

14TH ROUND TABLE MEETING
12 to 14 March 2019, Thimphu
Enhancing Happiness and Sustainable Development through Partnerships

Concept Note

I. Bhutan's Development Context

Bhutan is a small landlocked country with a population of 727,145¹, nestled in the fragile mountainous ecosystem of the eastern Himalayas. Since the inception of planned development in 1961, its socio-economic progress has been guided by the principles of Gross National Happiness (GNH) – a holistic development approach that seeks to balance economic growth with environmental sustainability, social progress, community vitality and cultural vibrancy, within the framework of good governance.

Bhutan has come a long way in its developmental journey. From being an isolated and income-poor nation with a GDP per capita of USD 260 in the 1960s, it is making good economic progress with a GDP per capita of USD 3438. Owing mainly to ongoing investments in hydropower projects, the economy is growing at an average of 7.5 percent and Gross Domestic Product (GDP) is at Nu.164.6 billion or USD 2.4 billion. With a Human Development Index (HDI) of 0.612 in 2017, Bhutan is in the medium HDI category and is ranked 134th out of 189 countries.²

Environmental conservation has been at the heart of its development approach, given a traditional reverence for the natural environment and continued reliance on climate-sensitive activities. Although the Constitution requires at least 60 percent of the country to be maintained under forest cover, currently, more than 70 percent of the land area is forested. Bhutan is among the top ten biodiversity hotspots in the world, and as a net sequester of carbon it has committed to remain carbon neutral for all times.

Having transitioned to a democracy in 2008, Bhutan's third democratically elected government assumed office in November 2018. Bhutan's achievements are a result of the farsighted leadership of successive monarchs and the generous support of its development partners. It is now set to graduate from the Least Developed Countries (LDC) category by 2023.

However, Bhutan continues to face many persisting as well as emerging challenges. Serious impediments to achieving self-reliance and economic transformation include a weak private sector, low levels of productivity, a narrow economic base, and high reliance on a single export commodity and market. Given its small size, landlocked situation, and remote location from regional and global markets, it suffers from diseconomies of scale, and exorbitant costs and difficulties in diversifying its narrow economic base.

Bhutan's economic vulnerabilities are heightened due to its special vulnerabilities to the impacts of climate change. Despite its sustainable development approach, events such as glacial lake outburst floods, flash floods, landslides, windstorms, forest fires, extreme drought and severe fluctuations in seasonal weather patterns, all pose looming threats for its highly nature-dependent livelihoods and its hydropower- and agricultural-based economy. The additional burden of adaptation and mitigation entail huge costs thereby necessitating the

¹ Population and Housing Census of Bhutan, National Statistical Bureau, RGoB, 2017.

² *Human Development Indices and Indicators: 2018 Statistical Update*. UNDP, New York, 2018.

support of the international community, without which it will be difficult for Bhutan alone to sustain a low carbon and resilient development pathway.

Meanwhile, issues of quality, inclusiveness and sustainability are key concerns in the social sectors. The gap between the rich and poor is widening. Increasing youth unemployment, in particular high female youth unemployment, is an immediate and urgent challenge. Lifestyle diseases are on the rise at a time when chronic malnutrition in children and neonatal mortality are yet to be fully addressed. Multidimensional poverty is also prevalent, especially in rural areas, and participation of women in political and decision-making spheres remains low.

II. The Next Five Years: Bhutan’s 12th Five Year Plan (2019-2023)

Against this backdrop, the Royal Government of Bhutan (RGoB) is embarking on an ambitious 12th Five-Year Plan (FYP), starting from 2019 till 2023. It seeks to achieve a “just, harmonious and sustainable society through enhanced decentralisation”, and will allocate greater responsibility, accountability and resources to Local Governments. With clear synergies between GNH and the Sustainable Development Goals (SDGs), and underpinned by the principle of “leaving no one behind”, the 12th FYP will advance a holistic and an inclusive development agenda that promotes economic prosperity while reducing inequality and protecting the environment.

As the “last mile plan” towards LDC graduation, special and concerted efforts will be made to enhance the productive capacity of the Bhutanese economy to ensure smooth and sustainable graduation. This will entail expansion of investment in private sector, entrepreneurship, promotion of cottage and small industries (CSI), tourism, organic agriculture, and agro-based industries. Greater investments will also be made to harness the demographic dividends offered by a youthful population, through improvement of learning outcomes, inculcation of innovative and creative mindset, and enhancement of employability.

