

United Nations System in Bhutan



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Prepared by Tashi Choden, National Consultant

COMMON COUNTRY ANALYSIS (BHUTAN)

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Executive Summary

Background, conceptual framework and scope: In preparation for its upcoming (2019-2023) United Nations Development Assistance Framework (UNDAF) One Programme, the UN System in Bhutan has undertaken the Common Country Analysis (CCA) to provide an assessment of the country's key development issues and challenges. The CCA, in conjunction with related analytical modules—the *Population Situation Analysis 2017*, *Vision 2030*, *Comparative Advantages of UN Agencies*, *Capacity Assessment*, and *Development Finance Assessment*—will provide the evidence base to help guide the UN Country Team (UNCT), with a coordinated approach in focusing and prioritising engagement and support to Bhutan's development efforts during most of the country's 12th Five Year Plan (FYP) period (2018-2023).

The CCA is situated within the overarching framework of Agenda 2030 and the Sustainable Development Goals (SDGs), and in line with Bhutan's Gross National Happiness (GNH) principles of responsible, sustainable, equitable, and inclusive development. It is thus based on the concept of leaving no one behind. It also considers key Government documents such as the *Strategy for Gross National Happiness (SGNH)*, a key guidance for the country's post-Vision 2020 period; and the *Guidelines for Preparation of the 12th Five-Year Plan*, which lays out national priorities for the upcoming Plan period towards the overall objective of achieving a "just, harmonious and sustainable society through enhanced decentralisation".

The CCA is based on desk review and assessment of relevant documents and data sources, supplemented by bilateral consultations with key stakeholders and additional feedback thereafter. The report examines a range of critical development challenges and issues facing Bhutan, though it does not exhaustively cover all possible thematic areas. Its main purpose is to highlight broad areas of concern that will require clearer understanding of their potential for risks and the strategies thereupon, as Bhutan strengthens its efforts to ensure that the benefits of development reach all sections of Bhutanese society equitably.

(I) Bhutan country context

Demographic trends: Bhutan remains largely rural, with two-thirds of the people residing in villages. Critically, however, internal migration and urbanisation have increased. Projections vary as to how soon and by what degree Bhutan will be urbanised, with one estimate at over 50 percent urbanisation by 2040, and another by as soon as 2020. Given these variations, it will be especially important to note the latest data and analysis from the 2017 national Population and Housing Census of Bhutan (PHCB) as they become available.

With a youthful population, Bhutan is currently experiencing a demographic dividend. The year 2040 is seen as an important turning point as this is when the demographic dividend window will start closing, the working-age population will start declining, the elderly population will start increasing, and the urban population will surpass the rural population. Such demographic dynamics points to the need for

greater investment in the holistic development and needs of young people, care for the elderly population, and in addressing increasing internal migration and urbanisation.

Progress and gaps in sustainable socioeconomic development: While Bhutan is one of the smallest economies in the world, it is also one of the fastest growing economies, and is considered by World Bank classification as a lower Middle Income Country (LMIC). A combination of prudent fiscal and monetary policy, as well as robust investments in hydropower has largely facilitated its growth over the years. Bhutan's progress in human development has also been significant, having achieved or surpassed targets in five of eight Millennium Development Goals (MDGs), and ranked in the medium HDI category.

As testament to the tremendous socioeconomic progress made over the decades, Bhutan is expected to graduate from the UN's Least Developed Countries (LDC) category in the next few years, with the RGOB calling the upcoming 12th FYP as "the last mile to LDC graduation". A number of remaining gaps in MDG achievement still need to be addressed, however, as Bhutan works towards strengthened reporting on SDG targets.

Chronic malnutrition still occurs among a significant proportion of children below age five, with one in five children stunted; neonatal mortality is still high, accounting for 70 percent of infant mortality and more than half of under-five deaths; access to clean water, improved sanitation and hygiene also continues to constrain progress in all other development areas.

Additional concerns relate to the increasing number of HIV cases detected on the one hand, and likelihood of underreported cases on the other. Access to high quality Sexual and Reproductive Health (SRH) services remain to be improved. Quality of education and youth unemployment are major concerns, as are the yet to be achieved gender parity at tertiary levels and the extremely low participation of women in the political and decision-making spheres.

The challenges of sustaining social services and improving their quality remain significant. Diminishing interest among development partners, in light of advancements towards LDC graduation, puts achievements in social sectors at risk, and reduced investment in key sectors would negatively influence the country's social and economic development in the short-, medium- and long-term. In particular, socioeconomic development issues remain at disaggregated levels despite the positive picture presented by national-level indicators.

Bhutan continues to face serious structural impediments to addressing its economic vulnerability and exposure to various shocks. The sustainability of the economy is a challenge given that economic growth is driven primarily by the public sector and the financial support of its development partners. An overreliance on hydropower increases its vulnerability, as the sustainability of the sector is inextricably linked to climate change impacts and effective biodiversity management.

The accumulation of public debt and speculation of its potential to lead to a debt crisis is also an area of concern, even as the World Bank classified Bhutan's external debt distress as moderate given that a large portion of it is based on commercial viability of the hydropower projects. Other persisting challenges to Bhutan's economy remain, and to help address these constraints, major economic reforms are being strategized to stimulate economic diversification with the prioritisation of the "five jewels" i.e. hydropower, agriculture, tourism, cottage and small industries, and mining.

The public sector currently accounts for a fifth of all jobs and about half of all non-agriculture jobs. At the same time, its ability to absorb new, young workers is limited. Meanwhile, the private non-agricultural sector remains underdeveloped and accounts for only a quarter of all jobs in the country. Transitioning to a more private sector-led economic development will be critical to achieving sustainable and inclusive growth in the country. This has remained a challenge for Bhutan as the private sector, despite having long been identified as the "engine of growth", continues to remain sluggish in its growth.

Going forward, understanding various regional dynamics and other external forces driving growth inside the country is also important. Equally as important is the need to ensure quality and integrity in the maintenance of built infrastructure, as this directly impacts budget sustainability and therefore the country's development progress.

While Bhutan is recognised as a leader in sustainable development and environmental stewardship, management of co-benefits and trade-offs, along with balancing of conservation and development, continues to be a challenge. It also remains highly vulnerable to climate induced disasters and hazards, with potentially huge consequences for its nature-dependent livelihoods and long-term sustainability of its hydropower- and agriculture-based economy.

Some key concerns: Bhutan thus continues to face a number of persisting development challenges, while at the same time facing several emerging issues. Many of these are crosscutting and underlie key disparities and vulnerabilities in the country—and if left unaddressed will exacerbate constraints to effective and sustainable development.

1) Climate change impacts: With changes in temperature, precipitation and extreme weather events all recorded to be occurring at increasing variability, climate change impacts are assessed as posing the greatest threat to farmlands/agriculture, followed by water resources and supply systems, and forests. As Bhutan's socioeconomic wellbeing depends heavily on these sectors, exploration and implementation of technologies and other opportunities that will enhance the resilience of agricultural and related resources is critical.

Given also the potential contamination of drinking water sources due to floods and landslides, with serious health consequences, more requires to be done in this area as well. Moreover, the potential impacts of extreme weather events leading to

natural disasters, as Bhutan has already experienced, can be devastating for a country with a small economy, population and land area—thus requiring concerted mitigation and adaptation measures, including disaster risk management and preparedness.

2) Poverty and income inequalities: Bhutan's concerted efforts and successes at reducing poverty and improving overall life conditions for its people requires to be built upon, to bridge remaining gaps and to ensure that development remains inclusive and equitable. Across districts, income poverty rates range from a high of 33 percent to a low of 0.3 percent, with poverty still considered a "rural phenomenon". At the same time, a strong sense exists of the need to look into the nature of urban poverty, even as poverty rate in urban areas is much lower. Income inequality remains high as measured by the Gini Index, standing at 0.38 in 2017.

More than five percent of Bhutanese are multi-dimensionally poor, again with wide variations between rural and urban areas. Children are found to be especially vulnerable, with multidimensional poverty highest for children aged 0-9 years. In addition to the protection and welfare accorded by the royal *kidu* programmes, other social protection mechanisms and targeted micro-credit programmes may be necessary to help individuals cope with adverse economic and financial shocks. Further, effective planning and policy interventions could be facilitated with updated assessments of the drivers of poverty reduction in the country based on the most recent data available.

3) Urbanisation and its social implications: The pace of urbanisation has been astonishingly swift, and despite increased opportunities, associated challenges have also increased. These include the difficulty in meeting increasing demand for safe water supply and sanitation, solid waste management, air pollution, forest and land degradation.

The urban context also presents a set of social issues, for instance, inadequate housing and civic amenities, informal settlements, many young migrants working in the informal economy and more vulnerable to exploitation, trafficking in persons as an emerging concern, among others. Yet when it comes to the urban poor and other vulnerable groups, a need still exists for clear data and a clear development strategy. Considering not just the environmental but also the various social dimensions of urban living, it will be pertinent to approach and manage urbanisation holistically.

4) Children, youth and sociocultural resilience: A need also exists to ensure the wellbeing of young Bhutanese and to develop their potential, as currently the efforts of Government and non-Government agencies to address youth-related issues continue to be fragmented. This is particularly worrisome in light of the increasing numbers of young Bhutanese, including children, being exposed to and experiencing various protection issues, with potential negative impact on their wholesome development and wellbeing. In all, a need exists for a more comprehensive understanding of the situation of young Bhutanese today, from all angles, and including the views of youth and children themselves.

5) Wellbeing of the elderly: While working more strategically toward the welfare of young people, it is also necessary for Bhutan to anticipate and plan for the needs of the elderly population. Currently, no formal policy or dedicated agency exists to oversee matters concerning the elderly. It has been projected that the elderly aged 60 plus will more than double in 30 years, from eight percent in 2020 to 17 percent by 2050. Appropriate care and support systems for the elderly (in need of support) will need to be explored given demographic trends, and changes in traditional family structures.

6) Persons with disabilities: Currently, no comprehensive set of disability data nor comprehensive studies across disability exist. As with much of the demographic and living standards information currently used in this report, available data on persons with disabilities is old, but more robust disaggregated information is anticipated once the 2017 PHCB analysis becomes available. While Bhutan signed the Convention on the Rights of Persons with Disabilities (CRPD) in 2010, it is yet to be ratified. A National Policy for Disability is currently being formulated. In the absence of a lead agency, coordination is difficult for an area that requires a cross-sectoral and collaborative approach.

Pressing challenges to empowering persons with disabilities include a lack of relevant professionals, disability-friendly infrastructure, and a comprehensive social protection scheme; as well as limited livelihood opportunities, susceptibility to abuse, and unhelpful beliefs and negative attitudes, among others.

7) Quality and sustainability of social sectors: While significant achievements have been made in the social sectors, challenges have become more complex and nuanced. Key issues of quality and inclusiveness in the health sector is illustrated, for example, by the fact that while majority of the population have easy access, about 4.6 percent has to walk more than three hours for basic health services. Quality of healthcare is greatly impacted by shortage of appropriate personnel and capacities, as demonstrated by the fact that there are only three doctors and 14 nurses per 10,000 population.

Sustainability of the sector is impacted by, among other factors, the fact that while the country still struggles with communicable diseases, non-communicable diseases are on the rise (with 13.5 percent of the adult population found to have three or more modifiable risk factors in 2014). Well-considered solutions are thus essential for sustainability of the healthcare system, especially given that free basic public health is a constitutional right, and currently five percent of the Total Health Expenditure (THE) is spent on referrals outside the country.

Likewise, issues of quality and inclusiveness also remain in the education sector. Ensuring equitable and quality education learning outcomes still remains a challenge, as does the issue of ensuring that the last out-of-school child is enrolled. While increase in school enrolment indicates improved access, it does not indicate the actual progress in terms of education quality. Quality of education is a major concern with increasing numbers of Bhutanese students, including graduates from vocational and tertiary institutions, not adequately prepared to enter the workforce.

Gender parity at tertiary levels has not been achieved, indicating that additional measures have to be instituted to frame and implement solutions for girls' participation.

8) Maturity of participation in democracy and decentralisation: Bhutan is still a young democracy with a need to strengthen experience and capacities related to various levels of governance and forms of democratic engagement. As a parliamentary democracy, the question of continuity of Members of Parliament (MP) is inevitable, which then raises the need for strengthening parliamentary institutions. As the justice sector illustrates, inter-agency challenges are exacerbated by conflicting laws and absence of coordinated development planning.

The level and quality of civic engagement is another area that requires strengthening. Civic awareness and understanding of democratic governance, and the role of civil society in promoting democratic values and influencing decision-making, people's participation and social accountability remains to be fully realised. Additional dimensions of the challenges to deepening democratic culture in the country relate to decentralisation and effective public service delivery. With the planned decentralisation of resources in the 12th FYP, stakeholders will need greater clarity on modes of engagement in implementing related programmes at the local government level.

(II) Policy and institutional frameworks

National priorities: Bhutan's long-term strategic direction since 2000 is guided by the document, *Bhutan 2020—A Vision for Peace, Prosperity and Happiness*. It has been suggested that the current *Strategy for GNH* will provide the basis for the next vision document.

National priorities going forward into the upcoming Plan period are articulated in the *12th FYP Guideline* document in the form of 16 National Key Result Areas (NKRAs), several high-priority multi-sector interventions or flagship programmes, and crosscutting themes such as environment, disaster management, gender equality and women's empowerment, vulnerable groups, among others. The 12th FYP places strong emphasis on the "Triple C"— coordination, consolidation, and collaboration— across all sectors and development actors to enhance efficient implementation of policies and programmes.

Commitments to a just, rights-based society within the international normative framework: The Constitution of the Kingdom of Bhutan guarantees & protects fundamental rights & freedoms for Bhutanese citizens in consonance with basic human rights principles, wherein Article 7 articulates fundamental rights and Article 8 articulates corresponding fundamental duties or responsibilities.

Bhutan is party to the Convention on the Rights of the Child (CRC) and its two optional protocols. It is also party to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). The International Convention on the Elimination of All Forms of Racial Discrimination (CERD), and the Convention on the

Rights of Persons with Disabilities (CRPD) have been signed but not yet ratified. Bhutan has so far gone through two cycles of the Universal Periodic Review (UPR), which has recommended the ratification of all core international human rights instruments.

Localisation of the SDGs: A 2015 rapid integrated assessment of Bhutan's 11th Five Year Plan against the SDG targets showed a high level of integration, with a total of 134 SDG targets found to be prioritised out of 143, excluding targets related to SDG 14 on oceans and SDG 17 on means of implementation. A few gaps are also noted against some SDG targets, mainly with regard to social protection elements. One question to consider is if the various existing mechanisms providing services and elements of social protection in the country require strengthening with a formalised social protection policy.

Preliminary assessment similarly indicates high integration in the 12th Plan framework (close to 100 SDG targets/indicators integrated in NKRA's & key performance indicators), and further integration is expected as sector & local government key result areas and performance indicators are finalised. Moving forward, Bhutan has committed to make a Voluntary National Review (VNR) through which it will further discuss national efforts in implementing the SDGs.

Financing Landscape: Against the backdrop of its many development challenges and issues, and as a signatory to the Addis Agreement, a clear understanding of Bhutan's financing landscape as well as an exploration of sustainable and innovative ways of financing for development is necessary.

The UNCT's *Development Finance Assessment* provides robust analysis and recommendations in this respect, which in summary finds that: the country's traditional reliance on the support of development partners to finance public investments has seen a significant shift; there is now much more reliance on domestic resources; there has been a gradual decline in the availability of concessional funding; domestic revenues for financing the 12th FYP are anticipated to be much lower than earlier anticipated, given further delays in the commissioning of planned hydropower projects; and unless Bhutan is able to attract new sources of development finance, the full implementation of capital investment is at risk.

(III) Key thematic areas with potential for joint programming: While further analysis (within the UNDAF process) is required before areas for joint programming are finalised, the following four areas represent some of the issues where a common UN comparative advantage can be drawn for improved and coordinated impact.

1) Climate resilience and disaster risk management

Key issues: Coordination across multiple sectors and agencies; shortage of appropriately skilled manpower to effectively deal with disasters; barriers including limitations in basic data, financial resources, knowledge & information, institutional capacities.

Policy & governance environment: Disaster Management Act of Bhutan 2013;

Disaster Management Committees; contingency plans for health & education sectors, and 9 Dzongkhags; disaster relief support from the *DeSuung* programme.

Going forward: Need for an effective disaster management institutional framework; improved coordination; hazard zonation and vulnerability mapping; disaster management plans and contingency plans at national and local levels; additional efforts at prevention, preparedness and rehabilitation; critical infrastructures; among others.

2) Gender equality and women's empowerment

Key issues: maternal & reproductive health; enrolment & completion in tertiary education; job quality; low participation in public decision-making & political spheres; and gender-based violence.

Policy & governance environment: Strong gender-related legal & policy framework – Constitution, Penal code Amendment 2011, DVPA 2013, CCPA 2011, CAA 2012; CEDAW, CRC, ICPD; Work underway to draft Bhutan's first Gender Equality Policy; Gender mainstreaming programme– all agencies responsible, with NCWC spearheading the process; CSOs play critical role.

Going forward: Need to strengthen gender mainstreaming process, implementation of key legislations, collection and use of sex-disaggregated data (& capacities); and the need to address remaining gender gaps.

3) Food and nutrition security

Key issues: Poor dietary practices and food habits across all age groups; inadequacies in availability and access to food; and major issues and challenges to the agriculture sector affecting food and nutrition security.

Policy & governance environment: Food and nutrition security key objectives since 8th FYP; *Food and Nutrition Security Policy of the Kingdom of Bhutan 2014*; National Food and Nutrition Security Strategy (2016-2025) and Action Plan (2016-2018).

Going forward: Require innovative thinking and approaches; a change in mind-set; greater awareness needed regarding nutrition, food safety, human and institutional capacities; systematic efforts towards behavioural changes; ensuring policies are in-sync with targets being set; and a revisit of the whole agriculture system as it evolves.

4) SDG data for evidence-based decision-making

Assessment of many of the issues discussed throughout the CCA remains difficult in light of limited data and evidence. This is a critical challenge as reliable disaggregated data will be necessary for Bhutan to be able to measure progress toward GNH and the SDGs so that no one is left behind. The data revolution is essential in the context of Bhutan's pursuit of development that is sustainable, equitable and inclusive.

Key issues: Coordination; data integrity; harmonised standards & methods; capacities; sustainability of financial resources; security & safety of the Bhutan Statistical System (BSS).

Policy & governance environment: Executive orders govern official statistics in Bhutan (2003 & 2006); a Statistics Bill initiated in 2000 is yet to be endorsed; a National Strategy for the Development of Statistics (NSDS) for 2009-2013 exists – implementation affected by absence of a statistical law/bill.

Going forward: The need for strengthening awareness among decision-makers on importance of data; coordination within data producers; institutional capacities; legal framework governing official statistics; and a culture of evaluation.

Conclusion: As the UNCT prepares for its next UNDAF, a key question is, how can the UN System best contribute to Bhutan’s efforts to addressing these critical development issues and concerns listed above? To effectively Deliver As One, the UN System will need to work together within the scope of its comparative advantages. While the specific mandates of the individual UN Agencies will continue to be addressed in coordination with their respective Implementing Partners, they will also need to move together more rapidly especially in the critical areas that cut across all traditional sectors.

Moving forward to the next steps in the UNDAF preparation process, there is a clear need for long-term strategic thinking in the approach to the issues, and the need to nurture a stronger sense of cooperation so as to work on common concerns in a holistic manner. This applies not only to the Government but also to the UNCT and other partners working collectively towards Bhutan’s socioeconomic progress. In this respect, a common platform for where open dialogue with national stakeholders can take place could prove to be useful.

Furthermore, as the issues and challenges to be addressed get more complex and nuanced, and as the UN System moves more into policy work, capacities (all around) for systems thinking and application need encouragement and strengthening. Finally, as the UN (globally) prepares for the “4th industrial revolution”, innovation will be an important, crosscutting element for this next UNDAF. As the UN System in Bhutan works to reposition itself with a greater thought-leadership role in development, engaging in strategic advocacy and communication will be key.

Introduction

The new Bhutan United Nations Development Assistance Framework (UNDAF) One Programme (2019-2023) is to be developed in close alignment with the Royal Government of Bhutan's (RGOB's) upcoming 12th Five Year Plan (FYP/2018-2023). As one of the first steps in this process, the United Nations Country Team (UNCT) in Bhutan has undertaken the Common Country Analysis (CCA) to provide the evidence base for the development of the new strategy. This analysis, led by UNICEF as the technical lead, is supplemented by other related modules led by individual UN agencies in collaboration with the Resident Coordinator's Office (RCO) in the country, as listed below:

- The *Population Situation Analysis 2017*, led by UNFPA/RCO, to contribute to the CCA assessment of the demographic situation in the country
- *The Vision 2030 module*, led by UNDP/RCO, to add input and insight on how Bhutan can meet the SDGs by 2030 with the support of the UN
- *The Comparative Advantages of UN Agencies*, led by WHO/RCO
- The *Capacity Assessment* module, led by WFP/RCO, to deepen understanding, context, and capacities of key actors and partners in Bhutan of the UN's roles, responsibilities, and division of labour going into the new UNDAF cycle
- The *Development Finance Assessment*, led by UNDP/RCO, to provide an overview of financial flows to Bhutan, and policies, institutions and systems to align or channel these sources toward development priorities.

Based on these collective inputs, the UNCT will proceed to prioritise, define outcomes, and develop an overall Theory of Change for the next UNDAF One Programme 2019-2023. The CCA thus provides insights into key national development challenges and priorities; and together with the analytical modules listed above, will help guide the UNCT with a coordinated approach in focusing and prioritising engagement and support to Bhutan's development efforts during most of the 12th FYP period.

Conceptual framework of the CCA

The conceptual frame for the CCA is situated within the overarching framework of Agenda 2030 and the Sustainable Development Goals (SDGs), and in line with the Gross National Happiness (GNH) principles of responsible, sustainable, equitable, and inclusive development. As such, it is based on "a critical review of the concept of leaving no one behind and reaching the furthest behind first, with a focus on defining the needs of the most vulnerable and at-risk people."¹

¹ *Common Country Assessment: UNDAF Companion Guidance*. 2017.

Given that the analytical frame of the CCA is directly linked to key elements of programming principles in the UNDAF Guidance, it aims to deliver thematic analyses based on the principles of leaving no one behind; human rights, gender equality and women's empowerment; sustainability and resilience; and accountability.²

The CCA is intended to be a forward-looking document, examining not only the next five years of programming cycle but also considering the longer-term trajectory and outlook of the country. Thus, it also considers key RGOB documents such as the *Strategy for Gross National Happiness (SGNH)*, which is particularly a key guidance document for the post-Vision 2020 period, as the Gross National Happiness Commission (GNHC) announced during the 13th Roundtable Meeting (RTM) with development partners in 2017.³

Because the intention of the UNCT is to develop an UNDAF in close alignment with key national priorities, the CCA is also guided by principles and priorities as outlined in the *Guidelines for Preparation of the 12th FYP*. To an extent, these guidelines represent the national thought process, given the extensive consultations undertaken by the GNHC for its development, including with Government agencies, local governments, the private sector, civil society organisations, political parties, and youth.

The guidelines present a comprehensive picture of medium- and long-term national priorities, as well as the requirements for development financing. With a strategic framework integrating the nine domains of GNH, the goal of the 12th FYP is to maximise GNH, and the objective is to achieve a “just, harmonious and sustainable society through enhanced decentralisation.”

Lastly, the UNCT's Vision 2030 document entitled *Vision 2030: The Pursuit of Happiness*⁴ also resonates with the CCA, given that the two are intended to be mutually reinforcing. The vision document lays out how Bhutan's GNH approach is in harmony with its commitment to the Global Goals, which are captured in the five 'Ps': People, Planet, Prosperity, Peace, Partnerships. The five 'Ps' are together proposed as “a viable framework within which to imagine Bhutan's future in 2030, a future where the Global Goals have been reached, even while the pursuit of happiness continues.”⁵

The vision document thus offers a framework that could be used to guide the development of future UNDAFs and corresponding CCAs leading up to 2030. Currently the document sets out to situate and orient the analysis in this CCA within

² CCA Guidance Note.

³ *Report of the 13th Roundtable Meeting, 15-16 March 2017, Thimphu, Bhutan* – Prepared by the Joint Task Force for the 13th RTM, RGOB and the UN in Bhutan.

⁴ The document is in draft form at the time of this writing (Dec. 2017) and continues to be developed and updated.

⁵ *Vision 2030: The Pursuit of Happiness. United Nations Sustainable Partnership Framework with the Royal Government of Bhutan, 2019-2023. Draft Version 1, October 2017.*

the longer-term perspective, to facilitate the UNCT's engagement in various other processes leading to its formulation and finalisation of the upcoming UNDAF.

Methodology/preparation process and scope

The CCA has been prepared under the supervision of UNICEF Bhutan as the technical lead for this module. The report is based primarily on desk review and assessment of relevant documents and data sources, supplemented by bilateral consultations with key stakeholders.

In addition to the UNCT's provision of relevant documents (existing assessments, evaluation and analyses by the RGOB, the UN System and other stakeholders), other sources of information, as relevant, have also been sought over the course of data review and consultations. Based on the available data, an evidence-based description of the country situation and an assessment of risks are provided, through data and methodological triangulation.

The first draft of the CCA was presented and discussed at a validation meeting organised by the UNCT in Bhutan with the participation of RGOB officials, civil society and other partners.⁶ Feedback and comments received from Government and UN agencies in subsequent weeks were also considered and incorporated into the revised report where relevant.

In terms of scope⁷, the CCA examines a range of critical development challenges and issues facing Bhutan, though it must be noted that is not an exhaustive representation of all possible thematic areas.

Essentially, it introduces the country context with a broad overview of socioeconomic trends and political environment, followed by a closer look at some of the key concerns that are observed to be both persisting and emerging in Bhutan's development trajectory. These include: climate change and its impacts; poverty and income inequalities; urbanisation and its social implications; wellbeing of the elderly; persons with disabilities; quality and sustainability of social sectors; and the maturity of participation in democracy and decentralisation.

It also presents a picture of broad policy and institutional frameworks in terms of national priorities (both medium and long term); and in context of commitments to a just, rights-based society within the international normative framework; along with a look at efforts and progress thus far in localising the SDGs.

Drawing on key gaps and issues coming through from this overview of development concerns and policy frameworks, the report also identifies four key thematic areas with potential for joint programming across multiple UN agencies. These include climate resilience and disaster risk management; gender equality and women's empowerment; food and nutrition security; and SDG data for evidence-based

⁶ The meeting, held on 19th September 2017, was co-chaired by the Secretary of the GNH Commission and the Resident Coordinator of the UNCT in Bhutan.

⁷ The scope of the CCA is as set out in the Terms of Reference (ToR) for this assignment.

decision-making.

However, it should be noted that further analysis within the UNDAF process is required before areas for joint programming are finalised, as these are only some of the areas where a common comparative advantage for the UN can be drawn for improved and coordinated impact. It will be important to also consider those themes highlighted as key concerns in this report, along with the complete set of analytical modules that will collectively inform the preparation of the new UNDAF.

I: Bhutan Country Context

1. Demographic profile and trends

Bhutan's population in 2016 was an estimated 768,577 people (398,948 male, 369,629 female), according to projections of the National Statistical Bureau.⁸ At 20 persons per square kilometre overall, the country's population density is the lowest in the region; however, calculations based on effective land available for habitation⁹ suggests that population density stands tenfold higher, at about 269-290 persons per square kilometre.¹⁰

Bhutan remains largely rural, with two-thirds of the people residing in villages, although critically, internal migration and urbanisation have increased, as explored in detail in Section 3.iii. According to UNFPA's *Population Situation Analysis for Bhutan 2017*, the growth rate of Bhutan's urban population was the highest among the eight countries of South Asia, at 5.7 percent per year between 2000 and 2010. Overall, urbanisation increased from 26 percent in 2007 to 34 percent in 2012, and to 38.64 percent in 2015; by 2040, 51 percent of the population is expected to reside in urban areas.

Another projection, as presented by the *Bhutan National Urbanization Strategy 2008*, is that Bhutan will be 50 percent urbanised as soon as 2020.¹¹ Given the variations in projections, it will be especially important to note the latest data and analysis from the national Population and Housing Census of Bhutan (PHCB) conducted in June 2017, as they become available.

The current Total Fertility Rate (TFR) is only 2.1 children per woman, but the large pool of people in the reproductive age group is expected to contribute to an increasing population, projected to peak at one million in 2050-2060. Bhutan's population today is youthful, with one-third below 15 years and about half below 25 years. More than two-thirds of the population is in the working-age group. However, a shift is projected to occur by 2030, by which time 11.7 percent of the population will be above the age of 64 years.¹²

Thus, currently the country is experiencing a demographic dividend, which is expected to last for two to three decades. The *Population Situation Analysis for Bhutan 2017* identifies **2040 as an important turning for Bhutan from the perspective of demographic dynamics**. According to this analysis, this is the year

⁸ National Statistics Bureau. *Bhutan at a Glance 2016*. Thimphu, September 2016. Based on the Population and Housing Census of Bhutan (PHCB) 2005. Results of the 2017 PHCB are expected to provide more accurate data as they become available.

⁹ When considering forest cover of 72 percent and per-capita availability of land for cultivation at 0.131 hectares.

¹⁰ Population Situation Analysis of Bhutan 2017, UNFPA Bhutan.

¹¹ *Bhutan National Urbanization Strategy*. MOWHS, RGOB, 2008.

¹² Ibid.

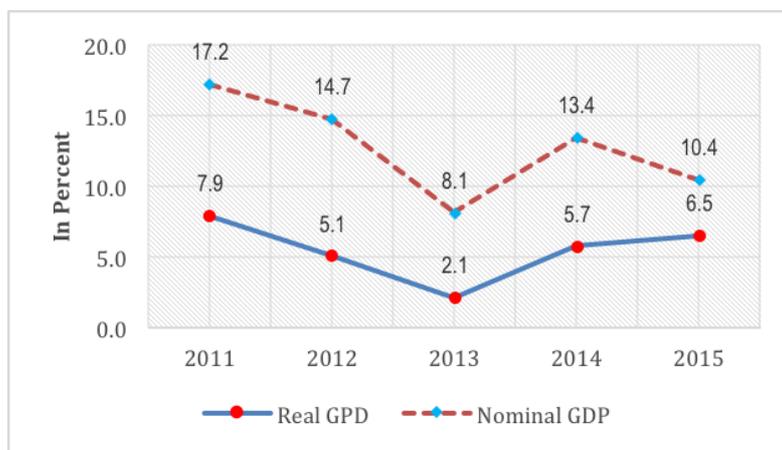
when the demographic dividend window will be closing, the working-age population will start declining, the elderly population will start increasing, and the urban population will surpass the rural population.

