipment and software;
- helped strengthen human resources through the provision of targeted training;

- engaged with national stakeholders to sensitize them to the intellectual property options to protect Bhutan's rich store of traditional knowledge, cultural expressions and genetic resources; and
- provided technical assistance and capacity building to develop and promote the copyright based industries.

While progress has been achieved, much remains to be done. In close coordination with the Department of Intellectual Property, WIPO is engaged in a number of activities designed to further develop Bhutan's intellectual property architecture. For example, WIPO has prepared an intellectual property Roadmap laying-out the priority areas to develop in the coming years. In connection with this, a WIPO delegation will be in Thimpu next week working with the Department of Intellectual Property to identify ways of strengthening the intellectual property regime. Another upcoming project relates to selecting some of the traditional crafts and products of Bhutan to see how brands and designs can add value to help increase their market competitiveness.

The strengthening of Bhutan's intellectual property system stands to benefit Bhutan's development efforts in many ways, across sectors and at all levels, including Districts. For example:

- **Building Brand Bhutan** is identified as an important economic opportunity and seen as a component of developing tourism and, thereby, diversifying the rural economy and providing employment for the growing population. A brand is intellectual property and effectively utilizing the intellectual property system will be key to realizing success in this area. This will involve promotion of Brand Bhutan in increasingly crowded overseas markets where eco, agro and spiritual tourism are no longer new concepts. Bhutan's membership of the Madrid System for protecting brands internationally will likely be important for these efforts.
- The **protection and promotion of Bhutan's unique cultural identity** has been identified as a critical element of reinforcing national cohesion, unity and sovereignty. The effective utilization of the copyright system will be important to extracting value from the cultural sector, encouraging the production of cultural works and preserving traditions. The signs are encouraging. Bhutan has been producing more and more local content in recent years and some of this has penetrated foreign markets. For

example, two Bhutanese-produced films² were selected to participate in regional and international film festivals in 2016. The establishment of the Copyright Division in the Department of Intellectual Property in August 2016 signals Bhutan's intentions to leverage intellectual property to realize this important goal and WIPO has and will continue to assist in this regard.

Indeed, there are many such examples presented by the Economic Development Plan and 11th Five-Year Plan. The Cottage and Small Industries sector may require sensitization to the importance of effectively utilizing intellectual property in support of promoting a culture of entrepreneurship, innovation and creativity. The objective of Bhutan realizing a 'green knowledge based economy' would need to consider incentivizing and protecting the intangibles that this objective entails. And there are many more examples which time does not permit me to go into.

In closing, I would like to reaffirm WIPO's strong commitment to working with our partners in the UN System and to strengthening and diversifying our cooperation with the Government of Bhutan. We are confident that working together, we can ensure that intellectual property is used as a powerful tool for accelerating economic, social and cultural development in Bhutan in line with national priorities and the national policy and planning framework established by the Economic Development Plan and the current and subsequent Five-Year Plans.

I thank you.

~~Yammin Chandra, Director General, Copyright, Patents, Trademarks and Designs, Department of Intellectual Property~~

Annex 5.17: Statement by World Bank

World Bank Statement at the 13th Donor Round Table Meeting

Your Excellences, Distinguished Delegates, Ladies and Gentlemen, on behalf of the World Bank, I would like to thank the Royal Government for the collaboration on Bhutan's development since 1981.

Bhutan is widely recognized as among the most successful countries in the world in many areas of development. The Royal Government committed to be carbon neutral in 2009 and the Constitution mandates to maintain 60 percent of the country under forest cover. Bhutan's annual average economic growth rate since 1981 is 7.6 percent, 13th highest among 108 countries where data is available, and the poverty rate, measured by \$1.9 a day, declined from 35 percent of the population in 2003 to 2 percent in 2012. Guided by the principles of Gross National Happiness, the country's development has benefitted from an effective public sector together with the development of hydropower projects.

The World Bank is proud to have been part of this development success. Our collaboration has strengthened further after the World Bank set up its office in Thimphu in 2011. In the past few weeks, the World Bank signed three projects. These include (a) the Second Development Policy Credit worth \$24 million that supports the Royal Government's policy reforms; (b) a trust fund to support the next household survey and economic census; and (c) a grant for the Strategic Program for Climate Resilience.

