

Bhutan 2020: A Vision for Peace, Prosperity and Happiness



**Planning Commission
Royal Government of Bhutan**

PART I

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DEDICATION

It is a great privilege for me, on behalf of the people of Bhutan and my Cabinet colleagues, to dedicate this Vision Statement to His Majesty King Jigme Singye Wangchuck on the occasion of the 25th anniversary of his accession to the throne.

The privilege is tempered by a deep sense of humility born of the recognition of the role His Majesty has played in shaping and guiding the development of our nation. This recognition is shared by everyone in Bhutan, as is the profound sense of gratitude. His Majesty has provided us with a constant source of wisdom and inspiration. He has not only been the master architect behind the rapid social and economic transformation of our nation. He has also provided us with the philosophy and concepts required to ensure that the process of transformation has remained anchored in the values and beliefs that we have held for centuries and which continue to give meaning and direction to our lives. Through his thoughts and actions, His Majesty has made it possible for us to follow a distinctively Bhutanese path of development that is increasingly attracting the attention of the world. The same thoughts and action have provided us with the confidence to travel an uncharted path in the firm belief

that it is within our power to build a nation that will in some respects stand apart from others and which our children and future generations will be proud to call their own.

Much against the will of the Tshogdu, His Majesty decided in June 1998 to withdraw from the position of Head of Government, a position that he occupied with singular distinction for a quarter of the century. Through this decision, he has chosen to place responsibility for the Kingdom's further development more firmly in the hands of the elected Lhengyel Shungtshog and the people of Bhutan. It is against this background that the publication of this Vision Statement acquires a particular significance and comes at a particularly appropriate time.

The Vision Statement draws extensively upon the philosophy and concepts that have been articulated by His Majesty over the period that has seen our nation emerge from relative isolation and obscurity to one in which we are able to face the future with pride and confidence, secure in the knowledge that our future is firmly in our own hands. In a real sense, the Vision Statement provides lasting testimony to the inspiration and guidance provided by His Majesty that emboldens us to clearly determine our own destiny.

The Vision Statement also sets out directions that will enable us to retain our commitment to our distinctive model of development. The product of a broad-based consensus achieved through a process of review and consultation. The directions it sets out and the process used to arrive at them may suggest that His Majesty's confidence in the Lhengyel Shungtshog and the people of Bhutan is not misplaced.

Without a longer-term vision for the future, there is a risk that small nations like Bhutan could be overwhelmed by the forces of change and modernization. If we are to prevent this, we must build a broad-based consensus on the values we hold dear and are determined to conserve, with the values finding concrete expression in the directions we choose for the nation's future development.

In uncharted territory it will be easier for us to lose our way without a longer-term vision that provides us with a road map for the journey ahead and with signposts against which we can

measure the distance we have travelled towards our preferred destination.

This Vision Statement is a strategy document. Given its 20-year perspective, it can be neither a blueprint nor a plan in the conventional sense of a document that specifies in detail the objectives to be achieved and the instruments to be used to attain them. The future is the greatest enemy of detail, and a Vision Statement containing detailed prescriptions would inevitably be condemned to a short life. A Vision Statement must be concerned with directions. It must be thematic in character and driven by an understanding of challenges and issues. It cannot be confined by the traditional sectoral nomenclature used for development planning, even though the vision presented will need to be translated into sectoral strategies policies and instruments. The elaboration of preferred directions into concrete strategies is the task of development planning, and we will continue to make use of National Five-Year Development Plans and other instruments for this purpose.

The preparation of a Vision Statement is not without its attendant risks. There is always the danger that we will be prisoners of the conceptual world we know rather than advocates of the one we desire. There is also the risk that informed analysis can give way to wishful thinking, resulting in a view of the nation that is beyond our reach. This document seeks to fuse desirability with feasibility, suggesting that, with wisdom and forethought, it will be possible for us to meet challenges of historical dimensions and to bequeath to future generations a nation they will be proud to call their own.

Because the Vision Statement embodies the development philosophy of His Majesty and sets out directions that give clear expression to this philosophy, I would like to use this opportunity to call upon all officials of the Royal Government, other development actors and partners, and the people of Bhutan to work together in translating the vision presented in this document into concrete reality. Let the inspiration provided by His Majesty serve as our compass as we chart a course into the next millenium, secure in our knowledge and conviction that there is no challenge that we are together unable to meet. Let us pledge ourselves to the vision presented in this document. Our children will expect nothing less from us.

Lyonpo Yeshey Zimba

Chairman of the Planning Commission and Minister of Finance

May, 2, 1999

PREFACE

Since 1961, seven Five-Year Development Plans have been completed successfully, despite the great challenges we faced. Our latent potentials have been realized beyond our expectations. Now, the pace of change is so great that it seems to propel us into the future. But the future cannot be what it brings to us, it must be how we want it to be. The socio-economic changes must be what we seek, not completely what the forces beyond our control compel us to accept. Visioning is a means of determining our own future. Periodic reviews and preparation of long term plans are complementary activities in this direction. The Planning Commission Secretariat is pleased to coordinate the publication of a vision document whose perspective extends to 2020.

Without a vision, we are unlikely to choose the right direction and pace of development. The sectoral policies and programmes may be mutually inconsistent, and not well focused on the priority national objectives. We might mislead ourselves to adopt short term solutions to long term problems.

The contributions of so many people in all spheres of life are reflected in the common vision in this document. The draft document was circulated extensively for the purpose of encouraging critical discussion. People in all sections of society, such as academics, officials, lamas, monks, pandits, students, youth, teachers, industrialists, administrators, diplomats, NGOs, community leaders, businessmen and women, expatriates and villagers have participated in formulating and reviewing the document.

The vision presented in the document is holistic and balanced. It is holistic because of the enriching diversity of views brought to bear on long term initiatives. Their different positions in the society have enabled them to approach the vision from different perspectives, but they all share the same vision. The vision is balanced because the elements contributing to the vision are coherent and consistent. The vision attempts to strike a balance between development and environment, modernization and tradition, values and technology, immediate and long term, individuals and the society, and realism and aspirations.

In addition to the views of numerous people, the vision document draws liberally on the thoughts and words of His Majesty the King. Many profound long term goals emanate

from His Majesty. His Majesty's initiatives in the spheres of political and administrative decentralization, private sector development, environmental conservation, cultural promotion, and the spiritual and emotional well-being of his people have given not only Bhutan but the world a new philosophy of development. Because of His Majesty's innovative approach to development, our country did not follow the treadmill of conventional development strategies. Ours is not a developing country in a classical sense of the term. Along several dimensions, ours is a highly developed and sustainable society. Historically and politically too, our experiences are different. The historical and political overview that we have been an ancient and independent nation with unique political institutions must be remembered with pride.

There are several purposes for bringing out a vision document. The vision document offers a general scenario of development within which specific activities can be embedded. It should guide development agents in future. We hope that it will become a useful reference in the course of planning. Another role of the vision document is to promote consensus on the path of society's change. A society that is committed to a particular vision is effectively able to motivate and work for its realization. As the vision is widely shared, countervailing interests and pressures are minimized. The general framework of development in the vision document ensures the continuity of policies over the long term. It would also bring about consistency among many cross-cutting issues. Lastly, the vision document serves as a general declaration to all our development partners about the strategies and goals we are going to pursue, so that they can make informed choices about contributions to the long term development of our country.

The vision document addresses, in particular, the Bhutanese people. Bhutanese society consists of many overlapping sections. However, it is assumed that the readership of this document is made up of four major groups: youth or students; businessmen and women; public servants; and farmers and villagers. Each of these groups will find the vision document informative and useful.

Youth and students of today will become adults in the period covered by this vision document. We hope that they will internalize the vision so that they can contribute to its realization. Their transition from students to workers will occur in this period, and career and employment plans should be made within the context of the economic expansion and social changes described in the vision document.

For the farmers and villagers, the vision document sketches important improvements in amenities and facilities. With the increase in literacy and widespread facilities in rural Bhutan, the standards of living in rural areas will rise rapidly. But the villagers and farmers must become more responsible, through collective and cooperative efforts, for development activities in their own areas. The document will be of considerable interest for the members of GYT's and DYT's who are crucially involved in the formulation and implementation of plans.

For the businessmen and women, the vision document can be useful as a reference for business opportunities that will emerge from the envisaged path of economic growth. At the same time, private sector entrepreneurs will have to play a greater role in the creation of wealth, and contribute to the economic self-reliance of the country. As a special message, the vision document asks the nation's business people to integrate commercial and industrial activities with environmental concerns.

The last group of readership is public servants or government officials. It is hoped that most civil servants will familiarize themselves with the vision document, and consult it as often as it is necessary. Sectoral policies and programmes must always be placed within the larger framework of idealism and the vision set for our country. Because of the sensitive roles of many government officials, they have to be conscious of the high ideals set for them, and the sacred trust of His Majesty the King and the people in them. We hope that they will continue to serve the Tsa-wa-sum with integrity and honour.

The vision document focuses on the period up to 2020. Over such a time, it will not be possible for us to achieve all our aspirations. When the situation changes substantially, the document will be updated and revised. It will thus be a living document that will serve as a milestone for planning and guidance.

We have devised strategies that seek to fulfil our ambitions and which play to our inherent strengths. However, the goals shown in the document could be adversely affected if certain conditions are not fulfilled. We have sought to examine the potential obstacles along the path we have set to 2020.

In the next ten to fifteen years, the realization of our vision will depend on the availability of financial assistance. It will be particularly necessary for the timely completion of hydropower projects that will generate much-needed revenues. It will also depend on changes in the macro-economic environment in the economies closely linked to our own. Further, the fulfillment of

the vision will be compromised by the growth of population beyond the targets set out in the document. For a small country, the adverse impacts of explosive population growth on our sensitive ecology is as vivid as the perils of an AIDS epidemic for a small population. We must endeavour to achieve a stable population at the earliest opportunity.

We must continue to enrich and reinforce our culture and values since this is one of the main ways of protecting our future and our sovereignty. Culture is a living system. It must be adapted, and we must ensure that it retains its vitality in our lives. We must not allow it to be displaced and overwhelmed by globalization. There is a risk that future generations may become losers, by being assimilated into another culture and be alienated from ones own history and culture. We urge our youth to meet these difficult challenges of the erosion of culture and national identity.

His Majesty has been the source of many sublime goals and strategies for our country. Among other profound goals, he has emphasized the promotion and preservation of our culture and environment. These are the things that sustains a nation. His Majesty thinks in terms of millennia of national survival, not for the convenience of the immediate. His Majesty the King and the institution of monarchy are the true anchors of Bhutan's sovereignty and progress. Therefore, we should abide by his noble thoughts and aspirations.

No leader has introduced decentralization and public participation in the decision-making like His Majesty the King. This development is profoundly changing the way governance and administration are influenced by ordinary people. Such liberty can be exercised for the common good only when all the Bhutanese people become responsible and conscientious citizens. We hope that this empowerment reinforces the loyalty and dedication to the *Tsa-wa-sum*. There cannot be a greater abuse of this privilege if the pursuit of selfish motives go against the larger interests of the Kingdom.

For centuries, Bhutanese have protected their independence and national integrity. A nation can survive and prosper only if its people are loyal to it, and are ever ready to defend it in whatever form is necessary. The spirit of self-sacrifice must be kept alive in each of us to sustain the sovereignty of our beloved country.

25, April, 1999

PART I

**BHUTAN'S DISTINCTIVE PATH OF
DEVELOPMENT**

**PERFORMANCE, CHALLENGES
AND PROSPECTS**

INTRODUCTION TO PART I

Part I of this Vision Statement seeks to take stock of the current situation. It looks back at the path we have travelled as a nation in the past three decades. It notes the progress we have recorded in a number of fields, examines the reasons that help to explain our achievements, and draws conclusions on our distinctively Bhutanese path of development that appear particularly relevant for the future (Chapter 1).

Part I also takes stock of the many challenges that await us as a nation in the years ahead (Chapter 2). The challenges are not presented under traditional sectoral nomenclature used for national development planning, but rather under broader thematic headings encompassing the nation, our people, our economy, our natural environment, and our institutions.

PAST DEVELOPMENT PERFORMANCE: THE ROAD WE HAVE TRAVELLED

1. REVIEW OF PAST PERFORMANCE

As we stand on the threshold of a new century, it is not only an appropriate time to look ahead but also to look back at the path we have travelled as a nation and to reflect on the progress we have recorded in raising the levels of welfare and well-being of our population. An understanding of this progress and of the forces that have made it possible will help us to chart a course for the next 20 years.

Understanding the past enables us to better understand the future.

Viewed from the perspective of today, it is easy for us to forget that Bhutan of only a few decades ago was in many respects a very different place from the country we know today. In the early 1960s, when Bhutan cautiously opened its doors to the forces of change and modernization, the nation possessed very little of the infrastructure that we today associate with a modern nation state. The vast majority of Bhutanese lived rugged lives of isolation. Life was hard and conditions were harsh. Bhutanese toiled from dawn to dusk for modest rewards. They were almost totally dependent upon the land and the forests for survival, producing or collecting not only the food they required to nourish them but also the materials required to clothe them in an environment that could be unforgiving. The small surpluses produced were bartered for the goods like salt which people were unable to produce themselves. Food was cooked and houses warmed with the wood collected from the forests, and the darkness of night was illuminated by the oils and fats they themselves produced. Although secure in community, kinship and family relationships, the world in which most Bhutanese lived was a small one, endowed with spiritual significance. There were no roads and no motor vehicles. There was no electricity, nor were there telephones or postal services that connected different parts of country or with the outside world. Transport was confined to centuries old tracks. Distances that today can be covered in a few hours required days or weeks of hazardous travel and long periods of preparation.

Thirty years ago, Bhutan had little of the infrastructure associated with a modern nation state.

Life for the vast majority of people was both harsh and short.

Life was not only harsh, it was also short. It has been estimated that a Bhutanese born in 1960 could expect to live to the age of about 35. Prior to opening its doors to the world in 1961,

Bhutan's health infrastructure consisted of four small hospitals and a handful of dispensaries. There were only two trained doctors in the whole of the country, and two of the hospitals were staffed by untrained compounders. Almost everyone was dependent upon the skills of indigenous doctors and their knowledge of the medicinal qualities of the plants collected from the forests. Communicable diseases were widespread, and more than one-half of the children born to women died at birth or within the first few years of their short lives. Smallpox epidemics sometimes wiped out whole villages. In some parts of the country, malaria claimed hundreds of lives every year, while in others such diseases as leprosy deformed and ultimately killed many people. Water supplies were largely confined to springs and streams.

It was a similar story with education. In the early 1960s, the Kingdom possessed 11 primary schools that catered to the needs of less than 500 children, and it was not until 1968 that the first 20 Bhutanese completed high school education within the country. The Kingdom was without the capacity to produce teaching materials or to train teachers. Those fortunate enough to live near *dzongs* and monasteries could choose to send their sons for instruction by monks and *gomchens*, who sought to enlighten their pupils not only by teaching reading and writing but also through instruction in poetry, ethics and morality. For the vast majority of people, however, education was either simply unavailable or a luxury that had no place in family survival strategies. Few Bhutanese were able to read and write, and most of those who could were men.

Since that time, our nation has undergone a major transformation. The Kingdom's economy is no longer one that is entirely dependent on subsistence production. In the past decade it has grown at an annual rate of nearly 7 percent, more than twice the annual rate of population growth, and a rate matched by few other least-developed countries. The key to this growth has been the prudent harnessing of our natural resource potentials, especially for the generation of hydropower. The electricity produced from hydropower is used not only to generate the export revenues but also to establish a small modern industrial sector based on the exploitation of natural resources producing both for export and the domestic market.