Such an outlook underscores the need for Bhutan to now give greater focus to investing in young people’s health, education and skills development to harness the demographic dividend; initiating interventions to address the needs of the rising elderly population; and addressing increasing internal migration and urbanisation.¹³ In all, population dynamics and demographic transitions will need to be kept in the forefront for robust and forward-looking planning.

2. Progress and gaps in sustainable socioeconomic development

With a Gross Domestic Product (GDP) of about two billion USD, Bhutan is one of the smallest economies in the world. However, it is also **one of the fastest growing economies, and is considered a lower Middle Income Country (LMIC)**, according to the World Bank classification. Per-capita GDP in 2015 was Nu. 174,400.66 (US\$2,719.11).¹⁴ A combination of prudent fiscal and monetary policy, as well as robust investments in hydropower contributed to increase in growth from 2.1 percent in 2013 to 6.5 percent in 2015.¹⁵

GDP Growth Rate-- Source: NSB/MFCC



Likewise, **progress in human development has been significant, with Bhutan having achieved or surpassed targets in five of eight Millennium Development Goals (MDGs)**. Most notably, it achieved the target for halving the incidence of extreme poverty well ahead of time, from 31.7 percent in 2003 to 23.2 percent in 2007, and to 12 percent in 2012. Since then, poverty has been further reduced by about a third, to 8.2 percent in 2017 (as explored further in section 3.ii.). It also reduced the incidence of underweight, child mortality and maternal mortality, and reached gender parity in primary education. Life expectancy increased from 32 years in 1960

¹³ Ibid.

¹⁴ *National Accounts Statistics 2016*. National Statistics Bureau, RGOB.

¹⁵ <http://www.worldbank.org/en/country/bhutan/overview#1>

to 69.83 years in 2015, according to a health survey, with a life expectancy of 70.11 years for women and 69.57 years for men.¹⁶

With a Human Development Index (HDI) of 0.607 in 2015, **Bhutan is in the medium HDI category** and is ranked 132nd out of 188 countries.¹⁷ Such positive development gains have been possible due to far-sighted and committed leadership, the consistent pursuit of pro-poor policies and programmes, along with a tradition of prioritising investments in the social sectors of health and education. Meanwhile, main drivers of prosperity in rural Bhutan include the efforts at commercialising agriculture; an expanding rural road network; and beneficial spillovers from hydroelectric projects, such as expansion in roads, jobs and businesses in the project areas. The royal *kidu* programme has also been essential in alleviating poverty conditions, especially of the landless poor.

As testament to the tremendous socioeconomic progress made over the decades, **Bhutan is expected to graduate from the UN's Least Developed Countries (LDC) category in the next few years**, with the RGOB calling the upcoming 12th FYP as “the last mile to LDC graduation”. Bhutan’s eligibility for graduation is based on its fulfilment of the Gross National Income (GNI) and Human Asset Index (HAI) criteria, as assessed for the first time in the 2015 LDC triennial review.

At the same time, however, Bhutan’s **level of preparedness for graduation from the group of LDC countries** to middle-income status **remains an important concern**. **Despite the notable progress as highlighted above, a number of remaining gaps** in MDG achievement still need to be addressed as Bhutan works towards strengthened reporting on SDG targets.

For instance, **chronic malnutrition** still occurs among a significant proportion of children below age five, with one in five children stunted, and with considerable differences across regions as well as wealth quintile. Thus, despite improvement in the access and quality for the general population, **food and nutritional security remains a challenge, especially for the poor** in many remote communities (as further explored in Section III-3). Neonatal mortality is still high, accounting for 70 percent of infant mortality and more than half (56 percent) of under-five deaths. Access to clean water, improved sanitation and hygiene—key drivers of health and nutrition outcomes for children and the general population alike—also continues to constrain progress in all other development areas.¹⁸

Quality of education represents a major concern, with increasing numbers of Bhutanese students, including graduates from vocational and tertiary institutions, not adequately prepared to effectively enter the workforce (see also section 3-vii). Meanwhile, **youth unemployment** has increased from 9.4 percent in 2014 to 10.7 percent in 2015, compared to a relatively low reported national unemployment rate

¹⁶ <http://www.bbs.bt/news/?p=78867>

¹⁷ UNDP. *Human Development Report 2016: Human Development for Everyone*. New York, 2016.

¹⁸ *Report of the 13th Roundtable Meeting, 15-16 March 2017, Thimphu, Bhutan* – Prepared by the Joint Task Force for the 13th RTM, RGOB and the UN in Bhutan.

of 2.5 percent in 2015¹⁹, as further discussed below.

Gender parity at tertiary levels (0.82) also has yet to be achieved. **Women’s representation in the political and decision-making spheres is very low**, with only six women as Members of Parliament, two as *Dzongdas* (District Administrator), four as *Thromde Tshogpas* (elected representative in municipalities), 23 as *Mangmis* (elected representative of a *Gewog* assuming role of deputy *Gup*/Head of *Gewog*), and 130 as *Tshogpas* (elected representative of *Chiwog*/village or group of villages)²⁰, as further explored in Section III-2.

In addition, the increasing number of HIV cases detected—although relatively low in absolute numbers—is a concern for a small country. **New HIV infections more than doubled between 2005 and 2016**. As of 30 June 2017, 548 HIV cases have been reported, with an equal proportion among the sexes: 52 percent male and 48 percent female, with 34 cases among children below 15 years.²¹ However, UNAIDS estimates the actual number of people living with HIV in the country to be higher at about 1100, thus raising the **additional concern of underreported cases**.²²

As also discussed in Section 3-v below, **the need to improve access to high quality Sexual and Reproductive Health (SRH) services**, particularly for young women and men in the poorest communities of the country, remains fundamental to ensuring Bhutan’s continued progress on critical indicators such as HIV/AIDS, adolescent pregnancy, and maternal mortality.

Linked to all this, the **challenges of sustaining social services and improving their quality remain significant**. Diminishing interest among development partners, in light of advancements towards LDC graduation, puts achievements in social sectors at risk, in key areas such as mother and child health, nutrition, immunisation, and Early Childhood Care and Development (ECCD). Reduced investment in these key sectors would negatively influence the country’s social and economic development in the short-, medium- and long-term. In particular, **socioeconomic development issues remain at disaggregated levels despite the positive picture presented by national-level indicators**—this is further elaborated in section 3-ii with regard to poverty, and in subsequent subsections on a range of social issues.

In particular, Bhutan also continues to face **serious structural impediments to addressing its economic vulnerability and exposure to various shocks**. The sustainability of the economy is a challenge given that economic growth is driven primarily by the public sector and the financial support of its development partners.

¹⁹ *Labour Force Survey Report 2015*. Dept. of Employment, Ministry of Labour and Human Resources, RGOB. Note: “Unemployed” in this report is defined as those (simultaneously) without work, currently available for work, and seeking work.

²⁰ Prime Minister’s *2017 State of the Nation Report*.

²¹ UNAIDS Factsheet on HIV in Bhutan, July 2017.

²² Most of the reported cases (92 percent) are attributed to unsafe heterosexual practice, followed by mother-to-child transmission. Cases are mainly concentrated in the major towns, with almost 28.3 percent in the capital Thimphu, followed by 19.7 percent in the bordering town of Phuentsholing.

An overreliance on hydropower increases its vulnerability, as the sustainability of the sector is inextricably linked to climate change impacts and effective biodiversity management. The tourism sector, a major source of foreign exchange revenue for the country, has experienced serious impacts as a result of spill-over from the 2015 Nepal earthquake; within 20 days of the devastating earthquake, which did not physically affect Bhutan, the Bhutanese tourism industry saw more than 150 tour cancellations, for an estimated loss of Nu. 17.40 million.²³

Growth has also been **highly capital-intensive and driven by sectors that are not immediately and directly relevant for the poor.**²⁴ The agriculture sector, which is critical for livelihoods of the rural poor, continues to be challenged by low growth rates, with its share to GDP consistently low at about 13 percent in 2017 and expected to further decline to about 11 percent by the end of the 11th FYP.²⁵ While the agriculture sector employs about 60 percent of the people, and accounts for the largest segment of the labour market (employing 27 percent of workers in 2014), they are mostly subsistence farmers with significantly lower returns.²⁶

Bhutan's **current account deficit increased** to 30 percent of GDP in 2015, although this is mainly reflective of the large investments related to hydropower projects. It also faces difficulty in sustaining foreign exchange reserves through imports, though gross international reserves remained stable, covering 11.3 months of goods and services imports as of October 2016 given adequate financing. The **fiscal deficit** was 1.3 percent of GDP in the Financial Year (FY) 2015/16, and is expected to increase to about 2.5 percent in FY 2016/17, and is largely reflective of an increase in capital expenditures for infrastructure development such as roads.²⁷

The accumulation of **public debt and speculation of its potential to lead to a debt crisis** is also an area of concern in Bhutan. As of March 2017, the total public debt was Nu. 171 billion, equivalent to 107 percent of GDP—this consisted of domestic debt at eight percent of GDP, and external debt at 99 percent of GDP. External debt in particular increased from 119 percent of GDP in June 2016 to 122 percent of GDP as of March 2017, with hydropower accounting for about 80 percent of the external debt (or 77 percent of GDP).²⁸

²³ <http://bit.ly/2mFHpsR>

²⁴ Growth in 2014-15 was largely driven by the tertiary sector, with a contribution of 3.8 percentage points. This was due to the better performance of hotels and restaurants, with a growth of 17.4 percent; the mining sector, with a growth of 17 percent; and wholesale and retail trade, with a growth of 13.7 percent. *Source: RMA Annual Report 2015/16, Royal Monetary Authority of Bhutan.*

²⁵ Report on the 13th RTM, RGOB, 2017.

²⁶ The agriculture sector continues to be associated with low salaries, few fringe benefits, and restricted access to education- and labor-related social protection programs. Workers in this segment tend to be less educated and from poorer and rural households.

²⁷ *Bhutan Economic Update: Hydropower Sector Clouds Macroeconomic Prospect.* The World Bank, 2017.

²⁸ As presented in the same World Bank analysis, the disaggregation is important as each category has different characteristics: non-hydropower government debt is borrowing from multilateral and bilateral agencies for socioeconomic development, including World Bank financing, which is highly

However, the 2016 World Bank-International Monetary Fund (WB-IMF) joint Debt Sustainability Analysis (DSA) concluded that **the risk of debt distress is moderate**, as was found from the 2014 DSA, given that a large portion of it is based on commercial viability of the hydropower projects. While substantial build-up of external debt in the medium term is foreseen given rapid hydropower development, the situation is expected to significantly improve over the long run. The conclusion as of date is that Bhutan would **need to carefully monitor its public debt, although DSA does not suggest immediate risk of a debt crisis.**²⁹

Other **persisting challenges to Bhutan's economy** include those posed by a small domestic market, narrow export product base and markets, a need for more adequate infrastructure, high transportation costs, and difficulties with accessing finance. Consistency of policies and strengthened coordination both remain to be achieved, and management skills and professionals, labour productivity, research and development (R&D) capability, and access to land all remain limited.³⁰

To help address these constraints, Bhutan has in place **an updated Economic Development Policy (EDP) since 2016**, which places emphasis on hydropower, agriculture, tourism, cottage and small industries, and mining, as key drivers of growth and job creation. Major economic reforms are thus being strategised to stimulate economic diversification with the prioritisation of these “five jewels”. Additionally, other areas identified to take the agenda forward include finance, construction, Information Communication Technologies (ICT), trade, industry, transport, education, health and other legislative initiatives.

Therefore, even as significant returns are anticipated in the long run from Bhutan's large hydropower investments, efforts at addressing the remaining structural challenges will require to be intensified (especially as the hydropower sector tends not to create as many jobs). In this respect, **it will be important to ensure that incremental revenues are invested in areas that generate local economic development and employment.** According to a 2016 RGOB-World Bank analysis on the Bhutanese labour market³¹, the public sector currently accounts for a fifth of all jobs and about half of all non-agriculture jobs. At the same time, its ability to absorb new, young workers is limited.

The **widespread demand for public sector jobs** is an outcome of the public sector's dominance in the labor market, and is considered a major reason for the relatively high unemployment rate among “young, well-educated and well-off city dwellers”. Given this competition for well-educated workers, coupled with a high cost base and

concessional. Non-hydropower debt by the Royal Monetary Authority (RMA) is small and for balance-of-payment support purpose. The largest external debt category is hydropower debt by state enterprises (including on lending from the Government).

²⁹ *Bhutan Economic Update: Hydropower Sector Clouds Macroeconomic Prospect*. The World Bank, 2017.

³⁰ *Economic Development Policy 2016*. Ministry of Economic Affairs, RGOB.

³¹ *Bhutan's Labour Market: Towards Gainful Employment for All*. MoLHR, RGOB and World Bank. 2016.

insufficient productivity, the private (non-agricultural) sector remains underdeveloped. It thus accounts for only a quarter of all jobs in the country, and barely more than half of those outside agriculture.³²

Within the private sector, relatively large companies create most of the jobs, with companies employing at least 100 workers accounting for 49 percent of private sector jobs. Medium-sized firms with 20 to 99 workers account for 24 percent, while smaller firms (with five to 19 workers), and microenterprises (with fewer than five workers), together account for only 25 percent of all jobs in the nonfarm private sector.³³ **Bhutan’s entrepreneurial culture is thus still in nascent stages**, and requires further encouragement and support for their development.

As such, **transitioning to a more private sector-led economic development will be critical to achieving sustainable and inclusive growth in the country. This has remained a challenge for Bhutan** as the private sector, despite having long been identified as the “engine of growth”, continues to remain sluggish in its growth and vibrancy.³⁴ Its importance, however, is well recognised and the adoption of the SDGs should reinforce efforts to change government’s role from being one of “provider” to an “enabler” — given that the private sector is particularly critical to achieving SDG 8, 9 and 12.

In this respect, several policy initiatives have been taken in addition to the updated EDP 2016. The Better Business Council has been established to provide a platform for businesses to interact in promoting ideas and initiatives. **The adoption of the Public Private Partnerships (PPPs) Policy in 2015 is expected to facilitate the growth and effectiveness of PPPs in the country**, which over the last decade have become increasingly important in leveraging private-sector resources for infrastructure projects.³⁵

³² In all, the general preference for the public sector is attributed to its provision of relatively secure, well-paying jobs, and access to education and labour-related social protection programmes. On the other hand, while the agriculture sector accounts for the largest segment of the labour market (employing 27 percent of workers in 2014), it continues to be associated with low salaries, few fringe benefits, and restricted access to education- and labor-related social protection programs. Workers in this segment tend to be less educated and from poorer and rural households. Source: *Bhutan’s Labour Market, Op.cit.*

³³ The size of the private sector in 2015 was approximately 30,000 formal businesses, out of which 99 percent were micro and small businesses. There are currently about 350 limited liability companies and a handful of joint-stock companies and partnerships. The remaining businesses are de facto sole proprietorships, with or without employees. Source: [The World Bank Group](#).

³⁴ Bhutan’s ease of Doing Business (DB) ranking decreased slightly to 73 out of 190 countries in 2017, from 71 in 2016. In the World Economic Forum’s most recent Global Competitiveness Report, Bhutan ranks 97th out of 138 countries. According to the World Bank’s 2015 and 2009 Enterprise Surveys, access to finance is the greatest constraint to doing business; in addition to starting a business and resolving insolvency.

³⁵ For instance, Bhutan’s first Information Technology (IT) Park was launched in 2012 as a PPP; other PPPs have been in the areas of transport and power production, and more recently in social infrastructure such as health and education, as well as other services like facilities management. The PPP policy states that PPP projects will be subject to existing laws and regulations, including those related to the environment. It also notes qualitative project selection criteria based on “GNH goals,

Underpinning these initiatives are **several monetary and fiscal interventions** including the adoption of a Public Debt Policy in 2016; the alignment of annual budgets with annual performance targets under the Government's General Performance Management System (GPMS); the additional use of a Public Expenditure and Financial Accountability (PEFA) standards to assess public finance management; the initiation of an e-Government procurement system; and **the 2016 Fiscal Incentives**³⁶ (though recent discussions on this remain divided and it will be important to follow developments as they unfold³⁷).

Going forward, **understanding various regional dynamics and other external forces driving growth inside the country is also important.** Examples related to developments in India are most relevant given that it accounts for about 90 percent of Bhutan's international trade.³⁸ Thus for instance, Bhutanese inflation mirrors Indian inflation, and the Indian Rupee crunch in 2012 pushed Bhutan to put in place prudent reserve management practices.³⁹

The Government of India's move to demonetisation in late 2016 also impacted business activities and placed pressure in the Bhutanese economy. Local farmers especially faced difficulties as the move coincided with the season for auctioning agricultural produce and prices were affected.⁴⁰ More recently, India's introduction of the Goods and Services Tax (GST) in July 2017 is likely to make Bhutanese products more expensive and Indian products cheaper, potentially leading to trade deficits, as well as decline in domestic revenue from excise duties; actual impacts however are anticipated to be more complicated.⁴¹ Likewise, it will be prudent to take into consideration various other regional and global trends that could have an impact (or even provide lessons to learn), on Bhutan's economy and more broadly its development trajectory.

Equally as important, as highlighted in the 12th FYP Guidelines, the significant investments made over past Plan periods in developing various infrastructure facilities in the country must be optimally utilised. It will be critical to ensure **quality and integrity in the maintenance of built infrastructure**, as this directly impacts budget sustainability and therefore the country's development progress. Given the

such as employment, the environment, and social equity."

³⁶ For more information, please see: <http://www.mof.gov.bt/press-release-on-fiscal-incentives-16-aug-2017/>

³⁷ For example, see: <http://www.kuenselonline.com/fiscal-incentives-policy-becomes-an-act/>

³⁸ *Bhutan Economic Update: Hydropower Sector Clouds Macroeconomic Prospect*. The World Bank, 2017.

³⁹ Report on the 13th Round Table Meeting between Bhutan and its Development Partners. 15-16 March 2017.

⁴⁰ Ibid.

⁴¹ For details, please refer to the analysis provided by *Bhutan Economic Update: Hydropower Sector Clouds Macroeconomic Prospect*. The World Bank, 2017.

substantial indicative capital outlay of NU. 115 billion for the 12th FYP period⁴², the importance of ensuring infrastructure quality cannot be overstated.

As a globally recognised leader in sustainable development and environmental stewardship, Bhutan gives balanced importance to the health and wellbeing of the planet and to the needs of its people. This is embodied in its GNH philosophy, and the protection of the environment is further enshrined in its Constitution as a fundamental duty of all Bhutanese citizens for the benefit of present and future generations. In its Nationally Determined Contribution (NDC) to tackling climate change, Bhutan has committed to remain carbon neutral where emission of greenhouse gas emissions will not exceed carbon sequestration by its forests. Forests currently cover 72 percent of the land area of Bhutan and sequestration by forests is estimated at 6.3million tons of CO₂, while current emissions are estimated at 2.2 million tons of CO₂ as of 2013.

However, as Bhutan faces pressure to ensure the robustness of its economy, so too pressure increases on the natural environment and its resources. Management of co-benefits and trade-offs, along with balancing of conservation and development, continues to be a challenge. For instance, From 2008 to 2013, more than 15,618 hectares of forestlands were converted into other land uses, such as for farm roads, electricity transmission/distribution lines, industries and urbanisation; 474 cases of human-wildlife conflict, and 239 fire incidences were reported.⁴³

At the same time, given its location in a fragile mountainous area, **Bhutan is highly vulnerable to climate induced disasters and hazards**, such as glacial lake outburst floods (GLOFs), flash floods, riverine floods, landslides, landslide dam outburst floods, cloudbursts, windstorms, and river erosion. Such hazards are of great concern, as over 70 percent of the settlements are located along the main drainage basins⁴⁴ and likewise, most of the critical infrastructure such as hydropower plants, fertile agriculture land are at high risk due to flooding. These have potentially huge consequences for Bhutan's highly nature-dependent livelihoods and long-term sustainability of its hydropower- and agriculture-based economy, calling for concerted efforts at mitigation and adaptation including disaster risk preparedness as further discussed in section 3-i and in Section III-1.

3. Some key concerns

As presented briefly in the previous section, Bhutan continues to be challenged by a number of persisting development issues. At the same time it faces **several emerging issues, many of which are crosscutting and underlie key disparities and vulnerabilities in the country**—and if left unaddressed will exacerbate constraints to effective and sustainable development. This section looks at some of these persisting as well as emerging challenges, although it should be noted that neither the range of issues nor the analysis within each broad area are meant to be exhaustive.

⁴² *Guidelines for Preparation of the 12th Five Year Plan*, GNH Commission, RGoB. 2016.

⁴³ 13th RTM Report

⁴⁴ The Renewable Natural Resources Sector Adaptation Plan of Action, MoAF, RGOB. 2016.

The key purpose here is to highlight **broad areas of concern that will require clearer understanding of their potential for risks and the strategies thereupon**, as Bhutan strengthens its efforts to ensure that the benefits of development reach all sections of Bhutanese society equitably.

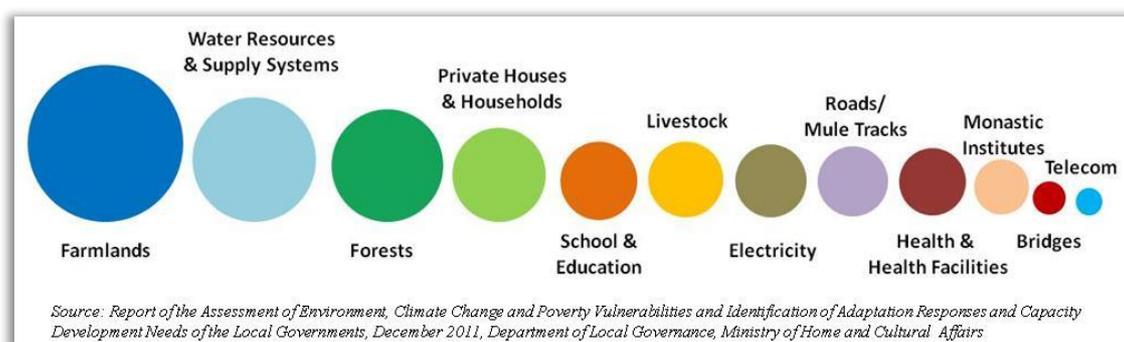
(i) Climate change scenarios and their impacts on livelihoods, water, forest and biodiversity⁴⁵

As mentioned, Bhutan’s efforts to balance environmental conservation and development needs is a significant challenge. With **changes in temperature, precipitation and extreme weather events all recorded to be occurring at increasing variability**, it is highly vulnerable to a number of climate change impacts, made more testing by its mountainous ecosystem and limited coping capacity as a (still) least developed and landlocked country.

For instance, close to 60 percent of Bhutanese live in rural areas and are highly dependent on farming systems that integrate crop agriculture, livestock rearing, and forest resource use. Such nature-dependent livelihoods are vulnerable to changes in regional and local climatic conditions, as revealed by analysis from a 2011 Joint Support Programme⁴⁶, Participatory Rural Appraisal-based assessments in some of the poorest *gewogs* in the country, as well as a Climate Change Vulnerability Assessment and Adaptation Planning Study⁴⁷.

These assessments found **farmlands to be the most vulnerable of all local livelihood resources/assets**, followed by **water resources and supply systems**, and **forests** (as shown in the chart below).

Proportional Scale of Environmental and Climate Change Vulnerabilities to Local Livelihood Resources and Assets



⁴⁵ Most of the text in this section is drawn from the NAPA II project document and as provided by UNDP.

⁴⁶ Joint Support Programme on *Capacity Development for Mainstreaming Environment, Climate Change and Poverty Concerns in National Policies and Programs*: The programme is managed by the GNHC Secretariat and funded by the Government of Denmark, UNDP and UNEP.

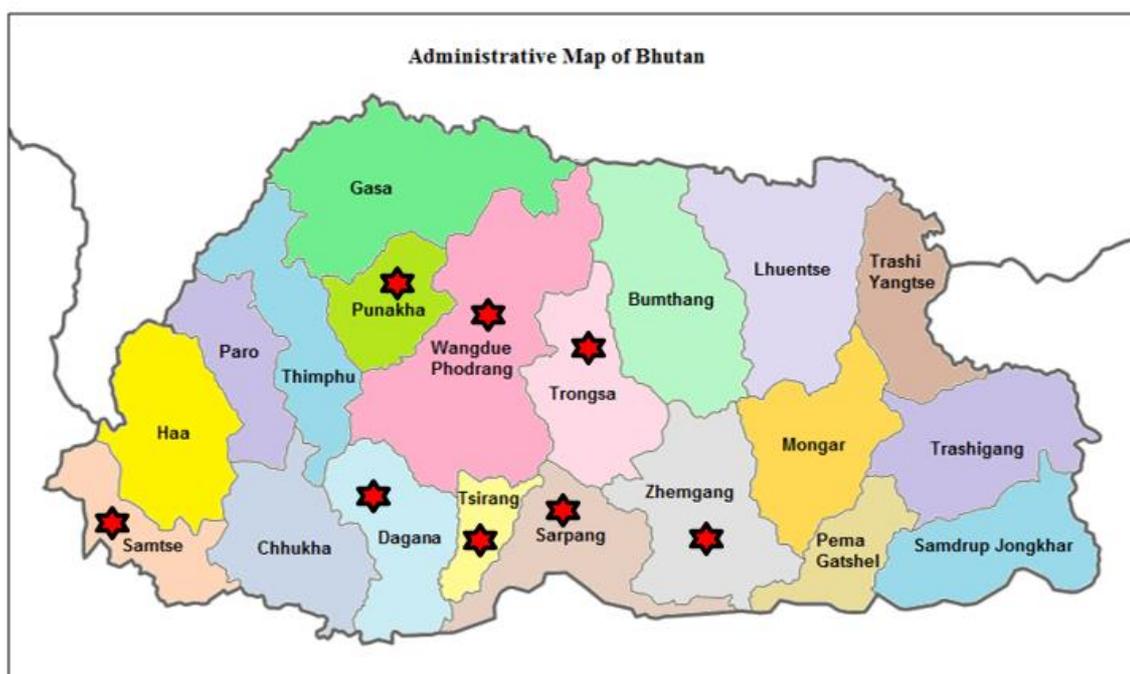
⁴⁷ A report prepared as part of the GEF/LDCF project formulation, UNDP.

Bhutan's **socioeconomic wellbeing depends heavily on agriculture, water resources and biodiversity**, and the findings of these assessments point to the considerable climate change risks facing the country, especially on rural livelihoods.

The projected variability in rainfall patterns and intensity is particularly expected to impact subsistence agriculture activities. From an agricultural perspective, elevation, geology and pedology also play a large role in determining whether farmers have a high risk of wet season crop failure and any opportunity of dry season cultivation. The vast majority of agriculture activities are rain-fed subsistence, cash crop production, and irrigated rice crops. To sustain these activities **resilient agriculture technologies**, such as efficient irrigation systems including water harvesting to manage water resources, are required. Opportunities need to be explored for the construction of small dams, reservoirs and ground water extraction.

In this respect, to increase resilience of the agriculture sector to climate change impacts, a Green Climate Fund (GCF) project intends to focus on a total of eight districts (as marked in the map below), along three main areas i.e. improving water and soil management to support agriculture production in a changing climate; reducing the likelihood of climate-induced landslides that disrupt market access during extreme events; and climate-informed crop choice and crop calendar to support resilience of agriculture livelihoods.⁴⁸

GCF Map. Source: UNDP, Bhutan.



An increase in annual average rainfall in Bhutan is projected and mostly expected to fall during the wet season of June to August when it is often not required to improve crop yields.⁴⁹ Similarly for aquifer recharge, the higher intensity of rainfall events

⁴⁸ UNDP, Bhutan. 2017.

⁴⁹ However, more evenly distributed rainfall within these months would likely reduce the incidences of yield declines occurring from dry spells during pollination of some crop species.

generally leads to extra surface run-off rather than infiltration once the soil is saturated, limiting the benefits of the extra amount of projected precipitation.

It is thus likely that the **increases in rainfall projected during the existing wet season will exacerbate problems associated with landslides, erosion, and floods leading towards depletion of soil fertility**. To cope with such problems, sustainable land management practices and agriculture land development need to be scaled up to make farmland resilient and more productive.

There is an evident trend in **increasing agricultural losses over time due to extreme weather events and other impacts** related to climate change. Loss of crops due to heavy rain, landslides, flash floods and hailstorms has seen an increase. Changing conditions have also resulted in the emergence of previously unknown pests and greater exposure to wildlife. In the same manner that water scarcity affects households in remote areas, it also affects wildlife. Wildlife, such as elephants, boar and deer, begin to encroach on farmland in search of food and water, resulting in agriculture losses. A summary of available information from post-event assessments is provided below.

Annual Crop Loss per MoAF Post Event Assessments⁵⁰

Year	Affected Dzongkhag	Households Affected	Affected Area (ha)			Production Loss (kg)
			Natural Calamity	Wildlife and Pests	Total	
2011	4	65	0	21	21	64,316
2012	5	1,220	222	65	287	385,133
2013	9	796	168	29	197	366,391
2014	10	306	76	309	385	1,489,725
2015	8	1,376	450	31	481	1,154,330
2016	16	2,108	Not Available	Not Available	433	1,995,732
Totals		5,871	916	454	1,803	5,455,628

Bhutan’s updated National Adaptation Programme of Action (NAPA) 2012 prioritises water resources as a sector most likely to be severely affected by climate change—with far-reaching implications relating to drought, floods, access to water and water quality. Current **water distribution infrastructure, and the abilities of communities to access water for household and agricultural requirements, can be undermined** due to such impacts. According to the Ministry of Health’s Annual Health Bulletin, 95 percent of the households in Bhutan had access to safe drinking water as of 2016 and 70.6 percent had access to improved sanitation facilities as of 2015.⁵¹ In rural parts of the country, springs and small streams are the main water sources.

⁵⁰ Green Climate Fund ‘Smart Agriculture’ Project Proposal, UNDP, October 2017.

⁵¹ *Annual Health Bulletin 2017*. Ministry of Health, RGOB.

However, the potential **contamination of drinking water sources** due to floods and landslides has serious health consequences, especially in urban areas where population concentration tends to be high. Fatal diarrheal diseases such as typhoid, cholera, and dysentery are common in Bhutan, and **sanitation at schools is still a serious health risk**. While many schools have toilets, with water for flushing or hand washing, general hygiene behavior is still poor. **Young children are especially at risk** from these conditions posing serious threat to their health and proper development.