Building on its successes, it is time for Bhutan to start thinking about the next stages of development. These should address challenges such as high youth unemployment and large saving investment imbalances reflected in current account deficits. These challenges are mostly related to an underdeveloped private sector. Although this issue has been discussed for a while and the Government has implemented policy reforms, tangible progress has yet to occur. In achieving private sector development, the Government will have to play a key role. The World Bank would like to offer our support. How can the World Bank support Bhutan? I would like to make five points.

First of all, I am very happy to announce that the World Bank plans to significantly increase resources from the International Development Association (IDA) for Bhutan from 2017 to 2020. IDA provided about \$50 million between 2014 and 2017. The figure for the next three years

for Bhutan will be available in a few months. Globally, \$75 billion was committed to IDA at the end of 2016. IDA resources will focus more on small states over the next three years, including Bhutan, where there are specific development challenges. This is a great opportunity for the country, as IDA credits are highly concessional with the grant element representing 35 percent.

Moving to my second point: for Bhutan to move into the next stages of development, financing for development is critical. In the past, Bhutan successfully attracted grant financing. However, the current Gross Domestic Product (GDP) per capita at about \$2,400 is more than twice as high as the lower-income country economy threshold of the World Bank at \$1,045. This means that the development stage that relied mostly on grants seems to be over. Also, seeking small grant projects may absorb limited human resources from both the government and development partners. While grants will continue to play an important role, it is important to see how credits will play a more important role in development.

Of course, there are concerns about how Bhutan is accumulating debt, which now exceeds 100 percent of GDP. But about 70 percent of this debt is related to the hydropower sector and so the sustainability is secured. Also, the non-hydro debt to GDP ratio has been decreasing over last few years. As of Fiscal Year 2015/16, the non-hydro debt to GDP ratio was 24 percent, 11 percentage points below the 35 percent target mentioned in the debt policy. Moreover, the government has been improving its debt management capacity. I would like to encourage the government to think through financing development, including using concessional financing. Of course, public financing is only part of financing for development. To think through financing for development, it is important to take private financing such as FDI and PPP. Having private financing has direct contribution to private sector development. The World Bank would be happy to be part of this exercise.

My second point leads me to **my third point on World Bank instruments**. In the past, the World Bank's IDA credits were provided through either budget support for government reforms or investment projects that support a wide range of activities. These aimed at creating the physical and social infrastructure necessary to reduce poverty and create sustainable development. There is the third instrument called the Program-for-Results instrument. Three key characteristics are (a) focus on results, (b) strengthening capacity and (c) supporting a borrower's programs. Bhutan has developed a result-based development management system. Also, Bhutan has a good Public Financial

Management system, including its procurement system. I am happy to mention that Thimphu Thromde is the first borrowing country agency in the world to have its procurement system and regulations cleared as an Alternative Procurement Arrangement. This demonstrates that Bhutan has a good country system, which is key for the program-for-results instrument.

Moving to **my fourth point of the importance of investment in human development**: for Bhutan moving to the next stage of development, investment in human development is critical for creating more and better jobs. The World Bank has jointly published the labor study with the Royal Government and underscored the importance of investment in human development. The World Bank would be happy support Bhutan in these areas.

My fifth and last point is that in thinking through the four points -- the increase in IDA financing, financing for development, the new program-for-results instrument, and investment in human development -- the World Bank will focus more on citizen engagement, gender issues and climate change in project design as well as implementation.

Thank you very much.

Annex 6: Concluding Statement by the Co-Chair Lyonpo Damcho Dorji

Concluding Statement by H.E Lyonpo Damcho Dorji, Minister, Ministry of Foreign Affairs, RGoB, Co-Chair for RTM at 1630 hrs on 16th March 2017

H.E Lyonchen Tshering Tobgay Prime Minister of Bhutan
H.E Haoliang Xu Co-Chair, Excellencies, Distinguished delegates,
Ladies and Gentlemen,

Our meeting has been brilliantly co-chaired by H.E. Mr. Xu, and brought to a successful conclusion. At the end of such a productive and interactive meeting, I would, on behalf of the Royal Government, convey our sincere appreciation to H.E. Mr. Xu and the UN System, particularly the Country Team, for their dedicated support, cooperation and friendship extended to the Government and people of Bhutan.