In the past three decades, Bhutan has undergone a major transformation...

Since 1980 we have added more than 5,000 ha of land that can be used for intensive cultivation. Bhutanese farmers no longer toil in isolation. The vast majority are able to draw upon a system of agricultural services that today consists of 4 agricultural research centres, 5 sub-centres, 186 agricultural extension centres, 158 livestock extension centres, 11 seed and plant production farms, 3 farm machinery centres and 2

... there has been major progress in agriculture...

training centres. The services provided penetrate into the most inaccessible and rugged parts of the Kingdom, reaching 40,000 farmers in the past five years alone. They have made it possible to significantly increase yields of basic grains. In the past 20 years, for example, the average maize yield has almost doubled and wheat yields have increased nearly four-fold, with recent years having witnessed an annual increase of more than 2,500 tonnes of cereals produced by the Kingdom's farmers. At the same time, farming has become more diversified, being less dependent on the production of cereals. New crops, especially fruits and vegetables, have been introduced that have not only enriched traditional diets but also provided many farmers with a new source of income as well as Bhutan with new export crops that are being exported in ever-larger volumes to neighbouring countries. These changes have fundamentally changed the dimensions of subsistence agriculture as well as the lives of farmers. While life for many engaged in agriculture is still hard, cash incomes have increased and opportunities and horizons have been expanded.

The development of transport and communications has transformed the Kingdom from an undifferentiated economic space into an increasingly integrated national economy. Since the 1960s a road network of more than 3,300 km has been constructed - 1,300 km in the last decade alone - nearly 2,000 km of which is asphalted, with the network today linking 19 of the nation's 20 *dzongkhags*. More than 150 bridges, with a combined length of more than 4,000m, today form part of the nation's road network, and an additional 300 suspension bridges have been constructed that have served to bring many rural communities out of their isolation and to make it possible for them to market their agricultural surpluses, to acquire goods that were previously unavailable to them, and to obtain access to essential services.

...the development of transport and communications has integrated different parts of the Kingdom...

Table 1: Selected Development Indicators, 1977 and Most recent estimates(MRE)

	1977	MRE(1999)
Crude birth rate(per thousand)	43.6	39.9
Crude death rate (per thousand)	20.5	9.0
Life expectancy (years)	46.1	66.1
Immunization coverage (%)	n.a.	90
Infant mortality rate (per 1,000 livebirths)	n.a.	70.7
Maternal mortality rate (per 100,000 livebirths)	n.a.	3.8
Under five mortality rate (per 1,000 livebirths)	162	96.9
Number of hospitals	10	28
Number of dispensaries	38	
Number of Basic Health Units	31	145
Number of doctors	52	101
Number of primary schools	92	250
Number of junior high schools	14	44
Number of high schools	6	18
Number of tertiary and training institutions	n.a.	10
Primary school enrollment rate (%)	n.a.	72
Number of students in school	14,553	1,00,198
Students in tertiary education	866	2004
Number of teachers	922	2785
Adult literacy rate (pilot) (%)	17.5	46
Population served with electricity	n.a.	31,639
Population (rural) with access to potable water (%)	31	58
Population(rural) with access to safe sanitation (%)	n.a.	80
Number of telephone exchanges	15	26
Number of telephone lines		9314
GDP per capita (US\$)	100	551
Human Development Index	n.a.	0.510

Source: Royal Government of Bhutan

Electricity is today much more widely available. The development of more than 20 hydro electric schemes as well as the installation of diesel generators has made it possible to electrify 39 towns, 375 villages covering over 31,639 goongs. Similarly, a modern system of telecommunications has been developed that links different parts of the country and Bhutan with the outside world. Communications are also served by a national postal service based on the existence of more than 100 post offices that in 1995 handled more than 2 million items of mail, while a national airline today carries the name of Bhutan

to neighbouring countries and further afield. Bhutan is no longer an isolated Kingdom but increasingly forms part of the world system.

The progress recorded in the diversification of the economy and the development of physical infrastructure has been more than matched by progress in the social sectors. In the field of health, today we have a decentralized system of health care consisting of 28 hospitals, nearly 145 Basic Health Units and more than 454 outreach clinics that deliver free basic health care to over 90 percent of the nation's highly dispersed population. The nation's population is able to draw upon the knowledge and skills of more than 101 trained doctors, 111 health assistants, 355 trained nurses, 154 Basic Health Workers and more than 1,000 Village Health Workers. These developments have made it possible to achieve remarkable improvements in the health of the population. In the last decade alone, the Infant Mortality Rate and the Maternal Mortality Rate have been halved, from 142 to 71 per 1,000 livebirths and from 7.7 to 3.8 per 100,000 livebirths respectively, while the Under 5 Mortality Rate has fallen from 162 to 97 per 1,000 livebirths. Bhutan has led South Asia in the use of oral rehydration therapy for preventing deaths from diarrhoea and it was the first country in the region to iodize its entire salt supply, which has resulted in the virtual elimination of iodine deficiency. Immunization has been extended to over 90 percent of the nation's children and such deadly diseases as polio, neo-natal tetanus and diphtheria have been virtually eliminated, and malaria and leprosy are today also under control.

... electricity is far more widely available...

... and Bhutan is linked with the outside world.

These positive developments have in part been made possible by progress recorded in bringing potable water and safe sanitation to the Kingdom's population. In the period 1987 to 1995, the percentage of the rural population with access to safe water supplies increased from 31 percent to 58 percent and is projected to reach 100 percent within the next five years. With respect to sanitation, more than 80 percent of the rural population has today access to safe means of excreta disposal, while piped sanitary sewerage systems have either been completed or are under construction in Thimphu, Phuentsholing and four other towns.

Nowhere does this progress find clearer expression than in life expectancy. A child born today can expect to live to be 66, more than 20 years longer than one who was born only a decade ago.

Progress in the field of health has been matched by progress in the field of education. Education is no longer the privilege of a few but a basic right of all our young people. Today, we have a modern system of education that penetrates deep into the most

inaccessible parts of the nation as well as a well-developed capacity to train teachers and to develop new and innovative teaching materials. The educational infrastructure consists of nearly 250 primary schools, 44 junior high schools, 18 high schools and a range of other institutions that provide specialized education and training. Since 1977, the number of educational institutions has more than doubled, from 112 to 322, while the number of teachers has trebled from around 922 to more than 2,785. In 15 years, gross primary enrollment has increased from less than one-third of the relevant age group to nearly three-quarters, and is currently growing at the rate of 8 percent per annum, higher than the 6 percent that has been used for planning purposes, suggesting that universal primary enrollment can be achieved a little after the turn of the century. This rapid expansion of basic education finds immediate expression in the nation's literacy rate. In the past 20 years this has increased from an estimated 18 percent in 1977, to 28 percent in 1984, to 54 percent in 1996.

There has been major progress in the provision of basic health care...

Basic education has become an inalienable right of all Bhutanese.

Secondary education is also growing rapidly. This is not confined to those who are fortunate enough to live close to schools. No less than 11 junior high schools and 7 high schools have boarding facilities for nearly 5,000 students. This growth has been paralleled by significantly enlarged opportunities for Bhutanese young people to acquire the technical, administrative, managerial and vocational skills required by the nation to maintain the pace of our social and economic development. In the period 1977-1998, enrollment in the 10 tertiary and training institutions increased almost five-fold, from 866 to some 2,004, thereby significantly enlarging the nation's trained human resources as well as reducing the need to resort to overseas training.

The progress recorded in the past three decades is unmatched by most developing countries... our Kingdom is one of the few so-called 'least developed countries' that is classified by UNDP as a 'medium human development country'.

Our many achievements find clear expression in the composite indicators traditionally used to measure a nation's development performance and its progress towards sustainable human development. According to calculations made by the Ministry of Planning, the Kingdom's Human Development Index (HDI), based on a methodology constructed by UNDP, increased from 0.310 in 1984 to 0.510 in 1995. This increase is matched by few other countries that have been classified by the international community as being 'least-developed', and it is made even more significant by the fact that Bhutan's population is not only highly dispersed but also inhabits one of the most rugged environments to be found anywhere on earth. This greatly adds to the cost of providing and maintaining the infrastructure and services required to achieve improvements in welfare and well-being. As the World Bank has observed, Bhutan should be considered one of the few countries where

the quality of life of its people is higher than would be expected from traditional development indicators.

In 1961, our per capita GDP was estimated at US\$ 51, then the lowest in the world. Today it stands at US\$ 551, one of the highest in South Asia. Our HDI of 0.510 would place us in the United Nation's 'medium human development' category of countries, being one of a very few least developed countries that could be categorized as such. This is confirmation of the progress we have recorded as a nation and it is one in which we can take justifiable pride.

From the viewpoint of social and economic development, more has happened in the past 30 years than that has occurred in the previous 300 years.

Most Bhutanese alive today have been born in the last 20 years. They have grown up in a world that, in many respects, would have been unimaginable to their grandparents. While many of our people have yet to reap the full benefits of the process of development, it is no exaggeration to suggest that, when viewed from the perspective of social and economic development, more has happened in our nation in the past three decades than that occurred in the previous three centuries.

2. COUNTING OUR DEVELOPMENT ASSETS

The story of our development is one of broad-based progress from the most modest of beginnings. It is one that stands in contrast to the experience of many other least-developed countries, some of which appear to be losing ground in their efforts to improve the living standards of their populations.

Why have we succeeded where others have been less successful? It cannot be because the constraints that have confronted us have been less severe or because the starting points for our nation's development were more favourable or benign. Indeed, there can be few other countries that were more isolated and remote and in which the terrain is more forbidding and the population so dispersed.

The progress recorded can be explained by our numerous development assets

It is impossible to explain the progress we have recorded without the existence of tangible development assets. The attention that we and others often give to our problems sometimes serves to divert attention away from these assets. This makes them no less tangible or important. Some of our assets are firmly rooted in our history, which may mean that we tend to take them for granted, while others are more recent phenomena. Viewed together, they are more numerous than we sometimes imagine.

We have succeeded in building unity out of diversity.

First, we have built unity out of diversity. This unity was not preordained but has been achieved through a process of nation

building that extends over 350 years. The image that many outsiders appear to hold of Bhutan as an isolated 'shangrila' is at best a half truth. Since the emergence of Bhutan as a single political entity with the arrival of Shabdrung Ngawang Namgyal in 1616, our history has known periods when we have been compelled to resist external aggression as well as prolonged periods of civil strife. The emergence of Bhutan as a nation state has been dependent upon the articulation of a distinct Bhutanese identity, founded upon our Buddhist beliefs and values, and the promotion of a common language. These have been defining elements in our history and they have made it possible to unify the country and to achieve national homogeneity and cohesion among various linguistic and ethnic groups. This identity, manifest in the concept of 'one nation, one people', has engendered in us the will to survive as a nation state as well as the strength to defend it in the face of threats and dangers. It is a unity that binds us all together and enables us to share a common sense of destiny.

Second, we take a quiet pride in our independence. Unlike many other developing countries, we were able to resist colonization and we entered the modern world in the confident knowledge that we were our own masters. We were never forced to adopt an attitude of inferiority and subservience that colonial masters imposed on subjugated peoples. There was no 'mother country' that was ready to insist that it knew what was best for us or that was ready or even keen to absorb our most talented people. We realized and accepted early that, while others may have considered us poor and backward, our future was firmly in our own hands and that the future we would build would be the result of our own efforts. This independence of spirit and mind contributed to the formation of our distinctive Bhutanese identity. It has given us dignity as a nation and helped to shape a common sense of purpose.

Third, unity and development would have been impossible without the continuity and vision that have been bestowed upon our nation by the institution of a hereditary monarchy. It is the monarchy that has led the way in establishing the conditions required for development as well as in the articulation of the nation's approach to development. The pivotal role played by the monarchy in the setting and elaboration of policies has provided a source of cohesion and consistency and prevented the changes and drift in the nation's selected directions so characteristic of many other developing countries. Our institution of monarchy is much more than a respected tradition that is held in the highest possible esteem, it has also been the main force for change and innovation.

We take pride in our independence ... our independence of spirit and mind has given us dignity as a nation.

We have been blessed by the institution of an hereditary monarchy that has provided a constant source of wisdom and inspiration.

Our approach to development has been nurtured by the beliefs and values we have held for more than 1,000 years.

We have been able to draw upon our strong tradition of self-reliance.

Fourth, our approach to development has been shaped by the beliefs and values of the faith we have held for more than 1,000 years. Firmly rooted in our rich tradition of Mahayana Buddhism, the approach stresses, not material rewards, but individual development, sanctity of life, compassion for others, respect for nature, social harmony, and the importance of compromise. Our approach to development has sought to both draw upon and conserve this rich fund of social and cultural philosophy and to achieve a balance between the spiritual and materials aspects of life, between *peljor gongphel* (economic development) and *gakid* (happiness and peace). When tensions were observed between them, we have deliberately chosen to give preference to our understanding of happiness and peace, even at the expense of economic growth, which we have regarded not as an end in itself but as a means to achieve improvements in the well-being and welfare of the people. The clear articulation of a cultural imperative has not only been used to guide our distinctive process of development but also to cushion us against alien influences and the many disruptive and undesirable impacts of indiscriminate modernization. It has been our anchor in a sea of change.

Bhutanese are a strong-willed, disciplined and law-abiding people with a respect for honest leadership.

Our development process has been an 'inclusive' process.

Fifth, our development has been able to draw upon our strong tradition of self-reliance, self-sufficiency, self-help and self-organization. Our highly dispersed populations developed over centuries into tightly-knit and self-regulating communities, bound together by unwritten laws, practices and customs that governed kinship and community relations and the use of such shared resources as irrigation water and grazing land. Without this tradition of cooperation and compromise, communities would have been unable to cope with threats and adversity or, indeed, to have survived in the harsh conditions that characterize most parts of our nation. While development agencies espouse the importance of local self-reliance, it has been a basic fact of life in our mountain Kingdom, for centuries.

Bhutanese are an enterprising people

We have pursued policies that have been both wise and sound.

Sixth, we are a strong-willed, disciplined and law-abiding people with a respect for authority and honest leadership. Embodying our Buddhist culture and values, our society is one in which the wisdom and experience that comes with spiritual development and old age are held in high esteem, children occupy a special place in our affections, respect for parents is considered normal, and men and women stand as equals before the law. These qualities form part of the social cement that binds us together and, although we tend to take them for granted, their value as a tangible development asset is most clearly in evidence in the many cases elsewhere in the world where they are much less abundant.

Seventh, the development of Bhutanese society has traditionally been an 'inclusive' process. Our rural communities made full use of the knowledge and skills of all members of society, including the functionally illiterate and the elderly. They were societies without discrimination. The inferior position occupied by women in many countries was unknown in Bhutan. Women have always held the same rights as men and, under our inheritance laws, they enjoy the same entitlements as male heirs, and in some parts of the nation it is customary to favour female succession in land. Unlike many other countries, no shame is attached to the dissolution of marital relationships, and a one-parent mother seldom fears social stigma.

We have accorded high priority to the development of institutions and innovative systems of governance.

Eighth, we are not only a hardworking but also an enterprising people. We have repeatedly demonstrated our readiness to seize opportunities whenever they could be created to invest in the future of our families and communities. This enterprise has been reinforced by our technical dexterity reflected in the traditional and multiple skills of our people and the importance we attached to artistic expression and to the *zorig chusum* which carry for us a cultural and spiritual significance as well as a material value. This enterprise has been complemented by our capacities for social and cultural innovation and our ability to accept useful innovations and to reject those that we consider harmful or damaging. We are 'social synthesizers' with the demonstrated ability to assimilate influences from far afield and to transform them into something that is consistent with our system of values and is distinctively Bhutanese.