The country's vast tracts of forests, which make up more than 70 percent of the land cover, have historically provided an important source of food, fuel, fodder, medicine and building materials, especially to the poor. Moreover, they help cushion the impacts of climate change-induced hazards such as landslides and flash floods, and thus their importance is expected to increase as the impacts of climate change become more visible. However, illegal harvesting of forest resources including poaching and recurrent incidences of forest fire undermines the long-term sustainability of forest and biodiversity resources. The extended dry period and absence of precipitation during winter as a result of climate change increases the **risk of wild fires**.

Collation and a preliminary analysis of forest fire data maintained by the Department of Forests and Park Services⁵² reveal that wild fires have severely damaged more than 70,700 hectares (ha) of forests, or approximately 1.5 percent of total landmass, since 2000, at the rate of close to 5,900 ha each year. Considering multiple functions of forests—as a supplier of livelihoods and income substitutes, disaster prevention and risk mitigation, carbon sequestration, and hydrological control in a given water catchment— it is critical that the country's forest resources are protected, especially from the increased risk of forest fire in drier conditions. Likewise, to ensure long-term sustainability of biodiversity conservation, an inclusive governance mechanism centered on communities is required for the country's Park Areas and Biological Corridors.

Lastly, another major concern is **the potential impacts of extreme weather events leading to natural disasters**, as Bhutan has already experienced. For a country with a small economy, population and land area, these impacts pose severe setbacks to development progress and achievements attained over the past decades.

The financial impact is increasingly clear. To illustrate, the heavy rains of the monsoon season, for instance, especially impact roads, prompting annual assessments by the Ministry of Works and Human Settlement (MoWHS) to document road conditions and calculate costs of needed restoration. These assessments show an upward trend in damage to roads – both due to growing number of roads that are susceptible to such damage, as well as the increased intensity and impact of the monsoon season.

⁵² Under the Ministry of Agriculture and Forests, RGOB.

Monsoon Restoration Recorded Damages ⁵³	
Financial Year	Estimated Amount (US\$)
2008-2009	2,039,265
2009-2010	2,783,190
2010-2011	2,958,135
2011-2012	1,731,285
2012-2013	3,556,815
2013-2014	3,097,110
2014-2015	3,379,910
2015-2016	5,095,657
Total Cumulative Damage (2008-2016)	24,641,367

The urgent need to address climate resilience and in particular to ensure disaster preparedness in the country, is explored in greater depth in [Section III-1](#).

(ii) Poverty and income inequalities

As highlighted in Section 2, Bhutan has greatly reduced poverty over the last decade, with overall poverty rate decreasing from 23.2 percent in 2007 to 12 percent in 2012, and further to 8.2 percent in 2017. Likewise, rural poverty has seen considerable reduction from 30.9 percent in 2007 to 16.7 percent in 2012, and 11.9 percent in 2017. To ensure that development remains inclusive and equitable, and to build on the gains thus far, the remaining gaps will need to be bridged so that no one is left behind. As such, attention must continue to be given in the areas where disparities persist.

For instance, poverty in Bhutan today is still seen as a “rural phenomenon”, with about 11.9 percent of the rural population being poor against 0.8 percent in the urban areas. Moreover, of the 1.5 percent of the Bhutanese population found to be “extremely poor” or subsistence poor, practically all reside in the rural areas. Therefore, rural areas—where opportunities for employment outside agriculture are limited, and where the delivery of social services to remote and isolated areas is more difficult—still require focused interventions that build on the successes of targeted poverty reduction programmes implemented over the last two (10th and 11th) FYPs.

Living standards also continue to vary considerably across *dzongkhags* as they did in 2012, when income poverty rates ranged from a high of 32 percent to a low of one percent. In 2017, poverty rates range from a high of 33 percent to a low of 0.3 percent, with poverty rates highest in the districts of Dagana, Zhemgang, Monggar, Trongsa, and Pema Gatshel, and lowest in Haa, Thimphu, and Paro. About a quarter (23.2 percent) of all the extremely poor in the country reside in Dagana, while some

⁵³ Green Climate Fund ‘Smart Agriculture’ Project Proposal, UNDP, October 2017. These assessments are specific to roads under the mandate of MoWHS, namely highways, Dzongkhag roads and Gewog roads. Assessments therefore do not capture the impact on farm roads.

Dzongkhags such as Bumthang, Paro and Thimphu have virtually no subsistence poverty.

In addition to disparities across *dzongkhags*, differences in living standards further down at the *gewog* levels can also be masked by national or district-level averages, as past assessments have shown. An example is Chhukha Dzongkhag, which in 2007 had a lower poverty rate of (20.3 percent) than the national poverty rate of (23 percent); however, wide variations in poverty headcount rates were found, with some of its *gewogs* recording among the highest poverty incidences in the country (Logchina, - 55 percent), and others among the lowest (Bjachho, - 6 percent).⁵⁴ This example, while based on 2007 data, is still useful as it illustrates the need for further disaggregation and analysis of the latest data, to capture the picture at the grassroots and to ensure that no one is left behind when pro-poor interventions are designed and carried out.

At the same time, even as the proportion of the income poor in urban areas is estimated to have decreased from 1.8 percent in 2012 to 0.8 percent in 2017, **a strong sense exists of the need to better understand urban poverty as an emerging issue.** Taking the four *Thromdes* (Phuentsholing *Thromde*, Samdrup Jongkhar *Thromde*, Gelephu *Thromde* and Thimphu *Thromde*) as a representation of urban Bhutan, the one percent poverty rate across these areas also deserve further analysis, especially from the point of view of inclusivity as promoted by GNH and the SDGs. While the latest figures indicate that the urban share of the total population of the poor stands as 3.16 percent⁵⁵ (an improvement from the 4.6 percent in 2012), urban areas face a much higher unemployment rate (4.6 percent) than rural areas (0.8 percent), with female unemployment rate estimated at 6.1 percent as compared to 3.6 percent for males in urban areas.⁵⁶

Given also the visible concentration of people living in urban centres like Thimphu and Phuentsholing today—exceeding previous projections of urban population density⁵⁷—and the stress on local area resources and capacities, it will be equally as **important to pay close attention to the face of urban poverty in Bhutan.**

The fact that 1,754 families, amounting to **about 5,600 Bhutanese, reside in the neighbouring Indian city of Jaigaon,**⁵⁸ owing to a lack of affordable housing in **Phuentsholing**, likewise is also something to consider. Showing that this is not a recent phenomenon, a June 2009 article in the Bhutan Observer newspaper⁵⁹ provides a glimpse into the lives of Bhutanese living in Jaigoan, already estimated to be in the thousands at the time.

⁵⁴ World Bank Poverty Assessment 2014.

⁵⁵ *Bhutan Poverty Analysis Report 2017*. National Statistical Bureau, RGOB.

⁵⁶ *Bhutan Living Standards Survey Report 2017*. National Statistical Bureau, RGOB.

⁵⁷ For example, the Thimphu Structural Plan prepared in 2003 estimated that Thimphu would have a population of 1,62,327 by 2027, which was already found to be an underestimation with about 1,30,000 people living in the area by 2014.

⁵⁸ <https://www.pressreader.com/bhutan/bhutan-times/20160724/281496455644186>

⁵⁹ http://bhutanobserver.bt/1512-bo-news-about-voices_from_jaigaon.aspx

Further, despite the remarkable reduction in national poverty rates noted above, **income inequality remains high**. According to the PAR 2017, a person belonging to the richest 20 percent of the national population consumes on average 6.8 times more than a person belonging to the bottom 20 percent of the population. This difference is similar to the estimates in PAR 2012, suggesting that there are no improvements in consumption inequality.

Bhutan's Gini Index (another measure of inequality) likewise points to the same trend. According to the *Bhutan Poverty Analysis 2012*, the Gini Index had initially declined from 0.42 in 2003 to 0.35 in 2007, but then increased to 0.36 in 2012. Latest estimates show a further slight increase of the Gini Index to 0.38 in 2017. This represents **a notable gap between the rich and the poor in the country**, observed to be higher at the national level than that of urban (0.32) or rural (0.35) areas.⁶⁰

In addition to the monetary poverty measure discussed so far, it is equally as important to take into account the measure offered by Bhutan's Multidimensional Poverty Index (MPI). The MPI presents a more robust picture of poverty in its multiple forms and is thus also useful for informing policy and planning. **Bhutan's MPI rate is estimated at 5.4 percent of the population in 2017⁶¹, which is a significant improvement from the 12.4 percent adjusted rate⁶² for 2012.**

To build on such positive results, it is important to look further into the 5.4 percent of Bhutanese who still fall below the multidimensional poverty threshold across the dimensions of health, education and living standards. **Overall, the largest contributors to national poverty are deprivations in years of education (32 percent), followed by child mortality (23 percent) and school attendance (13 percent).** By dimension, the largest contributor is education (45 percent), followed by health (34 percent) and living standards (21 percent).

The wide variations in MPI between urban and rural areas (1.2 percent and 8.1 percent respectively) must also be taken note of. **More than 93 percent of Bhutan's multidimensionally poor live in rural areas while close to seven percent reside in urban areas.⁶³ At the same time, it is also worth considering that fully eight percent of MPI poor people live in Thimphu, despite the capital having a very low overall MPI,** pointing to the need to account for larger populations and their accompanying stressors.

In addition, Bhutan's Child Multidimensional Poverty Index (C-MPI), first developed in 2016, shows that children are especially vulnerable (as is also common in other countries). The most recent data from 2017 shows that across age cohorts,

⁶⁰ *Bhutan Poverty Analysis Report 2017*. National Statistical Bureau, RGOB.

⁶¹ *Bhutan: Multidimensional Poverty Index*. National Statistical Bureau, RGoB, and Oxford Poverty Human Development Initiative, University of Oxford, 2017.

⁶² While the official MPI rate in 2012 is 12.7 percent, the Bhutan MPI 2017 report takes into account several adjustments to improve data comparability across the two time periods.

⁶³ The share of the population of rural areas is 66.5% and of urban areas is 33.5% (Source: Bhutan MPI 2017).

multidimensional poverty is highest for children aged 0-9 years, of whom 7.1 percent are poor, indicating the need to analyse and address child poverty further.

In all, the **educational level and literacy status of the household head continues to play an important role in incidences and levels of poverty** i.e. the higher the level of educational attainment of the household head, the lower the poverty rate. While no significant differences are found in level of income and multidimensional poverty for male- and female-headed households, past assessments have indicated that some female groups—notably married and divorced—were found to have a greater incidence of poverty than the corresponding male groups—suggesting that **disproportionate household burdens may be diminishing opportunities for women.**⁶⁴

Some of the critical obstacles to reducing poverty and inequality, as identified by the Asian Development Bank's *Country Diagnostic Study for Bhutan*, include: limited opportunities for productive and decent employment; limited and unequal access to quality education, (particularly secondary, tertiary, and vocational education); and poor connectivity, especially in rural areas.⁶⁵

Moving forward, it will be necessary to anticipate possible risks and vulnerabilities, and work out strategies to ensure that poverty reduction is sustained.

As past assessments such as the NSB's 2014 poverty assessment report have cautioned, the rapid reduction in poverty had bypassed nearly half of those found to be poor in 2007.⁶⁶ The **risk of falling back into poverty was found to be greatest for those in rural areas, those holding informal jobs, with low education, and residents of some eastern and southern districts.**⁶⁷ As such, in addition to the protection and welfare accorded by the royal *kidu* programmes, other social protection mechanisms and targeted micro-credit programmes may be necessary to help individuals cope with adverse economic and financial shocks.

At the same time, based on the most recent data provided by the 2017 BLSS and the forthcoming results of the PHCB 2017, thorough and updated assessments of the drivers of poverty reduction in Bhutan will be necessary in order to facilitate effective planning and policy interventions in the near future.

(iii) Urbanisation and its social implications

The RGOB has already given much thought to the subject of urbanisation, as shown in the *Strategy for GNH* and the country's *Vision 2020* document, formulated in 2008 and 2000 respectively. A study on rural-urban migration also was conducted in 2005, given concerns for the social, economic and cultural effects of rapid urbanisation

⁶⁴ National Statistics Bureau, RGOB. *Bhutan Poverty Assessment 2014*.

⁶⁵ *Bhutan—Critical Development Constraints*. 2013.

⁶⁶ Further, for every two families that managed to escape poverty, one previously non-poor family fell into poverty.

⁶⁷ *Bhutan—Critical Development Constraints*. 2013.

that had taken place in the country.⁶⁸ By 2008, the *Bhutan National Urbanization Strategy* was in place.

Recognising the challenges of a country undergoing rapid demographic transition—and given the GNH tenet to promote balanced and equitable socioeconomic development—the need to prepare for increasing pressures on major urban centres, while also addressing potential impacts on rural areas, thus has been repeatedly underscored.

The **pace of urbanisation has been astonishingly swift**, as indicated in Section 2, from five percent as recently as 1995 to 31 percent a decade later. Further, the urbanisation pattern has been highly skewed, with 45 percent of the urban population living in the Western region of the country. As the highest recipient of migrants from other parts of the country, Thimphu, the capital, thus faces increasing stress on its existing infrastructure, with a much higher population figure anticipated from the 2017 PHCB than the 1,30,000 estimated in 2014.

Therefore, despite all the foresight indicated by the various strategy documents, residents of the country's largest urban centre today are living in a vastly different environment than what was envisaged in 2003, in the original *Thimphu Structure Plan*. Green spaces have been lost to commercial and residential structures; urban boundaries have blurred; and increasing settlements continue to sprout up in the urban peripheries. Traffic congestion, unheard of just a few years ago, has become the new reality.

Meanwhile, Thimphu also faces **growing challenges in meeting increasing demand for safe water supply and wastewater management**. The Changjiji neighbourhood in particular faces frequent, and at times prolonged, water shortages. Despite recent efforts to expand the sewer system in Thimphu, much of the domestic waste and seepage from septic tanks and water pipes also continues to flow into the nearby river, increasing the risks of water-borne diseases.

Solid waste generation increased by more than 33 percent in Thimphu from 2003-2005 alone, causing excessive pressure on an already-overflowing landfill. The emissions from waste increased from 46.27 GgCO₂e⁶⁹ in 2000 to 118.60 GgCO₂e in 2010. The 2008 National Waste Survey had indicated a per capita waste generation of 0.53 kg/day, estimating a total generation of 61486kg/day (61.48 tonnes/day) by the total population of Thimphu in 2015.⁷⁰ Health care, industrial and electronic wastes also are of special concern; for instance the national referral hospital is estimated to produce two to three tonnes of infectious waste per year and six to eight tonnes of ordinary waste.⁷¹

⁶⁸ *Rural-Urban Migration in Bhutan*. Policy and Planning Division, Ministry of Agriculture, Thimphu. 2005.

⁶⁹ Total greenhouse gas emissions.

⁷⁰ Bhutan State of the Environment report, 2016.

⁷¹ Ministry of Health. *Rural Sanitation and Hygiene Strategy 2015-2023*. Thimphu, October 2015.

Although waste segregation was made a requirement by the Thimphu Thromde in recent years, it was soon revealed that most of the waste collected eventually landed up in the same landfill.⁷² Across the country, landfills are mostly ordinary pits, and do not have proper measures to control leachate leakage and compaction.⁷³ **Waste management is a serious challenge** and requires a re-look at existing legislations and policies, as well as appropriate resources and capacities, and behavioural change among the general populace for more sustainable solutions.

In addition, many of the issues facing Thimphu have replicated to varying degrees in other urban centres, such as Phuentsholing and Paro. With increased vehicular and household emissions, coupled with dust from construction and roadwork, **air pollution** is a further growing symptom of urbanisation. Increased demand for firewood and construction timber already are resulting in signs of **forest and land degradation**, as are increasing settlement on steeper slopes in absence of flat land near urban centres—all potentially leading to higher risk of erosion, disruption of waterways, and possible floods and landslides.

The urban context also presents a set of social issues. Given the lack of affordable housing, the urban poor are frequently compelled to live with inadequate housing and civic amenities. A 2014 Bhutan Poverty Assessment report indicated that the urban poor account for 3.1 percent of the total population of Bhutan. Another report⁷⁴ estimates that 10 percent of the total population in Thimphu lives in slum settlements. Some informal settlements are already visible in areas such as Jushina, Hejo, Dechencholing, Kala Bazar, Motithang, and the vegetable market in Thimphu.

Despite the perception of expanded opportunities, many young migrants, ill-equipped and unprepared for mainstream jobs, end up **working in the informal economy and are thus more vulnerable to exploitation.** For instance, many girls from lower-income families migrate to towns and take up jobs at entertainment centres. While relatively well-paying, these jobs still render them vulnerable to sexual advances from clients, sex work, child sex tourism, increased alcohol consumption, and prejudice or even discrimination within the wider society. They also run the risk of economic exclusion through loss of income if the centres are closed down.⁷⁵ Meanwhile, with **trafficking in persons an emerging concern** for Bhutan, efforts to counter and effectively address such practices require strengthening.

Yet when it comes to **the urban poor and other vulnerable groups, a need still exists for clear data and a clear development strategy.** This represents a serious impediment to working out effective and sustainable pathways for these population groups. The *Vulnerability Baseline Assessment* report confirms significant data gaps

⁷² <http://www.kuenselonline.com/thimphu-grapples-with-mounting-waste/>

⁷³ <http://www.kuenselonline.com/problem-of-waste-mis-management/>

⁷⁴ Gross National Happiness Commission and UNDP. *Vulnerability Baseline Assessment for Bhutan*. 2017.

⁷⁵ UNICEF Bhutan Situation Analysis 2017, Draft.

for many of these social issues, and recommends the need to address this.⁷⁶

Considering not just the environmental but also the various social dimensions of urban living, **it will be pertinent to approach and manage urbanisation holistically.** A clear imperative exists to advocate for this, given that the upcoming 12th FYP gives priority to “Livability, safety and sustainability of human settlements improved” and “Healthy and caring society enhanced” as two of the 16 national key result areas. In addition, “vulnerable groups” are also included among other crosscutting themes to be addressed by all agencies and local governments, ensuring that new infrastructure, including area plans, incorporates these concerns.⁷⁷

The Government has sought to address some of these challenges as reflected, for instance, in the **enhancement of grant allocations for capital investments to the four major *Thromdes* or municipalities** in the country (namely Thimphu, Phuentsholing, Samdrup Jongkar and Gelephu), by about 86 percent in 2017-18^{78,79}. The enhancement for Thimphu Thromde in particular is 223 percent as it experiences the most significant in-migration in the country. The draft capital outlay for the four *Thromdes* in the 12th FYP envisages an average annual allocation of Nu. 2 Billion⁸⁰, which will almost double the latest allocation.

There is thus an imperative to apply these resources sustainably in line with the long-term needs of these municipalities. While International Development Association (IDA) credit⁸¹ and other borrowings finance these capital investments, many of these are linked to interventions like land pooling that can yield significant financial returns. Given the rapid urban expansion and expectations of the urban population for services and employment opportunities, there will be significant pressure to further increase the investments in urban infrastructure and explore innovative tools to finance them.

In this respect, the **use of domestic credit by the private sector**⁸² could be one of the options with a potentially catalytic role in co-financing productive urban investments. Given Bhutan’s already high debt level, **credit enhancement tools such as credit guarantees and take-out financing, and selective use of PPPs** would support the RGOB to catalyse capital inflows and incentivise the flow of capital in strategic areas⁸³.

⁷⁶ Gross National Happiness Commission and UNDP. *Vulnerability Baseline Assessment for Bhutan*. 2017.

⁷⁷ *Guidelines for Preparation of the 12th Five Year Plan*. GNHC, RGOB. 2017.

⁷⁸ *National Budget Financial Year 2016-17*. Ministry of Finance, RGOB. 2016.

⁷⁹ *National Budget Financial Year 2017-18*. Ministry of Finance, RGOB. 2017.

⁸⁰ *Presentation to the Round Table Meeting, 2017*. GNHC, RGOB. 2016.

⁸¹ *BT: Urban Development II (P090157): Implementation Status and Results Report*. World Bank 2017

⁸² *Bhutan Economic Update*: World Bank, December 2016

⁸³ *Bhutan Capital Market Development Project: Technical Assistance Consultant’s Report*. Asian Development Bank. 2015

(iv) Children, youth and sociocultural resilience

The **need to ensure the wellbeing of young Bhutanese and to develop their potential was recognised early on** by Bhutanese leaders, as evidenced by the consistent prioritisation of the social sectors since the beginning of the FYPs in the early 1960s. Youth-specific initiatives were also put in place by establishing the Department of Youth and Sports under the Ministry of Education in 1996, and the Youth Development Fund in 1999 as a non-Government entity. Moreover, youth wellbeing figures prominently in the *Vision 2020* document.

Crafting and endorsement of a **National Youth Policy** in 2011 represented another key milestone. It indicated recognition in policy circles of the critical gaps that needed to be addressed in terms of having a cohesive, coordinated approach to the development of Bhutanese youth in keeping with the changing times.

Today, however, three key requirements of the policy remain elusive: (1) a strategic national youth action plan, to be developed every three years; (2) an inter-sectoral approach in developing programmes of action; and (3) an appropriately empowered agency to spearhead implementation of the policy. As such, the **efforts of Government and non-Government agencies working on addressing youth-related issues or providing programmes related to youth continue to be fragmented**.⁸⁴ This is particularly worrisome in light of the increasing numbers of young Bhutanese, including children, being exposed to and experiencing various protection issues, with potential negative impact on their wholesome development and wellbeing.

Although the extent of **drug and alcohol use among young people** is not clearly established, it is estimated to be in the thousands.⁸⁵ This is higher than the 4.2 percent of the population aged 15-19 years captured by the 2012 National Health Survey as using drugs. The media often reports cases of lethal drug overdose, though many more unreported cases are suspected.⁸⁶ Cannabis grows freely in many parts of the country, and is also easily available from across the country's porous borders. Nearly three in four drug users are cannabis users as per the National Health Survey, a particular concern because the type used in the country is found to induce psychotic conditions often requiring hospitalisation.

Easily as available and commonly abused are prescription tablets such as spasmoproxyn (SP) and nitrosun 10 (N10) tablets. School children and other younger adolescents are particularly known to sniff glue or correction fluid. Alcohol use and binge drinking among young people also is a concern, particularly given its unregulated accessibility. Brown sugar, cocaine and amphetamines, while not as widely used by younger people, have nevertheless found their way into the country.

⁸⁴ Tashi Choden. 'Bhutan's National Youth Policy: A Gap Between Commitment and Output?' The Druk Journal. Volume 2, Issue 2. Bhutan Centre for Media and Democracy, Thimphu, Winter 2016.

⁸⁵ UNICEF Bhutan Situation Analysis 2017, Draft.

⁸⁶ UNICEF Bhutan and Bhutan Narcotics Control Authority. *Alcohol and Other Drug Use: Young People and AOD Services in Bhutan – An Assessment*. Thimphu, November 2013.

At the same time, there is **insufficient numbers of well-trained counsellors and psychiatrists, as well as limited detoxification and rehabilitation services**. The outreach of existing drop-in centres is more concentrated in larger towns and fairly limited elsewhere. All these factors, combined with the complex nature of addiction and often-limited family support, presents a high risk of relapse for many even after going through a structured rehabilitation treatment programme.⁸⁷

The **apparent trend in suicide** among young Bhutanese is highly troubling. A study on *Suicide Trends in 2009 to 2013*,⁸⁸ using records from the Royal Bhutan Police for the same period, concluded that the annual average growth rate of suicide in the country increased from 11 persons per 100,000 to 13 per 100,000 during that period. Young people, most often students, constituted a significant number of these cases with one in five victims aged below 20 years.⁸⁹

As a top social priority, the government in 2015 put in place a **suicide prevention strategy** (July 2015-June 2018) with a multisectoral taskforce. However, complex challenges remain given the nature of the issue, and some fundamental issues such as ensuring adequate capacities of first responders have been raised.⁹⁰

A study by the NSB based on police crime records found that in 2013, **young people (aged 12-24 years, and mostly male) had committed 40 percent of recorded crimes in the country**. Of further concern is the finding that 40 percent of crimes among young people were committed under the influence of alcohol, and 12 percent under the influence of controlled substances.⁹¹ About half of young offenders were unemployed. First offences tended to be committed by 10- to 15-year-olds, indicating the special vulnerabilities of the youngest adolescents.^{92 93}

The situation of adolescent sexual and reproductive health (SRH) as well as access to quality services is yet another critical dimension of youth wellbeing. **Teenage pregnancy and marriage, and adolescent sexual and reproductive health information as well as access to services remain a concern**. Currently, the unmet need for family planning is high among young people (27 percent for those aged 15-19 as compared to 12 percent for the general population). Home delivery is high among adolescents, which corresponds to the report that of the more than 4,000 annual deliveries at the national referral hospital in Thimphu, teen deliveries account for 50-60 with the maximum cases coming from rural Bhutan.⁹⁴

⁸⁷ Ibid.

⁸⁸ http://www.bhutanstudies.org.bt/publicationFiles/JBS/JBS_Vol30/v30-2.pdf

⁸⁹ It should be noted that this study was based on administrative data and not based on a national survey.

⁹⁰ Based on stakeholder consultation meeting with MoH.

⁹¹ Lham Dorji, Sonam Gyeltshen et al. *Crime and Mental Health Issues among the Young Bhutanese People*. National Statistical Bureau, Thimphu. 2015.

⁹² Ibid. Again, it should be noted that the study was based on administrative data.

⁹³ UNICEF Bhutan Situation Analysis 2017, Draft.

⁹⁴ <http://thebhutanese.bt/55-teen-pregnancy-cases-this-year-so-far-and-counting/>

Further, as reported by UNFPA Bhutan, one third of all HIV infections are among those aged 15-24; and only 23 percent in the same age cohort report comprehensive knowledge on HIV/AIDs. About 31 percent of women get married before the age of 18; and more than half of the women experiencing sex for the first time (at an age of 15 years or below) are likely to be coerced.

Equally of concern is that **about four percent of young people recalled experiences of forced sex**, as reported in a three-phase study on **violence against children (VAC)** in the country.⁹⁵ The finding that male-to-male sexual violence is much more widespread than previously believed merits further investigation especially in boarding schools and other institutional settings.^{96 97} Exposure to **digital pornography and verbal sexual harassment** among children and adolescents is an emerging cause for concern, along with issues of **cyber security**. In all, verbal sexual harassment appears to be a prominent feature of childhood, often negatively psychologically affecting those subjected to it by feelings of degradation.^{98 99}

At the same time, adolescents and children are vulnerable to various other forms of violence. The VAC study showed that physical violence against children is common and mostly associated with **corporal punishment** used by parents, caretakers and other relatives (43.7 percent), and by teachers (54.5 percent). Some of the measures resorted to, are potentially injurious and detrimental to a child's welfare and are suggestive of abusive and violent relationships.^{100 101} Globally, children with disabilities are particularly vulnerable to protection issues, though available assessments for Bhutan do not present disaggregated data for child victims.

While Bhutan has progressed greatly in terms of legal and policy frameworks for protection systems in the country (also referenced in Section II-2 and Section III-2), the absence of effective multi-sectoral coordination constrains their full

⁹⁵ *Study on Violence Against Children in Bhutan*. NCWC, Royal Government of Bhutan and UNICEF Bhutan, May 2016. The study was conducted in three phases and comprised a literature review; a qualitative study on violence against children; and a national survey on violence against children and young people.

⁹⁶ UNICEF Bhutan Situation Analysis 2017, Draft

⁹⁷ About one in eight children (12.8 percent) had experienced sexual violence at least once in their life (boys, 11.9 percent; girls, 13.5 percent), with more than half saying it occurred between the ages of 13 and 17 years and at the hands of peers, often in the context of bullying. Sexual touching was the most common form of sexual violence (boys, 11.5 per cent girls, 13.1 per cent).

⁹⁸ Nearly one in two children (48.4 percent) have experienced sexual harassment (verbal sexual harassment and digital pornography) at least once in their life, often by peers. The highest prevalence of sexual harassment was found among young men, at 71.2 percent, attributed to the widespread exposure of children and young people to digital pornography. More girls (4.7 percent) are exposed to verbal sexual harassment by adults in the community than are boys (1.8 percent).

⁹⁹ UNICEF Bhutan Situation Analysis 2017, Draft.

¹⁰⁰ Ibid.

¹⁰¹ Half of the cases of corporal punishment involved excessive physical endurance, such as being made to stand for a long time, carry stones or forced to do heavy work, followed by being hit with an object (43.8 percent). More than one in five children (22.8 percent) had been slapped, punched, kicked, and/or had their ear pulled/twisted, their hair pulled, or their knuckles rapped. Nearly one in four boys (24.2 percent) had experienced physical violence at the hands of peers.

implementation. This is further exacerbated by constraints at all levels and across stakeholders—in terms of knowledge and capacity, including gaps in institutional monitoring, accountability and human resources—to ensure holistic care and protection for children and adolescents/youth in Bhutan.

Meanwhile, as mentioned earlier, **youth unemployment** continues to be a major concern, with the overall rate increasing from 9.4 percent in 2014 to 10.7 percent in 2015. Youth unemployment in urban areas is particularly high, rising from 24 percent in 2014 to 28 percent in 2015.¹⁰² To address this situation, the Government has initiated a number of schemes, including the Direct Employment Scheme, Overseas Employment Programme, and Employment Skills Schemes, (Graduate Skills Programme, Youth Employment Skills, Skills for Employment and Entrepreneur Development).

While these efforts must be acknowledged, it is equally as important to **reflect on the effectiveness and advisability of some of the interventions**. For instance, the Overseas Employment Programme to Middle Eastern countries, while considered only an interim measure, is worrisome given the plight of migrant workers in some of these countries, as highlighted by international media reports. Cases of Bhutanese facing difficulties have also been reported in local media, although many of these have been tied to unilateral actions of some local firms.¹⁰³

The often-cited mismatch of skills and low employability of Bhutanese youth links back to **the relevance and quality of mainstream as well as vocational education** provided by places of learning in the country, as discussed further in Section g below. At the same time, **it may also be necessary for other actors to explore more proactively the prospects of focused interventions**. For instance, given the high youth unemployment rate in urban areas, it may be useful for the *Thromdes* (municipalities) to work in partnership with civil society as well as private sector and other relevant entities, to incentivise and promote entrepreneurs and small businesses that employ youth.

Finally, when considering the particular issues and needs of young people in the country, it may be worth noting that **some of the subtler social undercurrents may not be receiving as much attention**. Suggestive of such an oversight is the emphasis on traditional culture without a clear strategy as to what it means for the younger generation. While recognising and accepting that **culture is a fundamental basis** for the vitality of Bhutanese communities, **how this translates into the socioeconomic-political context and various other realities of 21st Century Bhutan needs further reflection**.

This calls for the **collective efforts** of not just policy makers, civil servants, development partners, civil society, private sector, and the creative industry, but equally as important **the efforts of parents and teachers**. In particular, teachers

¹⁰² Labour Force Survey Report 2015.