Further, we would like to convey our sincere gratitude to the representatives of our development partners for their active participation and for the confidence expressed towards Bhutan's development efforts.

Your interventions today recognises the importance of global partnerships in the achievement of Bhutan's development objectives, during the current

Plan, and also towards the 12th Plan, the objective of which, as mentioned before, is to achieve a "Just, Harmonious and Sustainable Society through enhanced Decentralization".

The vibrant exchange of views over the past two days has been most encouraging and it is with pleasure that we note that the discussions have culminated to a positive conclusion. The people and Government of Bhutan remain confident that through the constant encouragement, support and goodwill of our development partners and friends, we will be able to meet the persistent and emerging challenges we face.

Graduation from the LDC category converges with Bhutan's vision of self-reliance as reflected in Bhutan Vision 2020, and the 11th Five Year

Plan document. LDC Graduation is also the overarching goal of the

Istanbul Programme of Action (IPOA), which aims to enable half the number of LDCs to meet the criteria for graduation by 2020. At the current growth trajectory, Bhutan is likely to be found eligible for the second time during the 2018 Triennial Review, inferring exit from LDC category following an agreed Smooth Transition period.

While welcoming the fact that Bhutan has been found eligible for graduation, RGoB has always recognized that graduation is not an end in itself but a means to achieve structural change, poverty eradication, and economic diversification, which in turn would lead to self-reliance, inclusive, and green socio-economic development that is sustainable. As both an

LDC and LLDC located in a fragile mountain environment, we also approach this milestone with cautious optimism. Optimism, as graduation is a mark of success; cautious because we must be confident that graduation is sustainable and any risk of backtracking is avoided. This is particularly critical in the face of persistent and emerging challenges including narrow base economy, over reliance on a single source of revenue, as well as threat of climate change and susceptibility to natural disasters.

As recognised through important intergovernmental decisions, most recently the Mid Term Review of the IPOA, the Antalya Political Declaration of 2016, the importance of smooth transition has been repeatedly emphasized as critical to graduation that is sustainable and irreversible, and not disruptive to ongoing development plans and processes. These intergovernmental decisions recognize further the critical importance of continued and sustained international support to transition strategies.

That having been said, with Bhutan's graduation from LDC category imminent, as Hon'ble PM has said, we are looking at the 12th FYP as the last mile to graduation that is sustainable and irreversible.

The Hon'ble Prime Minister himself has also expressed in no uncertain terms that if we cannot graduate from LDC status, it would be a dis-service to our development partners who have stood by us for so long. Further, if graduation cannot be sustained, it would be a dis-service to future generations of Bhutanese.

We are deeply appreciative of the demonstration of solidarity, for the support that has been provided thus far and for which we continue to receive. This will ensure that we can continue our work, to realize our

cherished overarching objective of self-reliance, and also the fulfilment of Global Goals.

Before I end, I would like to thank everyone involved in making this meeting a success. For those of you who have come from far away, I particularly thank you for attending the meeting and wish you a safe journey back.

Thank you!

Annex 7: Concluding Statement by the Co-Chair Haoliang Xu

Concluding Remarks by ASG Haoliang Xu, Co-Chair of the 13thRTM Thimphu, Bhutan 16:30 onwards; 16 March 2017