We have respected and conserved the natural environment and our resource endowments

Ninth, the enterprise and skills of our people have been matched by the soundness and the wisdom of the policies we have pursued. These have been both bold and cautious. They have been particularly bold in the field of social development, reflected in the ambitious targets we have set and achieved in the areas of health and education. They have been more cautious in the area of economic development, where our overriding concern has been to ensure that such development does not compromise national sovereignty, contribute to the growth of inequalities, or undermine our cultural heritage. This concern finds concrete expression in our investment regulations and cautious approach to tourism, and in our conviction that economic growth should not be viewed as an end in itself but rather as a means to achieve more important ends.

We have benefitted from the assistance received from the Kingdom's development partners

Tenth, our approach to development has led us to emphasize the importance of institutions that are able to guide and manage the process of development as well as to foster participation. Although still bereft of many of the human resources required to sustain the process of development, we

have accorded high importance to the development of the institutional capacity required to deliver the infrastructure and services required to promote well-being and increase standards of living. High priority has also been accorded to the establishment of decentralized systems of decision-making that have served to empower local communities and give them a voice in the nation's development. The creation of *Dzongkhag Yargye Tshogchung* (District Development Committees) in 1981 and *Geog Yargye Tshogchung* (Block Development Committees) in 1991 has established fora for local decision-making that provide direct links between concerns and aspirations expressed by elected representatives at the local level with national processes of policy formulation and development planning. Such initiatives have not only democratized processes of decision-making on development but also significantly enlarged the horizons and opportunities of communities that were formerly isolated and remote from the mainstream of social and economic development.

Eleventh, the values underlying our approach to development have meant that we, unlike many other developing countries, stand on the threshold of a new century with our natural environment still largely intact. This can in part be attributed to the nation's low population/resource ratio. It is also the consequence of our system of beliefs and values. In rural Bhutan, the fusion of Tantric Buddhism and animistic Bonism with our mainstream beliefs and values leads us to interpret nature as a living system in which we are part rather than as a resource base to be exploited for material gain. Bhutanese society is one that has evolved in terms of relationships with the environment that have given rise to a complex of institutions, rules, customs and folklore governing the use of natural resources. We have been practicing environmental conservation long before it was referred to as such.

Twelfth, we must acknowledge that we have been assisted by others in our efforts to modernize and transform our nation. Our achievements would have been far less numerous without the support of our development partners who have respected our approach to development and shared our hopes and aspirations for the future.

Thirty years ago, external aid financed the whole of our development budget and, although the importance of aid has declined since then, we are still more dependent than we would like to be on external assistance for maintaining the pace of our social and economic transformation. While grateful for the support that has been extended to us, we have used it with discretion, rejecting offers of assistance when we were unconvinced that it was able to support our policies and

programmes. We have established a reputation as a developing country that is able to make full and effective use of the assistance available to it, and the progress we have recorded suggests that the confidence of our development partners in our ability to achieve the goals and objectives we have in the past set for the nation's development has not been misplaced.

3. CONCLUSIONS

The above helps to explain the progress we have been able to record since we cautiously opened the doors to change and modernization. Despite the brevity of the exposition, the review justifies several conclusions that appear to hold particular importance for the identification and assessment of relevant directions for the nation's future development:

First, our development assets have been built up over centuries. These cannot and should not be explained solely in contemporary terms of GDP, comparative advantage, resource endowments, and savings and investment rates and the like, as important as they may be. Our understanding of development assets is much more broadly based. For us, there are imperatives that transcend such narrow economic interpretations. They are linked to our formation and survival as a nation state and they can only be fully understood when viewed in their full historical context.

Our development assets have been built up over centuries.

Second, our view of the world, approach to development and understanding of development assets are inextricably entwined with our Buddhist system of beliefs, values and customs. Unlike many other developing countries, ours is a nation in which secular development is closely linked to religious history. It is a country which recognizes monastic institutions not only as part of a rich and glorious cultural heritage but also as institutions that impact on the everyday life of the Bhutanese population and continue to influence the ways in which people think and act. In our country, the views of the Buddhist lama carry no less weight than those of the development expert.

Our approach to development is inextricably entwined with our Buddhist worldview.

Third, and related to the above, our traditional Buddhist interpretation of development is often at odds with conventional theories of development. These theories have no place for such notions as *sangyal wai lam* (spiritual path) or karmic evolution. From our traditional perspective, poverty and underdevelopment should not be defined only in terms of the absence of wealth but also in terms of the persistence of ignorance and prejudice. At the same time, many of the priorities now advocated by international development institutions, such as human development, environmental conservation, self-reliance, decentralization, participation and

We have adopted a distinctively Bhutanese approach to development that departs in significant ways from development orthodoxy.... The approach of a nation that takes pride in its history and is self-confident in its actions.

empowerment, and gender sensitivity, are not new for Bhutan. Although we have not always referred to these priorities in the terminology favoured today, they have for decades been essential components of our distinctively Bhutanese approach to development.

Fourth, the decision to travel an uncharted path could only be taken by a nation that takes pride in its history and is self-confident in its actions. This self-confidence has occasionally been interpreted by outsiders as arrogance. Such a misinterpretation represents a failure to understand the strength of our commitment to our own distinctive model of development. Without an understanding of this model and the forces and values that underpin it, it is impossible to explain the progress we have recorded in such a short period of time.

Chapter 2

THE CHALLENGES AHEAD

1. INTRODUCTION

In the past three decades we have accomplished much and we can take justifiable pride in our achievements. We are able to look ahead to the next few decades with considerable confidence, secure in the knowledge that we have built a strong foundation for the Kingdom's future development. Although we can look ahead from a position of strength, our past achievements must not divert our attention from the challenges that confront us, nor must they give rise to complacency. We must harbour no illusions about the length of the path we still have to travel or about the magnitude and severity of the challenges that await us.

Our past achievements should not distract us from the challenges ahead...

We have almost completed the first stage of the nation's social and economic transformation. As we move into the next development stage, we will be confronted with new challenges that make those we have successfully addressed seem modest by comparison. Some challenges will clearly be more formidable than others. It will be our response to a dozen challenges that will in large measure determine whether we are able to continue along the path we have set for ourselves. These challenges are summarized below under five main headings covering our nation, people, economy, environment and institutions.

... some are more daunting than those we have addressed in the past.

2. OUR NATION

The main challenge facing the nation as a whole is the maintenance of our identity, sovereignty and security as a nation state. We must never lose sight of the fact that we are a small nation state sandwiched between two of the world's giants. Our existence is not an historical accident. It is the result of conscious actions taken over several centuries that have sometimes compelled us to seek isolation and, at others, to seek alliances without compromising our sovereignty. Nor must we ever lose sight of the fact that our nation is the last surviving independent Mahayana Buddhist Kingdom in the world. We are the sole surviving custodians of a social and cultural system that once extended beyond the eastern Himalayas to embrace a large part of Eastern and Southern Asia. The world has been impoverished by the loss of this social and cultural system, which is today unique to Bhutan where it both survives and flourishes.

We must never lose sight of the fact that our country is the last surviving Himalayan Buddhist Kingdom and we must seek to maintain our identity, sovereignty and security as a nation state.

The stability we have built over several centuries stands in sharp contrast to the situation prevailing in some other parts of the sub-region. Our low population density and the fact we have conserved our natural resource base also distinguishes us from some of our neighbours and make us a favoured and natural destination for those who live in unremitting poverty in an environment that has been damaged beyond repair. As custodians of a distinctive and unique culture we must be ever conscious of the threats to our security and unity. The vigilance can only be exercised when we maintain good and constructive relationships with our neighbours, and when we actively defend our interests and express our concerns in the international fora in which we are members.

Our future is dependent upon the articulation of an unambiguous cultural imperative...

Our future sovereignty as a nation state will continue to depend upon the articulation of a cultural imperative that asserts our distinctive Bhutanese identity. The maintenance of our distinctive model of development will also be contingent upon our ability to maintain and conserve our development assets. We must recognize that modernization is a powerful force. It is both a destroyer and creator of values. The values destroyed are typically those that are traditional and indigenous, while the new values are more universal, modelled in the mould of the technologies that fuel the modernization process and which seek to create a world in their own image.

... which compels us to adopt a discriminatory approach to the forces of modernization.

Against this background, we cannot allow ourselves to assume that everything that is new and alien to us should be unconditionally accepted. We must accept that some forces that promise change and progress may erode the assets we have built up over centuries and which continue to serve us well. However, this does not mean that we should regard our values, assets and customs as inherently superior to all those of others and that everything we have inherited from the past should be accepted dogmatically and without question. We must recognize that assets and values are never static but are always subject to a continuous process of redefinition as they adapt to the needs and aspirations of a society in development. Assets that are defined in static terms will eventually have no other home than in a museum.

Although we have a low population density, our population growth rate is among the highest in the world...the growth rate carries many negative consequences.

The key to the redefinition of assets and values is the exercise of a cultural imperative that makes it possible for us to distinguish between positive and negative forces of change. In exercising this imperative we must continue to be 'social synthesizers' and assimilate the positive forces for change, making them our own and accommodating them within our own distinctive model of development.

3. OUR PEOPLE

Sustainable Population Growth

Our population density is the lowest in the region and there are large tracks of land that remain unoccupied. This could lead to the assumption that the Kingdom, unlike many of its neighbours, is free of population pressures. Such a view is misplaced. One of the greatest challenges that confronts us is the nation's rapid rate of population growth, which stands as one of the highest in the sub-region. If the current rate of growth of 3.1 percent per annum remains unchecked, the Kingdom's population will double in 23 years. This is a disturbing prospect that carries many negative consequences; for the environment, food security, nutrition, employment creation, the balance of payments; for the pace at which the Kingdom will be able to sustain the process of development and to achieve sustainable increases in levels of well-being and welfare. The more rapidly the population grows, the slower standards of living will rise, and we will have proportionately less to spend on health, education, roads, electricity and other basic infrastructure and services for each community and individual, with negative implications not only for the availability but also the quality of the services provided.

We have set ambitious targets for reducing the rate of population growth...but even if we succeed in achieving them, the Kingdom's population will continue to grow for the next 50 years.

The current high rate of growth provides testimony to the effectiveness of the policies we have pursued in the health sector, which have significantly reduced the death rate. However, the sharp declines recorded have not yet been matched by a fall in fertility. On the contrary, in the period 1984-94, fertility rates actually increased among adolescents (15-19 years) and young women (20-24 years) and the overall fertility rate today stands at over 5. Given its age structure, with 43 percent under the age of 15 years, our population has an enormous potential for growth as more and more young women move into childbearing age. Without positive measures to reduce the rate of population growth, the rate of increase would continue to rise long before it begin to fall.

We have already set ambitious targets to address this challenge. Our aim is to achieve a 61 percent reduction in fertility in 15 years, and to achieve a replacement rate of 2 surviving children per women by the year 2012. This reduction will make it possible to progressively reduce the overall rate of population growth to 1.3 percent by the year 2017, by which time our population will number around 932,000. Even if we succeed in achieving these ambitious targets, Bhutan's population will continue to grow in absolute terms for the next 50 years

The centrepiece of our policies for addressing this challenge is reproductive health care, including family planning. We have set the immediate target of increasing the contraceptive prevalence rate from the present level of 25 percent to 60 percent within five years. Its attainment will require an increase in the number of acceptors of modern contraceptives by nearly 150 percent within this period. This is in itself a major task. However, we must recognize that reproductive health cannot alone provide an adequate response and that there are no short cuts to achieving the required decline in the rate of population growth. The experience of other countries tells us that fertility progressively declines as levels of economic development and educational attainment increase. This suggests that rising levels of education, especially for girls, the creation of productive employment, and increased economic security must all be seen as part of a concerted response to the problem of population growth. We are already pursuing policies and programmes in all these areas. The main challenge now is to extend them to the whole nation and to ensure that investments are maintained or increased with the aim of achieving the positive synergies between programmes in health, nutrition, employment, basic education and reproductive health.

The Creation of Productive Employment

Bhutan's demographic transition will mean that the growth in the demand for jobs will far exceed the rate of population growth. In the next five years alone, around 50,000 young people will leave school and enter the labour force, and five years from now more than 100,000 children will be enrolled in primary school, with around 60,000 young people in secondary education, the majority of whom will be poised to enter the labour market. Looking even further ahead, a total of 267,000 jobs will, even under the most favourable demographic assumptions, need to be created in the next 20 years. This figure takes no account of those of working age who may choose to leave the RNR sector and migrate to urban centres or of those who may be displaced from it as a consequence of agricultural modernization. Nor does it make allowance for those who may lose their jobs due to a decrease in the labour productivity of many existing forms of employment. The real numbers of job seekers will thus be considerably higher.

With the rapid expansion of basic education, many of our young people will end their schooling in rural areas with little prospect at present of finding productive employment outside the farming activities of their parents and family. Despite the progress made in the adaptation of school curricula, our young people will have had little exposure to the world of work and to

In the next 20 years, we need to create nearly 270,000 jobs for young people entering the work force.

Despite the progress we have made in the field of education, many of our young people are not equipped with the skills required for productive employment...and some may have aspirations that may be difficult to fulfill.

The pace of rural-urban migration has measurably quickened.

If the current rate of growth continues, around 400,000 Bhutanese will live in urban areas in 2020...more than four times the present number

the practical and applied studies that equip them with the skills required for employment. While some young people will choose to remain in rural areas to take advantage of new opportunities being created in the RNR sector, the majority may be inclined to regard education, even basic education, as an opportunity to leave forever the RNR sector. They may be supported in this view by their parents who may themselves have hopes and expectations for their children that extend beyond subsistence agriculture. Many young people will harbour aspirations for white-collar jobs, especially in government service. Given our policies for the civil service, with their emphasis on the formation of a compact, professional and efficient organization, most will not succeed in finding the jobs they seek.

Rural-Urban Migration

Our population is already on the move. Although ours is one of world's least urbanized countries, with only 15 percent of the population some 90,000 people are living in urban areas, the situation is changing rapidly. Although patterns of rural-urban migration have yet to be established with certainty, available evidence suggests that it is the larger urban centres, especially Thimphu and Phuentsholing, that are the main receiving centres. Although available statistics on the growth of Thimphu's population can be interpreted in different ways, some estimates suggest that growth in recent years has averaged around 10 percent per annum, more than three times the rate of national population growth, and a figure only slightly higher than the estimate for Phuentsholing. Longer-term estimates suggest that, if present trends continue, the nation's urban population could approach 400,000 more than four times the present level within the next 20-25 years. This figure is equivalent to two-thirds of the present population and it would mean that close to one-half of our population would live in urban areas by around 2020.

Although some may argue that urbanization is an inevitable consequence of modernization as well as an indicator of development, we should view the prospect with some alarm for a number of reasons.

- *First*, our towns and villages have grown up where they could, sometimes in narrow valleys, and the land required to accommodate large increases in population is either limited or almost non-existent. Some estimates suggest, for example, that the Thimphu valley may be able to accommodate some 80,000 people. At the town's current rate of growth, this figure would be reached by 2006.

The rapid rate of rural-urban migration constitutes a major challenges for a variety of reasons...

... many towns are physically unable to absorb many new inhabitants...

...many towns are poorly-equipped to deal with new inhabitants...

... rapid urbanization could be environmentally destructive...

...many migrants may be unable to find the work they seek...

.. and social problems may follow in the wake.