¹⁰³ For example: <http://thebhutanese.bt/bhutan-embassy-rescues-4-remaining-girls-from-uae-and-oman/>

from Bhutan's rich spiritual institutions are held in high regard and **the Central Monk Body especially plays an important role**. Given the potential of monks, nuns and lay teachers to provide guidance and counsel to individuals, families and local communities, it would be beneficial to have these institutions strengthen their engagement in advocating for a wide range of social causes.

In all, a need exists **for a more comprehensive understanding of the situation of young Bhutanese today, from all angles, and including the views of youth and children themselves**. This is critical if interventions into which various agencies invest heavily are to be effective and sustainable. Given the estimation by the *PSA 2017* that Bhutan must harness its demographic dividend over the next 40 years, **how the country chooses to invest in its culture is as much related to how it decides to invest in its children, young people and ultimately the resilience of Bhutanese society**. This calls for holistic thinking and action, as encouraged by GNH.

(v) Well-being of the elderly

While working more strategically toward the welfare of young people, it is also **necessary for Bhutan to anticipate and plan for the needs of the elderly population**. According to the *PSA 2017*, it will be necessary to develop the appropriate care and support systems for the ageing population using the socioeconomic gains generated during the period from now until 2040.

The projections by the *PSA 2017* show that the percentage of elderly people aged 60 years and above will more than double in 30 years, from 8.2 percent in 2020 to 17.3 percent by 2050. What this implies is that: the old-age dependency ratio likewise will increase, from 12.8 percent in 2020 to 26.2 percent in 2050, after which a significant proportion of the population will be out of the working age group and will require some form of support. **Currently, no formal policy or dedicated agency exists to oversee matters concerning the elderly**.

As traditional extended family structures undergo changes, with younger members increasingly migrating to urban areas and adopting more of a nuclear-family orientation, **many older people may face a set of challenges ranging from loneliness and neglect, to financial stress, mental health issues and mobility**, among others. For those who have been in formal employment for most of their lives, **transitioning into retirement can also be a significant life stressor as suggested by studies elsewhere**.¹⁰⁴

As stated by the Vulnerability Baseline Assessment (VBA) for Bhutan, the elderly (among many other social groups) are considered more at risk than the average population to certain vulnerabilities, owing to their socioeconomic status. Within this social group, some are particularly in need of support. The VBA defines 'elderly in need of support' as:

¹⁰⁴ For instance, see: <http://journals.sagepub.com/doi/abs/10.1177/0091415016677974>; and <https://www.health.harvard.edu/blog/is-retirement-good-for-health-or-bad-for-it-201212105625>

...those who face major societal, health and economic vulnerabilities emanating as a result of either being left alone by their children/caretaker or due to improper care being provided to them when they are living with their children/caretaker. Due to age and related vulnerabilities, they may not be able to take care of themselves and, in absence of someone who can provide support, these vulnerabilities can negatively impact their lives. Further...they may be subject to physical abuse and neglect, even when they are living with their children, and this adds to the vulnerabilities being faced by them.¹⁰⁵

A 2012 baseline survey by the Royal Society for Senior Citizens (RSSC) in Bhutan¹⁰⁶ found that 80 percent of the elderly struggle with some form of chronic illness and 50 percent with more than one chronic illness. Only 1.5 percent receive a monthly pension, while more than 68 percent rely on income from fixed assets that cannot easily be liquidated. Using these data, the Vulnerability Baseline Assessment surmises that **not many of the aged in Bhutan have adequate finances to avail appropriate care or medical treatment.** The health care system within the country, which is free, does not necessarily have the capacity to treat chronic ailments from which elderly people commonly suffer. As such, nearly all of the elderly surveyed (98 percent) had expressed the need for appropriate care homes with doctors on call.

Further, as indicated above, Bhutan has **no specific legislation or State-sponsored arrangements specifically for the elderly.** The national pension scheme provided by the National Pension and Provident Fund (NPPF) currently covers only Government employees, although a new pension scheme with universal coverage is reported to be finalised and ready for discussion.¹⁰⁷ The draft national Social Protection Policy, although prepared since 2013, is yet to be discussed. Details of these policies were not available at the time of preparing this report.

Some of the support systems currently in place include: His Majesty the King's provision of *Kidu* to vulnerable sections of Bhutanese society, which also includes the elderly; the RSSC established under royal patronage in 2012 to work with the elderly, though its current orientation is more towards engaging retired government officials in social work; another CSO, the Tarayana Foundation, which caters to some of the elderly and supports pilgrimages through its integrated rural development approach to provide basic needs in many districts; and a geriatric care programme established by the Ministry of Health.

The need for **appropriate care homes or facilities suited to the Bhutanese context** comes through from the current practice of many elderly people opting to live in or within the vicinities of monastic institutions, where a small number of retreat homes

¹⁰⁵ Gross National Happiness Commission and UNDP. *Vulnerability Baseline Assessment for Bhutan*. 2017.

¹⁰⁶ The RSSC categorizes elderly as those aged 55 and above, while the UN defines elderly as those aged 65 and above.

¹⁰⁷ Based on consultative meeting with MoLHR on the subject of the draft Social Protection Policy, and brief consultative meeting with the Finance Secretary in August 2017, for the current assignment; and subsequently confirmed by Secretary, GNHC during the draft CCA validation meeting on 19th Sept. 2017.

are set up. It is also **not uncommon to come across elderly people begging**, sometimes door-to-door and some with clear signs of mental instability.

As the VBA study notes, “Elderly people who may have been abandoned by their families can be pushed out onto the streets” in the absence of a network of State-monitored elderly care facilities. It also notes that, “elderly people may decide to leave their home rather than face humiliation at the hands of their children... Irrespective of the cause, they are forced to live on the streets and beg for alms to make ends meet.”

(vi) Persons with disabilities

According to the 2005 PHCB figures, **3.4 percent of the total population, or 21,894 persons, were recorded to have one or more disabilities**. Of this, 6,476 had disability at birth and 15,867 persons had developed disability later in life; no significant disparity existed in terms of gender. This data, however, is old, and more robust disaggregated information is anticipated once the 2017 PHCB analysis becomes available.¹⁰⁸

Meanwhile, a two-stage child disability study in 2010 found **more than 21 percent of children aged 2-9 with disabilities**, with the **proportion significantly higher among poor children** (26 percent) than richer children (14 percent). Of these children with disabilities (ranging from cognitive and behavioural to visual, hearing, speech, and/or physical impairments), 19 percent – the overwhelming majority – were found to have a mild disability, two percent a moderate disability, and 0.7 percent a severe disability. About 14 percent – or two in three – were found to have a single impairment, and eight percent multiple impairments.¹⁰⁹

The same study identifies **a host of factors associated with disability** in Bhutan. These include care during pregnancy and childbirth; care during the neonatal period and infancy; access to services related to early identification, referral and timely intervention for any developmental delays or birth defects; and pre-pregnancy nutrition status of the mother or nutrition status of pregnant/lactating women, as well as adequate infant and young child-feeding practices. Other factors such as poverty, rural residence, younger age, and having mothers with lower education are also important.¹¹⁰

¹⁰⁸ A number of new data sets are being generated in 2017: the first Census in 12 years included the Washington Group set of short questions on disabilities; Bhutan’s first vulnerability baseline assessment cites people with disabilities as one of 14 vulnerable groups; a nation-wide Knowledge, Attitudes and Practices (KAP) survey on disabilities study has just been completed; and Bhutan will conduct its first nationwide prevalence study on Violence Against Women this year, with the potential to focus on the rights of women and girls with disabilities as one of Bhutan’s most vulnerable groups. *Source: Common analysis by UNDP, UNICEF and WHO.*

¹⁰⁹ National Statistics Bureau and UNICEF Bhutan. *Two-Stage Child Disability Study: Bhutan 2010-2011*. Thimphu, 2011.

¹¹⁰ *Ibid.* However, it should be noted that the prevalence of disability may be higher, as records from JDWNHR reveal many cases emanated from life-style related diseases, such as strokes. PHCB 2017 is expected to shed more light on prevalence.

With the collective efforts of a growing number of advocates among Government, professionals, and dedicated parents,¹¹¹ **services for persons with disabilities are progressing albeit still very limited.** For instance, only about three percent of children with disabilities were found to be enrolled in ECCD centres, and of those that were not enrolled, 38 percent said this was because of the absence of an ECCD centre in their locality.¹¹²

The VBA also cites a 2015 study, *Investigating Teachers' Concerns and Experiences in Teaching Children with Special Educational Needs (SEN) in Bhutan*, in which it is reported that more than two in three teachers (69 percent) are not trained or equipped to teach children with special education needs (SEN).¹¹³ Schools **do not have the infrastructure and resources required to engage with children with disabilities**, including in SEN schools; moreover, an issue of variation in quality arises from teachers being given the responsibility of contextually adapting existing the curriculum and developing their own pedagogy to engage children with disabilities, combined with a dearth of master trainers and special educators, which limits the system's ability to train the teaching cadre.

Moreover, about 18 percent of persons with disabilities reported never visiting a health facility,¹¹⁴ and among those who do, more than half reported that the nearest such **facility does not provide all necessary services related to their disability.** As a result, 28 percent relied on traditional/indigenous practices, about the same proportion managed on their own, and a significant proportion reported not doing anything.¹¹⁵

Bhutan is currently **in the process of formulating a National Policy for Disability**, the finalisation of which is expected in late 2017. In addition, Article 7 (15) of the Constitution states that: "All persons are equal before the law and are entitled to equal and effective protection of the law and shall not be discriminated against on the grounds of race, sex, language, religion, politics or other status." Furthermore, Article 9 (22) states that: "The State shall endeavour to provide security in the event of sickness and disability or lack of adequate means of livelihood for reasons beyond one's control."¹¹⁶

¹¹¹ 2017 UNICEF Situation Analysis: Key stakeholders include Ministry of Education, Ministry of Health, Ministry of Works and Human Settlement, NCWC, civil society organisations (e.g., Drak Tsho, Ability Bhutan Society, Disabled Persons Association of Bhutan), religious leaders, parliamentarians, the media, development partners, and children with disabilities themselves and their families.

¹¹² Gross National Happiness Commission. *Concept Note for the National Policy for Persons With Disabilities*. Thimphu, 2017.

¹¹³ As Teacher Training Colleges in the country currently do not provide training on Inclusive Education, availability of appropriately trained teachers for SEN is inadequate.

¹¹⁴ UNICEF 2017 Situation Analysis: Persons With Disabilities Needs Assessment, op.cit.

¹¹⁵ Ibid.

¹¹⁶ In this regard, the Ministry of Health with Ministry of Education and UNICEF are developing a child development and screening tool (CDST), which is currently under validation. The CDST will be incorporated in a mother and child handbook for early screening of all children age 10 weeks to 5 years. Early screening and identification of developmental delays and disability, and referral of these

The 11th FYP, as well as the Guidelines for the 12th FYP, identifies persons with disability as a specific vulnerable group. The Child Care and Protection Act 2011 provides for establishment of child protection structures and functions for children in difficult circumstances, including those with disability, while the Labour and Employment Act 2007 provides for the rights of employees who become disabled from work-related incidents.

However, **while Bhutan signed the Convention on the Rights of Persons with Disabilities (CRPD) in 2010, it is yet to be ratified.**¹¹⁷ And although the draft National Education Policy has a provision on SEN, there is **no specific legal framework specifying what children with disabilities are entitled to in terms of access to, and quality of, education.** As noted in the 2017 Situation Analysis (UNICEF Bhutan), “anecdotal evidence indicates that disability-related issues have largely not been discussed in district- or block-level local government bodies, while district administrations seldom have any programmes and plans for persons with disabilities, including children. Neither are any budget provisions made for disability in local Five Year Plans.”¹¹⁸

With a range of stakeholders maintaining data related to their own sectors and programmes, **a comprehensive set of data on disability in the country is not available.**¹¹⁹ Likewise, comprehensive studies across disability are yet to be conducted. **In the absence of a lead agency on disability, coordination is difficult for an area that requires a cross-sectoral and collaborative approach.** It is essential for key sectors and agencies — such as health, education, economic affairs, the National Commission on Women and Children, Central Monastic Body, civil society organisations (CSOs) — to work together with the active involvement of persons with disabilities themselves.¹²⁰

However, persons with disabilities are usually not involved in decision-making, or aware of policies/laws related to disability or their rights. The initial findings of a 2016 National Needs Assessment conducted by the GNHC—where 500 people with disabilities were interviewed across 17 of Bhutan’s 20 districts¹²¹—cites poor participation of people with disabilities in community decision-making (14.5 percent) and low awareness of laws or policies related to disability (8.4 percent). Disaggregated by gender, fewer women with disabilities (4.6 percent to 10.1

children to appropriate health facilities will ensure timely intervention and better outcome.

¹¹⁷ However, there are signs of political will to ratify CRPD. An Inter-Ministerial level High Level Task Force (HLTF) established in 2016 is slated to present a National Interest Analysis on the implications of ratifying the Convention to the winter session of Parliament in 2017. *Source: Common analysis by UNDP, UNICEF and WHO.*

¹¹⁸ Focus Group Discussions for Persons With Disabilities—UNICEF Situation Analysis Report 2017.

¹¹⁹ Some of these include the Ministry of Education, Ministry of Health, Tarayana Foundation, Disabled Persons Association of Bhutan, local governments for local health, education, *kidu* programme under the Royal Secretariat, among others.

¹²⁰ This includes the need to explore worldwide known/sound models for addressing developmental needs and timely approaches, to reduce the development of level of disability.

¹²¹ The National Needs Assessment was carried out in 2016, with men and boys constituting 57% of those interviewed, and women and girls constituting 43%.

percent) were found to be involved in community decision-making processes. Of the people with disabilities who were victims of sexual violence, 92 percent are women or girls.¹²²

Although the number of disability-related civil society organisations in Bhutan is growing—some of whom self-identify as ‘Disabled Persons’ Organizations (DPOs)’—no CSO is formally led by, and with majority membership of, people with disabilities.¹²³ Financing to invest in the capacities of CSOs to officially become DPOs and better represent all people with disabilities is also limited.¹²⁴

Meanwhile, **pressing challenges remain in empowering persons with disabilities.** These include¹²⁵:

- Accessing social services, given a lack of disability-friendly infrastructure and relevant professionals
- Creating adequate levels of such infrastructure, even in schools with SEN programmes, as well as other essential public and private service areas and spaces, due to the high capital investments needed
- Human resource constraints at all levels to tackle disability-related issues, as well as overall shortages of professionals in essential areas such as health, education, urban planning and transportation
- Limited livelihood opportunities, aggravated by lack of access to quality education and training in life skills, and increased risk of discrimination or exploitation at work
- Lack of a comprehensive social protection scheme or strategy for persons with disabilities
- Susceptibility to physical and sexual abuse¹²⁶
- Persistence of some cultural beliefs and negative attitudes in some communities, inhibiting the pathways for children with disabilities to reach their full potential.¹²⁷

¹²² Gross National Happiness Commission. “Living With Disability – Living With Dignity: Prospective Evaluation/Needs Assessment of Persons with Disabilities.” PowerPoint presentation. Thimphu, 2017.

¹²³ There are now five CSOs focusing on people with disabilities. The Disabled Persons Association of Bhutan (DPAB) was initiated by persons with disabilities and is “dedicated to the service of all persons with disabilities in the country”. It is not formally headed by a person with a disability, nor are the majority of its members people with disabilities, however. *Source: Common analysis by UNDP, UNICEF and WHO.*

¹²⁴ The approved outlay to the CSO Authority in the 11th Five Year Plan was Nu 10m, with the projection for the 12th Plan at Nu 15m.

¹²⁵ Concept Note for the National Policy for Persons With Disabilities.

¹²⁶ UNICEF Situation Analysis 2017: “A global review by WHO in 2012 observed that children with disabilities are 3.7 times more likely than non-disabled children to be victims of violence. They are 3.6 times more likely to be victims of physical violence and 2.9 times more likely to be victims of sexual violence.”

A recent study on *Knowledge, Attitude and Practice on Children with Disabilities (CWD) in Bhutan* provides further insight into the magnitude of challenges still remaining for persons with disabilities in Bhutan. In summary, it found that knowledge regarding disabilities is extremely limited, for both families with and without CWD; attitudes towards CWD and their families are more positive among the younger as well as more highly educated respondents in the study; and while respondents from the general population felt disability services were improving, families of CWD felt that the support that they received both in school and within their community was inadequate.¹²⁸

In all, it was found that knowledge on disabilities among service providers as well as rights holders is inadequate, with the term disability generally defined in narrow terms to represent only those individuals who have severe physical or sensory impairments.

In its recommendations, the Committee on the Rights of the Child (CRC) also highlighted several matters of urgency including, among others: the need to finalise a national policy and a comprehensive strategy on disability as part of a human rights-based framework to ensure provision of adequate services; the need to develop an efficient system for diagnosing disability at an early stage; the need to institute comprehensive measures to enable the provision of inclusive education that is provided by well-trained teachers for children with disabilities; the need to strengthen efforts to increase awareness across all sections of society to combat stigmatisation of and prejudice against children with disabilities, and to promote a positive image of such children; and a need to consider ratifying the CRPD.¹²⁹

(vii) Quality and sustainability of social sectors

Bhutan's investment in the social sectors of health and education has traditionally been among the highest in its five-year plans, as a result of which significant achievements have been made in its human development indicators as outlined in Section 2 above. However, these development gains need to be built upon, and it is critical to ensure that quality social service reaches all in an equitable manner. Challenges have become more complex and nuanced, as illustrated briefly by looking at **the health and education sectors**.

The majority of the Bhutanese population has **access to basic health services**—with

¹²⁷ Some examples cited in the 2017 UNICEF Situation Analysis, based on other studies, include: a strong belief that disability is a result of *karma* from a previous life; that the presence of a person with disability can “spread bad spirits”; that parents often want their child to be “cured” of the disability, not understanding pathways to reach their child’s full potential; and that persons with disabilities “are not included in the community meetings. It is irrelevant for the deaf, dumb, blind and mentally unsound people to be called in community meetings. However, disabled who can walk, hear and talk are welcomed.”

¹²⁸ University of Northampton. *Knowledge Attitudes and Practices Study on Children With Disabilities*. Thimphu, 2017.

¹²⁹ Committee on the Rights of the Child. *Concluding Observations on the Combined Third to Fifth Periodic Reports of the Kingdom of Bhutan*. Geneva, 2 June 2017.

83 percent of urban and 25.2 percent of rural population living less than half an hour from the nearest health centre. However, about 4.6 percent of the population has to walk more than three hours to the nearest health centre for basic health services. Sections of the population having difficulty accessing healthcare services include nomadic families that migrate with their animals, villages cut off during the monsoons due to landslides and swelling rivers, industrial workers on long shifts, road workers constantly on the move, and the elderly unable to walk to the health centres.¹³⁰

Besides Bhutan's harsh geographical terrain, **contributing barriers to health service utilisation** include perceived nature or severity of illness, work timing and policies, community and family influence, cultural beliefs, domestic priorities, and preference for female service providers and stigma.¹³¹ The need for more female health workers in healthcare centres to provide maternal and reproductive health services, is something that the Government is trying to address, but is a challenge in itself given the perceived difficulty of female postings in rural areas.

Meanwhile as Bhutan continues to struggle with communicable diseases such as tuberculosis, diarrhoea and dengue, **lifestyle-related diseases are on the rise**. With 22.4 percent of the population reported to binge drink, 19.9 percent using smokeless tobacco in addition to 7.4 percent smoking, and a prevalence of unwholesome/unhealthy diet practices, including increasing consumption of processed foods, a 2014 STEPS survey¹³² estimated that 13.5 percent of the adult population had three or more modifiable non-communicable (NCD) risk factors. Essential behavioural changes such as reducing harmful alcohol use and improving diet and nutrition are therefore critically important, but equally require an enabling environment to make that change.

One example is found in Bhutanese society's generally accepting attitude towards alcohol consumption and the easy availability of alcohol, in spite of the apparent high level of alcohol dependence and the fact that alcohol liver disease is now one of the top causes of mortality reported in the country. All this does not help in effective implementation of the national alcohol control policy; in fact, the existence of such a policy is not common knowledge.

A need for strengthened coordination across sectors is also an issue, as brought out by the fact that new manufacturing licenses have been issued in contradiction to the policy to curb alcohol consumption. The need to review and support policy coherence across agencies responsible for health, tax and industry is thus clear.¹³³

¹³⁰ World Health Organization. *The Kingdom of Bhutan Health System Review. Health systems in transition. Vo-7, Number-2.* 2017

¹³¹ Ibid.

¹³² The WHO STEPwise approach to Surveillance (STEPS) is a simple, standardised method for collecting, analysing and disseminating data in WHO member countries (<http://www.who.int/chp/steps/en/>).

¹³³ World Health Organization. *The Kingdom of Bhutan Health System Review. Health systems in transition. Vo-7, Number-2.* 2017

According to a news report on the UN Interagency Task Force visit to Bhutan in February 2017,¹³⁴ **NCDs cause more than half of all deaths in Bhutan**, with a 21 percent probability of dying prematurely from them. Primary areas of concern include cardiovascular diseases, diabetes, cancers, chronic respiratory diseases and NCD-related conditions. Investments in treatments and sustenance of treatment schedules that tend to be prolonged require huge investments.

In particular, the **quality of healthcare** is another area of concern. This relates closely to the acute shortage as well as capacities of essential health personnel, including specialists, general doctors and nurses. According to an article on *Sustainability of Bhutan's Health Services* by former and current Ministry of Health officials, the number of doctors and nurses per 10,000 population is only 3.3 and 14.1 respectively, a ratio that urgently needs to be improved.¹³⁵

To take the example of **mental health care**, currently the Bhutanese population has access to only four psychiatrists, all stationed in Thimphu. While the two regional referral hospitals also have psychiatry departments, specialised care is not available, given that they have no psychiatrists. Meanwhile, the Jigme Dorji Wangchuck National Referral Hospital (JDWRH) in Thimphu is stretched to its limits treating not only major mental health conditions such as anxiety, depression, psychosis and drug and alcohol dependence, but also patients with epilepsy. The acute need for special psychiatric services means that patients do not receive the long-term care and treatment that they may need in-house; such patients are dependent on their families for care, which can be difficult especially with psychotic patients. Currently no laws or regulations govern mental health care in the country.¹³⁶

Meanwhile—with free basic public health accorded to Bhutanese citizens by the Constitution—working out well-considered solutions, including the scope of public financing schemes, to ensure **sustainability of the healthcare system** will need to be a critical priority. Currently the Government expends over five percent of its total health expenditure (THE) for referrals abroad, for patients who cannot be treated in the country. At the same time, while having to address communicable diseases and the increase in NCDs, Bhutan is also challenged by potential impacts arising from natural disasters, climate and environmental changes that could cause acute health emergencies and pandemics. This “triple burden of disease” also adds to health financing with implications on its sustainability.

While the development of Bhutan's health system has benefited significantly with support from external sources, such support has seen a steady reduction from about 30 percent of THE in the 1990s to only six percent in 2014. External resources are expected to dwindle further with Bhutan's imminent graduation from the LDC category. For instance, the Global Alliance on Vaccine Initiative (GAVI), which has

¹³⁴ <http://www.who.int/ncds/un-task-force/bhutan-mission-february-2017/en/>

¹³⁵ Dr. Sangay Thinley, Jayendra Sharma, Kinzang Wangmo. “*Sustainability of Bhutan's Health Services*” in *The Druk Journal*, Vol. 3, Issue 1, Summer 2017.

¹³⁶ World Health Organization. *The Kingdom of Bhutan Health System Review. Health systems in transition. Vo-7, Number-2.* 2017

been supporting Bhutan with vaccines, and the Global Fund (GF) for HIV, TB and Malaria have already categorised Bhutan as a GAVI/GF graduating country.¹³⁷

Likewise, **despite impressive progress over the decades, key issues of quality and inclusiveness also remain in the education sector**—with potential impact on health outcomes, employability, and ultimately the nation’s economic and social progress. For instance, while it is recognised that investment in the early care and development of young children helps ensure a healthy start to life and contribute to better learning outcomes, ensuring equitable and quality access to ECCD centres remains a challenge for Bhutan.

With efforts underway since the early 2000s, the Ministry of Education has been working on improving access to ECCD centres with the support of its development partners. Currently, 18 percent of children aged three-five years have access to ECCD services, which translates to over 7,500 children in about 300 centres. The target is to ensure access to at least 50 percent of the children by 2024, with the intention of establishing one centre in every *chiwog* to ensure coverage in all *gewogs* by 2028, ultimately aiming to provide 100 percent coverage by 2030 to meet the SDGs.¹³⁸

In this respect, an **ECCD investment case report has been developed to steer efforts** in the country towards an integrated approach to early childhood development, recognising the child’s need for holistic development and the requirement for a cross-sectoral approach. The development of a Communication for Development (C4D) Strategy is intended to take this multi-sectoral collaboration further, which among other purposes should facilitate work on early detection of developmental delays and disabilities.¹³⁹

At present, however, **wide variations in access** are found across districts, from only 0.8 percent in Pema Gatshel in the far eastern part of the country to about 19 percent in more urbanised Thimphu and Paro. The current association of ECCD with only educational programmes has also led to a limited approach to ECCD in Bhutan. Other **challenges include low-quality learning experiences** resulting from poor quality and inadequate facilities among many of the existing centres; the need to expand **services for children with disabilities** or at risk of disabilities; as well as the need to strengthen **professional capacity** of ECCD facilitators.¹⁴⁰

Similarly, challenges remain at **other levels of education in terms of getting and retaining all children in school, inclusiveness, and ensuring overall quality**. Factors influencing school attendance include poverty as well as inaccessibility posed by the country’s mountainous terrain, with inadequate data on out-of-school children posing a barrier to proper assessment. Equity questions also arise as current education policy favours provision of higher education in government-funded institutes and programmes based on students’ academic performance. While this is

¹³⁷ Ibid.

¹³⁸ <http://www.kuenselonline.com/report-finds-investment-in-eccd-cost-effective/>

¹³⁹ *Investing in the Early Years, For Every Child in Bhutan. Annual Report 2016*. UNICEF Bhutan.

¹⁴⁰ Draft 2017 ECCD Investment Case Study.

understandable, many students considered “average” per academic criteria are not able to afford higher education/tertiary education in private institutions.¹⁴¹

Currently **only 14 schools in 10 districts are equipped for SEN and inclusive education**—and as mentioned in earlier sub-sections of this report— critical gaps remain in terms of qualified human resources, curriculum development, space and material resources, accessible facilities, school counselors with training in psychology and mental health of children with disability, and multi-specialty teams to address the needs of children with disabilities. **High primary school grade repetition** is another concern, with Bhutan having the second-highest repetition rates at both primary and lower secondary levels in the South Asia region. At the same time, **enhancing education curriculum and outcomes within monastic settings** is another area requiring sustained effort.

As highlighted elsewhere, increasing numbers of Bhutanese students, including graduates from vocational and tertiary institutions, also are not adequately prepared to enter the workforce. A mismatch in the supply and demand of labour contributes to unemployment in the country as the majority of students completing higher secondary education choose academic and professional careers.

Few enroll in technical and/or vocational courses that are often perceived to be associated with low-paying blue-collar jobs; at the same time, **Technical and Vocational Education and Training (TVET) in the country is also challenged by uneven quality**, range and modernity of programmes, as well as poor infrastructure and lack of financial resources. Further, a poor fit between skills developed and actual job opportunities is another issue, which may in part be attributed to inadequate engagement of the private sector itself in the formal technical/vocational education system.¹⁴²

In all, the *Bhutan Education Blueprint*¹⁴³ acknowledges **shortfalls in the Bhutanese education system in providing the appropriate knowledge and skills** in accordance with the times and needs. The overall issue of quality and sustainability of the country’s education system has also been underscored in a comprehensive report prepared by the National Council’s Special Committee for Education in November 2016. Among others, it examines concerns related to teacher capacity and quality, and highlights the need to address related factors by improving, for instance, recruitment procedures, working environment, workload, incentives, deployment system, and professional development for teachers.¹⁴⁴

¹⁴¹ UNICEF Bhutan: Only 50 percent of the best students from grade 10 get to study in grade 11 in government-funded schools. Similarly, only around 200 high-scoring students in grade 12 (mostly in STEM subjects) get to study professional studies outside the country. The rest are placed in tertiary institutes in Bhutan. Many average students cannot afford to continue higher education/tertiary education in private institutes; the case is grimer for girls. This raises serious equity questions.

¹⁴² UNICEF Bhutan Situation Analysis 2017, Draft.

¹⁴³ *Bhutan Education Blueprint 2014-2024: Rethinking Education*. Ministry of Education, RGOB. 2014.

¹⁴⁴ *A Review Report on the Quality of Education*. Prepared by the Special Committee for Education, National Council, 2016.

Questions around the long-term sustainability of education provision in the country have also been raised. For example, with the accelerated establishment of Central Schools in the country (51 were established by 2016-2017, and the plan is to establish a total of 120 central schools by the end of the 12th FYP), the Special Committee estimates an additional financial burden amounting to Nu. 1,334 million. The resource strain on the Government is expected to intensify with the phasing out of the WFP feeding programme support to schools, coupled with the expected cost increase in maintaining existing infrastructure and additional capital investments to absorb increasing enrollment pressure at various levels.¹⁴⁵

Reform interventions are thus proposed/recommended in both these national documents to address key issues of access, quality, equity, and system efficiency, all of which require sustained effort in terms of resources as well as capacities. In addition, the CRC Committee in its Concluding Observations expressed concern over the absence of an appropriate legal education framework, including to make primary education compulsory and to regulate private education providers in the country.¹⁴⁶ The CEDAW Committee for its part urged the development of measures to ensure effective retention of women and girls in schools at all levels, and to undertake an impact assessment on the effectiveness of central schools, among others, in reducing school dropout rates among girls.¹⁴⁷

(viii) Maturity of participation in democracy and decentralisation

All of the issues and challenges discussed so far (in the previous sub-sections) need to be understood within some key and broad changing contexts. A critical one is that the country will be entering its third general election cycle by early 2018. With the 12th FYP slated to begin in July 2018, the potential disruption to its proper or timely commencement is something to consider, a lesson from the last transition of governments in 2013, when considerable delays were experienced in implementing 11th FYP activities in the first year.

Moreover, **Bhutan is still a young democracy** with the current government only the second political party to hold office since the institution of democracy in 2008. The experience of running the executive branch and providing leadership in critical areas of governance is thus comparatively limited. While expressed priorities of all registered political parties make general reference to the country's GNH philosophy, the actual approach to effective implementation and other details is where differences can occur.