- Thank you, Honorable Minister and co-chair Lyonpo Damcho Dorji.
- I Refer to the starting point of our dialogue: the keynote address of the Honorable PM. H.E the 12th Five Year Plan as the 'last mile' for Bhutan to travel before the nation graduates from LDC status.
- The strong commitment of your development partners to walk that mile with you, and beyond, came out very strongly today, *Lyonchen*
- These were two days of very rich discussions, and perhaps even more importantly of collaborative engagement between partners and our hosts in the sidelines over coffee and lunch.
- We commenced our technical substantive sessions with an impressive review of the results of Bhutan's Gross National Happiness Survey from 2015. This was an important starting point, as it reminded us of why Bhutan is unique in its development approach. The issues of psychological well-being and of culture – tangible and intangible - are key to understanding how Bhutan constructs its development interventions, and that dialogue therefore set us off on a strong footing to understand how Gross National Happiness will advance progress on the Global Goals.
- We then moved to understand how GNH is aligned to the SDGs, with 134 targets already resonating with the 11th Five Year Plan and scope for even deeper integration as the 12th Plan is developed. The commonalities between GNH and the SDGs are clear, made even more so by the presentation this afternoon by Dasho Thinley of GNHC with more details on the 12th Plan. It was a pleasure to engage in such a like-minded dialogue that could therefore jump to the 'how' questions.
- How can this agenda be effectively mainstreamed, financed and implemented? How will Bhutan manage the data revolution necessary to meet the dis-aggregated needs of GNH, and of the SDGs? How will issues such as safety and security, gender equality, early childhood learning, economic diversification, urbanization, and – crucially -- youth unemployment be considered and addressed?

- Answers to the 'how' question will need more people around the table, so I was very pleased to see the presence of civil society and private sector representatives. Indeed, we heard strong interest from people at the table – the IFC, the EU and others – on exploring a deeper engagement with the private sector, and I look forward to seeing that dialogue being taken forward in earnest. In line with the Addis Ababa agreement we saw that the Royal Government takes very seriously the commitment to increase domestic resources to financing its own development, including through innovative means, while putting in place risk management measures such as a stabilization fund at the same time, such that the nation's responsible stewardship of its people's opportunities will continue with the resource influx from enhanced hydropower.
- On the State of Environment and Bhutan's climate commitments, I think we can all be inspired by Bhutan's impressive outlook and policy framework, and appreciative of the challenges faced in managing trade-offs between conservation and development, between climate change and agriculture, and between agriculture and the happiness of the nations' farmers, for example.

Bhutan's tremendous progress has been visible to us all over these days, so too the challenges, on which there is tremendous scope to engage. The Government has been clear in indicating the areas where they would like us as development partners to consider, they have welcomed ideas, experience and innovation, including as the flagship programmes are developed.

Next Steps

I think I can speak on behalf of all the partners that we will be delighted to walk this path with you, and that we will be guided by your direction and needs. Therefore a few takeaways for me on next steps:

1. First, I hope the momentum generated by this dialogue will be built upon and will form the basis of partners' engagements back in their capitals. Please be reminded of the excellent technical background paper that set the tone for this discussion, and use it in your respective dialogues to build the case for working closely with Bhutan.
2. Second, from the UN's perspective, this RTM could not be better timed. As Mr. Daly mentioned, the UN resident and non-resident agencies supporting Bhutan are on the cusp of developing their new UN Development Assistance Framework. This dialogue will already assist in the analysis soon to commence. I would call upon

- all the UN agencies present to engage carefully in this process, and to our development partners around the table to also support that UNDAF formulation. We look forward to inviting all development partners to engage in this process over the course of this year, and we would welcome your participation particularly in the Strategic Prioritization Retreat, which will take place in September/October this year.
3. Third I am pleased that the concept of 'development partners' is broadening here in Bhutan, demonstrated by the presence of CSOs and private sector representatives. I would call on CSOs and businesses to think through the innovative, inclusive roles you can play in both the development of the 12th Five Year Plan and the longer-term pursuit of Gross National Happiness for the Global Goals.
 4. As you do so, I would urge you to pick up on the dialogue in this room around the use of ICT and communications for development, to both bring people into the economy, and into the conversation. I see huge scope for innovation and investment in Bhutan.
 5. Engage in the 12th Five-year plan development process and make an effort to provide the support necessary for Bhutan to go through the last mile to LDC graduation and ensure coordination with government plans and priorities. Everything must align with government's national key result areas.

Closing

- I thank the Royal Government for the warm hospitality extended to him and the participants over the past days.
- I express appreciation for the very successfully organized and smoothly run 13th RTM, with a particular mention of thanks to the RTM Joint Task Force which worked behind the scenes to bring it all together - comprising GNHC, Ministry of Foreign Affairs, Ministry of Finance and UN colleagues – as well as the logistics team that facilitated our presence here in this wonderful location for these two days.
- I thank all speakers for investing in the importance of this dialogue with such strong technical presentations.
- I thank Co-chair HFM for his excellent facilitation and insights
- Finally I thank all the participants for their interactive and constructive discussions.
- I wish everyone KA-DRIN-CHE and Tashi Delek.