- *Second*, our towns are at present poorly equipped to deal with a rapid influx of new migrants. Land markets and land legislation are not well-developed, the availability of affordable housing is already in short supply, city corporations are already under severe pressure to provide and maintain physical infrastructure and urban services, and many urban development plans can be shown to be out-of-date, being confined largely to physical plans drawn up without the benefit of accurate topographical maps and up-to-date cadastral mapping and land registration systems.
- *Third*, rapid urbanization can be expected to be environmentally destructive. Already forest cover in areas close to population centres is becoming degraded as a result of heavy natural resource utilization, and sewage and waste disposal is contaminating rivers and streams. Because the majority of urban populations continue to rely on firewood for cooking and heating, urbanization can be expected to significantly increase pressures on the resource base, while the general absence of flat land near population centres could easily result in the settlement of steeper valley slopes that could be best left under vegetation cover, adding to the risks of erosion, the disruption of water courses, and the possibility of flooding and landslides during monsoon periods.
- *Fourth*, those who migrate to urban centres will do so for a variety of reasons. One of the main ones will be the expectation that they will be able to find work that is less laborious and more rewarding than can be found in rural areas. Given current patterns of job creation, many may be faced with disappointment.

This combination of factors is conducive to the rapid formation of squatter settlements a phenomenon so far virtually unknown in Bhutan with a potentially wide range of negative impacts that include social and environmental problems. The experience of other developing countries cautions us against the negative effects that can trail in the wake of unfulfilled expectations, especially in a country like Bhutan that places such a high value on social harmony. It may be a short step from youth unemployment to alienated and disfranchised youth, reflected in increasing crime rates, juvenile delinquency, drug use and prostitution, all of which are in increasing evidence in urban areas. Some studies have already made reference to an emerging 'generation gap' in which illiterate adults are increasingly at odds with their more educated children who, for the first time in our nation's history, appear to be unsure of their place in society and uncertain of their future prospects.

Such developments add social challenges to the many others that await us in the years ahead.

We must also recognize that rural-urban migration has positive effects.

We must also recognize that rural-urban migration will have positive as well as negative effects. Migration will, for example, reduce population pressures in rural areas on available agricultural land, especially important given that virtually all land in the nation suitable for intensive forms of cultivation is already in use. Migration will slow and may even reverse trends towards smaller plots and the fragmentation of land holdings, thereby helping to defuse the forces that give rise to landlessness and sharecropping arrangements, both of which are beginning to emerge in some parts of the nation. Because it could encourage land consolidation, it would facilitate greater mechanization and increased agricultural productivity. This would in turn help to commercialize agriculture, which is itself a requirement for higher farm incomes. In remoter areas, migration would contribute to a reduction in pressures on the population-resource ratio that would also help to maintain the viability of the integrated farming systems practiced by rural households, which are dependent upon the maintenance of the biological productivity of our forests. This suggests that rural-urban migration could provide a positive stimulus to agricultural development and prove instrumental in raising the cash incomes of farmers.

We must meet the challenge of rapid urbanization in both rural and urban areas.

Urbanization moves part of the challenge of sustainable development from rural to urban areas. It is a challenge that we are not yet ready to fully meet. The speed at which migration is occurring has taken us by surprise. Our understanding of the patterns of migration and of the relative importance of the different 'push' and 'pull' factors underlying them is still incomplete and our growth centre and human settlement development strategies have not yet been developed in sufficient detail, nor have we yet been able to determine whether our strategies meet all the requirements of economic feasibility. The experience of other developing countries, many with a legacy of urban sprawl and squalor, tells us that regional development and growth policies must respond to economic logic. If they do not, they are likely to be little more than catalogues of good intentions.

Despite the progress we have recorded in human resources development, the nation's skills base is still very narrow.

Human Resources Development

Although we have made rapid strides in the field of education and human resources development, there is still a long way to go before our nation is equipped with the human resources required to sustain the process of development. The nation's skills base is extremely narrow and just over one-half of our population can be considered literate and numerate. Although

we can draw satisfaction from the rapid growth in primary and secondary school enrollment, the high drop out and repeater rates provide genuine cause for concern. Less than one-half of all those who enter primary school actually complete primary education, while less than 40 percent of young people of secondary school age are actually in secondary education, and a large number will fail to complete it.

Many young people seem reluctant to follow technical and vocational occupations...in part explained by their negative perceptions of the private sector.

Problems are compounded by school curricula and perceptions of job prospects. Despite the enormous efforts made to 'Bhutanize' imported curricula, much still needs to be done to adapt teaching programmes to the longer-term needs of the nation, especially through the strengthening of components that inculcate a work ethic and respect for the dignity of labour. More of our young people must be encouraged to pursue technical and vocational occupations that can only be found in the private sector. The reluctance of young people to enter the private sector has several reasons. They fail to see real growth within the sector, are apparently dubious of career prospects, and fear job insecurity. Unlike many other developing countries, wage differentials between the public and private sectors are modest, except at the highest levels, and negative perceptions often find no compensation in higher rates of pay and other financial incentives. These negative perceptions find concrete expression in the underutilization of capacity in technical and vocational training institutions that the nation can ill-afford. They also constitute a major obstacle to the growth of the private sector.

Patterns of job creation and the continuing reliance on expatriate workers in some areas raise questions about the effectiveness of our policies for education and human resources development.

They also translate into a continued reliance on expatriate workers, not only in skilled but also semi- and unskilled work. Although the number of expatriates in government service has fallen sharply, from 50 percent in 1980 to only 11 percent in 1995, they continue to account for around 40 percent of all jobs in the private sector and around 70 percent of all jobs in such sectors as mining and quarrying. Moreover, it is not only unskilled and semi-skilled workers who are displaying a reluctance to join the private sector. It is increasingly applying to graduates. In the period 1991-95, a total of only 86 graduates - less than 20 percent of those who completed their training in the period - were placed in the private sector, and many of those joined the firms of families and friends. Because those graduating can no longer assume that a job awaits them in government service, this development raises, for the first time, the prospect of a 'brain drain' in a nation that is still bereft of many of the skills required to sustain the process of social and economic transformation.

The benefits of development have not been shared equally.

A wide range of measures are being implemented to address such problems, including career counselling and legislation to

better regulate working conditions and terms of employment in the private sector. However, they raise broader issues about the effectiveness of the nation's policies in the fields of education and human resources development. They point to the need for us to reassess the role and functions of education with the aim of correcting conceived imbalances and removing impediments to the nation's further development. This reassessment must go beyond 'training plans' that seek to address supply side problems. Greater attention will need to be given to demand side considerations aimed at achieving an improved match between the social demands for education and the future requirements of the economy on the one hand and the imperative of creating productive employment on the other.

Vulnerable and Disadvantaged Groups

Although the vast majority of our population have benefitted in very tangible ways from the process of social and economic development, the benefits have not been shared equally. This is an inevitable consequence of modernization in a country in which the population is so scattered, the terrain so severe, and infrastructure still incomplete. Despite the rapid expansion of the road network, more than one-half of our population lives more than half a day's walk from the nearest motor road, while in more isolated and remote areas communities are still dependent on trails, muletracks and ropeways for communication. It is in such areas that the full benefits of development have still to be felt.

In these remote and isolated areas lives are still characterized by vulnerability and uncertainty and by the sheer drudgery of toil from dawn to dusk in order to satisfy daily survival needs. Food shortages of some three months, coinciding with planting seasons, are not uncommon in a few *dzongkhags*, while in isolated pockets within them food insecurity is more severe and malnutrition widespread. Although free basic education and health care are today reaching these pockets of disadvantaged and vulnerable groups, the need to contribute to the construction and maintenance of buildings, the cost of travel, contributions to school welfare funds, the cost of school uniforms and so, while modest, are sufficient to place the services beyond the reach of the poorest farmers and their families. In such areas, legitimate expectations and aspirations are not being fulfilled and ensuring that disadvantaged and vulnerable groups are able to benefit more fully from the process of social and economic development is a challenge that must be met in the years ahead.

The legitimate aspirations of vulnerable and disadvantaged groups have not yet been fully met.

Despite the progress we have recorded, our economy is still in its infancy and the nation's economic structure is both narrow and shallow.

The growth of the private sector is essential for the promotion of future economic growth.

4. OUR ECONOMY

Economic Growth and the Private Sector

Although we have made considerable progress in developing our economy, it is still in its infancy. It is not yet fully monetized, reflected in the estimate that only two-thirds of the money that could be expected in an economy of our size is actually in circulation. The nation's economic structure is still shallow and narrow, with the main impulses to economic growth having so far come from the exploitation of our vast hydropower potentials and the establishment of natural resource-based industries that make use of the cheap power we are able to produce. The main benefits of both have so far resided in the generation of export revenues. Only 7,000 jobs have so far been created in these modern industries. They are concentrated in the southwest corner of the nation, close to the border with India, and around one-half of the jobs are occupied by expatriates.

The response of the private sector to liberalization and other measures has so far been sluggish.

So far, the Royal Government has been the driving force behind the nation's economic development. We have, however, since the Sixth Five-Year Plan, declared that the private sector should play an increasingly important role in fostering economic growth and as a source of employment, with the Royal Government seeking to create the conditions which make it possible for the private sector to become the main engine of the nation's future economic growth. The growth of the private sector is also essential for the enlargement of the nation's tax base.

This can be attributed to a variety of factors and to obstacles that must still be overcome

We have already done much to promote economic growth and the private sector. We have, for example, implemented policies that have maintained macroeconomic stability while liberalizing the financial system, with measures having included the establishment of a stock exchange, interest rate liberalization, and the lifting of foreign exchange restrictions on current account payments and transfers. We are well advanced along the path of privatization and corporatization of public sector enterprises. We have special programmes to foster the development of cottage and small industries. We are constructing industrial estates and have established industrial service centres, and we have improved the access of businesses to the credit they require for investment as well as established special credit programmes for small and micro enterprises.

The manufacturing sector is confronted with formidable constraints, some of which are structural in character

While some of these initiatives have yielded positive results, their overall impacts have so far been modest and the response of the private sector to liberalization has so far been sluggish. The structure of production is still relatively shallow and the

pace of private sector development in both urban and rural areas continues to lag behind expectations. Given current rates of private sector growth, especially in the crucially important manufacturing sector, it may take longer than expected before it can assume the role of engine of growth and is able to create the productive employment required to absorb a rapidly growing work force.

The slow pace of change can be attributed to a variety of factors. Efforts to establish an enabling environment have left some obstacles, such as the absence of unambiguous commercial law and cumbersome licensing arrangements, still largely untouched. The number of people covered by entrepreneurship training programmes has been modest, and the credit programmes that have been established to support the establishment of new enterprises have worked less well than expected. Our institutional capacities to identify 'viable' projects is still being developed, and we often lack important information on available resource endowments that is required to identify and evaluate investment opportunities. The growth of manufacturing activity has also been severely hampered in some parts of the country by the lack of required physical infrastructure, such as roads and electricity. Moreover, the private sector in Bhutan is still at an early stage of development and is not yet well organized.

Economic Diversification and Industrial Development

These constraints we will overcome with time, and measures for addressing many of them are presented in the Eighth Plan. However, looking beyond the Eighth Plan, we must recognize that further efforts to deepen and broaden the nation's economic structure, especially in the manufacturing sector, are confronted with more formidable obstacles that can only be addressed in the longer term. These include the lack of semi- and skilled labour, the small and still fragmented size of the domestic market, the low purchasing power of our population, and severe diseconomies of scale in production and distribution. These translate into high production costs, especially when compared with those of neighbouring countries, which already meet most of the nation's needs for consumer, intermediate and capital goods.

Our potentials are seen to reside in two main areas: the further development of our vast hydropower potentials and the development of small and micro enterprises. The first is undoubtedly enormous. So far only an estimated 2 percent of our hydropower potentials have been utilized and the energy produced can, in addition to being exported, be used for the development of natural resource-based processing industries.

We are already mining significant volumes of dolomite, limestone, gypsum, coal, marble and quartzite, with some of the minerals processed into products for export. Although only one-third of the country's land area has been mapped geologically and an even smaller area has been prospected in detail for mineral wealth, Bhutan is known to possess deposits of lead, zinc, copper, tungsten, graphite, iron, phosphate, pyrite and gold, although the commercial value of these deposits has in most cases not yet been assessed. Although the abundant and cheap power we are able to produce will make it possible to transform these and related potentials into new natural resource-based industries, the technologies required will typically be capital intensive and labour extensive. The industries are likely to be characterized by simple input-output structures with few backward and forward linkages with the rest of the economy. While they may generate significant export earnings, their employment effects will be localized, and the number of jobs they create is likely to be very modest.

Our main potentials are seen to reside in hydropower production and natural resource based industries that make use of cheap power.

These developments may stand in sharp contrast to the remainder of the mining and manufacturing sector. Although there have been encouraging signs of growth in the number of mining and manufacturing enterprises, from only 66 in 1980, with the figure doubling in the period 1989-94 from 168 to 303 respectively, the enterprises are predominantly small scale and involved in a limited range of activities. Well over one-half of all enterprises are confined to food and wood processing, making use of simple technologies. Around one-quarter of all enterprises employ fewer than 5 persons and three-quarters less than 20.

A key challenge is to prevent the emergence of a dual economy in which a small and modern sector is set in a sea of small and cottage enterprises using simple technologies, with few interactions between them

Against this background, a challenge to development policies and planning is the prevention of the emergence of a so-called 'dual economy' in which a small, modern and export-oriented enclave is set in a sea of small and micro enterprises producing low-value products with simple technologies for a small domestic market, with few interactions between them.

Our comparative advantage in the area of tourism is undisputed...

The Services Sector

We also face challenges in the further development of our service industries. No where is this more so than in the area of tourism. This is a sector where it is unnecessary for us to search for a comparative advantage, given the uniqueness of our culture and environment. It has been our concern for conserving both that has led us to adopt considerable caution in the exploitation of our comparative advantage. Despite this caution, the sector has grown rapidly in recent years, with tourist arrivals passing the 5,000 mark for the first time in 1996, when the sector contributed more than US\$ 2 million to

... and the sector has become the third most important source of foreign exchange.

government revenues, making it the nation's third most important source of foreign exchange. This growth was achieved with a low level of capacity utilization, suggesting that further growth can be achieved without the creation of new infrastructure.

We must explore new options based on the concept of high value/low volume tourism.

While our future policies will need to be guided by the concept of low volume/high value tourism, there are numerous niche markets, such as eco-tourism and cultural tourism, that offer significant growth potential, have yet to be fully explored, and would be consistent with other development objectives. Our future policies should also recognize that the sector is labour intensive with considerable potential for employment creation. The need to accelerate the pace of employment generation provides a compelling reason for us to reconsider the place of tourism in our future growth strategies. The creation of a more dynamic tourism sector would also be wholly consistent with the promotion of the private sector.

Our commitment to the environment can be attributed to our system of beliefs and values...and we have placed the environment at the core of development strategy.

5. OUR ENVIRONMENT

For its size, Bhutan probably has the greatest biodiversity of any country in Asia, and it is for very good reasons that our nation has been declared one of the world's 10 most important biodiversity 'hotspots'. We have received international acclaim for our commitment to the maintenance of this biodiversity, reflected in our decision to maintain at least 60 percent of our land area under forest cover and to designate more than one-quarter of our territory as national parks, reserves and other protected areas. Our long commitment to the maintenance of biological diversity and productivity is rooted in our understanding of the importance of forest systems to the survival strategies of remote and isolated communities, our beliefs and customs, and our understanding of sustainable development. We have placed environmental conservation at the core of our development strategy. We do not treat it as a 'sector' but rather as a set of concerns that must be mainstreamed in our overall approach to development planning and which must be buttressed by the force of law. The first 'modern' legislation enacted was the 1969 Forest Act that was specifically aimed at protecting our forests. Since then many of the nearly 100 laws enacted are related, directly or indirectly, to the conservation of the environment.