As a parliamentary democracy, the question of continuity of Members of Parliament (MP) is inevitable, which then raises **the need for developing and/or strengthening parliamentary institutions**. Almost 70 percent of the current members MPs were newly elected in 2013 with limited experience and skills on legislative, oversight and constituency management. There is not as yet a culture of parliamentarians initiating

¹⁴⁵ Ibid.

¹⁴⁶ CRC Committee, op.cit.

¹⁴⁷ CEDAW Committee, op. cit.

legislation, and the oversight role of Parliament is largely confined to overseeing the Government's public expenditures. Mechanisms also currently do not exist for monitoring the parliamentary oversight committee's reports and actionable recommendations to the Prime Minister and the Cabinet.¹⁴⁸

In addition, as further discussed in [Section III-2](#), the extremely low representation of women in Parliament calls for special consideration, given its persistence in spite of a strong State and Government commitment to gender equality and women's empowerment.

Although impressive progress has been achieved in the area of governance in Bhutan to consolidate democracy, widening the democratic space for the active participation of people in decision-making, and enhancing the quality and accessibility of the services they receive, will be critical. In particular, **inter-agency challenges** are being faced, as the example of the justice sector illustrates. For instance, effectiveness of one agency is being impacted by capacity challenges of another agency, such as the need for strengthened forensic capacity, as well as enhanced investment in information technology, and further procedures to ensure a seamless and just prosecution process.¹⁴⁹

The **absence of coordinated development planning and conflicting laws** within the sector has potential negative impact in upholding the Rule of Law, because as the adage goes, "justice delayed is justice denied". Some of the areas that warrant closer reviews are: gaps in the legal framework to fully protect the rights of women, and of marginalised, vulnerable groups, including key populations; lack of data and adequate systems to measure the effectiveness and inclusiveness of governance interventions; and regulation of the growing legal profession and the establishment of a legal aid system.

Furthermore, some of the priorities discussed during the September 2016 Justice Sector Planning workshop are that new laws need to be better harmonised with existing ones; redundant laws need to be better coordinated; and enhanced legal awareness and enhanced capacities are required within the justice sector.¹⁵⁰ The average citizen's experience of access to justice and public perception and trust in the justice systems are also critical barometers to take note of, and requires collective and coordinated effort by the various law enforcement agencies and courts.

¹⁴⁸ Source: UNDP Bhutan.

¹⁴⁹ *Justice Sector Planning: A Contribution by the Justice Sector to the Gross National Happiness Commission in Preparation for the 12th FYP (White Paper)*. A joint publication by the Jigme Singye Wangchuck School of Law, working in collaboration with the Office of the Attorney General, the Gross National Happiness Commission, the Royal Court of Bhutan, and the UNDP. September 2016.

¹⁵⁰ *Justice Sector Planning: A Contribution by the Justice Sector to the Gross National Happiness Commission in Preparation for the 12th FYP (White Paper)*. A joint publication by the Jigme Singye Wangchuck School of Law, working in collaboration with the Office of the Attorney General, the Gross National Happiness Commission, the Royal Court of Bhutan, and the United Nations Development Programme. September 2016.

A further critical aspect of democratic governance relates to **the level and quality of civic engagement**, which in Bhutan has had its basis on the notions of interdependence and reciprocity that have long informed and shaped local practices of community participation. These have evolved over the decades into important institutions including several forms of community-based organisations and CSOs.

The increasingly important role of CSOs in particular has been recognised nationally, with His Majesty the King granting a National Order of Merit Award for a total of 23 CSOs during the 109th National Day Celebrations in 2016. The challenge ahead, however, is that **civil society entities are still not completely understood or necessarily acknowledged by all quarters of Government and the public**. This makes it difficult for CSOs to garner the necessary support for their effective functioning, and adds to shortfalls in human resource capacities and issues of sustainability.

However, the value of the country's 47 registered CSOs cannot be denied as also evidenced by the shift in working modalities of some Government sectors. For instance, the health sector works with a number of local CSOs in the areas of disability, HIV/AIDS, gender-based violence, cancer and renal disease. The Government's efforts at targeted poverty reduction are also in part being carried out in partnership with local CSOs. The area of youth substance addiction and rehabilitation also relies greatly on a network of CSO actors as well as private individuals. **The added value of such partnerships is clear, as CSOs can often reach the unreached through relatively more targeted focus on issues at the grassroots level.**

Likewise, **CSO engagement in other aspects of Bhutan's progress as a GNH society is also important**—for instance, in critical areas of governance such as addressing corruption, civic education in media and democracy, facilitating women's political participation through capacity-building, among others. In this respect, **civic awareness and understanding of democratic governance requires strengthening** among the general population. The role of civil society in promoting democratic values and influencing decision-making, people's participation and social accountability also remains to be fully realised.

With the GNH and SDG frameworks both recognising the role of inclusive, democratic governance, the impetus to have responsive institutions, and access to justice for all is strong. For Bhutan, deepening its democratic progress is thus critically important.

In this respect, **strengthening inclusive political processes is key** and requires investments in initiatives that enhance capacities of both rights holders and duty bearers, toward greater consultative processes and enabling environments for engagement between governments and citizens—for instance through the use of “dialogue spaces” forums, public hearings, town hall meetings (both in person and virtual), among other possibilities. An institutionalised dialogue platform between civil society and government may also be useful to consider.

Ultimately, as Bhutan seeks to develop a “culture of democracy”, how this culture is defined will have to make sense for its people in accordance with its sociocultural realities and the wisdom offered by GNH.

Tensions are to be expected as different actors interpret basic tenets in legislation, but it is only through a **continuous process of dialogue and negotiation** that more constructive common ground will be reached, where concerns of the Government, as well as issues faced by the larger population can be addressed. In all, this is **one of the most important roles that civil society actors can assume, i.e. to influence policy and decision-making in the larger interest of Bhutanese society**. This will be an important test of the maturity of participation and civic engagement in Bhutanese governance.¹⁵¹

Additional dimensions of the challenges to deepening democratic culture in the country relate to decentralisation and effective public service delivery. For instance, with 50 percent of Government budget to be allocated directly to the local government level in the 12th FYP, the implication of this planned decentralisation of resources on practical implementation modalities is a key concern. A 2016 *Local Governance Assessment Study*, prepared for the National Council of Bhutan by the Swiss Agency for Development and Cooperation (SDC), provides some important findings for consideration, as summarised below:

- More consistency is required across local governments in their interpretation and implementation of this framework of the Local Government Act 2009 and associated guidelines, manuals, and rules and regulations. The adoption of a mix of delegated, de-concentrated, and devolved systems of governance, with high dependence on private contractors to implement local infrastructure works, creates a potentially confusing environment for different stakeholders on roles, responsibilities, mandates, functions, and coordination of planning, implementation and evaluation processes
- Further complicating the process are clear indications of continued centralised approaches to planning. The lack of contextualised local-level plans with remarkable similarity in their make-up is taken as indication that the central Government, through the GNHC, is still the main author of the plans. The current strong mandate of the Royal Civil Service Commission (RCSC) and consequent minimal autonomy of local governments, along with start-up difficulties as well some central agencies’ reluctance to fully decentralise functions, are also cited by the report as examples of a still-centralised governance system
- While each Dzongkhag faces unique challenges that often require tailor-made solutions, the principles of “uniformity” and “one size fits all” dominate the current system. This is exemplified by the identical composition of local government staff posted in *gewogs*, irrespective of specific human resource

¹⁵¹ “Participation and Civic Engagement” in *Deepening Democracy: The Bilateral Cooperation of Bhutan and Switzerland to Strengthen Democratic Institutions and Good Governance from 2008-2017*. SDC 2016.

needs in that locality

- Important initiatives towards establishing an effective fiscal transfer system¹⁵² all happened in the absence of a consolidated national decentralisation policy as well as without a strategic decentralisation implementation plan in place.

These findings reinforce the current notion that, going forward, developing partners, including CSOs, will **need greater clarity on practical matters such modes of engagement in implementing related programmes at the local government level**. It also points to the criticality of having a clear assessment of any capacity gaps and needs thereof. This is a clear requirement given that the overarching objective of the 12th FYP is to promote a “just, harmonious and sustainable society through enhanced decentralization”.

Another example relates to the Annual Performance Agreements (APA)¹⁵³, monitored by the Government Performance Management Division (GPMD), which was established under the Prime Minister’s Office in March 2015. APAs, which have become the basis for the annual budget allocations by the Ministry of Finance, do not feature crosscutting issues, which therefore do not feature in the budgeting system. This was noted by a recent local government study¹⁵⁴, which found that even when projects and funding provided for crosscutting issues such as climate and poverty, local communities prioritised farm roads, irrigation channels and water supply.

The report also notes that while directives from the central government urge “budgetary agencies” to ensure that their proposals are gender responsive and integrate environment, climate change, disaster and poverty initiatives, local agencies require strengthened capacity to mainstream such crosscutting issues into their plans and budgets.

¹⁵² These include the introduction of the Annual Capital Grants system, providing capacity to local government officials, and strengthening citizens engagement in local governance processes.

¹⁵³ APAs are signed between the Prime Minister and the heads of ministries, autonomous agencies at the central level, and with the Dzongdags, the administrative heads of the districts.

¹⁵⁴ *Fiscal Decentralization in Bhutan*. Department of Local Governance, RGOB. 2017.

II: Policy and Institutional Frameworks

1. National priorities

Long-term strategic direction

Since its launch in 2000, *Bhutan 2020—A Vision for Peace, Prosperity and Happiness* has formed a basis for the formulation and implementation of successive FYPs. It encompasses the overarching goal of ensuring the independence, sovereignty, and security of the nation, and the six main principles of Identity, Unity and Harmony, Stability, Self-reliance, Sustainability and Flexibility.

While the timeline for this vision document is rapidly coming to an end in 2020, the main development goals and guiding principles continue to be relevant and will be so for a couple more years. The GNHC anticipates the preparation of the next Vision document for the country to be underway soon. It has been suggested that the current *Strategy for GNH* will provide the basis for the next vision document, though further details are not yet available.

Its focus is on “people, places and potential,” providing “...a pragmatic and dynamic framework to effectively manage the increasingly complex and interconnected challenges...” in Bhutan’s development process. Designed to achieve “greater economic growth and a better balance of economic development and population growth across the country”, it is a 20-year roadmap to guide the content and direction of Bhutan’s FYPs up to 2028.¹⁵⁵ The GNHC has been using this as a guidance document in its formulation of several FYPs.

Medium-term priorities and strategies

National priorities going forward into the upcoming Plan period are articulated in the *12th FYP Guideline* document in the form of the 16 National Key Result Areas (NKRAs), as presented below:¹⁵⁶

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

¹⁵⁵ Strategy for Gross National Happiness.

¹⁵⁶ *Guidelines for Preparation of the 12th Five Year Plan*, GNH Commission, RGoB, 2016.

In addition, several high-priority multi-sector interventions or flagship programmes are to be identified and will likely include: integrated water security; economic diversification; quality of education including the development of relevant knowledge and technical skills geared toward greater innovation; livelihood of vulnerable groups, including improving highlands livelihoods; and national human resources development.

The Plan also seeks to mainstream **crosscutting themes such as environment, disaster management, gender equality and women’s empowerment, vulnerable groups**, and sports in programmes and projects of all agencies and at the local government level to ensure alignment with the GNH approach.

Critically, the 11th FYP midterm review, as well as the planning process for the 12th FYP, uncovered sophisticated and nuanced challenges to sustainable development in the country. These include **underlying implementation, data, financing, and process-related issues**. As such, the 12th FYP places strong emphasis on the “Triple C”— **coordination, consolidation, and collaboration—across all sectors and development actors to enhance efficient implementation of policies and programmes**.

2. Commitments to a just, rights-based society within the international normative framework

The Constitution of the Kingdom of Bhutan, which was adopted in 2008, guarantees and protects fundamental rights and freedoms of Bhutanese citizens in consonance with basic human rights principles promoted by various treaties and Conventions.¹⁵⁷
¹⁵⁸

While fundamental rights are articulated in Article 7, corresponding fundamental duties or responsibilities are outlined in article 8. In particular, Article 8.3 states that every Bhutanese citizen is under a duty to "foster tolerance, mutual respect and spirit of brotherhood amongst all the people of Bhutan transcending religious, linguistic, regional or sectional diversities." In addition, Article 8.5 states that people should "not tolerate or participate in acts of injury, torture or killing of another person, terrorism, abuse of women, children or any other person and shall take necessary steps to prevent such acts."

At the same time, Bhutan’s Penal Code (2004) considers “sodomy or any other sexual conduct that is against the order of nature” petty misdemeanors, punishable

¹⁵⁷ The particular rights under Article 7 of Bhutan’s Constitution include: life, liberty and security; freedom of speech; freedom of thought and religion; freedom of press; freedom of movement and residence within Bhutan; property; freedom of assembly and association; freedom from discrimination on grounds of race, sex, language, religion, politics, or other status; labour rights; voting rights; intellectual property rights; prohibition of torture and cruel, inhuman or degrading treatment or punishment including capital punishment”; right to privacy with respect to arbitrary or unlawful interference; protection against arbitrary arrest; and right to legal representation as well as a right to undertake legal proceedings for the enforcement of Article 7 rights.

¹⁵⁸ Royal Court of Justice, *A Guide to the Constitution of Bhutan* (Judiciary of Bhutan) at 15-16.

with between one month to less than one year's jail time. This law, however, has never been used despite Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ) becoming increasingly visible and networking online.

More recently, the Royal Bhutan Police has requested support from Save the Children Bhutan in creating awareness and capacities of the police—often first responders to multiple social issues and emergencies in the community—in working with situations involving transgender persons.¹⁵⁹ With the National Strategic Plan for the Prevention and Control of STIs and HIV/AIDS recording same sex sexual activity among the youth, it will be important to provide and strengthen HIV and health services as well as appropriate sex education aimed at young people who are part of key populations i.e. men who have sex with men, transgender people, and people who use drugs.¹⁶⁰

Bhutan was one of the first countries to sign and ratify the International Convention on the Rights of the Child (CRC), in 1990. Two optional protocols to the CRC on the Sale of Children, Child Prostitution and Child Pornography, and on Involvement of Children in Armed Conflict were also ratified in 2009 and 2010 respectively. Bhutan is also party to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), having signed and ratified it in 1980 and 1981 respectively. The International Convention on the Elimination of All Forms of Racial Discrimination (CERD), and the Convention on the Rights of Persons with Disabilities (CRPD) have been signed but not yet ratified.

Bhutan presented its Combined Eighth and Ninth Periodic Report to the CEDAW Committee in October 2016, and a shadow report prepared by a CSO, Tarayana, was also submitted. In its Concluding Observations, the Committee commended Bhutan's progress in undertaking legislative reforms of importance to women and girls; its efforts to integrate gender perspectives into all plans and programmes, and to strengthen the NCWC's capacity; and efforts to enhance women's enrolment in higher education.

Key concerns expressed included (1) the need to have a clear timeframe for participatory completion of the harmonization of national laws with the Convention; (2) a need for more disaggregated data on women and girls as a whole, and specifically on gender mainstreaming, including gender-responsive budgeting, and on the challenges that women, especially rural women, face in terms of access to justice; (3) effective coordination between the NCWC and gender focal persons; and (4) the need for adoption of temporary special measures to promote women's public representation, which remain constrained by gender stereotypes and prejudices that consider such measures incompatible with a merit-based system.¹⁶¹

¹⁵⁹ Based on stakeholder consultations with RBP, August 2017.

¹⁶⁰ Legal Environment Assessment of HIV in Bhutan Report 2016, UNDP.

¹⁶¹ Committee on the Elimination of All Forms of Discrimination Against Women. *Concluding Observations on the Combined Eighth and Ninth Periodic Reports of Bhutan*. Geneva, 25 November 2016.

List of HR conventions/instruments signed and ratified, not ratified

Treaty Description	Treaty Name	Signature Date	Ratification Date
Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment	CAT	-	-
Optional Protocol of the Convention against Torture	CAT-OP	-	-
International Covenant on Civil and Political Rights – No action	CCPR	-	-
Second Optional Protocol to the International Covenant on Civil and Political Rights aiming to the abolition of the death penalty	CCPR-OP2-DP	-	-
Convention for the Protection of All Persons from Enforced Disappearance	CED	-	-
Convention on the Elimination of All Forms of Discrimination against Women	CEDAW	17 Jul 1980	31 Aug 1981
International Convention on the Elimination of All Forms of Racial Discrimination	CERD	26 Mar 1973	-
International Covenant on Economic, Social and Cultural Rights – No action	CESCR	-	-
International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families	CMW	-	-
Convention on the Rights of the Child	CRC	04 Jun 1990	01 Aug 1990
Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict	CRC-OP-AC	15 Sep 2005	09 Dec 2009
Optional Protocol to the Convention on the Rights of the Child on the sale of children child prostitution and child pornography	CRC-OP-SC	15 Sep 2005	26 Oct 2009
Convention on the Rights of Persons with Disabilities	CRPD	21 Sep 2010	-

In May 2017, Bhutan presented to the CRC Committee its Combined Third to Fifth Periodic Report, as well as its initial reports on the two Optional Protocols to the CRC – on the sale of children, child prostitution and child pornography; and on the involvement of children in armed conflict.

While appreciating Bhutan’s adoption of the legislative, institutional and policy measures to implement the Convention, as well as the budgetary resources allocated to children’s rights, the Committee in their Concluding Observations highlighted key concerns requiring urgent measures. These include recommendations on addressing: violence against children; harmful practices, especially in relation to child marriage; needs of children with disabilities; education outcomes; clarity on the rights accorded to certain groups/communities; and issues of economic exploitation, including child labour and sexual exploitation.¹⁶²

Although Bhutan has applied for membership of the International Labour Organization (ILO), it is currently still an observer, and when it will become a

¹⁶² As listed in the Committee’s concluding observations to the combined third to fifth periodic reports of Bhutan (CRC/C/BTN/3-5) at its 2198th and 2199th meetings (see CRC/C/SR.2198 and 2199), held on 17 May, and adopted at its 2221st meeting, held on 2 June 2017.

member is not clear. As a member of the United Nations since 1971, Bhutan has so far gone through two cycles of the Universal Periodic Review (UPR), the first in 2009 and the most recent in 2014.

The UPR has recommended on several occasions to ratify all core international human rights instruments, especially the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights, although these have yet to be ratified. Likewise, the UN Convention against Transnational Organized Crime (UNTOC) and its Supplementary Protocols on Trafficking in Persons, Smuggling of Migrants and Prevention of Firearms are yet to be ratified.

Reasons for non-ratification of the above Conventions are partly due to capacity constraint that would impact reporting obligations, and also partly based on how much has been put in place in terms of the required interventions. The appropriateness of the time to address the various related issues, from the Government's perspective, is another consideration.¹⁶³

Other key commitments include those in the area of climate change, including the Sendai Framework for Disaster Risk Reduction, as well as the United Nations Framework Convention on Climate Change (UNFCCC). Bhutan's communication of its Intended Nationally Determined Contribution (INDC) to the UNFCCC in September 2015 reiterated its commitment to remain carbon-neutral by ensuring that its greenhouse gas emissions do not exceed the sink capacity of its forests. Also, given its fragile mountain ecosystem and vulnerability to climate change impacts, both adaptation and mitigation strategies are emphasised.¹⁶⁴

Global development frameworks adopted by the UN have actively fed into the national planning process, with previous FYP documents reflecting the MDGs, the Istanbul Programme of Action (IPoA), the Vienna Programme of Action (VPoA), Hyogo Framework, Beijing Platform for Action, and others, including their follow-up processes. With the adoption of the SDGs in 2015, these are being integrated into national priorities of the 11th and 12th FYP, as the following section illustrates. Agreements and recommendations set out by the Addis Ababa Action Agenda (AAAA)¹⁶⁵ on development financing are also being taken into account.¹⁶⁶

3. Localisation of the SDGs

Bhutan's development planning framework continues to be comprehensive and inclusive, taking into account not only national priorities guided by GNH, but also integrating international and regional goals. For instance, as with the MDGs in its

¹⁶³ Based on discussions during the draft CCA validation meeting, 19th Sept. 2017.

¹⁶⁴ *Intended Nationally Determined Contribution (INDC) of the Kingdom of Bhutan*. National Environment Commission (NEC), RGOB. 2015.

¹⁶⁵ The Addis Agreement on Financing for Development is reviewed in more detail in the CCA-related analytical module on *Development Finance Assessment*.

¹⁶⁶ 13th RTM Technical Report, 2017.

earlier and current FYPs, the Government is moving forward in integrating the SDGs into its current and upcoming development plans, with its GNH approach presenting a localised means to achievement of the global goals.¹⁶⁷

A rapid integrated assessment of Bhutan's 11th Five Year Plan (Volume I and II) against the SDG targets was conducted by the UNDP in October 2015. Overall, it showed a high level of integration of the SDG targets in the 11th FYP, with a total of 134 SDG targets prioritised out of 143, excluding targets related to SDG14 on oceans and SDG17 on means of implementation. It also showed some existing gaps related to several SDG targets¹⁶⁸, many of which are related to social protection. For instance, gaps exist with regard to recognition and value of unpaid care and domestic work, the promotion of safe and secure environments for migrants and those in precarious employment, and the absence of a formal social protection policy.¹⁶⁹

Going forward, one question to consider is if the various existing mechanisms providing services and elements of social protection¹⁷⁰ in the country require strengthening with a formalised social protection policy. While a draft policy was developed since 2013, it is yet to be discussed. However, a draft national pension policy with much wider scope than existing pension policies is reported to be in the final stages and due for discussion soon.¹⁷¹

Building on the 11th FYP, the 12th Plan is also expected to advance an inclusive development agenda that addresses the needs of the most vulnerable sections of the society while protecting the environment. In this regard, it will be useful to follow up on progress made thus far by Bhutan's Mainstreaming Reference Group, which is tasked with strengthening and facilitating the integration of all crosscutting issues (such as climate change, environment, disaster, gender, and poverty) into the government's decision-making processes, and development policies, plans and programmes. Going forward, what would be their envisioned role in SDG implementation, and would they cover other areas as well?

¹⁶⁷ Ibid.

¹⁶⁸ SDG 5.4: Recognize and value unpaid care and domestic work; SDG 6.4: Climate resilience/sustainable development; SDG 8.10: Expanded access to banking, insurance and financial services for all; SDG 10.5: Improved regulation and monitoring of global financial markets and institutions; SDG 10.6: Enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions; SDG 10.7: Orderly, safe, regular and responsible migration and mobility of people; SDG 11.7: Universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities; SDG 12.3: Halve per-capita global food waste and reduce food losses along production and supply chains; SDG 15.4: Ensure the conservation of mountain ecosystems.

¹⁶⁹ *BHUTAN – Rapid Integrated Assessment – October 2015*. UNDP.

¹⁷⁰ For instance, various social protection measures are implemented in accordance with the constitutional mandates for free health and education; with the provision of *kidu* (grant/welfare) programmes from the throne; through targeted poverty intervention programmes of the government; and through the provisions of the *Labour and Employment Act of Bhutan 2007* which covers the need to ensure safe and secure working environment for all workers.

¹⁷¹ Based on update provided by Secretary of GNHC during the validation meeting for the draft CCA on 19th September 2017, and stakeholder consultation with the Finance Secretary in August 2017.

GNH-SDG Synergy in the 12th FYP-- Source: GNHC

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

Available preliminary assessment of the 12th FYP under formulation indicates high integration of the SDGs in its framework, with the 16 NKRA closely related with 16 of the 17 SDGs (excepting SDG 14: *Life under water*) and close to 100 SDG targets and indicators integrated. Further integration of the SDGs is expected as sectoral and local government KRAs and KPIs are formulated and finalised.¹⁷²

In this respect, as part of the UN supported *Data Ecosystem Mapping* project¹⁷³, a data mapping exercise has been undertaken on the 12th FYP key performance indicators for Local Government KRAs and NKRA, to assess their appropriateness. The justice sector also undertook an exercise relating to SDG 16 in June 2016, with the participation of the various agencies related to the sector, where it sought to develop a hybridised GNH-SDG 16 Umbrella Planning Framework.¹⁷⁴

Some of the findings and proposed recommendations emanating from these exercises are presented in [Annex 2](#).

¹⁷² 13th RTM Technical Report. 2017.

¹⁷³ Draft Report on *Data Ecosystem Mapping*. Coordinated by the National Statistical Bureau and Gross National Happiness Commission, and funded by the UN in Bhutan, May 2017.

¹⁷⁴ *Justice Sector Planning: A Contribution by the Justice Sector to the Gross National Happiness Commission in Preparation for the 12th FYP (White Paper)*. A joint publication by the Jigme Singye Wangchuck School of Law, working in collaboration with the Office of the Attorney General, the Gross National Happiness Commission, the Royal Court of Bhutan, and the United Nations Development Programme. September 2016.

Moving forward, Bhutan has also committed to make a Voluntary National Review (VNR) through which it will discuss national efforts in implementing the SDGs. It is among several countries that have volunteered to report to the UN General Assembly/High-level Political Forum for Sustainable Development (HLPF) in 2018, for which it will prepare with the support of the UN system.

4. Financing landscape

Bhutan's traditional reliance on the support of its development partners to finance its public investments has seen a significant shift, with evidence of much more reliance on domestic resources in recent years. With impressive rise in per capita income and prospects of imminent graduation from LDC status, it has seen a gradual decline in availability of concessional funding and the departure of most bilateral donors. Domestic revenues for financing the 12th FYP are anticipated to be much lower than earlier anticipated, given further delays in the commissioning of planned hydropower projects. This puts to risk the full implementation of capital investment unless Bhutan is able to attract new sources of development finance.¹⁷⁵

Meanwhile, Bhutan is signatory to the Addis Agreement since July 2015, which sets out or reiterates a number of agreements related to development financing. It essentially states that Official Development Assistance (ODA) is only a part of the solution, and other components include public finance, domestic resources, and private sector funding, with government fiscal space and domestic revenue an important part of the solution.¹⁷⁶

Considering the AAAA, and against the backdrop of key development challenges and issues (highlighted throughout the CCA) that warrant an exploration of innovative and sustainable ways of financing for development, a clear understanding of the country's financing landscape is critical. In this respect, the UNCT's *Development Finance Assessment* (DFA) report¹⁷⁷ provides a detailed overview of the financial flows into the country, and the policies, institutions and systems to align or channel these sources toward development priorities. Thus the DFA is an important reference providing robust analysis and recommendations, and should be referred to in its entirety.

Meanwhile, a summary of its key findings and observations is presented below:¹⁷⁸

- (i) To sustain the impressive socioeconomic progress made over the past decade based on a public sector –led, planned development approach, and to address its persistent development challenges, Bhutan will need to transition towards a more private sector –led growth model based on a more diversified economic tissue. This will be necessary for the sustainable increase in public revenues—

¹⁷⁵ *Bhutan Development Finance Assessment*. Prepared by Gregory De Paepe, Consultant for the UNCT, Bhutan. Final draft report dated 20/12/17.

¹⁷⁶ <https://sustainabledevelopment.un.org/frameworks/addisababaactionagenda>

¹⁷⁷ Conducted by the UNDP/RCO in Bhutan

¹⁷⁸ This summary is reproduced from the DFA final draft report dated 20/12/17. Except for a few light edits, the text is as it appears in that report.

which is essential for funding increasing demands for more and better public services and social protection—as well as for creating appropriate jobs to address youth unemployment. Progress towards this transition is however made difficult by the difficult access to credit for the private sector

- (ii) As the single largest driver of public revenue growth, hydropower-related investments will largely determine available funding for public investments towards meeting the 2030 agenda, especially in absence of diversifying government revenue sources. As such, hydropower revenue, projected to gradually come on stream between 2020 and 2030, provide a temporary window of opportunity to fund the upgrading of its infrastructure (transport and ICT), improving its investment climate, and developing its financial sector in support of employment-rich economic diversification
- (iii) Grants remain critical to finance the country's public expenditure program and to finance its current account deficit. The broader, international trend in development finance—ODA becoming a relatively much smaller part of the internationally available financing sources, incl. FDI, remittances, etc.—hasn't materialised in Bhutan.
- (iv) Bhutan's future development landscape is expected to witness some important shifts in the relative importance of development finance providers:
 - The largest trend is likely to be the increasing importance of domestic resources, both public and private, compared to international flows, mainly grants (not accounting for the important off-budget support from the Government of India)
 - Local governments will set the spending priorities of a much larger share of public investment, implying opportunities and challenges for achieving the 2030 development agenda
 - Bilateral ODA providers are becoming fewer and smaller in comparison to the multilateral ODA, which is projected to remain stable over the short term. This implies rethinking the strategic use of bilateral ODA to maximise its impact to Bhutan's development results
 - Remittances, albeit small, increased year-on-year to overtake FDI
- (v) The description of currently available building blocks of an Integrated National Financing Framework (INFF) in Bhutan signals some shortcomings relevant to the UNSDPF:
 - The difficulty to determine the size and composition of Bhutan's actual private sector complicates understanding the sector's contribution to development results and hence develop a strategic financing policy for harnessing business contributions towards national development objectives

- Existing public-private dialogue and coordination mechanisms are deemed unfit by stakeholders for harnessing business and CSOs for development and engendering buy-in to and ownership of the RGoB's 12th FYP as well as its implementation
- (vi) Fiscal self-reliance is projected to deteriorate in the long term under 'business as usual'. To secure fiscal self-reliance Bhutan will need a determined effort to contain the growth of its public expenditures, and to increase its government revenue. Initiating the necessary reforms now is critically important to avoid being forced to scale down its public investment program, hence to move more slowly towards attaining its development goals
- (vii) The increased decentralisation of capital grants puts at risk the qualitative implementation of capital outlays of Local Governments (LGs) under the 12th FYP, unless the RGoB and its development partners undertake urgent efforts to address LGs' capacity constraints. Well implemented, the increased decentralisation provides the opportunity to critically underpin Bhutan's 'last mile approach' towards meeting the SDGs by integrating crosscutting themes and social protection at the grassroots level
- (viii) The prospect of Bhutan graduating as LDC is well integrated in the RGoB's mindset and approach to development planning. While LDC graduation is likely to influence donors' perception of the country, by itself it is not expected to speed up ODA's decline as the remaining development partners do not allocate concessional funding based on LDC status
- (ix) Bhutan has a strong track record in mobilising green finance and has further potential for mobilising additional green finance. Through such initiatives as BIOFIN or Biodiversity Finance Initiative, it developed a unique, integrated approach for attracting biodiversity and climate financing, which increases its likelihood to attract green finance as well as to increase project size. Considering the importance of green finance to fund Bhutan's future socioeconomic progress, it is critical for RGoB to integrate livelihood and agricultural development related objectives in all its climate and environmental projects. Moreover, green finance proposals should consider the potential for crowding in social impact investment.
- (x) Bhutan faces structural challenges to attract large foreign investments, which also apply to potential future 'social impact investors'. The track record of local CSOs and development partners in supporting smaller scale, social entrepreneurs and the importance of the country's Cottage and Small Industries (CSI) however warrant a scope for scaling up social entrepreneurs as part of the effort towards attracting potential Social Impact Investment (SII) in the future.