Annex 8: Closing Remarks by the Hon'ble Prime Minister of Bhutan

Transcribed

Lyonchhen Tshering Tobgay's Closing Remarks at the Concluding Session of the 13th Round Table Meeting on 16th March 2017 at the Royal Banquet Hall, Thimphu

This was not planned, but I could not pass off this opportunity to thank all of you for spending so much of your precious time to talk about Bhutan—to see where we are, to talk about where we came from...we discussed our journey. And then collectively, all of us together—friends, development partners, CSOs, civil servants, politicians—all together, have to project where we could be going, where we wish to go, in the next few years.

I think it has been a celebration—a celebration about friendship, of partnership, of development, a celebration of Bhutan. It has also been a lot of hard work. I've been in touch with Hon'ble Co-chairs, I've been in touch with the Gross National Happiness Commission Secretary, and they said in no uncertain terms how much hard work is going into the 13th RTM. I want to thank you for this, but I must also tell you that in some ways I am disappointed. I would have wanted you to have a lot more fun in Bhutan!

Why else would you want to spend so much time in the land of so-called happiness, if you are not going to be happy when you are here? But thank you nonetheless, for giving us your expertise, for giving us your time, for giving us your heart, for listening to us. And then, as Hon'ble Co-Chair Haoling Xu said, for committing to be with us—thank you very much.

On my part I must insist that you must spend the remaining time you have in Thimphu, exploring where the fun is. If you enjoy mountains, you must go for a short trek, go for a walk. If you are more spiritually inclined, go to one of our monasteries or our stupas. If you like physical activity, go for a jog, go for a bike ride. Otherwise you have to go and visit some of our bars, and we have a few discotheques for the young ones here.

But the point is, have fun! Because if you go back home to your headquarters, as His Excellency Haoling Xu said, when you report back and you want to say Bhutan is a success story and you must continue to work with them...Bhutan is exciting, but you might go back into your

heart and say, really all I remember is hard work confined in this hall. I want you to go back and remember the good times you had here. I want you to go back and remember the friendships, the lasting friendships that you made, and for some of you that you renewed here.

So I want to thank you for your hard work, and I must really impress on you the importance of getting to know Bhutan. And if you want to know Bhutan, you must really have [fun].

We are at a crossroads. We can continue to be an aid-dependent country, or we can graduate [from the LDC category]. We can also be forced to graduate, compelled to graduate, or we can graduate with dignity. The choice really is very clear.

And in our case we are fortunate to have friends like you, who will allow us to take what would otherwise be a difficult decision, quite easily [and] with confidence. We have a lot of work to do, there's no doubt about it, but the commitment that you have made, it will remind us that development is serious business. As Co-Chair [Haoliang xu] just mentioned here, in Bhutan we take it [development] seriously. This means a lot to us. As indeed, Bhutan as unlikely as it may be, [it] could be, just might be a hub of innovation—innovation that has allowed an alternate form of development to be considered.

When the world was pursuing economic growth almost mindlessly, we had enlightened monarchs say [that] Gross National Happiness is more important—and to find that balance between economic growth, which is necessary, but to balance it carefully with inclusive social progress, with protection of the environment, culture, and good governance.

Innovation, that allows our policymaking mechanism to take happiness seriously. Innovation, which is the GNH survey that reaches out to the Bhutanese people to really try to gauge—are we really happy or not, is there a definite sense of wellbeing and contentment?

So these innovations, I believe, are not just meant for Bhutan. They must be shared with the world.

Innovation that drive us to protect our unique but yet vulnerable culture—we take it as a sense of responsibility, that we are the custodians of a certain culture. This is not cultural arrogance; it is born from a necessity that we are the custodians and guardians of a culture that has disappeared in the rest of Himalayas. So in accepting that we have the responsibility to protect our culture for ourselves, for our future generations, for the world—I believe that is an exercise in innovation.