Although our natural heritage is still largely intact, we cannot take it for granted...it is subject to increasing pressures.

Although our heritage is still largely intact, we cannot take it for granted and the conservation of the natural environment must be added to the challenges that will need to be addressed in the years ahead. There is already evidence of mounting pressures on the environment. In some areas, extraction rates for fuelwood, timber and other forest products are already approaching

Our ecological systems are particularly vulnerable...and pressures will certainly mount in the years ahead.

unsustainable levels, and in areas close to population centres an estimated 10 percent of forest area is degraded as a result of heavy natural resource utilization. The progressive removal of vegetation cover, especially in critical watershed areas, is beginning to affect the hydrological balance, leading to the localized drying up of perennial streams and flash flooding. In some cases, this has been aggravated by poorly conceived new road construction and irrigation systems.

These pressures will come from an increasing array of sources

These pressures will certainly increase in the years ahead and the increases will occur in one of the most fragile ecosystems to be found anywhere on earth. Our location near the heart of the Himalayas, the world's highest and most active mountain range, means that no less than 45 percent of our land area has an elevation of more than 3,000 metres. The topography of the nation is characterized by steep and precipitous slopes that descend rapidly into narrow river valleys. The tectonic movements that are inexorably adding to the height of the Himalayas are also crushing the underlying rock, thus increasing its penetrability and absorptive capacity. Monsoon rains make the thin layer of covering soils particularly vulnerable to erosion. We do not need to look far beyond our boundaries to see what the consequences can be when the associated risks are ignored.

Meeting the challenges posed by the environment calls for integrated approaches.

Pressures on the natural environment will be fuelled by a complex array of forces. They include population pressures, agricultural modernization, hydropower development, mineral development, industrialization, urbanization, sewage and waste disposal, tourism, competition for available land, and road construction and the provision of other physical infrastructure associated with social and economic development. The full monetization of the economy is also placing pressures on land management systems built up over centuries and based on the principles of participation and cooperation.

The challenges posed by growing pressures on the natural environment cannot be seen in isolation to other challenges. They will need to be met in watersheds and steep valleys as well as in the minds and attitudes of our people, many of whom, while recognizing the importance of the environment, are inclined to regard it as a free good and have yet to fully appreciate that the many products of a consumer society cannot be disposed of in the same way as the biodegradable gifts of nature.

6. OUR INSTITUTIONS

In many developing countries, colonialism and its legacy resulted in the destruction of traditional institutions and their replacement by alien institutions that were frequently unable to take root in their new environment. Many developing countries are today still struggling to make sense of institutions that were never their own, and this struggle is one that hampers their development. In Bhutan, we were spared this invasion. Our institutions are our own and they have developed over time in response to changing needs and requirements.

Our system of governance and development planning have a number of distinct features. First, the Royal Government has so far been almost solely responsible for the nation's social and economic development. Second, given the role played by the Royal Government, we have given high priority to the development of a strong and professional civil service, made up of our most talented people, that is able to guide and manage the nation's long term development. Third, we have developed a unique system of decentralization, based on our local institutions and customs, that effectively links the central level with the local level on decision-making on development. Fourth, although the Royal Government has guided and given content to the nation's development, the financing of development programmes has been in large measure dependent upon the availability of external assistance. This points to the existence of challenges in four main areas:

- ***Redefining the role of the state.*** We must continue with the progressive redefinition of the role of the Royal Government from that of 'provider' to that of 'enabler' of development, with a continued emphasis on the creation of conditions that mobilize the energies and imagination of people, enable entrepreneurship to flourish, and make it possible for the private sector to become a more active partner in the nation's future development. This redefinition should not be interpreted as an abrogation of responsibility. The Royal Government will continue to chart the future course of the nation's development, seek to ensure that the distinctive features of our approach to development are respected, that the benefits of development are shared equitably between groups and regions, that our natural resource base is conserved, and that participation and empowerment at the local level continues to be actively promoted. It does imply deliberate efforts to broaden the basis of development in ways that promote sustainable economic growth, create new sources of employment, and generates the wealth required to achieve further increases in standards of living and well-being.

Our institutions are our own and they have developed over time in response to new challenges.

Challenges exist in a number of key areas....

... the redefinition of the role of the Royal Government

- ***The management of development.*** We must complete the process of developing the capacities required for the management of a development process that is becoming substantively more complex. Given these complexities, capacity building must continue to focus on the development of the human resources required to sustain the process of economic and social transformation and to manage the process of development. Greater priority must also be accorded to the development of the information systems required for informed decision making and development planning. The growing complexity of the issues that call for policy responses are placing new demands on the quantity, quality and timeliness of the information required for improved policy analysis and formulation and for programme implementation, monitoring and evaluation. We are not yet able to fully meet these demands. The paucity of reliable data currently frustrates analysis in numerous areas, such as the dynamics of rural-urban migration, patterns and processes of employment creation, and the social, economic and cultural determinants of fertility behaviour. Given our commitment to decentralization, the development of the information systems required for more informed decision-making cannot be confined to the national level but should also extend to the *dzongkhag* level, and eventually even to the *geog* level.

- ***Decentralization.*** We must not allow the redefinition of the role of the Royal Government and the need to further strengthen capacities for the management of development to slow the pace of decentralization. With the initiation of DYT in 1991, the system of decentralization extends to the *geog* level, with each *geog* having its own elected representatives. Development planning entails a unique system of consultation in which the needs and aspirations of local communities, as expressed through their elected representatives, constitute important inputs into plans, while programmes for each *dzongkhag* and *geog* are only finalized after a further process of consultation. This participatory approach to development has few if any parallels in the developing world. It is an approach that empowers local communities within a framework of local institutions and time-honoured customs. Our challenge now is to build upon the decentralized system of decision-making that we have established in ways that make it possible to both increase administrative efficiency and to further enlarge opportunities for those at the *geog* level to participate in the making of decisions that have a direct bearing on their lives and livelihoods and the future of their communities.

... the management of a development process that is becoming substantively more complex...

... making decentralization work in ways that meet the requirements of administrative efficiency and enlarge opportunities for participation...

- **Development financing.** The reliance on external assistance poses a two-fold challenge. First, we must make greater efforts in the area of domestic resource mobilization. Although our revenue base is recognized as being narrow and inelastic, there are opportunities for achieving an increase in tax and non-tax revenues and these should continue to be explored as a matter of priority. Second, while we are meeting nearly 100 percent of recurrent costs, it will be some time before we are able to finance the nation's development entirely from our own resources, and we must seek to further strengthen our capacities for aid management. We are entering a period in which challenges are becoming more numerous and complex at a time in which the environment for development assistance is becoming less favourable. Overall levels of ODA have been in decline since the early 1990s and an ever-greater share is being used to combat emergencies. In addition, several important bilateral donors are progressively reorienting their policies along two main lines that distinguish between larger developing countries in which poverty is endemic and more industrialized developing countries with large domestic markets where development cooperation is becoming increasingly indistinguishable from commercial cooperation. Our nation belongs to neither category and, as a small developing country in which the basic needs of the population are largely met, it may be required to compete harder for assistance than has so far been the case if the present pace of development is to continue. Our capacity to compete will be enhanced by the further development of mechanisms that provide additional evidence to our development partners that we are effectively able to absorb and utilize available assistance and to manage it to the nation's best possible advantage.

...and mobilizing the resources required to maintain the pace of social and economic development.

Our response to one challenge may in part determine the outcome of others, sometimes in unexpected and unpredictable ways. To deal with one challenge, we must think about them all.

All these challenges are difficult enough. They are made even more formidable by the many and complex relationships existing between them. Given these relationships, our responses to one challenge may well in part determine the outcome of others, sometimes in ways that may be unpredictable or unexpected. This means that if we are to deal effectively with one challenge, we must think about them all. This substantive complexity is the enemy of traditional approaches to development planning. It requires us to expand our analytical and time horizons and to deliberately trespass traditional sectoral nomenclature in the search for solutions. This search must be built firmly on a foundation that gives unambiguous expression to our social and cultural values and preferences. This places even greater demands on our capacities for innovation and, in a real sense, constitutes the greatest challenge of all.

[Continue to Part II](#)

Bhutan 2020: A Vision for Peace, Prosperity and Happiness



**Planning Commission
Royal Government of Bhutan**

PART II

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PART II

**THE PATH FORWARD:
GOALS, OBJECTIVES, STRATEGIES
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INTRODUCTION TO PART II

Part II of this Vision Statement is concerned with the future and with setting out the main directions that will enable us to maintain our distinctive Bhutanese path of development well into the next century.

Chapter 3 establishes the normative architecture for future change and development. It identifies a hierarchy of goals, objectives and principles that should guide the Kingdom's development over the next two decades. It also presents the central development concept that is essential for understanding our distinctive approach to development which, in some important respects, sets it apart from the approaches adopted by many other developing countries.

The normative architecture results in the identification of five main objectives covering human development, cultural development, balanced and equitable development, institutional development, and environmentally sustainable development. Each of these objectives form the subject of the following five chapters. This means that the directions and strategies set out in the following pages are driven by objectives, rather than sectoral policies characteristic of many planning documents.

To enlarge the policy value of the Vision Statement, priority areas are identified in respect of each of the objectives. To further facilitate its value, targets have, where appropriate, also been identified that enable us to chart progress towards the attainment of the main strategic objectives. Given the twenty-year time horizon of the Vision Statement, milestones are deliberately expressed in terms of Plan periods rather than specific years. While the milestones should be regarded as indicative only, with their attainment ultimately dependent upon resource availability, the use of milestones will help establish a longer-term and objectives-oriented policy framework for the preparation of subsequent Five Year Plans and other planning documents. Reference is also made to longer-term master plans - in existence, in preparation or proposed - that will also guide the nation's development for periods that extend beyond the five-year horizons used for most of our development planning. It should be stressed that many of these master plans should not be understood as rigid 'blueprints', but rather as longer-term strategies aimed at achieving desired ends.

Part II concludes with a chapter entitled 'Bhutan in 2020'. It seeks to paint a picture of our Kingdom 20 years hence based upon the attainment of the objectives set and the implementation of the main strategies outlined in the following pages. The picture painted is not a theoretical abstraction. It is the logical outcome of success in responding to challenges, in achieving objectives, and in implementing the strategies outlined in the following pages.

Chapter 3

GOALS, OBJECTIVES AND PRIORITIES: THE NORMATIVE ARCHITECTURE FOR CHANGE AND DEVELOPMENT

1. INTRODUCTION

In this Vision Statement it has been argued that the Kingdom has, in many important respects, undergone a major transformation in the past three decades. The progress we have recorded has been attributed, in large measure, to the nation's many development assets - some very tangible and others less so - that have so far served us well. It has also been noted that, while we can take pride in our many achievements, we must recognize that the process of development is entering a new stage and is becoming substantively more complex. The Kingdom is poised on the threshold of new development challenges that appear more daunting than many of those that have confronted us in the past. However, our examination of macroeconomic prospects suggests that we have some room for manoeuvre in responding to these challenges and that the policies we have formulated to guide us into the next century establish a solid foundation on which to build.

2. THE OVERARCHING GOAL

In our system of priorities for the future there is one priority that stands above all others: it is the need ***to ensure the future independence, sovereignty and security of our nation state***. This is a precondition for the fulfillment of all the hopes and aspirations we may hold for the future of our nation and of our children.

Our overarching goal must be to ensure the future independence, security and sovereignty of the Kingdom.

We are is a part of an increasingly complex world order in which nations seek to pursue their interests not only through cooperation but also at the cost of others. It is a world of conflict, competition and rivalries that is without in-built mechanisms designed to safeguard and promote the interests of small states like our own. In such a world there are numerous forces that are able to erode sovereignty and security and we must be ever conscious of their existence.

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Many of the forces that shape developments in our part of the world will be well beyond our control. However much we may prefer it to be otherwise, Bhutan's future will be inextricably linked to political and economic developments in the sub-region and to developments within, and evolving relationships between, the region's emerging superpowers. Although developments in the external environment may impact positively or negatively upon us, we must accept that, even though we will deliberately pursue policies that provide for collateral security and will seek to defend and promote our interests in sub-regional and regional fora, the influence that we will be able to exert on external developments is bound to be limited.

The Kingdom's relationships with India will remain of primary importance. The contribution made by India to the Kingdom's development can be expected to lessen in the years ahead, with the Indo-Bhutan relationship maturing into one that gives increasing importance to trade and economic transactions within the framework of new bilateral and sub-regional agreements. The export of hydropower and other goods to India will mean that our economy will continue to be inextricably entwined with that of our neighbour and, by extension, to the global economy.

3. GUIDING PRINCIPLES

Our relative inability to influence changes in the external environment only serves to reinforce the importance of fostering developments within our nation that are able to enhance our sovereignty and security. In this critically important area, we must be guided by six main principles: identity; unity and harmony; stability; self-reliance; sustainability; and flexibility.

- **Identity.** Our independence, sovereignty and security will continue to be dependent upon the assertion of our distinctive Bhutanese identity. This has provided the key to our survival as a nation state in the past and it will continue to be so in the future. This requires us to continue to articulate an unambiguous cultural imperative in all that we do and to actively promote an awareness and appreciation of the continued relevance of our cultural heritage. It also requires us to continue to stress the importance of *Dzongkha* as a national and unifying language. We must also recognize the importance of efforts that seek to maintain the relevance of our system of beliefs and values in a world of change, increased aspirations and rising expectations.

Our efforts to promote sovereignty and security must be guided by six main principles...

... the maintenance of our distinctive Bhutanese identity...

... the maintenance of unity and harmony...

□ **Unity and Harmony.** If we are to build the just and harmonious society consistent with our values, we must be tolerant and share our commitment to a distinctive Bhutanese path of development. Unity and harmony must be built on a foundation of mutual understanding and appreciation of differences, without which it will be impossible to reinforce our common sense of purpose and destiny. By the same token, we must be alert to forces that seek to destabilize and undermine our security and to sow the seeds of social discontent.

... ensuring stability...

□ **Stability.** Stability is a requirement for sovereignty and security, as evidenced by the many disasters and human tragedies that have overtaken developing countries when this requirement could not be safeguarded. In Bhutan, this stability is guaranteed by the monarchy. It has not only played a decisive role in articulating the nation's approach to development and in steering it along the selected path; it has also sought to foster the unity and harmony without which development is made more difficult. The nation will continue to look to the monarchy for inspiration. As a small nation we must be thankful for a system that combines Buddhism and monarchy and for the stability guaranteed by a line of succession. Political stability is a prerequisite for the progress and prosperity of any country, but it is even more important for a small nation like Bhutan.

... promoting self-reliance...

□ **Self-Reliance.** For some nations, the principle of self-reliance is one they can choose to ignore. This is not the case for Bhutan. For us, self-reliance is an imperative necessity. Our dependence upon others for some of the basic necessities of life, for skills and experience, and for development financing creates vulnerabilities and dependencies that are inconsistent with sovereignty, security and national dignity. As a nation state, we are not yet able to stand firmly on our own two feet. Until such time as we are able to do so, we must continue to pursue policies that enlarge our self-reliance.

... ensuring that development is sustainable...