III: Analysis of Key Thematic Areas with Potential for Joint Programming

This section of the CCA focuses on a selection of development challenges based on: their severity and potential for leading to crises; their relevance to the NKRA identified for the 12th FYP, as well as the SDGs; and their potential for joint programming. It is important to note, however, that **individual UN agencies will continue to work with their development/implementing partners, based on their comparative advantage on a range of issues.**

The following four areas represent some of the issues where a common UN comparative advantage can be drawn for improved and coordinated impact. However, further analysis (within the UNDAF process) is required before areas for joint programming are finalised.

1. Climate Resilience and Disaster Risk Management

The focus under this theme is on Bhutan's preparedness to respond to natural hazards and relates directly with NKRA 6: "Carbon-Neutral, Climate- and Disaster-Resilient Development Enhanced", SDG 13 on Climate Action, and SDG 15 on Life on Land. Given that climate resilience and natural hazards cut across all aspects of life, this thematic area is considered crosscutting and has bearing on all the NKRA and SDGs.

a. Current situation

As highlighted in earlier sections of the report, Bhutan is vulnerable to several natural hazards, given its steep terrain, fragile geological conditions, vulnerable ecosystems, wide differences in elevation, variable climatic conditions, and dependence on climate sensitive sectors. Moreover, it is located in the eastern Himalayas, in one of the most seismically active regions of the world. As the entire country lies near a major earthquake fault, earthquakes in particular can potentially cause severe and widespread damage. The moderate earthquakes Bhutan experienced in 2009 and 2011 caused 13 deaths, many injuries and economic loss. The impact could be much worse in the event of stronger earthquakes, which the fault is capable of generating.¹⁷⁹

With some 77 glaciers and 2,674 glacial lakes in its northern region, the increased risk of GLOFs due to global warming and melting glaciers could be detrimental to downstream human settlements and resources. This already has been demonstrated during a severe GLOF from the Luggye Tsho in Lunana in 1994, claiming 21 lives and causing huge agricultural and essential infrastructure damages in the Punakha-Wangdue valleys.

Bhutan also suffered significant damage to roads, bridges, irrigation channels and

¹⁷⁹ UN Support to Earthquake Preparedness in Bhutan – Concept Note submitted by the UNCT in Bhutan to the RGOB in February 2017.

homes when major rivers swelled to record levels in 2009 owing to the tropical cyclone Aila. Hydropower projects were affected with massive clogging and silting. Most recently, the unusually intense monsoon flooding and related landslides of July 2016 claimed the lives of four people, destroyed towns and agriculture lands, cut off water to Bhutan's third largest urban centre, Gelephu, and washed away sections of Bhutan's main trade artery with India of essential commodities, including fuel and essential medicines. The impacts of climate change are thus already well evident in the country with the increasing intensity and frequency of such natural hazards.

In addition, the risks to human lives from GLOFs, flash floods and landslides pose significant mental stress on affected populations. Disease burden from climate sensitive diseases is also on the rise. Despite sustained containment efforts, malaria continues to be a serious concern. Emerging diseases such as dengue and chikungunya are on the rise. With increasing temperature and disturbed rainfall patterns, a high risk exists for expansion of breeding sites of mosquitoes to other non-endemic places, which are historically cold and not favorable for malaria and dengue transmission.¹⁸⁰

Besides the sustainability of water resources that feed the hydropower plants, concerns are also emerging with regard to the adequacy of social and environmental impact assessments and proposed mitigation measures. Geological "surprises," and potential impacts, on the safety of dams and other hydropower-related infrastructures, as well as on downstream habitats and inhabitants in case of catastrophic failures, also are of concern.¹⁸¹

Such trends and risks suggest a need for strategic planning and regionally appropriate adaptation practices for the important agricultural sector as well, which is the dominant source of livelihoods but under which only three percent of the country's land area is cultivated given the rugged terrain. However, a lack of information on regionally specific climate change impacts on key crops constrains many adaptation strategies for the sector. Previous analyses of climate change impact have been generic, and the wider South Asian region has been taken as a reference for Bhutan.¹⁸²

According to the 2016 Risk Index for Bhutan, as reflected by the Index for Risk Management (INFORM), Bhutan is at medium risk of humanitarian crises and disasters.¹⁸³ It will be important to consider, based on global trends, that women,

¹⁸⁰ Source: Ministry of Health, RGOB.

¹⁸¹ Dasho Chhewang Rinzin. *Sustainable Energy: Is Hydropower the Answer?* The Druk Journal. Summer Edition, 2017.

¹⁸² Parker L; Guerten N; Thi Nguyen T. 2017. *Climate change impacts in Bhutan: challenges and opportunities for the agricultural sector*. Working Paper No. 191. CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS). Wageningen, The Netherlands. Available online at: www.ccafs.cgiar.org

¹⁸³ INFORM measures the risk of humanitarian crises and disasters in 191 countries. The overall INFORM risk index identifies countries at risk from humanitarian crises and disasters that could overwhelm national response capacity. It is made up of three dimensions – hazards and exposure, vulnerability and lack of coping capacity.

Source: http://www.inform-index.org/Portals/0/Inform/2016/country_profiles/BTN.pdf

children and persons with disabilities are often disproportionately affected in such emergency situations, further exacerbated by poverty.

Women living in the mountainous rural areas of Bhutan particularly face an extra burden of climate change as their regular chores of collecting water, fuelwood and fodder become more tedious and risky; any disruptions to water and sanitation could impede women's health prospects, in turn impacting their ability to nurture children and provide care to the sick and elderly.¹⁸⁴

b. Policy and governance environment

As a national and crosscutting concern, major efforts have gone into developing several legal and administrative disaster management systems linked to emergency preparedness, since the 10th FYP (2008-2013). The 11th FYP has sought to mainstream Disaster Risk Reduction (DRR) across sectors, and the upcoming 12th FYP seeks to further these efforts, with "Carbon-Neutral, Climate- and Disaster-Resilient Development Enhanced" identified as an NKRA.

The Department of Disaster Management (DDM), which was upgraded from a division to a full-fledged department in 2008, is the nodal agency responsible for planning and implementing disaster recovery in the country. It acts as the executive arm of the National Disaster Management Authority (NDMA) under the purview of the Disaster Management Act of Bhutan 2013, and Disaster Management Rules and Regulations 2014. Related policies include the National Forest Policy 2012, National Environment Strategy, and National Strategy and Action Plan for Low-Carbon Development 2012, among others.

At the local level, Dzongkhag Disaster Management Committee (DDMCs) are established in almost all districts, which are further divided into sub-committees at the municipal, *dungkhag* and *gewog* levels. In addition to contingency plans for the health (including WASH¹⁸⁵ and nutrition) and education sectors, the Government has also engaged in developing plans for individual districts. Currently about nine *dzongkhag* contingency plans exist, although **there is not as yet a national contingency plan** that can guide work with international partners during times of disaster.¹⁸⁶

In this respect, the UN System in the Bhutan is in the process of working with the Government to align the international and national emergency coordination structure and to develop a contingency plan. This follows from similar efforts made in 2011, when the **UN Inter-Agency Contingency Plan (IACP)** for comprehensive humanitarian response during emergencies was prepared in consultation with the RGOB and development partners. The overall objective is to ensure that adequate arrangements are in place to ensure a timely, effective and coordinated response to

¹⁸⁴ UNICEF 2017 Situation Analysis Report for Bhutan.

¹⁸⁵ WASH is the collective term for Water, Sanitation and Hygiene.

¹⁸⁶ <http://www.kuenselonline.com/preparing-for-earthquake-in-bhutan/>

a disaster by the humanitarian and development community.¹⁸⁷

Besides the obvious need for such an arrangement, it is also in keeping with the Sendai Framework for Disaster Risk Reduction 2015–2030, which aims to achieve “substantial reduction 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” by 2030.

To date, disaster management plans and contingency plans have been developed in all schools, and they are required to conduct safety drills at least twice a year for multiple hazards. Automated Early Warning Systems (AEWS) have been installed in places vulnerable to GLOF and evacuation sites identified. The Home and Finance ministries also signed a Memorandum of Understanding with the Royal Insurance Corporation of Bhutan Limited (RICBL), on a scheme to extend insurance coverage to all rural houses in the country. A Health Emergency and Disaster Contingency Plan (HEDCP) was prepared in 2016. Efforts continue in creating awareness and training communities on the potential hazards in their localities.

A major source of disaster relief support comes from the *DeSuung* programme initiated by His Majesty the King. The *DeSuung*, or “the Guardians of Peace,” comprise voluntary recruits who undergo a value-based personal development programme focused on disaster management. Given the acute shortage of trained personnel to deal with disasters in the country, their contributions—often as first responders during as well as post-disasters—are critical. As of February 2017, 2,766 DeSuups had been trained¹⁸⁸ in collaboration with the Royal Bhutan Army. In addition, the Royal Secretariat also manages a Kidu Relief Fund, and *kidu* or welfare officers are stationed in all districts to facilitate timely intervention during times of disaster.

On the broader landscape of climate concerns in the country, Bhutan’s Nationally Determined Contribution (NDC)—recently endorsed by the Government along with ratification of the Paris Agreement—provides the main policy direction and priority areas for climate change action in the medium to long term. In it, Bhutan reiterates its commitment to remain carbon neutral by ensuring that its greenhouse gas (GHG) emissions do not exceed the sink capacity of its forests. Both adaptation and mitigation measures are covered, involving a wide range of sectors and drawing on existing legislation, policies and strategies.¹⁸⁹ Towards the NDC commitment, GHG reduction strategies for industries, human settlement and energy were prioritised and developed.

However, the need for a national policy for climate change has been recognised, and the National Environment Commission is in the process of developing one. This is

¹⁸⁷ *UN Support to Earthquake Preparedness in Bhutan – Concept Note* submitted by the UNCT in Bhutan to the RGOB in February 2017.

¹⁸⁸ *His Majesty the King grants audience to 23rd Batch DeSuung* in Bhutan Times, 5th February 2017.

¹⁸⁹ *Intended Nationally Determined Contribution (INDC) of the Kingdom of Bhutan*. National Environment Commission (NEC), RGOB. 2015.

expected to address duplication of efforts and to strengthen coherence and coordination among the concerned agencies based on national and sectoral priorities.¹⁹⁰

c. Going forward

Despite the considerable progress highlighted, disaster risk management in Bhutan has some way to go. Besides the challenge of mobilising resources, technical capacities require enhancement to be fully strengthened. Coordination across multiple sectors and agencies has proved a major challenge affecting preparedness and effectiveness in responding to emergencies. The shortage of appropriately skilled manpower to effectively deal major calamities on the ground is a further issue.

A performance audit of disaster management in the country¹⁹¹ identifies several **critical shortfalls** with regard to effective implementation of the Disaster Management Act 2013 as listed below:

- Need for an effective disaster management institutional framework to provide strategic direction
- Need for more adequate coordination amongst sectors and agencies, thereby constraining efficiency and effectiveness in managing disasters holistically
- Need for hazard zonation and vulnerability mapping
- Need for disaster management plans and contingency plans at the national as well as local levels
- Imbalance in emphasis on post-disaster relief activities, such that additional efforts are required with regard to prevention, preparedness and rehabilitation
- Continuing gaps in developing critical infrastructures, such as Emergency Operation Centers at national and local levels
- Absence of centralised records and documentation on disaster management activities in the country

Considered together, the report states, disaster management institutions are not yet well prepared enough to respond to major disasters in the country. This includes weaknesses in urban mitigation and adaptation strategies—an important consideration given the various projections that Bhutan will be more than 50 percent urbanised by 2040 or even as early as 2020.

In addition, the CEDAW Committee, in its 2016 Concluding Observations, expressed concern at a lack of information on the participation of women in the development

¹⁹⁰ National Environment Commission. *Draft Concept Note for National Climate Change Policy*. 7 Feb 2017

¹⁹¹ Royal Audit Authority (RAA) of Bhutan. *Performance Audit of Disaster Management*. May 2016.

of policies and strategies on DRR and climate change adaptation, including to ensure gender-responsiveness. The need to consider the special vulnerabilities and requirements of children, when developing policies and programmes addressing climate change and DRR, was also underscored by the CRC Committee.¹⁹²

Meanwhile, some **key barriers and underlying factors with regard to climate resilience and disaster risk management** in the country include:¹⁹³

- **Basic data limitations:** An insufficient hydro-meteorological data collection infrastructure constrains attempts to undertake effective scenario planning and understand the sectoral impacts of climate change for Bhutan. Key technical agencies such as the Department of Geology and Mines (DGM) and Flood Engineering and Management Division (FEMD) are thus constrained in integrating climate change risks into their respective technical assessments.
- **Limited financial resources:** Investments in adaptation efforts are generally small and fragmented, given Bhutan's small economy, limited public funds and competing development needs. Thus, in spite of the magnitude of adaptation challenges in the country, efforts in adaptation planning and implementation remain isolated. In turn, this has led to disproportionately higher costs while attempting to address annual accumulation of risks, rather than being able to address the risks with a longer-term timeframe.
- **Limited knowledge and information:** Knowledge on hazards, such as landslides and floods or drought, is still based on a "business-as-usual" climate scenario. The limited capacity to gather information around climate variables is a constraining factor, which in turn negatively affects the ability to develop effective contingency plans.
- **Institutional capacity for policy development:** The capacity to address climate change as a shared concern is hampered by a need for strengthened sharing of information, along with fragmentation/duplication of roles and responsibilities between Government stakeholders. An acute need for enhanced institutional capacity for 'knowledge management' particularly constrains evidence-based policy and strategic approaches to addressing climate change concerns in the country.
- **Capacity constraints in climate-resilient local planning for water and disasters management:** Despite decentralised governance institutions, awareness and understanding about potential localised impacts of climate change and resulting vulnerabilities remain underdeveloped. This has also resulted in the lack of information of sector- or demographic-specific vulnerability in the country.

¹⁹² CRC Committee, 2016.

¹⁹³ Adapted from the Midterm Review Report of the *GEF Project on Addressing the Risks of Climate-induced Disasters through Enhanced National and Local Capacity for Effective Actions*. Prepared by Oxford Policy Management Limited, UK for UNDP-NEC, Thimphu, Bhutan. January 2017.

- **Need for understanding of the benefits for ecosystem-based adaptation measures:** Shortfalls in basic climate data collection infrastructure, and limited capacities and awareness, have led to a knowledge gap on combined ecosystem-based management and water infrastructure development and maintenance solutions. Related to this is a generally low level of awareness of the interdependencies inherent in adaptation among planners and investors.

Going forward, a clear need exists to strengthen the quality, analysis, monitoring and timely sharing of climate information across climate-sensitive sectors. The current network of meteorological stations requires expansion and upgrading to enable real-time weather observation and forecasting, and the capacities of the National Weather and Flood Forecasting and Warning Centre will also have to be enhanced. A nationwide network of data infrastructure is especially crucial.

While considerable progress has been made in building community resilience to climate change in Bhutan, a comprehensive long-term climate change adaptation planning is required. This would entail high quality and timely climate data and information; effective interagency collaboration and implementation capacity; knowledge on activities that would yield multiple development benefits on poverty reduction and climate resilience; capacity to undertake thorough economic and financial analysis of adaptation options to allocate resources to where they would yield the greatest social and economic returns; adaptation capacity and coping mechanisms of the poor that are sustainably available; and well-funded participatory result-based monitoring and evaluation mechanisms.¹⁹⁴

Also as recommended by Bhutan's VBA report, it would be useful to conduct a comprehensive analysis of the multiple mitigation and adaptation efforts underway. Such a consolidated review from a vulnerability, risk and resilience perspective—combined with enhanced geo-spatial data—could offer insights on effective or ineffective policy interventions to reduce people's vulnerabilities, opportunities for inter- or cross-sectoral engagement, and policy or institutional gaps that warrant further consideration.¹⁹⁵

Efforts to raise awareness and strengthen capacities will need to continue, to ensure sound planning and implementation of local strategies that enhance resilience, and are responsive to the special needs of women, children, the elderly and the differently-abled in both urban and rural settings. Finally, with respect to many of the challenges and gaps highlighted above, **the DDM's *Bhutan Disaster Risk Management Status Review Report*¹⁹⁶ also provides a broad way forward in line with the country's priorities under the Sendai Framework for Disaster Risk Reduction, and should be referred to for further details.**

¹⁹⁴ Source: UNDP Bhutan.

¹⁹⁵ Gross National Happiness Commission and UNDP. *Vulnerability Baseline Assessment for Bhutan*. 2017.

¹⁹⁶ Department of Disaster Management. *Bhutan Disaster Risk Management Status Review Report*. MoHCA, RGOB. 2016.

2. Gender Equality and Women's Empowerment

This theme directly relates to the 12th FYP NKRA 10: "Gender Equality Promoted, Women and Girls Empowered," and to SDG 5: "Achieve gender equality and empower all women and girls". SDG 5 is also a part of all the other SDGs, and is similarly emphasised by the RGOB as a crosscutting theme to be mainstreamed at all levels of programming and projects in the 12th FYP.

a. Current situation

Bhutanese women enjoy the same rights as men, as guaranteed by the Constitution. Traditionally as well, the situation of women and girls has generally been favourable, without overt discrimination. The considerable gender disparity seen today at executive levels in government is often explained by the fact that the first cohort of Bhutanese sent to school five decades ago were mostly boys, mainly because parents in general were concerned about the safety of their daughters traveling far from home.¹⁹⁷

However, gender differences also exist across many other areas, as indicated by Bhutan's rank of 121 out of 144 countries on the 2016 Global Gender Gap Index report; these areas include disparities in health, education, economic participation and political participation.¹⁹⁸ Critically, since Bhutan's rank of 93rd among 136 countries in the 2014 Global Gender Index, the workforce gender gap had widened, and women's acceptance rate of domestic violence had increased from 68 to 74 percent.

These findings of the international index support the 2015 GNH survey results, which found that overall women are less happy, with a GNH index value of 0.730 as compared to men, who hold a 0.793 value. While males outperformed females across all nine GNH domains, the disparity was found greater in the education and good governance domains.¹⁹⁹ Thus, available data indicates that many Bhutanese women and girls are disadvantaged across various spheres of their lives.

In terms of **health**, access to reproductive health has greatly improved, with the use of modern contraceptive methods increasing significantly, from 28 percent in 2003 to 65 percent in 2010. Maternal death also has declined drastically, from 255 deaths per 100,000 live births in 2000 to 86 per 100,000 live births in 2012. In particular, Bhutan was among few countries in the world to achieve MDG5 (improve maternal health) in 2015. This is attributed to increasing antenatal care coverage and institutional deliveries, coupled with enhanced competency of health care professionals, among other reasons.²⁰⁰

¹⁹⁷ Today only six Members of Parliament, two Dzongdas, four Thromde Tshogpas, 23 Mangmis, and 130 Tshogpas are women, as cited in the Prime Minister's 2017 *State of the Nation Report*.

¹⁹⁸ <https://reports.weforum.org/global-gender-gap-report-2016/economies/#economy=BTN>

¹⁹⁹ *A Compass Towards a Just and Harmonious Society: 2015 GNH Survey Report*. Centre for Bhutan Studies and GNH Research.

²⁰⁰ *Annual Health Bulletin 2017*. Ministry of Health, RGOB.

However, early marriage and teenage pregnancy remain high (as previously discussed), which is associated with poor health outcomes and high mortality. Also as mentioned earlier, a critical barrier in women's access to maternal and reproductive health services is attributed to the dearth of female health workers in BHU-II²⁰¹ level health care centres. Women are also twice as likely to suffer from depression than men, which is a concern.²⁰²

Gender gaps have closed at the primary and secondary levels, but persist in **tertiary education**. According to the most recent education statistics for 2016, girls' enrolment continues to lag at 44 percent at the tertiary level.²⁰³ The main factors preventing girls from studying in universities include early pregnancy, and poor academic performance due to housework obligations, which leaves little time for study.²⁰⁴

In terms of overall **employment**, little gender disparity was noted in 2011 between labour force participation rates of 72.3 percent for males and 67.4 for females. However, the improvement in women's labour force participation has yet to translate into enhanced job quality. Women still tend to work in low-paying sectors; for instance, agriculture accounts for 68 percent of all female workers (compared to 53 percent of male workers). Moreover, 34 percent of female workers are family workers, who are usually unpaid, as opposed to only 24 percent of male workers. In addition, among women with an income from work outside the home, their earnings are only 75 percent of men's earnings.²⁰⁵

The difference in job quality between men and women in Bhutan is explained primarily by level of education, especially above secondary level, which was found to have largest impact on earnings. Gender earning gaps were not attributed to direct wage discrimination, but linked instead to physical/strength differences in the case of unskilled labour, and to domestic responsibilities that limit women's equal pursuit of opportunities in white-collar jobs.²⁰⁶ However, an area of growing concern is that female youth unemployment (ages 20-24) is nearly twice that of males, at 12 percent vs. seven percent.^{207 208}

At the same time, women's participation in public **decision-making and political spheres** remains extremely low, as highlighted above. While more women than men exercised their franchise in the last two general elections of 2008 and 2013, their actual participation as political candidates was low, as was their subsequent representation in office. Four women were elected into the National Assembly

²⁰¹ Basic Health Unit grade II.

²⁰² *Annual Health Bulletin 2017*. Ministry of Health, RGOB.

²⁰³ *Annual Education Statistics 2016*. Ministry of Education, RGOB.

²⁰⁴ The World Bank Group. *Bhutan Gender Policy Note*. 2013.

²⁰⁵ Ibid.

²⁰⁶ Ibid.

²⁰⁷ National Commission for Women and Children. *NCWC National Strategy 2014-2019*. Thimphu, 2014.

²⁰⁸ UNICEF SITAN 2017.

during both election cycles, translating into only eight percent of the lower House. From an already-low three women elected into the National Council in 2008, none were elected in 2013; nonetheless, two women eminent members were appointed.

Local government elections in 2011 also resulted in few women running for office and succeeding, although local elections in 2016 resulted in a three percent increase in women's representation.²⁰⁹ Studies suggest that the persistence of gender stereotypes; lower educational levels and functional literacy skill; lack of confidence in taking on public roles; lack of resources; and the additional responsibilities of taking up local office to an already-heavy workload, while remuneration remains low, are contributing factors.²¹⁰

Women are also not adequately represented in the civil service (total 27,029 civil servants), especially in upper-level positions with influence on policy and decision-making. While women accounted for 35.46 percent of all civil servants as of December 2016, only 8.5 percent of those were at the executive levels,²¹¹ although that is an increase from the six percent in 2012. Likewise, the low representation in field postings related to managing regulatory affairs, advising local governments, delivering extension services, or teaching in schools, suggest that the public has limited exposure to women in modern leadership roles.²¹²

Gender-Based Violence (GBV), including domestic violence, is prevalent with nearly one in four ever-married women aged 15-49 having experienced some form of domestic violence involving their husbands. Nearly seven in 10 women had an accepting attitude towards domestic violence, viewing that a man is justified in beating his wife or partner for reasons including neglect of children, going out without telling him, arguing with him, refusing sex, and/or burning food.²¹³ This level of tolerance among women is particularly worrying and suggests a lack of exposure to contrary views from men, educational institutions, and/or political authorities.²¹⁴ Over 300 victims of GBV are reported every year.²¹⁵

It has been assessed that many women are trapped in abusive relationships owing to patterns of dependence on their husbands—economically, socially and emotionally—coupled with controlling behavior of their husbands. Stigma associated with divorces or separation is a possible contributing factor. Despite the enactment of the Domestic Violence Prevention Act 2013, domestic and workplace violence against women remains common, with many women not reporting rape, for

²⁰⁹ CEDAW Concluding Observations, 2016.

²¹⁰ Royal Government of Bhutan and SNV. *Role of Rural Women in Sanitation and Hygiene: A Gender Study From Bhutan*. Thimphu, 2014.

²¹¹ Civil Service Statistics 2016. RCSC. RGOB.

²¹² Asian Development Bank & United Nations. *Bhutan Gender Equality Diagnostic of Selected Sectors 2014*.

²¹³ National Commission for Women and Children. *Situation of Violence Against Women in Bhutan*. Thimphu, 2013.

²¹⁴ Gender Equality Diagnostic Report. 2013.

²¹⁵ Annual Report 2014, RENEW

example, because of cultural taboos, lack of awareness of their rights, or societal and/or family pressure.²¹⁶

The proportion of girls married before age 18 is 26 percent, and before age 15 is 6.2 percent, indicating that practices of early and in some cases forced marriages continue.²¹⁷ As previously mentioned, this gives rise to early pregnancy and childbearing, which, as the *2013 Bhutan Gender Policy Note* suggests, is a major contributing factor to the gender gap in tertiary education in Bhutan. Child marriage is reportedly most prevalent in rural areas, particularly in the Eastern region, where 3.31 percent of adolescents aged 15-19 years report themselves as currently married. Strong gender differences are observable (girls, 5.50 per cent; boys, 1.40 per cent).²¹⁸

A diagnostic assessment as to why the acceptance rate of violence against women has increased is planned/underway by the NCWC in 2017, as is a comprehensive Prevalence of Violence Against Women study. However, some of the reasons presented in Bhutan's 2016 report to the CEDAW Committee suggest that a need for strengthened redress mechanisms, such as expanded provision of shelters for women who suffer from violence, are contributing factors.

In addition, an assessment of the health sector's response to GBV found that while there was significant morbidity in health facilities, a systematic protocol for recording, reporting and standard service provision was missing; collaboration between the relevant government and non-government partners were also found to be weak. Further, the dearth of disaggregated data on GBV/domestic violence was noted, in addition to limited generation of information through research, communication and implementation strategies of the existing laws and policies.²¹⁹

The CEDAW committee also observed all of these issues, and recommended that efforts must intensify in collecting disaggregated data, while also highlighting the need to ensure that the draft national gender policy avoids gender-neutral language.

As cited in the report on *Bhutan Gender Equality Diagnostic of Selected Indicators* and elsewhere, **overall structural causes of gender gaps** in Bhutan include social norms; cultural beliefs and stereotypes that women are less capable than men; traditional matrilineal inheritance patterns of family property across wide areas of the country, which implies the moral obligation for women to look after their parents; lower education and literacy, especially among poor and rural women; poverty; and lack of self-esteem.²²⁰

²¹⁶ UNICEF Bhutan. *Situation Analysis of Children, Adolescents/Youth and Women*. 2017.

²¹⁷ Bhutan Multiple Indicator Survey 2010.

²¹⁸ National Statistics Bureau. *Sexual and Reproductive Health of Adolescents and Youth in Bhutan*. Monograph No. 7, 2015.

²¹⁹ Source: UNFPA Bhutan.

²²⁰ ADB. *Bhutan Gender Equality Diagnostic of Selected Indicators*. March 2014.

Moreover, **the scope of interventions remain limited in terms of ensuring the availability of infrastructure facilities, support services, laws and policies needed to facilitate women’s participation in development.** All this may be exacerbated not only by the lack of female leadership role models highlighted above, but also by women’s work burden; lack of daycare facilities, especially in rural areas; dependence on men for financial support; and limited access to information, including awareness of their rights among others.²²¹

b. Policy and governance environment

The Constitution of Bhutan provides the overall legal framework for women’s empowerment. Men and women are equally accorded fundamental rights as articulated in Article 7, and it is a fundamental duty of every Bhutanese not to tolerate abuse of women. Principles of state policies are geared towards guiding actions to eliminate discrimination against women and children, and ratified international treaties such as the CEDAW are explicitly recognised.

Bhutan also supported the Programme of Action of the International Conference on Population and Development (ICPD), an important instrument for ensuring women’s sexual and reproductive rights. The GNH policy-screening tool, which is used to screen all policies as required by the government, includes gender equality as one of the rating parameters. Gender equality also forms one of the key considerations in the Policy Formulation Protocol of the Royal Government.²²²

Bhutan has worked to strengthen its gender-related legal and policy framework with the Penal Code Amendment 2011, which increases penalties for rape; the Domestic Violence Prevention Act (DVPA) 2013 and the Domestic Violence Prevention Rules and Regulations 2015; and the Child Care Protection Act (CCPA) 2011, the Child Care and Protection Rules and Regulation of Bhutan 2015; and the Child Adoption Act (CAA) 2012, and the Child Adoption Rules and Regulation of Bhutan 2015. While these instruments are designed to help reduce the prevalence and acceptance rates of domestic violence, work is also underway to draft Bhutan’s first Gender Equality Policy.²²³

In 2016, in a gesture to recognise women’s role and encourage their participation in decision-making, His Majesty the King awarded *Gyantag*—an insignia equivalent to the *Patang* or sword worn by men—to women in positions of authority, including the Honorable Chair of the NCWC,²²⁴ who is also Bhutan’s first woman Minister heading the Ministry of Works and Human Settlement since 2013.²²⁵

²²¹ National Commission for Women and Children. *NCWC National Strategy 2014-2019*. Thimphu, 2014.

²²² Gender Equality Policy Concept Note

²²³ NCWC Consultation + Concept Note on the Policy proposed.

²²⁴ 13th RTM Technical Report

²²⁵ 13th RTM Technical Report

The same year, the Government also approved an increase, from three to six months, in maternity leave for women, thus implementing one of the recommendations of the National Plan of Action for Gender (NPAG) 2008-2013. This decision, along with efforts to increase childcare options in work places are positive shifts in the context of women wishing to join the public sector workplace.

A greater focus on gender was placed in the 11th FYP, which has “Gender-Friendly Environment for Women’s Participation” as an NKRA and emphasises gender mainstreaming as a crosscutting issue. In order to strengthen gender mainstreaming at the sectoral level, Gender Responsive Planning and Budgeting (GRPB) was introduced as a tool. The midterm gender appraisal for the 11th FYP reports significant progress in gender mainstreaming through implementation of the GRPB. For instance, important developments include the inclusion of mandatory gender equality indicators in the 2016-17 APA of all the Ministries and sector-specific indicators for education, health, agriculture and NSB.

To facilitate an effective gender-mainstreaming programme, budget and planning officials and those involved in data collection are provided capacity building interventions. Regular gender awareness programmes are conducted, and sectors are encouraged to generate and make use of sex disaggregated data. Given the 11th FYP target to reduce female youth unemployment, gender analysis has also been initiated for the Ministry of Labour and Human Resources. Going forward, the importance given to improving gender equality is illustrated by the inclusion of “Gender Equality Promoted, Women and Girls Empowered” as one of the 16 NKRA of the new draft 12th FYP.