The fact that we were way ahead of the world in terms of environment conservation, in fighting climate change, in spite of the fact that we are victims of the effects of climate change and yet insisting, persisting to protect our environment—that is innovation.

Free education is an aspiration in many places in the world. It's an important aspiration especially in poorer countries. With your support, we have managed to provide free education, and even at the speed we are strengthening the quality of education—that is innovation.

Healthcare, for a small country, healthcare is free. It's free because, yes, of our leadership and commitment, but [also] because of your partnership, and your generosity. And we know that we can continue to provide free healthcare because we have something else [that has been made]—the Health Trust Fund—the proceeds of which will finance/is financing all essential drugs; and very soon...we will be financing vaccines and inoculation through the Health Trust Fund.

But this sort of innovation, many of them may be born locally; if they are, we in Bhutan need to celebrate them and use them for our own good. But we need to also share them with the rest of the world, particularly [as a] small country, not to show off, but to share.

And this is where we can play a part. But we can play our part only if our development partners are willing to share this innovation. It makes little sense for little Bhutan, small Bhutan, to take the world stage and start preaching about Gross National Happiness, or about environment, or about our healthcare system. But you can. You can—not to preach about Bhutan but—spread these innovative practices, the innovations [that can] benefit other countries.

Then there's innovation that has been practiced elsewhere in the world. We need to adopt them here, and we need to practice them for our own good. One of them is the 'Government Performance Management System', tried in many places, very successful in the corporate world. And this is, as far as Bhutan is concerned, innovation in our country. And so we've been implementing this system, first we piloted it...now we're in the third year.

And just yesterday I saw an article written by Dr. Prajapati Trivedi, a performance management expert, praising Bhutan. And I was delighted because—not that it says we have achieved anything—but delighted because yes, we may be on the right path, in spite of the fact that here we need to balance performance management with the principles and ideals of Gross National Happiness. So it's not one or the other. The

other innovation, as far as Bhutan is concerned, is the government-to-citizen services. Many of you take it for granted. Here it is truly innovative, and we are working on it.

So innovation is very important. I want to give you perhaps two more examples. One: our development partners. We have development partners who have phased out, I mentioned on day one. When our development partners feel it is time to go, we need to know that it is time to celebrate—not because they are leaving, but because in phasing out, it reflects that a certain job has been done, and has been done well.

So when development partners phase out, the innovative thought is, we do so in dignity. On the other hand, we have development partners who want to continue and who want to expand. I mentioned the Government of India, the EU – we must welcome them, and we welcome them. So I think this is important as an innovative attitude.

Finally, LDC graduation – I’ve been told that countries resist graduation. In fact, I have colleagues who say: no, we cannot graduate because we will suffer; we will not get concessional loans; we will have to make higher payments to the UN agencies, higher membership fees; we will not be invited to trainings and workshops; we won’t get assistance. But my straightforward answer for this is, if you’re ready for graduation you graduate.

As Co-Chair Lyonpo Damchoe said, if you’re ready and you don’t it is a disservice to our development partners. But as we graduate, the innovation there is we don’t graduate [out] of arrogance, but graduate with reality. When you graduate, you make sure that you have the proper [transition strategy] in place. So we have a lot of work to do, particularly in the economic [sphere]. Our economy is vulnerable. So as we graduate, we must ensure that the fundamentals of our economy are corrected, because we owe that to our future generations.

I am very optimistic—in fact I am excited at the prospects of working together with all of you in the next few years. The world needs success stories—let’s begin with graduation. Let’s have a few countries graduate well. We’re not talking about self-reliance, because in this world of interconnectedness and irreversible globalization, to say that one is self-reliant is shortsighted arrogance. I don’t think we can be truly self-reliant.

If we can graduate, I think it’s a good start. If we can protect our environment, that’s a good start. If in spite of having limited resources we can provide free education, free healthcare [that’s a good start]. And

as we accept the partnerships and friendships with dignity and humility, I urge my colleagues, fellow Bhutanese—we must work hard, for ourselves, our future generations, and for the world.

I am excited for the journey ahead, because now that we can walk, we can take our steps firmly and deliberately. I thank you for your friendship. I thank you for [putting in this work]. Thank you very much.