□ **Sustainability.** Sustainability has many dimensions - social, financial, economic, cultural and environmental - and they are all of critical importance in Bhutan since they all impact, directly and indirectly, on our sovereignty and security. Development will be socially unsustainable if it fails to promote harmony and justice. Development will be financially unsustainable if it results in investments we can ill-afford or in untenable increases in our debt service obligations to foreign institutions. Development will be economically unsustainable if it fails to contribute to greater self-reliance and to sustainable improvements in standards

of living and the quality of life. Development will be culturally unsustainable if it contributes to an erosion of our identity and independence. And development that is environmentally unsustainable will result in economic and social insecurity that could result in tensions that would frustrate efforts to build a just and harmonious society. The principle of sustainability must pervade all our thinking on the future development of the Kingdom.

- **Flexibility.** Development and change is by definition a dynamic process and, as the speed of change accelerates, we will need to demonstrate flexibility if we are to respond fully and effectively to the many challenges that confront us in the years ahead. This flexibility must find expression in our capacity to take full advantage of possibilities and opportunities as they arise as well as in the readiness to question traditional ways when they are perceived as constituting an impediment to change. Flexibility not only implies the ability to distinguish between the positive and negative forces of change but also the capacity to adapt to change and to social innovation.

... and demonstrating flexibility and the capacity to adapt to change.

4. OUR CENTRAL DEVELOPMENT CONCEPT: THE MAXIMIZATION OF GROSS NATIONAL HAPPINESS

The guiding principles for the future development of our nation and for safeguarding our sovereignty and security as a nation state must be complemented by a single unifying concept of development that enables us to identify future directions that are preferred above all others. This unifying concept for the nation's longer-term development is already in our possession. It is the distinctively Bhutanese concept of the Maximization of Gross National Happiness, propounded in the late 1980s by His Majesty King Jigme Singye Wangchuck. Although His Majesty's formulation made it possible for us to incorporate the concept as the foundation for the nation's approach to development, some of the underlying principles have guided our nation's development over a much longer period of time.

The concept of Gross National Happiness, conferred upon the nation by His Majesty King Jigme Singye Wangchuck, is our central development concept.

The concept of Gross National Happiness was articulated by His Majesty to indicate that development has many more dimensions than those associated with Gross Domestic Product, and that development should be understood as a process that seeks to maximize happiness rather than economic growth. The concept places the individual at the centre of all development efforts and it recognizes that the individual has material, spiritual and emotional needs. It asserts that spiritual development cannot and should not be

defined exclusively in material terms of the increased consumption of goods and services.

In our view, gross domestic product is an inadequate indicator of development. Despite the importance accorded it, it is nothing more than a measure of the money that changes hands. It is insensitive to, for example, social problems and natural resource depletion. With this measure of 'development' it is possible for a nation's GDP to increase rapidly while its natural assets are rapidly exhausted, undermining sustainability and even the very survival of the nation. Similarly, a country can become 'richer' as a consequence of the money that has to be devoted to combatting crime, drug addiction, marital breakdown and other social afflictions.

The key to the concept of Gross National Happiness cannot be found in the conventional theories of development economists and in the application of such measures as utility functions, consumption preferences and propensities, and desire fulfillment. It resides in the belief that the key to happiness is to be found, once basic material needs have been met, in the satisfaction of non-material needs and in emotional and spiritual growth. The concept of Gross National Happiness accordingly rejects the notion that there is a direct and unambiguous relationship between wealth and happiness. If such a relationship existed, it would follow that those in the richest countries should be the happiest in the world. We know that this is not the case. This marginal increase has also been accompanied by the growth of many social problems as well as such phenomena as stress-related diseases as well as suicides - surely the very antithesis of happiness.

We are also conscious of the growing disenchantment in other countries with conventional indicators of development. New indicators, such as the Index of Sustainable Economic Welfare and the Index of Genuine Progress have been developed to redress perceived flaws in the way in which development has traditionally been measured. The application of these indicators in industrially advanced countries shows that much of what in the past has been regarded as economic progress, as measured by the nation's GDP, can be attributed to the need to address past blunders and to arrest social decay. From the application of these indicators it is possible to conclude that much of what is often referred to as 'growth' can be shown to be uneconomic.

It should be stressed that the concept of Gross National Happiness does not reject economic growth as being unimportant. On the contrary, such growth is a precondition for safeguarding our independence, enlarging our self-reliance, increasing standards of living and enlarging the opportunities

Gross National Happiness does not regard economic growth as being unimportant. On the contrary, it is an important means for achieving higher ends. The challenge is one of finding the balance between material and non-material dimensions of development.

Gross National Happiness must be translated into objectives if it is to guide the Kingdom's future development

and choices of our people. It does stress the importance of continuing to seek a balance between material and non-material components of development - between *peljor gongphel* and *gakid* - and of ensuring that non-material aspects are not overwhelmed by the negative forces of modernization.

Nor is the concept of Gross National Happiness a static one. We have not found it difficult to incorporate ideas and principles where they have enabled us to give still firmer substantive content to the concept. This has been especially so in the case of principles and targets relating to human development. International declarations relating, for example, to the rights of all to education and health have been wholly consistent with our approach to development and we have incorporated their targets into our development planning.

5. MAIN DEVELOPMENT OBJECTIVES

The concept of Gross National Happiness must be translated into objectives that are able to give direction to the Kingdom's longer-term development. The multi-dimensional character of the concept lends itself to many priorities, and these will need to be enumerated and elaborated in detail, as they have been in the past, in our planning documents, as well as adjusted to take account of changing realities. However, some of the priorities are clearly more important than others.

The most important can be subsumed under five thematic headings that provide us with powerful objectives for steering the process of change. These objectives we can summarize as human development, culture and heritage, balanced and equitable development, governance, and environmental conservation. These five main objectives not only give very tangible expression to the central tenets of Gross National Happiness, they also embody the guiding principles that have been identified as being of decisive importance in ensuring our future independence, sovereignty and security. As such, they acquire a special significance in elaborating preferred directions for the Kingdom's future development.

Human Development.

- *To maximize the happiness of all Bhutanese and to enable them to achieve their full and innate potential as human beings.* This is to be achieved within the framework of traditional values and ethics and of concerted efforts to achieve sustainable improvements in standards of living, the quality of life, and levels of well-being and welfare. The framework must also provide for expanded choice and

*There are five
main
objectives
covering...*

*.... human
developmen...
.....*

opportunity consistent with the greater self-reliance of both the nation and of individuals, families and communities.

Culture and Heritage

- *To articulate an unambiguous cultural imperative in the nation's future development that not only recognizes, promotes and inculcates an appreciation and awareness of the importance of the nation's rich cultural heritage and its continued value as a rich fund of social philosophy but also its role in meeting spiritual and emotional needs, in maintaining our distinctive identity, and in cushioning us from some of the negative impacts of modernization. This requires that the value of our cultural heritage be interpreted in dynamic and development-oriented ways so as to ensure that it maintains its relevance as a source of values and inspiration for a society in transformation.*

... culture and heritage...

Balanced and Equitable Development

- *To ensure that the benefits of development are shared equitably between different income groups and regions and in ways that promote social harmony, stability and unity and contribute to the development of a just and compassionate society. This requires special measures in support of disadvantaged and vulnerable groups as well as efforts to ensure that those who have been largely bypassed by the benefits of development are drawn more fully into the mainstream of the development process.*

... balanced and equitable development...

Governance

- *To further develop our institutions, human resources and system of governance in ways that enable us to reduce our dependence on others, to manage an increasingly complex process of development, and enlarge opportunities for people at all levels to participate more fully and effectively in decisions that have a bearing on their lives and livelihoods and the future of their families, communities and the nation. Institutional development must embody a commitment to the principles of morality in government and of ethical behaviour in the conduct of public affairs. It must also promote transparency and accountability, and be supported by the force of law that, while embodying a commitment to universal values, gives tangible expression to the distinctive features of Bhutanese culture and society.*

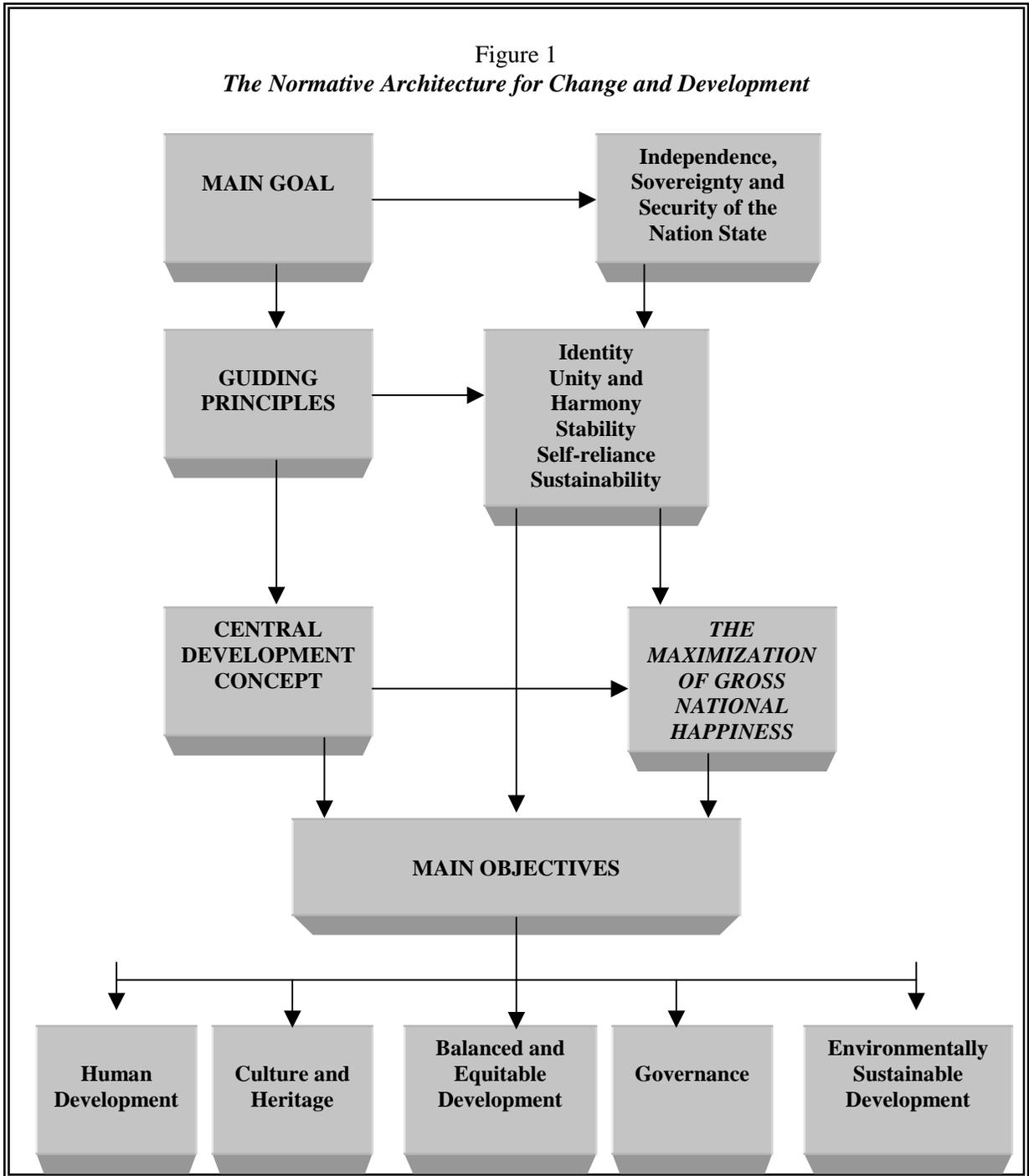
... governance...

Environmental Conservation

- *To ensure that the choices made in response to the many challenges that confront the nation embody the principle of environmental sustainability and do not impair the biological productivity and diversity of the natural environment. This should be regarded as a development asset with a global significance to be protected and conserved in the interests of present and future generations.*

*... and
environmental
conservation.*

The normative architecture for the Kingdom's future change and development is shown schematically in Figure 1.



THE WAY AHEAD

We must harbour no illusions about the magnitude of the task we are setting ourselves. We must recognize that there are forces arrayed against Bhutan as it seeks to safeguard its sovereignty and identity and to implement an approach to development that falls outside the development orthodoxy. Many of these forces will be positive and we must welcome them. They will enable us to maintain the pace of our social and economic transformation and to raise the standards of living and quality of life of our people. Many others will be antithetical to the values we seek to conserve and to build upon.

Our starting point must be a conscious acceptance of the fact that in choosing to participate in a globalizing world system dedicated to moulding the world in its own image we have to take the good with the bad. We have opened the doors to these powerful forces of change and we are no longer able to close them, even if we wanted to, and to revert to a world in which we choose to isolate ourselves from events around us. Instead, we must be alert to the negative impacts and to the inevitable tensions that exist between indiscriminate forces of modernization and the conservation of our distinctive Bhutanese identity. The challenge is to find and strike the right balance and to exercise the wisdom and imagination that enables us to maximize gains while minimizing the negative and disruptive impacts.

This will be an immensely difficult task, but we are not without tangible assets. Our beliefs and values, so deeply rooted in the perceptions and behaviour of our people, provide us with the prisms through which we will continue to interpret the world and to distinguish between positive and negative forces of change. If we are less than entirely successful, it will not be because of the lack of commitment to the values we hold dear and to the path we have set for the future development of the Kingdom.

Although we can look ahead from a position of strength, we should have no illusions about the path we have set for ourselves.

We must be ever alert to the tensions that are bound to arise between our distinctive Bhutanese identity and the negative impacts of indiscriminate modernization.

Population policies must...

Chapter 4

HUMAN DEVELOPMENT

1. POPULATION GROWTH

Reducing the current rate of population growth has been identified as a priority that impacts on many other aspects of development. Population reduction targets for the next two decades have already been set and the task is now to ensure that they are achieved. Although the reduction targets are undeniably ambitious, many of the elements of the policies required to achieve the targets are already in place. However, future policies must be guided by five main requirements.

- *First*, because current policies aimed at promoting smaller families at present tend to be more effective in urban areas than in rural areas, they must be extended to the whole nation through appropriate channels, especially channels aimed at promoting reproductive health.

Population policies must

...be extended to cover the whole Kingdom...

... include population education programmes...

... deliberately target Dzongkhags with the highest rate of population growth...

Priority Area: Population MILESTONES

- | | |
|---|--------------------------------|
| • Reduce population growth rate to 2.08 % per annum | 2002(End 8 th Plan) |
| • Reduce population growth rate to 1.63.% per annum | 2007(End 8 th Plan) |
| • Reduce population growth rate to 1.31% per annum | 2012(End 8 th Plan) |

Main Policy Instruments

- | | |
|---|----------|
| • Royal Decree on Family Planning, 1995 | Existing |
| • National Population Policy | Proposed |

- *Second*, population policies should take special account of the perceptions existing at the household level in large parts of rural Bhutan that are increasingly affected by labour shortages that population growth does not constitute a problem. Rapid depopulation of rural areas is not necessarily linked in the minds of rural households with population pressures that can only be understood at the national level. Such attitudes can only be addressed by population education and awareness programmes that are

able to reach the farm level where the households targeted by programmes may be composed of mainly illiterate people

- *Third*, because population growth rates differ within the Kingdom, concerted efforts will be required in the relatively small number of *dzongkhags* with the highest growth rates, with the aim of first containing and then reversing them.
- *Fourth*, population education programmes must not be confined to women of child-bearing age but increasingly extended to target males, who share and sometimes dominate in decisions on reproductive health and on methods of contraception, as well as adolescents and young people with the aim of engendering responsible attitudes in sexual relations, building on the progress already recorded in this area.
- *Fifth*, in recognition of the many and often complex relationships existing between population growth and social and economic development, greater attention must be given to achieving positive synergies between policies and programmes in the fields of health, nutrition, employment, basic education and reproductive health, including family planning. To help achieve these positive synergies, we will give priority to the formulation of a comprehensive and long-term Population Policy during the Eighth Plan period, which will be used to refine policies for implementation in subsequent Plan periods. The implementation of the Population Policy will need to be supported by the strengthening of capacities to undertake policy-relevant research on population issues, the results of which can be expected to contribute to the further elaboration of policy and programme instruments as well as evaluation and monitoring mechanisms.