While all government agencies have responsibility in gender mainstreaming, the NCWC²²⁶ spearheads and coordinates this collective effort. It does so through its Gender Focal Point Network, comprising focal points in various agencies of the government and non-government sectors. The Women and Child Protection Units (WCPU) in the Royal Bhutan Police are an important partner, as are CSOs that play critical roles in advancing women’s empowerment in the country.

Agencies such as Tarayana Foundation, Loden Foundation, Youth Development Fund, and Respect, Educate Nurture Educate Women (RENEW), work on issues related to livelihoods and violence against women. Others such as the Bhutan Association of Women Entrepreneurs (BAOWE), SAARC Business Association of Home Based Workers (SABAH) Bhutan, the Bhutan Network for Empowerment of

²²⁶ The NCWC was established in 2004 mainly to fulfill the obligations of the Royal Government towards the CEDAW and CRC. It is a fully autonomous agency under the Royal of Government and is governed by a Commission comprising of a Chairperson (Cabinet Minister) and Commissioners with representation from relevant government, non-government and private sectors. It is the designate Competent Authority for the CCPA 2011, CAA 2012, DVPA 2013.

Women (BNEW), and the Bhutan Nuns Foundation (BNF) work towards empowering women and advancing their rights.²²⁷

Given the decrease in the representation of women in parliament from 13.88 percent in 2008 to 8.33 percent in 2013—which fell much below the target of 20 percent set in the 2008-2013 NPAG—a National Plan of Action for Gender Equality in Elected Offices (NPAPGEEO) was developed in 2014 and submitted to the Cabinet in 2015. However, it was not fully approved on grounds that allocating quotas per se was unacceptable; only aspects of the plan pertaining to capacity building and creating awareness, creating an enabling legislative and policy environment to enhance women’s participation, and introducing support systems and services were approved.²²⁸

c. Going forward

An assessment of the gender mainstreaming processes in the 11th FYP, covering three sectors of health, education and agriculture, showed that there is scope to introduce more gender-sensitive indicators and also to review strategies and processes using a gender lens.²²⁹ Many of the existing policies were found to have minimal reference to gender issues. Shortfalls were particularly noted on the commitment and capacities to mainstream and implement the policy statements that are incorporated with a gender equality perspective.

At the same time, notable gaps remain in effective implementation of the three key Acts highlighted above, i.e., the CCPA 2011, CAA 2012, DVPA 2013. Therefore, gaps remain in the establishment of an effective and sustainable protection system in the country. Given the crosscutting nature of gender issues, ownership and accountability of the results among the various sectors and agencies are a challenge. In the absence of a comprehensive guiding mechanism, the NCWC thus has yet to be in a position to adequately strengthen gender mainstreaming in the country.²³⁰

Likewise, a need still exists to strengthen the collection and use of sex-disaggregated data in order to develop robust gender responsive indicators and interventions. This would go a long way toward strengthening the national monitoring framework to support effective monitoring of gender equality interventions and targets. This in turn requires that capacities be built and strengthened for a significant number of programme, budget and planning officials, as well as those involved in data collection.

In all, although significant achievements have been made on the legal, plan and policy front, gender gaps remain in the important areas of economic empowerment,

²²⁷ Gassama, Diakhoumba. *Review of the Legislation from the Perspective of Enhancing Gender Equality in Elected Office in Bhutan*, 2015. Commissioned by NCWC, the UN in Bhutan and the UNDP Asia-Pacific Regional Center

²²⁸ <http://www.kuenselonline.com/ncwc-to-review-women-quota-for-elected-posts/>

²²⁹ Analysis of Gender Mainstreaming in Policies in Bhutan, conducted by the NCWC in 2015 as part of the 11th FYP midterm review process.

²³⁰ NCWC. *Gender Equality Policy Concept*, submitted to GNHC. 2016.

participation in governance, employment, and violence against women, among others. It is also important to note that women and girls are vulnerable to human trafficking for sexual exploitation and labour (including for domestic work), thus calling for strengthened awareness amongst policymakers, law enforcement officers, communities and civil society on this issue.

Thus, the need to continue working toward gender equality across multiple spheres remains. A healthy and vigorous debate on the usual assumptions about gender equality in the country may be useful, complemented by more detailed analyses based on up-to-date and reliable data.²³¹ As also recommended by the CEDAW Committee in its Concluding Observations, efforts to educate the general public and raise awareness of existing gender stereotypes at all levels of society must be strengthened, to address potentially negative impact of such stereotypes on girls' and women's enjoyment of their human rights.²³²

²³¹ ADB. *Bhutan Gender Equality Diagnostic of Selected Indicators*. March 2014.

²³² CEDAW Committee Concluding Observations, op.cit.

3. Food and Nutrition Security

This theme directly relates to the 12th FYP NKRA 8: “Water, Food and Nutrition Security Ensured,” and to SDG 2: “End hunger, achieve food security and improved nutrition, and promote sustainable agriculture”. It also relates more broadly to SDG 1 on poverty, SDG 3 on health, SDG 5 on gender equality, SDG 6 on water, SDG 12 on sustainable consumption and production, SDG 13 on climate action, and SDG 15 on life on land, among others.

An important part of the focus under this broad theme is linked to challenges related to the agriculture sector, given that about 60 percent of the Bhutanese population continue to rely on it directly for their subsistence. However, given that much of the food in Bhutan is imported, trade and related aspects are also relevant. Equally as important, a full exploration of the challenges emanating from the impact of nutrition challenges and other related sectors should be considered.

Current situation

Ensuring food and nutrition security continues to be one of Bhutan’s most important challenges. On the face of it, significant rates of stunting and anaemia persist, both of which are clear indicators of malnutrition and closely linked to food and nutrition insecurity.²³³ While conditions in general have improved, as highlighted in previous sections²³⁴, prevalence rates continue to be of concern.

The 2015 National Nutrition Survey revealed that stunting is concentrated in Eastern Bhutan, at a considerably higher rate of 29.1 percent. Overall, stunting cases are higher in rural areas at 26.1 percent compared to 16 percent in urban areas; wasting and underweight are slightly higher in rural Western Bhutan, at 11.1 percent and 4.6 percent respectively.

Likewise, although anaemia rates have seen a significant drop²³⁵—from 80.6 percent in 2003 to 43.8 percent in 2015 among children, and from 54.8 percent to 34.9 percent among women of reproductive age in the same period—its persistence at these levels continues to be a public health concern, especially when noting that anaemia can be seen as a proxy indicator for other micro-nutrient deficiencies.

In all, micronutrient deficiencies present a complex challenge for Bhutan, as evidenced by an outbreak of peripheral neuropathy in 2011. The Health Ministry’s subsequent study in boarding schools across seven districts (mainly in the east and south), found high prevalence of thiamine (Vitamin B1) and cobalamin (Vitamin B12)

²³³ This in turn is closely linked to poor infant- and young child-feeding practices, and particularly a lack of diversity in the typical Bhutanese diet, with poor dietary practices and food habits for all age groups.

²³⁴ Stunting in children under five decreased from 37 percent in 2009 to 21.2 percent in 2015, and wasting decreased slightly from 4.6 percent in 2009 to 4.3 percent in 2015.

²³⁵ Contributing factors for reduction in anaemia rates include reduction in childhood diseases; good immunisation coverage; steady improvement of water, sanitation and hygiene; increasing economic levels of family and education levels of mothers; among others.

deficiencies, which was worsened by a lack of proper protein intake while in schools. Manifestation of such conditions is linked to **improper food preparation and utilisation**, and is closely related to inadequacies in **availability and access to food**—the latter two dimensions form the basis for much of the discussion here.

In Bhutan, arable land covers only about eight percent of the country, and food production is low. A National Food Security Reserve (NFSR) is maintained through the Food Corporation of Bhutan (FCB) to ensure availability of imported rice, oil and sugar. The NFSR has a total 1,658 MT of food, distributed and marketed through 20 regional and local depots of FCB. Additionally, FCB also maintains two separate reserves, i.e., the SAARC Food Security Reserve and the SAARC Food Bank, both of which comprise of 180 MT of rice.^{236 237}

The net food balance is negative, with an overall food trade deficit totalling BTN 1.6 billion, equivalent to 2.8 percent of GDP.²³⁸ Given insufficient domestic production, food availability in Bhutan hinges on trade, especially with neighbouring countries.

Low food production in the country is attributed in part to the small and scattered agricultural landholdings, while farm mechanisation to increase productivity amid rugged terrain is a difficult task. Land also remains under-utilised in many cases of *chhuzhing* (wetland) without adequate or no water supply for irrigation. The problem is further aggravated by the limited use of modern agriculture techniques including pesticide and fertilisers in combination with traditional – not always improved – seeds and varieties.

The absence of proper road connectivity for most agricultural households has also contributed to a lack of farm production for markets, even as road networks have increased substantially in recent years. The situation is still less favourable in the Eastern region, where dry land constitutes the major type of agricultural land, which restricts production to limited varieties of crops.

Meanwhile, the damage caused to crops by wildlife attacks or other pests and diseases ultimately leads to low yield and shortage of food grain at the household level. A Vulnerability Assessment and Mapping (VAM) Survey in 2005, found that the far-eastern *dzongkhags* of Pemagatshel and Zhemgang experienced frequent crop damage by pests in all their *gewogs*; more than half the *gewogs* in Mongar, Trashigang and Trashiyangtse experienced wildlife attacks and landslides.

According to a report by the National Council of Bhutan, 56 percent of farming households face food shortages due to crop depredation caused by wildlife.²³⁹

²³⁶ *Food and Nutrition Security of the Kingdom of Bhutan, 2014*. Royal Government of Bhutan.

²³⁷ With an estimated population of 0.75 million people this amounts in total to below 2.5 kg per person or around 5 to 7 days of food requirements only.

²³⁸ *Bhutan Development Project 200300 Improving Children's Access to Education: A midterm evaluation of WFP's Operation (2014-2018)*. WFP Office of Evaluation. June 2016

²³⁹ *Review of Agriculture Policy by Natural Resources and Environment Committee*. Report to the 18th Session of the National Council: In response, the MoAF installed 419 km of electric fencing covering 5,869 rural households in the country as of May 2015.

Productivity is further hampered due to acute shortage of farm labour, as more people migrate into urban areas. As noted earlier in the report, arable land has also been lost to urbanisation.

It has been reported that about 2000 acres of agriculture land was lost to non-agriculture purposes between 1998-2008, and is likely to increase in the future with increased development activities. In addition, limited access to credit, agricultural inputs and technology combined with traditional (subsistence and not modernised) agriculture methodologies, along with inadequate storage facilities, also impact food availability. As a result, returns to farmers, most of whom are smallholders, also remain small in the face of relatively high production costs and low economies of scale with low production and return on investment.

Additionally, as earlier highlighted, the agriculture sector faces serious challenges posed by climate change impacts. Increases in temperatures, rainfall variability, shifts in seasonal patterns and increased incidence of extreme events such as flash floods and landslides have led to declines in crop yield, loss of soil fertility, and increased runoff and soil erosion affecting water availability and quality during the monsoon season. Further, such events have caused damage to the road network—critical for market access by farmers and thus livelihoods.²⁴⁰ Such conditions are exacerbated with most agricultural land located along steep slopes, and traditional farming practices and settlements not adequately accounting for such climatic risks.

Extended dry periods have also impacted the effectiveness of the irrigation network in the country.²⁴¹ During the dry periods, drought has impacted cropland, as well as the small streams on which small scale irrigation depends, resulting in inadequate on-farm water supply, conflicts over water sharing, low labor productivity (e.g. due to time spent guarding against water theft) and low crop yields. And in times of excess rainfall, flash floods and landslides block or damage irrigation schemes, disrupting flow of water to farmers.

These challenges are expected to continue. Bhutan's Second National Communication (SNC) to the UNFCCC presents projections of systemic changes in future climate with a greater variability around the means,²⁴² underscoring the risk of occurrence and magnitude of extreme events such as flash floods and landslides on the one hand, and prolonged dry spells and droughts on the other.

²⁴⁰ Green Climate Fund 'Smart Agriculture' Funding Proposal, October 2017, UNDP.

²⁴¹ *Bhutan water security paper, 2011.*: With less than 18 percent of cultivated agriculture land irrigated, agriculture is predominantly rain-fed and dependent on the changing monsoonal rain patterns. Water shortages have been more pronounced during the main cropping season, which coincides with pre-monsoon season.

²⁴² *Ibid.*: Mean annual temperatures are expected to increase by 0.8-1.0°C before 2039 and by 2.0-2.4°C before 2069. Rainfall is likely to increase slightly overall (~6%) for the 2010-2039 period with a change in seasonal distribution: a decrease in winter precipitation (~2%) and an increase of 4-8% in the monsoon period. For the 2040-2069 periods, an overall increase of precipitation (21-25%) is expected with generally more intense monsoonal periods and drier winter seasons.

These mounting difficulties of working in agriculture are resulting in growing trends of migration of farmers, particularly men in search of off-farm employment opportunities – a trend which further exacerbates the declining crop yield in Bhutan.²⁴³ Therefore, unless the resilience of the agriculture sector to climate change is enhanced, livelihoods food security, and nutrition in Bhutan will be severely undermined.

Other underlying causes of food and nutrition insecurity include: lack of adaptation of modern agriculture methodologies, poverty, which remains overwhelmingly a rural occurrence despite also taking on a visible urban dimension; the disappearance of traditional support mechanisms such as labour exchange; poor dietary habits; low literacy rate; and lack of awareness and understanding about nutrition.

a. Policy and governance environment

Food security was identified as a key objective from the 8th FYP (1997-2001) onwards. In a significant shift from the 11th FYP articulation of “food secure and sustained” as a key result area, the upcoming 12th FYP identifies “Water, Food and Nutrition Security Ensured” as an NKRA.

This is a reflection of the thinking and acceptance in policy and planning circles that **the inter-linkages between these areas need to be recognised and approached holistically**, and not in a sectoral manner, as has tended to be the case. As such, while the Ministry of Agriculture and Forests (MoAF) is the lead agency for the food and nutrition security component of NKRA 8,²⁴⁴ collaborating agencies to take this forward include the Ministries of Health and Education; with a particular focus on local governments given the move towards further decentralisation in the 12th Five Year Plan.

The *Food and Nutrition Security Policy of the Kingdom of Bhutan 2014* also underscores the multi-dimensionality of food and nutrition security (FNS), and therefore the roles of multiple sectors and their responsibility to work together “to ensure their programs relate appropriately and make contributions to the immediate and longer-term food and nutrition security policy objectives.”

Given their respective sectoral mandates, **the MoAF is the lead and coordinator for the overall implementation of the food security policy and strategic action plans**, while the **Ministry of Health is the lead and coordinator for implementation of nutrition security programmes**. It will be important in this arrangement that both entities understand the interconnected nature of food and nutrition within the food security definition referring to people having “*at all times, physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs.*”

In this respect, a National Nutrition Task Force (NNTF) chaired by the Ministry of

²⁴³ 11th Five Year Plan 2013-2018 (GNHC, 2013): Studies indicate that yield per hectare has been declining at a compounded annual rate of 1.84 percent over the last 27 years

²⁴⁴ The National Environment Commission is the lead for the water security component of NKRA 8.

Health was formed to develop an Acceleration Plan for Nutrition 2016-2018 as part of the National Food and Nutrition Strategy 2016-2025, a large multi-sectoral food and nutrition strategic document. Their purpose is to address under-nutrition among adolescent girls, pregnant and breastfeeding women, infants and young children, pre-schoolers and school children.²⁴⁵ While the plan has been developed, implementation has yet to be initiated.

With regard to the FNS Policy, it is both interesting and concerning to note the observation made in the National Council report in November 2016, i.e. that, "...most technical people in the field level were not fully aware of this policy. In fact, some of the implementing agencies were even contesting with the Policy and Planning Division (PPD) if the Food & Nutrition Security Policy of 2014 was a mother policy of RNR sector."²⁴⁶ **This brings up the question of awareness and ownership of the policy, and what needs to be done to ensure that all key actors are on board.**²⁴⁷
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Besides the lead agencies mentioned above, other entities also bear responsibility for this issue. These include the Ministries of Economic Affairs, Home and Cultural Affairs, Finance, Information and Communications, and Works and Human Settlement; the National Environment Commission, National Land Commission, GNHC, NCWC, and NSB; and extension officers.

The Office of the Gyalpoi Zimpon is also an important actor with regard to land issues because of the prerogative of His Majesty the King to grant land *kidu* to the landless and disadvantaged. Moreover, the private sector, including the Bhutan Chamber of Commerce and Industry (BCCI), the FCB and corporate agencies dealing with food import/export and distribution, financial institutions, CSOs, farmers' groups and cooperatives, media, agricultural land owners, and, international organisations and development partners all have important roles to play in ensuring food and nutrition security in the country.

The MoAF is investing Nu. 3,515 million (c.\$55.8M) during the 11th FYP 2013-18 under the overarching national target of food security enhancement and import substitution. Production enhancement support includes the provision of hybrid (high

²⁴⁵ *Investing in the Early Years, For Every Child in Bhutan. Annual Report 2016.* UNICEF Bhutan.

²⁴⁶ *Review of Agriculture Policy by Natural Resources and Environment Committee.* Report to the 18th Session of the National Council.

²⁴⁷ Other key legislative frameworks and policy documents of relevance to food and nutrition security include the Constitution, the Vision 2020 document, Land Act 2007, Food Act 2005, Forest and Nature Conservation Act 1995, Seeds Act 2000, Plant Quarantine Act 1993, Livestock Act 2001, Cooperatives Act 2001 (amended in 2009), Water Policy 2003, Bio-security Policy 2008, National Health Policy 2011, Economic Development Policy 2010 (and now 2016), and National Forest Policy 2011.

²⁴⁸ During the preparation process, all stakeholders were consulted; the final draft was discussed at three regional meetings, following the policy formulation protocol established by GNHC. It appears that regular orientation and awareness programmes are needed for all policies, given new entrants into the job market as well as turnover of human resources in the public and private sectors. In addition, people in the field would also need to keep abreast of new developments especially those pertaining to and related to their areas of work.

yield) seeds, irrigation development, farm mechanisation, and human-wildlife conflict prevention.²⁴⁹

For example:

- A 10 percent input-subsidy for supply for seed, seedling, fertiliser, pesticides, animal feed, and farm machineries, with free transportation²⁵⁰
- A cost-sharing mechanism with the Government
- Minimum price support and transportation subsidy for enhancing the development of marketing and cooperatives
- Revised and updated national irrigation policy
- Promotion and facilitation of commercial farming and gender-friendly mini-tillers through the Farm Machinery Corporation Ltd. (FMCL) in Paro.

Other initiatives awaiting Government approval include an Agriculture Marketing Policy (draft); and Land Development Strategy (under consideration).²⁵¹ Going forward there is a need to look into various insurance mechanisms such as private crops insurance or some form of endowment fund.²⁵²

At the same time, continued efforts at poverty reduction have direct bearing on food and nutrition security. Major initiatives have been taken in the current 11th FYP period, with a target to reduce income poverty levels from 12 percent down to five percent, and multidimensional poverty from 25.8 percent to less than 10 percent by 2018. The Rural Economy Advancement Programme (REAP), first piloted during the 10th FYP and now in its second phase, targets the poorest villages to address extreme poverty. The Targeted Household Poverty Programme (THPP) was also introduced to further augment poverty alleviation.²⁵³

In addition, the National Rehabilitation Programme (NRP)—initiated by the Office of the Gyalpoi Zimpon and coordinated jointly with the National Land Commission Secretariat and the GNHC Secretariat—aims at enhancing the productive asset base of marginalised households through provision of land, transitional and livelihood support and socioeconomic facilities. These interventions—focused solely on addressing the socioeconomic needs of the poorest villages and households in the country—range from construction/renovation of houses and supply of agricultural inputs, to capacity building of farmers and income-generating interventions.

²⁴⁹ *National Adaptation Programme of Action (NAPA) III: “Enhancing Sustainability and Climate Resilience of Forest and Agricultural Landscape and Community Livelihoods”*. UNDP-GEF, 2017.

²⁵⁰ It may be necessary, however, to also consider that farming needs to be market-driven, and therefore market-related support programmes could be useful to consider.

²⁵¹ *Review of Agriculture Policy by Natural Resources and Environment Committee*. Report to the 18th Session of the National Council.

²⁵² *Crop and Livestock Compensation/Insurance against Climate-induced Disasters and Wildlife Incursions Report*, Provided by UNDP.

²⁵³ 13th RTM Technical Report, RGOB, 2017, Op.cit.

Additional programs also have been introduced to increase economic opportunities, share benefits, generate income, and improve livelihoods of rural people and farmers. These include the establishment of Gewog Banks and Farm Shops in each *Gewog*; provision of 100 units of free electricity to each rural household; provision of power tillers to each *Gewog*; tax exemption for micro-trade businesses in rural areas; promoting rural enterprises, including non-farm income generating avenue such as arts and crafts and tourism; programme support for fruit crops, vegetable and livestock production; various post-harvest and marketing infrastructure in strategic locations such as weekend market sheds, sales outlets and roadside markets; and construction and blacktopping of farm roads and Gewog Centre roads.

b. Going forward

Going forward, food safety and quality represents an additional area of concern that will require sustained if not increasing effort. The average Bhutanese have long heard anecdotes about the excessive application of pesticides on vegetables and fruits bound to Bhutan from neighboring Indian towns. In spite of this—and in spite of an official ban by the government earlier this year on chillis, beans and cauliflowers from those areas—there have been reports of these vegetables being “smuggled” in on almost a daily basis since the ban.²⁵⁴

With the domestic supply unable to meet demand, coupled with an exorbitant rise in price of local produce²⁵⁵, the average person is either willing to compromise on food safety and/or not convinced of such food safety issues. Meanwhile, the Bhutan Agriculture and Food Regulatory Authority (BAFRA) is also faced with very practical challenges on the ground in terms of human resources for increased inspections as well as capacities – especially human resources – related to food testing.

Coupled with the rise in NCDs and their toll on the public health system and Government exchequer, as highlighted in earlier parts of this report, there thus exists **a clear need to systematically work on behavioural change towards more healthy food choices and outcomes. This will require an enabling environment supported by appropriate policies**, for instance in checking the import of food products that are high in fat, salt, sugar and trans-fat content i.e. “junk food” in common parlance, but especially a change in food habits as Bhutanese in general prefer foods that are salty and high in carbohydrates and fats.

To help address micronutrient deficiencies, the government is moving forward with the **supply of fortified rice to all schools under its school-feeding programme**. As a staple in the Bhutanese diet, rice has been chosen for this particular intervention. In addition, interventions to improve nutrition outcomes in young children in particular (with potential positive outcomes over the life course) can be further strengthened through ECCD centres and the primary and secondary education system, which

²⁵⁴ For example: <http://www.kuenselonline.com/more-than-1000-kilogrammes-of-chillies-seized-in-four-days/>

²⁵⁵ The price of one kg of local chilli shot up from BTN 100 to BTN 300-400 a few days after the import ban.

provide nutritional and other forms of support for the wholesome development of children.

The increasing recognition of the value of ECCD programmes, coupled with advocacy and intervention support around care and nutrition as part of the ‘1000 golden days’ (from conception to first two years of life), is therefore an important development in the larger context of ensuring food and nutrition security. Efforts around strengthening the school-feeding programmes in terms of diversifying food choices and quality will be critical, ideally expanding them to all schools and ECCD centres. Similar outreach to monastic institutions and nunneries would be important as these places of learning and residence cater to approximately 5,600 children.²⁵⁶

As also recommended by the CRC Committee in its Concluding Observations, strengthened efforts are required at ending chronic malnutrition of children, in particular in rural areas and poor urban areas. This includes, among others, strengthening on-going efforts to promote breastfeeding and to extend maternity leave of six months in the private sector as has been done for the public sector.²⁵⁷

Moving back to **the agriculture sector in particular**, the need for continued and concerted attention in this area is evident not only from the perspective of ensuring food and nutritional security, but also for **broader rural development and economic diversification** while countering the on-going accelerated rural-urban migration.

As mentioned earlier in the report, while the share of agriculture in the economy has remained consistently low, significant numbers of people depend on it for their livelihoods. The persistence of traditional challenges mentioned in the previous sections, and listed in the box on the right, suggests that **innovative thinking and approaches will need to be continually explored**.

For instance, the Government, recognising the paradox of increasing youth unemployment in urban centres, while farming communities face acute labour shortages—and looking at this also as an opportunity—is examining ways to encourage youth engagement in

agriculture. One such programme entails the MoAF identifying and setting up fertile farmland for cultivation, as well as the formation of youth groups that can take responsibility for farming and managing the land. Such initiatives are currently at a very preliminary stage, but it is anticipated that they could eventually be scaled up

Major issues and challenges in the agriculture sector impacting food and nutrition security:

- Limited arable land
- Vulnerability to soaring food prices.
- Loss of prime agriculture land to development activities
- High logistics cost due to a need for strengthened infrastructure
- Farm labour shortages
- Wildlife damage to food production
- Limited commercial-scale farming and land fragmentation
- Vulnerability to climate change impacts
- Limited capacity for bio-safety & security
- Need for expanded access to finance

²⁵⁶ Updated data on number of children in monastic institutions and nunneries is currently not available. The estimate presented here is based on 2010 data from the *Assessment of Situation of Young Monks and Nuns in Monastic Institutions by the Eleven Expert Committee Members*. National Commission for Women and Children, 2010.

²⁵⁷ CRC Committee, op.cit.

and replicated across the country. **How these programmes ultimately play out on the ground will need to be effectively monitored and assessed to ensure that the intended benefits accrue.** Innovative approaches to practical challenges such as market access and seasonality of agriculture produce will also require continual follow-up.

At the end of the day, however, **the greatest change required is a change of mind-set:**²⁵⁸ The perception of agriculture as a traditional sector mired in poverty and drudgery needs to shift. But for this to happen, it is not necessarily the traditional farming community who have to show the way, but potential change-makers, including those who are young and educated, and who are willing to showcase that farming can become a professional career with profitable returns.

At the same time, in the process of trying to increase food productivity to meet not only nutritional requirements but also increase commercial viability and profit—i.e. livelihoods— it will be **critical to ensure that policies are in sync with the targets being set.** For instance, one question that arises is: *how will Bhutan achieve both the targets of doubling productivity while also going fully organic by 2020?*

Will it be able to afford the subsidies usually required to support organic farming? Is it equipped to institute the stringent certification process required to certify produce as organic? Where will it market the organic produce, a market that is traditionally a high-end niche market? If exporting to far-away Western markets, what will the ecological (carbon) footprint be of the transport of the produce? How will those in the lower-income bracket be impacted in terms of food prices and equity in access to organic produce?

The danger also exists of Bhutanese farmers falling into an over-reliance on chemical inputs in pursuit of productivity. Essentially, the point here is that those who have the say in these matters must reflect deeply and practically on how the whole agriculture system is evolving, and what the best course of action is within the balance between sustainability and inclusivity. As some young and pioneering local farmer-entrepreneurs suggest:

The solution towards achieving the SDGs' target of doubling the productivity, while protecting Bhutan's unique environment from groundwater pollution, air pollution, and soil degeneration, is a knowledge-based approach to agriculture. The route could be to keep the "organic vision" in mind and reduce the use of chemical inputs as much as possible by building knowledge and developing best practice, but not denying farmers access to controlled levels of agricultural input which they require at this point in time to make ends meet. Decisions have to be made with great care and vision.... An approach allowing access to Bhutan's vulnerable farming communities for ventures only driven by profit maximisation and capitalizing on environmentally harmful agricultural practices can do irreversible damage.²⁵⁹

²⁵⁸ Adrian von Bernstorff and Farmer Sangay. *Agricultural Sustainability in Bhutan: a Perspective* in The Druk Journal. Summer Edition 2017.

²⁵⁹ Ibid.

4. SDG Data for Evidence-Based Decision-Making

The importance of data and statistics for development is at the core of the upcoming 12th FYP, wherein the “Triple C” (coordination, consolidation, and collaboration) for the effective formulation and implementation of policies and programmes calls for a robust data ecosystem. Likewise, the “data revolution” is central to the SDGs concept of leaving no one behind.

a. Current situation

Assessment of many of the issues discussed in this CCA remains difficult **in light of limited data and evidence**. This is a critical challenge as reliable disaggregated data²⁶⁰ will be necessary for Bhutan to be able to measure progress toward GNH and the SDGs so that no one is left behind. Bhutan’s 11th FYP acknowledges the existence of data gaps with regard to emerging socioeconomic challenges, as well as the absence of a centralised agency within the government to cater to the needs of the growing number of vulnerable groups.²⁶¹ The *Midterm Review Report of the 11th FYP* further stresses the importance of data and statistics for development²⁶².

Recognising its importance and demonstrating commitment to evidence-based decision-making, Bhutan is working on strengthening its data ecosystem. This includes the mapping of official statistical capacity at the national and local levels, legal and policy frameworks on open data, entry points and obstacles for multi-stakeholder engagement on data for implementation, and monitoring of the upcoming 12th FYP.²⁶³

In this respect, a *Data Ecosystem Mapping* exercise has been conducted under the coordination of the GNHC and NSB, with the support of the UN System in Bhutan. The draft report presents an in-depth analysis of Bhutan’s data ecosystem, and much of the information in this section is thus based on these findings.²⁶⁴

Within a highly decentralised statistical system, the NSB is the central authority for the collection, release, and custodianship of official data. However, other agencies continue to collect data for their respective statistical needs; many surveys and censuses are carried out without effective coordination, thus leading to duplication of activities, data inconsistencies, waste of resources, and respondent fatigue.

Because data is not centralised, and are presented and communicated differently by different agencies, data users face difficulties in accessing and using data. **A need for strengthened coordination**, even between data producers within the same sector, has led to suboptimal data quality. Discrepancies arise as different entities collect

²⁶⁰ The use of the term “data” throughout this section refers to data disaggregated by sex, age, disability and more.

²⁶¹ 11th FYP main document. Vol. 1. Pg.228

²⁶² *Mid-Term Review Report of the 11th Five Year Plan*. GNH Commission, RGoB, 2016.

²⁶³ 13th RTM Technical Report.

²⁶⁴ Draft *Data Ecosystem Mapping* Coordinated by the National Statistical Bureau and Gross National Happiness Commission, and funded by the UN in Bhutan, May 2017.

data using different formats and methodologies. For instance, with multiple stakeholders involved in disaster management in the country, implementation challenges arise in part from inconsistent reporting formats maintained by the different actors.²⁶⁵ **Administrative data thus need to be strengthened through enhanced coordination to ensure their reliability, consistency, comparability and timeliness.**

In addition, **potential conflict of interest and questions of data integrity are a concern.** Many of the Government agencies conduct surveys related to their sectors; at the same time, they also set their own targets and are evaluated on an outcome-based approach with the introduction of the APAs.²⁶⁶

A key challenge arises from **a lack of harmonised standards and methods**, and its impacts on the quality of data. While the use of standardised methods, definitions and classifications is considered essential for ensuring data comparability over time and across geographic locations, the NSB is not authorised to ensure uniform application of concepts and standards. As a result, agencies adopt inconsistent statistical applications.