At the same time, to ensure that development gains to date are not derailed by the adverse impacts of climate change, priority will be given to build national and innovative capacity to understand climate change pathways more intricately among the sectors; to develop local solutions; and to secure the investments required in dealing with climate change impacts.³

The indicative budget for the 12th FYP is Nu. 310,016 million. With an estimated resource envelope of Nu. 280,773 million⁴ (of which domestic revenue comprises Nu. 217,728 million), a fiscal deficit of Nu. 29,243 million is anticipated. As Bhutan will not be able to meet the entire financing of this Plan from domestic revenues alone, the continued support of its development partners will be critical to ensure that hard-earned development gains are consolidated, that last mile challenges are overcome, and that progress towards achieving the 2030 Agenda for Sustainable Development and SDGs is sustained.

Bhutan is one of the most peaceful countries in the world and is considered a champion of the environment. It is known for its judicious and effective utilisation of development aid, and today has a young and increasingly well-educated workforce. With these favourable conditions, Bhutan looks forward to strengthening its development cooperation and partnerships at multiple levels—including bilateral, regional and international cooperation,

³ *Sustainable Development and Happiness*. Bhutan’s Voluntary National Report on the Implementation of the 2030 Agenda for Sustainable Development. RGoB, 2018.

⁴ *Draft 12th Five Year Plan*, Gross National Happiness Commission, RGoB, 2018.

multi-stakeholder engagement and partnerships, and utilising the full range of financing windows and innovative mechanisms available—towards successfully implementing the 12th Plan and ensuring smooth and sustainable graduation.

III. The 14th Round Table Meeting

The 14th Round Table Meeting (RTM) is geared towards strengthening and broadening partnerships for the 12th Plan with Bhutan’s development partners. RTMs were initiated in the early 1980s as an important forum for policy dialogue and aid coordination, and are held twice over the course of a FYP period. Coinciding with the beginning of the 12th FYP and with the tenure of the new Government, the 14th RTM will take place from 12th to 14th March 2019, on the theme “*Enhancing happiness and sustainable development through partnerships*”.

Organised by the RGoB in collaboration with the United Nations System in Bhutan, its key objectives are to:

- i. Sensitise development partners on the 12th FYP: the last plan as an LDC to address the last mile challenges and consolidate development gains.
- ii. Take stock of Bhutan’s developmental progress, challenges and future priorities, including smooth graduation.
- iii. Acknowledge and appreciate the contribution of development partners, while also assessing remaining financing gaps, and strengthening foundations for continued and future partnerships in Bhutan’s socio-economic development;
- iv. Leverage the opportunity presented by the 2030 Agenda and the SDGs to set out a joint vision of Bhutan’s socio-economic development through effective partnerships; and
- v. Explore possible financing windows and opportunities for Bhutan in its efforts on the path of Sustainable Development and in line with the Addis Ababa Action Agenda.

Format

The 14th RTM will consist of opening and closing sessions, and technical sessions on various topics. The sessions will be co-chaired by H.E. Lyonpo Dr. Tandi Dorji, Minister for Foreign Affairs, and H.E. Mr. Achim Steiner, the UNDP Administrator. The RTM will open on the evening of 12th March 2019 with an inaugural address by the Prime Minister of Bhutan, Lyonchhen Dr. Lotay Tshering, and an address by the UNDP Administrator.

Presentations and discussions will be held on 13th and 14th March, which will cover Bhutan’s 12th FYP, macroeconomic situation and outlook, experience in implementing GNH and the SDGs, climate change and disaster risk management, and innovative financing for development. A dedicated session will be allotted for development partners to deliver statements and contribute to the discussions.

Local initiatives will be showcased by community and civil society representatives during the session at the venue of the RTM. A background paper detailing Bhutan’s socioeconomic progress and last mile challenges will be circulated ahead of the RTM, to provide the technical backdrop for dialogue with development partners. This along with additional reading resources and information will be presented on a dedicated website at <https://rtm.gnhc.gov.bt/>.

Outcome

A report on the deliberations and proceedings of the 14th RTM will be issued at the RTM website following the conclusion of the RTM.