... target men and young people as well as women..

... and seek to achieve positive synergies with policies and programmes in other areas.

2. BASIC EDUCATION

Access to basic education has become the inalienable right of all Bhutanese and it is the key to most of the nation's ambitions. The rapid progress recorded in this area must be maintained with the aim of achieving universal enrolment at the earliest opportunity. Universal enrollment in primary education and junior high schools (Class 8) is now within our reach. Although universal enrollment at high schools will take longer, it is a target that must be pursued with the greatest urgency.

Our future strategies for basic education must be further refined and developed with high priority being accorded to achieving progress in the following areas.

Priorities for future education policies should be defined to include...

... improving access to education...

...improving the quality and relevance of education...

- *First*, basic education is not yet available to everyone and it must be further extended to cover the remotest parts of the Kingdom and all our young people. If necessary, our teachers must be provided with appropriate incentives to work in remoter areas.
- *Second*, the expansion of the coverage of basic education must be accompanied by further determined efforts to achieve an improvement in the quality of basic education. The Bhutanization of the primary school curriculum is now very largely completed, but we still have some way to go before we have completed the Bhutanization of the curricula at junior high schools and high schools. Our efforts to achieve improvements in the quality of education must meet several requirements, notably:
 - They must be guided by an holistic concept based upon the total development of the child and the need to ensure that the innate potentials of each and every child are fully realized. This concept must be progressively applied throughout the nation, and differentials that exist in the quality of education in urban centres and rural areas must be progressively removed.
 - They must inculcate an awareness of the nation's unique cultural heritage, drawing upon sources of inspiration that date from the time of the Shabdrung as well as universal values that develop the capacity of our young people to distinguish right from wrong, good from evil, and to lead lives that are guided by moral and ethical choices.
 - They must prepare young people for the world of work and inculcate an acceptance of the dignity of labour. This implies increased importance to the applied and practical studies that are able to prepare young people for technical and vocational work as well as 'white collar' employment, breaking the association that appears to exist in the minds of many young people that manual work and skilled trades are the reserve of the illiterate and a sign of 'backwardness'.
 - Related to the above, greater efforts are required to highlight the importance of agriculture as an occupation. This requires us to present agricultural work in a more sophisticated and development-oriented way, stressing the growing potentials that exist within the sector. This may encourage our children and young people to form a

picture of agriculture that differs from the one they may at present see around them.

- The Bhutanization of school curricula should not be seen as a 'one-shot' operation. Curricula must be made the subject of continuous monitoring and review, with adaptation taking place swiftly in response to changing needs and development priorities.
- They must be accompanied by the expansion of technical and vocational training programmes at the *dzongkhag* level, with appropriate career counselling services, that provide opportunities for dropouts to join the world of work.

- *Third*, the attainment of the above will be dependent upon our capacity to train teachers who are not only highly professional in their approach to education but also motivated and dedicated to the profession they have chosen. Teachers have a vitally important role to play in inculcating in our children and young people an understanding and appreciation of our culture and heritage. They must also be able to guide and motivate young people in their career choices and, given that some young people will have aspirations that are greater than their abilities, possess the skills required for early streaming. This implies that the development of a more holistic approach to the development of the child will be impossible without a teacher-centred approach to basic education. This has enormous implications for teacher training and for the knowledge and skills that they require.

... recognizing the vital role to be played by teachers and enabling them to meet the many demands on them...

- *Fourth*, we must intensify our efforts in the area of educational innovation, taking advantage of new technologies that were previously unavailable to us. New information technologies are facilitating the introduction of distance learning programmes that are not only able to respond to the learning needs of dropouts but also of illiterates who are too old to have benefitted from the advantages of a modern system of education. Looking further ahead, we must prepare ourselves now for the opportunities provided by new information technologies for distance education, with the possibilities that Bhutanese can be enrolled in the programmes of foreign universities without ever having to leave their homes. We must take full advantage of new opportunities to introduce a system of continuous education that is responsive to the needs of communities, groups and individuals. This requires us to develop more dynamic models that provide for multiple entry and exit points to a variety of courses and learning

... promoting innovation in ways that take full advantage of new technologies...

opportunities that go beyond the traditional boundaries set by existing institutions.

**Priority Area: Health and Education
MILESTONES**

- | | |
|---|---------------------------------|
| • Achieve universal primary school enrolment | 2002 (End 8 th Plan) |
| • Achieve full enrolment at Junior High School (Class 8) | 2007 (End 9 th Plan) |
| • Achieve full enrolment at High School (Classes 10) | 2012(End 10 th Plan) |
| • Achieve full Bhutanization of secondary school curricula | 2007(End 9 th Plan) |
| • Introduction of distance education programme | 2007(End 9 th Plan) |
| • Achieve full adult literacy | 2017(End 11 th Plan) |
| • Reduce IMR to current average for all developing countries | 2007(End 9 th Plan) |
| • Reduce MMR to current average for all developing countries | 2017(End 11 th Plan) |
| • Reduce U5MR to current average for all developing countries | 2007(End 9 th Plan) |
| • Achieve average doctor/population for developing nations | 2007(End 9 th Plan) |
| • Increase life expectancy to average for developed nations | 2012(End 10 th Plan) |
| • Introduction of operational telemedicine | 2002(End 8 th Plan) |
| • Introduction of operational system of private health care | 2007(End 9 th Plan) |
| • Establishment of National University | 2007(End 9 th Plan) |
| • Establishment of Deothang Engineering College | 2002(End 8 th Plan) |

Main Policy Instruments

- | | |
|--------------------------------|----------|
| • Health Trust Fund | Launched |
| • Health Sector Master Plan | Launched |
| • Education Sector Master Plan | Proposed |
| • Youth Trust Fund | Launched |

□ *Fifth*, steps must now be taken to privatize education. Education has so far been provided free of charge to all Bhutanese and this imposes a major burden on the government exchequer. There are growing numbers of Bhutanese who can now realistically be expected to meet some of the costs of education. Initiatives that lead to the establishment of private schools should be further encouraged . The development of private schools will free resources that can be used to achieve improvements in both the coverage and quality of the basic education that is provided by the state.

...securing a reduction in the costs of education...

□ *Sixth*, we must take steps at the earliest feasible opportunity to establish a National University that is not only able to meet national needs but also those of individuals from neighbouring countries and even further afield. The university should link Bhutan to the international world of learning and its

... and establishing a National University at the earliest feasible opportunity.

establishment should be guided by the need to establish recognized 'centres of excellence'

2. HEALTH

As in the field of basic education, this is an area in which we have recorded considerable progress and where the pace of change must be maintained. In the space of a few decades we have developed a decentralized system of health care composed of a national referral hospital, regional referral hospitals, district referral hospitals, Basic Health Units and Out-Reach Clinics, supported, at the grassroots level, by more than 1,000 trained Village Health Workers. Our priorities for the future must include the following:

- *First*, as in the case of basic education, we must ensure that primary health care services are further extended to reach those living in the remotest parts of the nation. This requires us to give high priority to the establishment of Outreach Clinics in these areas and to the training of Village Health Workers who are able to provide basic care.
- *Second*, we must seek to achieve further improvements in the quality of health care. These improvements must include not only primary health care but also our many Disease Control Programmes (covering immunization, tuberculosis, respiratory diseases, diarrhoeal diseases, leprosy, eye disorders, HIV/AIDS and STDs) and specialized institutions (notably the Royal Institute of Health Sciences, the National Institute of Family Health, and the National Institute of Traditional Medicine). These improvements must find expression in the ambitious targets we will continue to set for the health sector, including targets for infant mortality, under-five mortality, maternal mortality and life expectancy at birth.
- *Third*, improvements in the quality of health care require us to develop new or strengthen existing programmes that respond to the needs of special groups, including the disabled, the elderly, and the emotionally disturbed and mentally ill.
- *Fourth*, we must continue to provide a place for traditional medicine in our system of health care. Traditional medicine embodies knowledge that has been accumulated over centuries and which draws

... the development of new programmes that respond to the needs of special groups...

...actively promoting traditional medicine that draws upon the Kingdom's rich biodiversity...

...achieving positive interactions with policies and programmes in other areas...

... securing a reduction in the costs of health care...

... the training of Bhutanese health ...

upon the nation's rich biodiversity and of plants with proven medicinal qualities. As these qualities become substantiated by scientific research, there is a growing need to integrate more effectively traditional medicine with the modern system of health care. The maintenance of traditional medicine not only adds dimensions to the nation's system of health care, providing an alternative for those who seek one. It should also be regarded as a conscious decision to conserve a part of our rich and varied cultural heritage.

- *Fifth*, still greater attention must be given to issues that can only be effectively addressed in a multi-sectoral context. Such issues include population reduction, where measures must be linked to those in the field of education, nutrition, and employment creation for women as well as men. The guiding principle must be to maximize positive synergies between programmes in different areas and across sectors.
- *Sixth*, we must address the issue of sustainability and the very high cost of providing free health care to a highly dispersed and scattered population. This requires us to:
 - Introduce innovative methods of financing primary and specialized health care, such as the Health Trust Fund that has been established.
 - Introduce user fees for medical services for those who are able to meet some of the costs of health care, starting in urban areas, with the necessary safeguards designed to ensure that fees are linked to people's ability to pay and that the principle of free health care is not jeopardized.
 - Progressively privatize health services so that the growing number of people who are able to pay for the full costs of health care no longer receive it free of charge, with the introduction of supporting private health insurance.
- *Seventh*, we must continue to give very high priority to the training of health personnel to reduce our dependence on expatriates and to ensure that the health of Bhutanese is in the hands of Bhutanese.

- *Eighth*, we must take full advantage of new technologies that enable us to introduce, at the earliest feasible opportunity, such concepts as telemedicine. Based at present upon the rapidly expanding system of telecommunications, this will be greatly facilitated in the future by the introduction of national television. Telemedicine is particularly appropriate for Bhutan's decentralized system of health care, with telemedicine providing opportunities to link referral institutions for the rapid diagnosis and treatment of illness and disease. Such developments would enable us to take fuller advantage of the skills of medical specialists and would contribute not only to the quality of health care but also to its cost-effectiveness. Looking even further ahead, we should not ignore the possibilities provided by telemedicine for self-diagnosis and treatment of illness that can follow as a consequence of the growth of modern telecommunications.

... taking full advantage of new technologies...

... establishing a new hospital that draws upon our natural endowments and is able to cater to an international target group.

4. ECONOMIC GROWTH AND DEVELOPMENT

If we are to maintain the momentum of development we must continue to give high priority to the growth of the nation's economy. The nation's economic structure is still narrow and shallow and determined efforts must continue to be made to diversify the economy so as to reduce vulnerabilities, promote self-reliance and to generate productive employment. The decisions we will make in the years ahead on economic policy and economic diversification will leave an indelible imprint on our nation and they will impact, positively and negatively, on the policies we set out for all other sectors.

Policies for future economic growth should take fully into account the nation's comparative advantages. These exist in...

Policies for economic growth must take account of a nation's comparative advantages. These we have defined to include:

- *The production of hydropower.* Only a small percentage of the nation's potential for hydropower production, estimated at 20,000 MW, has so far been tapped and further potentials are almost unlimited. These potentials can be exploited through run-of-the-river technologies, with few negative impacts for the natural environment. Developments are guided by a Hydropower Masterplan that covers the period up to 2010. Under the provisions of the Plan, 400 MW of hydropower have already been installed and

... the production of hydropower...

an additional 1,200 MW are at various stages of construction. It would not be difficult for us to install additional capacity and to generate 2500 MW by the year 2017. Given that India's power shortage is currently estimated at around 60,000 MW, we can assume that there is a large and unsatisfied market for the power that we can produce cheaply and in an environmentally sustainable manner.

- *Natural resource-based processing industries.* The cheap hydropower we are able to produce gives us a distinct comparative advantage in the development of natural resource-based industries oriented towards the sub-regional market. Already, particle board, ferro-silcon and calcium carbide have captured large markets in India, we are also among the major suppliers of cement to Assam. Potentials for the further development of resource-based industries appear very substantial and experience suggests that major new industries can often be created within 24 months of cheap power becoming available.

... natural
resource-based
processing
industries...

- *Horticulture development.* Horticulture has been identified as an area in which Bhutan possesses clear regional and seasonal comparative advantages in the cultivation of both temperate and sub-temperate fruits and vegetables. It has been accorded priority as a means of raising the cash incomes of farmers, generating export revenues and for achieving an improvement in the nutritional status of the rural population.

... horticulture...

- *Off-farm employment and rural industrialization.* The reduction in population pressures in rural areas, occasioned by rural urban migration, will facilitate land consolidation that will, in turn, facilitate agricultural mechanization and modernization. This will result in increased farm incomes that can be invested in rural areas to create off-farm employment and to promote rural industrialization. Both will offer employment alternatives to work in the RNR sector in rural areas as well as contribute to the economic diversification of rural economies.

... off-farm
employment and
rural
industrialization...

- *Niche markets.* Although Bhutan is unable to compete with neighbouring countries in the production of basic consumer goods, the very size of the regional market, more than 1 billion people with a growing middle class, suggests that there may be

... niche markets...

niche markets that can be successfully exploited by enterprising Bhutanese.

... small and

- *Small and cottage industries.* This has been identified as another priority area with programmes already in place aimed at enlarging access of small-scale producers to technology, credit and markets so as to enable them to produce profitably for the domestic market, with the priority dictated more by the need to maintain our rich craft tradition and to create productive employment than to capture export markets.

cottage industries

- *Tourism.* The nation's tourism potentials are recognized as being very considerable, and this potential must be explored in the future. There is higher advantage in this sector as there is only one Bhutan to be explored by others. The above suggests that Bhutan possesses potentials and comparative advantages in a sufficient number of areas to ensure the maintenance of economic growth and economic diversification, although questions remain about the capacity of the industries to generate the jobs that must be created in the next two decades. It also raises broader questions concerning the longer-term development of the nation's economic structure and the quality of the transformation that is envisaged.

... and tourism.

We have yet to address the question of the 'image' we seek to project to the world. This image should be one that takes fully into account our natural resource endowments and the distinctive features of Bhutanese society. Such an 'image' could appropriately referred to as 'sophistication and civilization'.

It would not be difficult for us to project an image to the world that we might refer to as *sophistication and civilization*. *Sophistication* would give expression to the type of economic activity we wish to promote, linked to our natural resource endowments, while *civilization* would refer specifically to the distinctiveness and uniqueness of our cultural heritage. Activities derived from the notion of *sophistication and civilization* could include:

An industrial development strategy based on the notion of 'sophistication and civilization' should find place for...

- Environmentally 'clean' products, such as spring water, organically produced agricultural products, vegetable dyes, aromatic substances, essential oils, herbal pesticides, homeopathic and herbal medicines, and handicrafts that make use of natural products as well as traditional skills. Most of these products would be high value/low bulk products that would be marketed in industrialized countries, stressing that they were produced in an environment that was among the least polluted to be found anywhere in the world.

... environmentally clean products...