Furthermore, a **need exists to address interoperability of statistical data in compliance with international classifications and standards.** In this respect, several initiatives have been undertaken with regard to various e-services, and an e-Government Interoperability Framework (e-GIF) has been put in place to adopt common standards in terms of data, applications and technology, and to facilitate Government processes at various levels.²⁶⁷

The Bhutan Statistical System (BSS) also suffers from **a need for strengthened human capacities, both in terms of numbers and ability** to undertake key statistics-related activities. Besides staff shortages and limited skill sets, retention of qualified staff is also an issue because of an underuse thus far of their potential and limited career evolution and prospects. An example is the Statistical Coordination Section of the RNR sector, which assists in the design and analysis of statistical surveys, but lacks qualified statisticians; extension officials, serving as enumerators for almost all activities related to RNR data collection, do not have statistical backgrounds and skills.

Sustainability of financial resources is a concern, given that the majority of the data producers in the country rely on funding from external partners for a number of key statistical activities. One example is the BLSS, which is considered to be one of the most important surveys for the country, but has relied on external funding and technical support for several rounds. This reliance is also illustrated by proportion of

²⁶⁵ Stakeholder consultation with Dept. of Disaster Management, August 2017.

²⁶⁶ Draft *Data Ecosystem Mapping* Coordinated by the National Statistical Bureau and Gross National Happiness Commission, and funded by the UN in Bhutan, May 2017.

²⁶⁷ Data interoperability addresses the ability of systems and services that create, exchange and consume data to have clear, shared expectations for the contents, context and meaning of that data: <http://datainteroperability.org/>

support to some of the major activities. For instance, of the total costs of past surveys conducted by NSB between 2009-2015, about 8.4 percent was funded by the Government, while the rest were funded with the support of development partners.

Security and safety of the BSS likewise has been questioned, given the use of unreliable and unlicensed software in many instances, and a need for an archiving facility to securely safeguard all the information. Decision-making and planning processes remain to be more fully data-driven. This points to a general **lack of awareness on the importance of data for decision-making and planning, particularly at the local government level**. Lastly, considering Bhutan's progress towards improving ICT infrastructure, there is impetus for local-level data producers in particular to take fuller advantage of technology-related opportunities, resulting in positive impacts on the whole data ecosystem.

b. Policy and governance environment

Official statistics in Bhutan are governed by executive orders. The drafting of a Statistics Bill of Bhutan was initiated in 2000, and while its adoption was scheduled for May 2015, the bill is still pending official endorsement. In the meantime, the NSB functions on the basis of a Government Order first issued in 2003, and later reinforced in 2006. The main producers of official statistics in the country are the NSB, the Royal Monetary Agency (RMA), and the Ministries and government agencies at national and local levels.

NSB is responsible for carrying out major surveys and censuses in the statistical domains of population, health, income and living conditions, national accounts, and price statistics. The censuses and surveys include the PHCB, the economic census, the BLSS, the Multiple Indicator Cluster Survey (MICS), the Household Income and Expenditure Survey (HIES), the demographic and health survey, the multi-sector survey, the business survey, the consumer price survey and the production price survey.

The Royal Monetary Authority (RMA), empowered by the RMA Act of Bhutan 2010, collects, compiles and disseminates monetary and financial statistics, along with Balance of Payments and International Investment Position Data. It also compiles the monetary and financial statistics on a monthly, quarterly and annual basis, and reports annual fiscal year balance of payment statistics. Data sources include reports published by government departments and data collected through balance of payments survey forms and questionnaires sent out to financial institutions, government corporations, private companies, and other private sector sources.

The National Strategy for the Development of Statistics (NSDS) for 2009-2013 was developed by the NSB in 2008 in line with the Marrakech Action Plan for Statistics.²⁶⁸ However, it has not been fully implemented partly due to the absence of a Statistical Law. A revised version of the NSDS exists since 2014, but its effective implementation has been difficult owing to a lack of financial support, inadequate

²⁶⁸ <https://www.paris21.org/sites/default/files/p21implementguide-en.pdf>

human resources, low technical capacity of statistical officers, and a need for strengthened awareness and importance given to statistics.

Other factors hampering its implementation relate to difficulties for users to access the data, as well as a lack of awareness among decision-makers on the importance of data for decision-making. A dissemination policy also does not exist. As such, Bhutan's statistical system scores below average in the South Asia region, based on the World Bank's Statistical Capacity Indicator (SCI). In 2016, the SCI assigned a score of 68.9 out of 100 to the BSS, while the average SCI score for the South Asia region is 72.6²⁶⁹.

The right to preserve privacy and confidentiality of personal information is highly relevant to the use of all data. In this respect, the right to privacy is implicitly provided for in the Constitution and the Penal Code of Bhutan; it is also covered in the Policy Guideline on Information Sharing, and the Local Government Act 2007. Data protection and the protection of personal rights and security are included in the Bhutan Information Communications and Media Bill of 2016, under its chapters on cyber-security and data protection. On the other hand, the right to information is one of the fundamental rights enshrined in the Constitution, though efforts at tabling discussion on a draft Right to Information (RTI) bill since the tenure of the previous Government remains without a clear outcome.²⁷⁰

c. Going forward

Based on the previous sections, the gaps in Bhutan's current data ecosystem and what remains to be done are summarised below:

- Awareness among decision-makers, particularly at the local levels, on the importance of disaggregated data and information for effective decision-making requires further strengthening
- Coordination within data producers is acutely insufficient, to the extent that harmonised standards in terms of concepts and methodologies are not used even within the same sector; coordination is therefore essential and needs to be strengthened
- Institutional capacities, including appropriate human, financial and technical resources, require strengthening; this relates not only to capacities of data generators but also to those of data users in the country
- The legal framework governing official statistics is out-dated, and thus needs to be updated and implemented on a priority basis.

In addition, the CEDAW Committee in its Concluding Observations noted a dearth of

²⁶⁹ <http://datatopics.worldbank.org/statisticalcapacity/SCIdashboard.aspx>

²⁷⁰ See for example: http://bhutanobserver.bt/7897-bo-news-about-rti_act_are_we_ready_prepared.aspx

and <https://www.pressreader.com/bhutan/business-bhutan/20161126/281543700529056>

disaggregated data on women and girls²⁷¹, while the CRC Committee made several recommendations to facilitate effective analysis of the situation of the most vulnerable groups. The suggested measures by the CRC Committee are that Bhutan incorporate child rights indicators into periodic data collection systems, such as the national census; ensure that data and indicators are used for evidence-based decision-making; and disaggregate data by age, sex, disability, socioeconomic background and more.²⁷²

Beyond this, it would also be beneficial for Bhutan to work towards a culture of evaluation. Related in part to the weaknesses in data availability and use, programme and project assessments are currently limited to a few donor-led evaluations, carried out with varying processes and standards. Awareness remains low on the benefits of evaluation, and technical knowledge on evaluation concepts and practices are also limited.²⁷³

Efforts are being made on this front, with the GNHC spearheading the preparation of a Development Evaluation Policy and Development Evaluation Protocol and Guidelines. Further, a draft Programme Evaluation Policy will also be put up in October 2017.²⁷⁴ These are positive steps that ultimately are expected to strengthen broader accountability, efficiency and effectiveness of limited resources available for the country's socioeconomic progress.²⁷⁵

All this reinforces the need to work towards ensuring high quality data that provides the required and appropriate information in a timely manner, thus enabling the designing, monitoring and evaluation of effective policies and programmes. As such, the data revolution is essential in the context of Bhutan's pursuit of development that is sustainable, equitable and inclusive, which are at the core of both GNH and the SDGs.

²⁷¹ CEDAW Concluding Observations, op. cit.

²⁷² CRC Concluding Observations, op.cit.

²⁷³ *Draft Development Evaluation Policy of Bhutan 2017*. GNHC, RGOB.

²⁷⁴ As informed by Secretary of GNHC during the draft CCA validation meeting on 19th September 2017.

²⁷⁵ Ibid.

Concluding Remarks: Moving From the ‘What’ to the ‘How’

As this CCA illustrates, Bhutan has taken many important initiatives and recorded considerable successes in the field of development. In fact, it must be said that Bhutan has been a pioneer in its own right: GNH is a Bhutanese innovation, born out of deep reflection on the means to and purpose of human progress. It has guided the country along a path that called for a sense of balance, justice, and integrity, in its approach to development. It has inspired, and it continues to inspire, peoples and communities around the globe.

But the challenges Bhutan faces today are critical nonetheless, and these challenges need to be addressed. They also show that now more than ever, the inspiration and principles of GNH must be applied. While Bhutan’s imminent graduation from LDC status bears testament to its impressive advancements, the persistence of its vulnerabilities to economic, geographic and climate change risks renders its pursuit of sustainable economic growth and inclusive development a distinct challenge.

In addition, its democracy is still at a young stage, with more to be done to strengthen inclusive governance. Working towards realising its commitment to the Global Goals, to leave no one behind, is thus critically important. Building on the already strong linkages between GNH and the SDGs, and on the high levels of integration of the SDG targets in the national planning framework, the momentum for further integration and reporting on the SDGs will need to be scaled up.

In this respect, relating to the range of challenges and issues identified in the CCA, some of the questions going forward for Bhutan are: How will it manage its commitment to environmental conservation and contribution to reducing climate change impacts, given the increasing pressures posed by its socioeconomic needs? How will it address the need for economic diversification and reducing income inequalities? How will it address the multifaceted needs of its children, youth and elderly, and persons with disabilities? How will it address the many aspects of urbanisation? How will it seek to strengthen its governance institutions and civic participation?

As the UNCT prepares for its next UNDAF in close alignment with the national agenda, a key question is: ***How can the UN System best contribute to Bhutan’s efforts to addressing the above challenges (and opportunities), and to the fulfilment of its aspirations to achieve a “just, harmonious, and sustainable society” over the 12th FYP period?***

To effectively Deliver As One against this backdrop, **the UN System will need to work together within the scope of its comparative advantages** to help address the remaining gaps and challenges in Bhutan’s last mile to LDC graduation. Overall, the UN’s comparative advantages typically include the ability to: strengthen national capacities at all levels; support monitoring and implementation of international commitments, norms and standards; assist countries through normative support, as appropriate; act as a convener of a wide range of national and international

partners; provide high-quality technical expertise in specific areas; objectively monitor and evaluate the national development framework; provide impartial policy advice, based on international experience, technical expertise and good practices; and/or provide a neutral space within which sensitive political issues can be addressed and resolved, including support to mediation.²⁷⁶

In Bhutan, the UN is seen as a valuable partner, particularly on work across crosscutting issues, given its breadth of technical expertise and its access to global knowledge networks. Having a good understanding of the Bhutanese context, being attuned to national priorities, its convening power, and its emphasis on consultation and coordination are additional strong suits. The UN's ability to work on critical/sensitive areas of concerns has also been seen as a major opportunity, and its prompt response to emergencies as an area of considerable strength.²⁷⁷

Initial assessments from a recent UN stakeholder perception survey indicates a **perceived demand for the UN to work on a wide range of areas**, while also suggesting a **need to prioritise its work and focus on only a few priority areas and deliver its results**, as well as an **indicative need for more joint activities amongst UN agencies** in the future.²⁷⁸

Thus, while the specific mandates of the individual UN Agencies will continue to be addressed in coordination and collaboration with their respective Implementing Partners in Government, civil society and elsewhere, they will also need to move together more rapidly especially in the critical areas that cut across all traditional sectors. Such collaboration is required and supported by the core underlying principles of GNH and the SDGs, the key programmatic principles of the UNDAF process, and national development priorities—which have all informed the conceptual framework of this CCA.

As such, in addition to discussion on the eight crosscutting areas of concern underlying key disparities and vulnerabilities in the country, four broad thematic areas with potential for joint programming across multiple UN agencies have been identified i.e. climate resilience and disaster risk management; gender equality and women's empowerment; food and nutrition security; and SDG data for evidence-based decision-making.

However, as stated several times throughout the CCA, the issues covered here are by no means exhaustive. They have been highlighted mainly for the purpose of facilitating, in any way possible, discussion on issues that are mostly crosscutting and tend to intersect at complex levels, and therefore have potential to cause the greatest ramifications if not anticipated and managed well.

²⁷⁶ UNDAF Guidance. UNDG. 2017.

²⁷⁷ UNDAF: *Bhutan One Programme 2014-2018*.

²⁷⁸ This is based on initial analysis presented on Pg. 7 of the UNCT's *Report on UN Comparative Advantage Analysis, Bhutan, 11 September 2017*. The findings from the perception survey, which forms the basis of this comparative advantage analysis, are expected "to help the UN and the RGOB identify possible programming areas during the UNDAF Strategic prioritization exercise, including helping the UN to improve the way it communicates."

Moving forward to the next steps in the UNDAF preparation process, it may be useful to consider an overriding theme that has emerged from the discussions with many of the stakeholders consulted for the CCA i.e. **the need for long-term strategic thinking in the approach to the issues, and the need to nurture a stronger sense of cooperation in order to work on common concerns in a holistic manner**. This applies not only to RGOB but also to the UNCT and other partners working collectively towards Bhutan's socioeconomic progress.

In fact, this need for better coordination and collaboration is intended to be at the core of the 12th FYP. As highlighted elsewhere, the GNHC has most aptly identified the “Triple C”—coordination, collaboration, and consolidation— as essential to the implementation of the Plan. The question once again is, *how?* As past experiences have shown, **moving on from identifying what needs to be done to actually getting it done has been one of Bhutan's greatest challenges**.

So another set of questions need to be asked: Without adequate open discourse and debate on the issues that are there, or without foresight to anticipate the issues that could arise, or without looking at the issues holistically, or without the evidence base, is it even possible to plan for and implement effective interventions?

In this respect, a common platform for where open dialogue with national stakeholders can take place could prove to be useful. The Joint Annual Reviews could potentially be an option where common development and other issues of concern are discussed in an open and frank environment. This could potentially be a constructive avenue for identifying bottlenecks and crafting appropriate solutions to implementation of joint/common programmes.²⁷⁹

Furthermore, as the issues and challenges to be addressed get more complex and nuanced, and as the UN System moves more into policy work, **capacities (all around) for systems thinking and application need encouragement and strengthening**. Also of value will be to learn from the experience of others who are making the shift from more single-issue-working to systems change.

Given its professionalism, reliability and broad reach as a trusted partner with its universal agenda, the UN could thus play a major role, in drawing local actors together to fulfill, coordinate and scale the approaches needed across key systems. Working in a systemic manner would help to align efforts more effectively and efficiently with others, something that will be increasingly required as budgets are tightened and there is less resource to apply to increasingly large challenges. This will require working with a broader range of stakeholders in a network of truly collaborative, multi-dimensional partnerships.²⁸⁰

Discussing at length these and many more capacity needs, the UNCT's 2017 *Capacity Assessment and Analysis* report recommends the strengthening of several

²⁷⁹ Based on WHO input during the draft CCA validation meeting on 19th Sept. 2017.

²⁸⁰ *Analysis of Megatrends in South Asia and their Implications for Children and UNICEF*. Forum for the Future, May 2017. (The impetus for systems thinking and application, and much of the text in the paragraph above is inspired and drawn/reproduced from this report).

institutional areas in the country. These include the enabling environment and use of data and evidence; multi-stakeholder and evidence-based policy development; investment benefits and sustainability of services and infrastructure; inclusive dialogue platforms and think tanks; and knowledge management and stimulation of learning.

It also suggests strengthening capacities for access and inclusive targeting of development finance; capacity of local governance for inclusive service delivery and decentralisation; strategic inclusive planning and adaptation capacities; enabling environment and capacity for CSO partnerships in service delivery; and the development of a clear vision, policy and strategy for strengthening the role of CSOs as service providers and accountability mechanism.

Furthermore, with the view to support systemic change in the country for the successful delivery of interdependent development results, core organisational capacities within the UNCT are identified for possible strengthening. These include system thinking, learning and adaptation, leadership, multi-stakeholder facilitation, and empowering others to act as part of change processes. These desired capacities are shaped from the perspective of the UN becoming a capacity development organisation.²⁸¹

Finally, as the UN (globally) prepares for the “4th industrial revolution”, **innovation** will be a key, crosscutting element for this next UNDAF. In this respect, in working towards GNH and the SDGs, deliberate, calculated investments in testing new ways of triggering change will be important.

As the UNDP describes it:

Innovation for development is about identifying more effective solutions that add value for the people affected by development challenges. Technology is often a powerful enabler and vessel for innovation...if it adds value and measurable progress to bring about real improvements in peoples’ lives.²⁸²

Some examples cited are: setting up innovation labs with governments to re-design public service delivery; piloting data innovation to implement and monitor the SDGs; exploring emerging and alternative sources of financing to deepen and diversify the resourcing and implementation of the SDGs, from social impact bonds to pay-for-success and crowd-funding avenues or using to facilitate policymaking.²⁸³

As the UN System works to reposition itself with a greater thought-leadership role in development, engaging in strategic advocacy and communication will be key, such that an enabling environment for its work in the country is created or enhanced. Raising awareness of key development challenges and providing a strong and credible voice on priority policy issues would be essential, among other strategies that will be identified over the course of the UNDAF preparation.

²⁸¹ UNCT’s 2017 *Capacity Assessment and Analysis* report

²⁸² (<http://www.undp.org/content/undp/en/home/ourwork/development-impact/innovation.html>)

²⁸³ Ibid.

In this respect, the various analytical modules highlighted at the beginning of the CCA will provide additional and essential input towards strengthening the overall evidence base for the UNCT, as it proceeds on to the next steps in its prioritising, planning and strategizing processes.

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Annexures

Annex 1: List of stakeholders consulted

(Listed by order of meetings):

UN Agencies

1. UN RCO
2. UNFPA
3. WHO
4. FAO
5. UNICEF
6. UNDP
7. WFP
8. UN Women Bhutan
9. ESCAP
10. UNCDF
11. UNESCO

National Stakeholders

1. Youth/students at the 2017 Youth Summit organized by BCMD at the Royal Thimphu Collage.
2. Gross National Happiness Commission: Director Rinchen Wangdi; Mr. Pem Tenzin
3. National Environment Commission: Hon'ble Secretary Chencho Norbu
4. Office of the Attorney General: Mr. Sonam Tashi; Mr. Sonam Penjor
5. Ministry of Works and Human Settlements: Lyonpo Dorji Choden
6. Bhutan Narcotics Control Agency: Director General Phuntsho Wangdi
7. Draktsho Vocational Centre: Ms. Dechen Zangmo
8. Royal Bhutan Police: Chief of Police Colonel Chimi Dorji; Major Lobzang Phuntsho
9. Department of Disaster Management, MOHCA, RGOB: Mr. Tshering Wangchuck
10. Department of Local Governance, MOHCA, RGOB: Director General Lungten Dorji; Mr. Wangdi Gyeltshen
11. Ministry of Health: Hon'ble Secretary Dr. Ugen Dophu
12. National Statistical Bureau: Director Chhime Tshering; Mr. Tashi Dorjee; Mr. Phub Sangay
13. Ministry of Labour and Human Resources: Hon'ble Secretary Sonam Wangchuk; with Dept. of Labour; Dept. of Employment
14. The Druk Journal: Dasho Kinley Dorji

15. Ministry for Education, RGOB: Hon'ble Secretary Karma Yeshey; PPD; DSE
16. Loden Foundation/Shejun: Dr. Karma Phuntsho
17. RENEW: Dr. Meenakshi Rai
18. Tarayana Foundation: Aum Chime P. Wangdi
19. Bhutan Chamber for Commerce and Industries: President; Research Division staff
20. National Council of Bhutan: Hon. Tashi Wangmo
21. Thimphu Thromde: Thrompon Kinlay Dorjee
22. National Commission for Women and Children: Director Aum Kunzang Lhamu
23. Ministry of Finance: Hon'ble Secretary Nim Dorji
24. Bhutan Centre for Media and Democracy: Aum Pek Dorji

UN Agency Stakeholder Consultations attended:

1. UNICEF CPD Prioritization Workshop
2. UNFPA Population Situation Analysis stakeholder consultations
3. UNCT Visioning and Comparative Advantages Workshop

Annex 2: Findings and proposed recommendations from preliminary mapping exercises for 12th FYP KRA/KPI and SDG indicators

(a) As part of the UN supported Data Ecosystem Mapping project, a data mapping exercise was undertaken on the 12th FYP key performance indicators for Local Government KRAs and NKRA, to assess their appropriateness. Some of the findings and proposed recommendations emanating from this exercise are reproduced below from the data ecosystem report.²⁸⁴

LGKRA 1 & NKRA 11: Employment

The LGKRA 1 “Gainful employment created and local economy enhanced” has initially 10 KPI. Among these KPI one is defined as the “*Proportion of resident population with Bank Accounts*”. Given the importance of mobile banking and that the focus is on rural population, we propose a reformulation of this indicator as follow “*Proportion of rural resident population using or having access to bank services, including bank accounts and mobile banking*”. In terms of disaggregation, such KPI could be disaggregated by gender, age, income level and education level.

Furthermore, two other KPI are proposed: i) *Youth employment rate engaged in the local economy* and ii) *Proportion of rural population with secured land rights and recognized documentation*. Given that part of the LGKRA is related to an enhanced local economy, it is important to know how employed young people are contributing to this economy. In terms of disaggregation, this KPI could be disaggregated by gender, location or place of residence, formal and informal sectors, type of activities conducted in the local economy; and the Labor Force Survey should be the primary source of data for this indicator. As for the second proposed KPI, it is important to highlight the role that secured land rights could play for rural populations, in terms of livelihoods and well-being given their reliance on land and natural resources. This KPI could be disaggregated by gender, location or place of residence, and by local communities.

With these two new indicators, the number of KPIs for LGKRA 1 will be 12, among which 75% are measured and monitored based on administrative data. Consequently, there is a huge need to strengthen the capacities of those who are producing administrative data at the local level, in order to ensure that they are of good quality and reliable. The data mapping exercise conducted on LGLRA 1 also revealed a problem of conflict of interest, because for 5 KPI the data producer is in charge of monitoring the data, at the same time he is the main data user, and the one where the reporting is done. With such system, there is a potential conflict of interest, because incentives could exist for data producers to overstate the performance of a given indicator. It is not enough to have data available for one year, but the availability of data for several years could be useful to assess progress. However, for LGKRA 1, only 3 KPI have data available for several years, while no time series were mentioned for the majority of KPI. Furthermore, all the 12 KPI are aligned with the SDGs 1, 2, 8 and 9, particularly indicators 1.4.2, 2.3.1., 8.3.1., 8.5.2., 8.6.1., 8.9.1., 8.9.2., 8.10.2., 9.2.1., 9.3.1.

²⁸⁴ Draft Report on *Data Ecosystem Mapping*. Coordinated by the National Statistical Bureau and Gross National Happiness Commission, and funded by the UN in Bhutan, May 2017.

Regarding NKRA 11 “Productive and Gainful Employment Created”, five KPI were initially defined for which data are obtained through Labor Force Survey (LFS). We propose three KPI, in addition to the five already defined: i) *Proportion of population with an informal employment*, ii) *Proportion of time spent on unpaid work* and iii) *Number of children removed from child labour*. For these three KPIs, data could be obtained through LFS or other surveys, such as DHS, MICS, LSMS, etc. In terms of disaggregation, all the KPIs under NKRA 11 could be disaggregated by age, gender, location or place of residence. For the alignment with SDGs, 7 KPI out of 8 are aligned with SDG 5 on Gender and SDG 8 on Employment, decent work and sustainable economic growth, particularly indicators 5.4.1., 8.3.1., 8.5.2., 8.6.1., 8.7.1. If the proposed KPI for LGKRA 1 and NKRA 11 are accepted, an additional work is needed to determine their targets and baseline.

LGKRA 2 & NKRA 8: Food, water and nutrition security

There are 10 KPI under LGKRA 2 “Food and Nutrition Security Enhanced” and 8 KPI for NKRA 8 “Water, Food and Nutrition Security Ensured”. The data mapping exercise showed a potential problem of conflict of interest for the LGKRA KPI, with MoAF playing the key role in terms of monitoring, reporting and use of data. Or as mentioned earlier in LGKRA related to Employment, this conflict of interest could be influenced by the way data are funded, produced and used. In order to ensure reliable data and promote accountability in the data value chain, there is a need to separate the main data user, the responsible for monitoring and the one to whom data should be reported to. For some of the KPI, the level of disaggregation was not stated, but they could be disaggregated by farm size, age and gender of the farm manager. In terms of data source, all the KPI could be measured and monitored through censuses and surveys produced by the RNR sector. There is an alignment between these KPI and indicators under SDG 2, particularly 2.1.2. and 2.4.2.

Regarding the KPI for NKRA 8, we propose to reformulate the “Area of land under assured irrigation” and the “Prevalence of Anemia in women”. The reformulated KPI should be “*Area of land under assured irrigation as a percentage of cultivated land*” and “*Prevalence of Anemia in women of reproductive age (15-49)*”. In fact, for the sake of relevancy and result-focused, it is more useful to measure and monitor an indicator corresponding to the total acreage of cultivated land that is covered by functional and reliable irrigation with assured water supply. Such indicator could be disaggregated at various levels, e.g. location, age and gender of the farm manager.

For the indicator on Anemia, we propose a reformulation in order to take into account the importance of reproductive age. Therefore, the target is no longer all women, but only those who are in the age group 15-49. In fact, many studies have shown that Anemia in women of reproductive age could serve as a proxy for micronutrient deficiencies. In terms of disaggregation for this indicator, age, education, place of residence, income and socio-economic status are relevant levels to consider.

In addition to the reformulated indicators, we propose to add two KPI for NKRA 8. The first one is “*Wasting (weight for age)*” that is a good complement to the KPI on “Stunting (height for age)” when we want to address the issue of nutrition security. This new KPI could be disaggregated by sex and education level of the parent, but also income & place of residence. The second proposed indicator is “*Percentage of wastewater treated and reused*”

which is directly linked to water security. Such indicator is important because treated water can be used for many purposes such as agriculture, industry, etc. A total of 5 KPI are aligned with indicators under SDG 2 on Food & Nutrition Security and sustainable agriculture and SDG 6 on Water and Sanitation, particularly indicators 2.1.2., 2.2.2., 2.4.2., and 6.3.1. There is a need to determine targets and baseline for the four proposed KPI if they are accepted.

LGKRA 3 & NKRA 14: Healthy and caring society

There are 18 KPI under LGKRA 3 “Community health enhanced and water security ensured”, among which 2 could be reformulated, namely “Institutional delivery” and “Doctor to population ratio”. We propose to change the first one as follows “*Percentage of birth attended by skilled health personnel*”, with a disaggregation by residence (urban/rural), household wealth (quintiles) and maternal age. As for the second one, it could be reformulated as the “*Ratio of health professionals to population*”, measuring the number of health professionals (doctors, nurses, caregivers, community health workers, etc.) to resident population of Dzongkhag. For more than half of the KPI, there is no clarification on the quality guidelines and the time series.

For NKRA 14 “Healthy and Caring Society Enhanced”, we propose only one indicator “*Road traffic deaths rate*”, which measures the number of deaths per 100,000 population caused by road traffic injuries. Data for measuring and monitoring such indicator could be obtained through survey and administrative data, from civil registration and vital statistics. At both levels, LGKRA and NKRA, their KPI are aligned with SDGs 1, 2, 3 & 6.

(b) The justice sector in July 2016 undertook an exercise to develop a hybridized GNH/SDG-16 justice sector Umbrella Planning Framework (UPF) during a workshop conducted in July 2016. Key messages and proposed recommendations emanating from this particular exercise are reproduced below from the Justice Sector White Paper.²⁸⁵

...In sum, the group made three significant alterations to the SDG framework: (1) they emphasized that Bhutan's justice sector should make a concerted effort to ensure that all vulnerable people in Bhutan enjoy equal protection under the law; (2) that access to justice in Bhutan shall be defined not just as access to any form of justice, but in fact access to both formal and informal forms of dispute resolution; and (3) that the notion of justice in Bhutan shall include not just the concept of remedies in cases where individual rights have been violated, but also instances where someone's human dignity has been violated even without a concrete or easily definable rights-violator...The final product is reproduced below. Red-underlined text represents the additions to the SDG-16 framework that were made by participants and approved in subsequent high-level consultations.

Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions for all levels²⁸⁶

16.1 Significantly reduce all forms of violence and related death rates everywhere, reduce fear of violence / crime and increase security.

16.2 End abuse, exploitation, trafficking and all forms of violence against and torture of children, and other vulnerable categories of individuals.

16.3 Promote the rule of law at the national and international levels and ensure equal access to justice, both formal and informal, for all

16.3.a Ensure fundamental rights are not violated in the name of law enforcement

16.3.b Enhance access to justice for all

16.3.c Promote and strengthen the traditional forms of dispute resolution through nangkha nangdri (mutual settlement & mediation)

16.3.d Ensure that legislation is necessary and tailored so as to be responsive to the desired goals

16.4 By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime, in particular related to forest, cultural and animal products

16.5 Substantially reduce corruption in all their forms

²⁸⁵ *Justice Sector Planning: A Contribution by the Justice Sector to the Gross National Happiness Commission in Preparation for the 12th FYP (White Paper).* A joint publication by the Jigme Singye Wangchuck School of Law, working in collaboration with the Office of the Attorney General, the Gross National Happiness Commission, the Royal Court of Bhutan, and the United Nations Development Programme. September 2016.

²⁸⁶ Corresponds to 12th FYP NKRA 16: Justice Services and Institutions Strengthened.

- 16.6 Develop effective, accountable and transparent institutions at all levels
- 16.6.a Create mandate-relevant data management systems for all justice sector agencies
- 16.6.b Strengthen capacity building and enhanced access to technical support, learning and development services for the actors in the justice sector to improve quality of justice/services
- 16.7 Ensure response, cross-agency, inclusive, participatory and representative decision-making at all levels
- 16.8 Broaden and strengthen the participation of developing countries in the institutions of global governance, and collaboration between developed and developing countries on enhancing justice
- 16.9 By 2030, provide legal identity for all, including birth registration
- 16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements
- 16.10.a Ensure public awareness of rights, duties, laws, and policies
- 16.11 In line with the overall goal of enhancing community vitality, enhance social cohesion by providing community services to vulnerable groups, including women & children
- 16.a Strengthen relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime
- 16.b Promote peace and enforce non-discriminatory laws and policies for sustainable development