- Products based upon our rich biodiversity. Although this biodiversity has yet to be mapped in detail (phyla, genus, species and sub-species), it is known to be particularly varied and rich. Some 5,000 species of plants have so far been identified; there are more than 300 varieties of grasses and fodder trees; more than 118 varieties of rice; and 48 varieties of rhododendron, most of which grow wild. This biodiversity provides us with an enormous potential for the export of clean and uncontaminated seeds and plants as well as gene plasma based upon scientific methods of bioprospecting. These potentials open the door to 'high tech' industries, such as bioengineering and gene technology.

**Priority Area: The Economy and the Productive Sectors
MILESTONES**

- | | |
|---|----------------------------------|
| • Installation of 2000MW of hydropower | 2012(End 10 th Plan) |
| • Installation of 2500MW of hydropower | 2017(End 11 th Plan) |
| • Increase share of manufacturing sector to 30% of GDP | 2012 (End 10 th Plan) |
| • Achieve a three-fold increase in real income of farmers | 2012(End 10 th Plan) |
| • Increase the value of horticultural exports by 200% | 2007(End 8 th Plan) |
| • Increase the value of horticultural exports by 300% | 2012(End 10 th Plan) |
| • Increase the contribution of tourism to 25% of GDP | 2017(End 11 th Plan) |
| • Achieve 100% increase in revenues from tourism | 2012(End 10 th Plan) |
| • Achieve 150% increase in revenues from tourism | 2017(End 11 th Plan) |
| • Develop and establish a comprehensive IT strategy | 2002(End 8 th Plan) |

Main Policy Instruments

- | | |
|--|-------------------|
| • Hydropower Development Master Plan (1990-2010) | Existing |
| • Horticulture Master Plan | Existing |
| • Master Plan for Cottage, Small and Medium Industries | Existing |
| • Tourism Master Plan | Under preparation |
| • Industrial Development Master Plan | Under preparation |
| • Long-term Strategy for the Development of the Private Sector | Proposed |

- High quality health centres and spas that take advantage of clean air and spectacular scenery and which are able to respond to the demands of wealthy patients drawn from the sub-region and beyond.

... high quality health centres....

... educational 'centres of excellence'...

- Educational centres of excellence that provide opportunities for reflection, catering to the needs of academics, scholars and writers drawn from the world community who would choose to spend time at institutions in an environment that nurtures creativity.
- The enormous opportunities that exist in the IT and related field should be encouraged and promoted. The first priority is to prepare the IT strategy which should be completed very soon. The private entrepreneurs, institutions, schools and other interested individuals should be supported in the promotion of this important technology.
- Cultural tourism, eco-tourism and adventure/sports tourism (rafting, canoeing, climbing) that are similarly based upon the nation's natural beauty, biodiversity and unique and distinctive culture must be pursued.

... and special forms of tourism.

Some of these activities we undertake today. For others it is necessary to think in terms of a decade or two. But they all entail choices that differ in important respects from those available to us today, suggesting that our options may be larger and richer than we sometimes imagine. Moreover, we need to acknowledge that some of the areas in which we have already identified a comparative advantage may not be entirely compatible with an image of *sophistication and civilization*. This would apply in particular to some types of natural resource-based processing industries and some types of horticultural production, especially those that rely on pesticides and chemical fertilizers.

When such activities are taken into account, our options for economic and industrial development appear larger than is sometimes imagined.

The above suggests that there are choices that we are still required to consider trade-offs and avenues that we must still explore. The choices made carry many implications for policies in other important fields, such as education and human resources development, foreign investment regulations, and policies for promoting private investment in desired directions.

These choices will be explored during the process of preparing an Industrial Development Masterplan that will be used to guide the nation's longer-term industrial development.

5. THE ROLE OF THE PRIVATE SECTOR

Whatever the choices and trade-offs that are finally made, we must ensure that the private sector becomes a more active partner in the nation's future development. However, we must recognize that the response of the private sector to liberalization has so far been sluggish, that the private sector is still at an embryonic stage, with activities dominated by several large enterprises, and that perceptions of work within it, especially among our young people, are not always positive. This means that we must work with the private sector to:

- Remove impediments and obstacles to its further development, with highest priority being given to the simplification of licensing arrangements and the introduction of unambiguous commercial law.
- Introduce measures that increase the attractiveness of the private sector especially to our young people as a place of work, including the regulation of working conditions and terms of employment. There are potentially thousands of jobs that can be created through the progressive Bhutanization' of the private sector labour force.
- Create opportunities for small businesses to flourish and promote arrangements that link larger enterprises with smaller ones through sub-contracting and other arrangements with the aim of developing inter-industry linkages and deepening the nation's industrial structure.
- Encourage the private sector to look beyond service-oriented activities that promise immediate returns to longer-term investments that take advantage of opportunities existing both inside and outside the country.
- Improve the access of private sector firms to capital, technology and know how, including the strengthening of the fledgling stock exchange by opening the door to, for example, foreign direct investment, and the formation of joint ventures with foreign enterprises.

Foreign investment will only be encouraged in the areas that it will contribute to the attainment of broader objectives, with highest priority being given to foreign investment that enables us to acquire the technologies

The private sector must become a more active partner in the nation's future development. New initiatives are required that...

...address impediments to private sector growth..

... increase the attraction for our young people of work in the private sector...

... expand opportunities for small businesses...

... encourage enterprises to look to the longer-term..

... and enlarge access to capital, technology and know-how.

We will continue to adopt a cautious approach to foreign direct investment, actively promoting it only in those areas that it is able to contribute to the attainment of development objectives.

required for our further economic and industrial development and which results in the sustainable creation of high quality employment and the proper transfer of the skills and knowledge required to fuel the nation's further development.

Direct foreign investment will be encouraged in projects that will have 80 % export potential of its production and also earns in hard currency.

5. TRANSPORT, COMMUNICATIONS AND INFORMATION

The further development of our physical infrastructure is a prerequisite for the attainment of objectives in almost every other area. It impacts on the lives of individuals and local communities; it integrates different parts of our nation; it links the Kingdom with the outside world; and it has a direct bearing on the maintenance of the sovereignty and security of our nation state. Because of its manifold impacts and the often long gestation periods, policies in respect of physical infrastructure must necessarily be long term in orientation and be derived from priorities established for the nation's future economic and social transformation.

In the area of **surface transport**, our priorities for the next two decades must be defined to include the following:

Policies for surface transport should stress....

- The further development of the network of national trunk roads. Although it has undergone major improvements in recent years, the network is still limited in terms of coverage and it is unable to meet the growing demands for larger and heavier vehicles. The dependence of the nation on a single east-west highway should be regarded as a matter of concern since the absence of an alternative greatly adds to the vulnerability of the nation and impairs its security. While the further development of the national highway network must be guided by economic considerations, future planning should not be indifferent to the location of isolated but important historic, cultural and religious sites and to the need to bring them closer to population groups who, like the elderly, may be denied access to them.
- The further development of the network of district and feeder roads. This is essential for bringing communities out of their isolation, expanding their

... the further development of the national network of trunk roads...

... the further development of district and feeder roads...

access to essential services and markets, enlarging their opportunities and choices, and creating conditions required to promote rural industrialization. The demand for roads in rural areas is understandably high. We will need to accept that it will be impossible to justify all new roads constructed at the *dzongkhag* and *geog* levels on economic criteria alone. Our future road building programme will need to take account of other considerations derived from the principles of social justice and equity.

- The expansion of the road network must be accompanied by the further development of a safe, reliable and comfortable system of public transport. Experience tells us that these automatically follow in the path of road-building programmes and the emphasis will need to be placed on regulatory measures covering safety, convenience and fares.
- The development of 'dryports' at strategic locations on the border with India so as to facilitate both imports and exports. 'Dryports' make it possible to introduce such innovations as containerized freight, with improvements in efficiency that will be reflected in reduced travel times, damage and losses, thereby increasing the competitiveness of our exports as well as reducing the cost of imports.
- Ensuring that all proposals for the development of new physical infrastructure, especially roads, are subjected to detailed assessments of their likely environmental impacts. Given that some villages, located along muletracks, have become redundant when nearby roads have been constructed, the concept of assessment may in some cases need to be expanded to include an evaluation of the social impacts of new infrastructure projects.

... the expansion and improvement of public transport...

... the development of 'dryports'...

... the importance of environmental and social impact assessments...

Many of these priorities can only be properly pursued in close cooperation with our friendly neighbours. Given the friendly and constructive relations existing with our neighbours, we could also appropriately explore, as a longer-term option, the possibility of building a better communication links with them.

... and cooperation with our neighbours.

In the area of ***civil aviation***, our main priority must be the development of domestic air services based upon a growing system of regional airports, with highest priority being given to a regional airport serving eastern Bhutan.

This will not only greatly reduce travel times but also serve to promote such economic activities as tourism. Domestic aviation could incorporate helicopter services that will reduce demands for ground infrastructure, with such services also being available to meet other needs, such as medical evacuations from remote areas distant from the main road network.

We must continue to improve and strengthen our international airport to make it possible to operate larger aircraft in all-weather conditions. The airport must be equipped with freight facilities that will enable us to export high value/low bulk products to distant markets.

In the field of ***telecommunications***, our future strategies must also meet multiple objectives. They must bring telecommunications as well as postal services closer to the rural population. They must facilitate communication and exchange within the nation through the development of such services as email, internet and intranet. They must also further improve our contacts with the outside world, making it possible for us, at an appropriate time and following the introduction of appropriate standards, to access the 'information superhighway' that will provide us with access to the same information and data as those residing in the technologically most advanced nations.

Priority Area: Transport and Communications
MILESTONES

- | | |
|---|---------------------------------|
| • Ensure that 75% of rural population live within half-day's walk from nearest road | 2012(End 10 th Plan) |
| • Upgrade current national trunk roads to take 30 ton trucks | 2007(End 9 th Plan) |
| • Construction of a 'dryport' at Phuentsholing | 2002(End 8 th Plan) |
| • Construction of second 'dry port' at Gaylegphu | 2004(End 9 th Plan) |
| • Construction of third 'dry port' at Samdrup Jongkhar | 2007(End 9 th Plan) |
| • Completion of second transnational highway | 2017(End 10 th Plan) |
| • Introduce domestic air services | 2002(End 8 th Plan) |
| • Improved external airlinks established with full ILS capacity | 2017(End 11 th Plan) |
| • Introduction of fully operational 'intranet services' | 2000(8 th Plan) |
| • Introduction of fully operational email systems | 2000(8 th Plan) |
| • Introduction of fully operational access to Internet | 2000(8 th Plan) |
| • Ensure all major villages and settlements have their own post office | 2002(End 8 th Plan) |
| • Introduction of national television | 2000(8 th Plan) |

Main Policy Instruments

- | | |
|----------------------------------|-------------------|
| • Telecommunications Master Plan | Existing |
| • Postal Services Master Plan | Existing |
| • Road Sector Master Plan | Under preparation |
| • Surface Transport Master Plan | Under preparation |
| • Civil Aviation Master Plan | Proposed |

1. INTRODUCTION

Throughout this Vision Statement the importance of maintaining our distinctive path of development has repeatedly been stressed, as has the importance of articulating a clear cultural imperative in our development strategies. This imperative, which has been linked to our identity, sovereignty and even survival as a nation state, must find clear expression in the priorities and directions we set for the future. More than 350 years ago, Shabdrung Ngawang Namgyal realized that Bhutan's independence was dependent upon the formation of a distinct identity that would enable the nation to preserve its culture and religion in world that was hostile to its existence. Today, it is the culture and tradition bequeathed to us by our ancestors that can protect us from some of the negative and indiscriminate forces of modernization and enable us to retain our identity and dignity in a world in which 'culture' is increasingly defined as a global commodity.

The maintenance of our distinctive Bhutanese identity is dependent upon the articulation of an unambiguous cultural imperative.

Culture is composed of tangible and intangible aspects that are founded on a complex set of values, norms and traditions. It finds tangible expression in our architecture and historical artefacts and in our rich tradition of folklore, myths, legends, customs, crafts, rituals, symbols, traditional sports, astrology, poetry, drama, song and dance. No less important, as a system of values and norms, it is reflected in our way of thinking, in our attitudes to the world and to life, how we perceive ourselves and others, and how we make moral and ethical choices and distinguish between what is wrong and right. It follows that our approach to culture and heritage must be based upon a holistic understanding and approach that transcends the boundaries traditionally used for development policies and planning.

Culture is an illusive concept that has tangible and intangible aspects and dimensions.

Culture is a living manifestation of civilization. Because it exists in the minds of people, it cannot be defined in static terms. If it is to continue to survive and flourish, to continue to serve as a source of inspiration, and to give spiritual, moral and psychological content and guidance to the Kingdom's future process of

Culture is a living manifestation of civilization. Because it lives in the minds of people it cannot be defined in static terms. If it is to retain its relevance and vitality, it must be understood in dynamic terms.

development, it must be understood in dynamic terms, and we must seek to ensure that it retains its value and relevance to a society in transformation. Without such efforts, our rich legacy could lose part of its value and, ultimately, become an unintended hindrance to change rather than a positive force and a source of inspiration, especially for our young people. This requires us to look forward as well as backwards in formulating future strategies.

The distinction made above provides the point of departure for the formulation of priorities. There is one set of priorities that relates to the past and to the full inventorization of our heritage and culture, and another set that looks more to the future and seeks to maintain the relevance and vitality of our rich heritage.

2. INVENTORIZACION OF OUR HERITAGE AND CULTURE

Despite the importance we have afforded to the preservation and promotion of our cultural heritage, the heritage has yet to be fully inventorized and documented. Our heritage covers not only historical sites, architecture and physical artefacts but also our rich tradition of folklore, traditional crafts, arts and sports. Much progress has already been made in this area but much more needs to be done. Part of our heritage resides in rich oral traditions that faces the danger of disappearing, which must be inventorized and recorded before they are lost forever. This process must draw upon modern information and documentation technologies that will enlarge access to our heritage in ways that promote scholarship as well as facilitate its dissemination and use in education and through the media.

Part of the nation's rich cultural traditions are to be found in the diversity that exists within the Kingdom. Although we share a common worldview and sense of purpose, cultural differences within the nation are considerable, with each ethnic group making its own distinctive contribution to our living past. There are differences in folklore, myths, legends, dance, poetry and crafts that together add richness to the nation's cultural tapestry. If the process of inventorization is to be complete, it must penetrate into the most inaccessible valleys of our mountain Kingdom.

We have yet to complete the full inventorization and documentation of our culture and heritage.

In inventorizing our heritage, we must recognize that...

... part of the Kingdom's rich cultural tradition resides in the diversity existing within the nation, with each group making its own distinctive contribution...

... we must listen to the layman and take stock of location-specific knowledge...

... and we must inventorize and understand what we have lost or are in danger of losing so that we can learn from experience.

The process of inventorization also requires us to listen to the layman and to take stock of the knowledge that may be specific to a single location and accessible only through oral traditions. Some of the insights obtained will not only add to our stock of knowledge and our understanding of our heritage, it could also serve very practical purposes. It could, for example, enable us to further improve the quality of agricultural and livestock extension services, ensuring that they are more firmly rooted in local experience and in traditional knowledge and skills.

We must not only record our assets but also those that we have lost. Such an understanding will enable us to learn from the past and to take remedial measures aimed at safeguarding existing assets.

3. THE CONSERVATION AND PROMOTION OF CULTURE AND HERITAGE

Programmes in this critically important area are spearheaded by the Special Commission for Cultural Affairs established by Royal Decree in 1985, and reconstituted in 1995 as the *Solzin Lhentshog*. Despite the many initiatives that have been taken, many more should be considered. Priorities for the future include the following.

The Education of Cultural Custodians

We must accept that many of our young people will be the products of an educational system that has encouraged the formation of questioning minds. They will have grown up in a society that may place a higher value on material goods and possessions and which is less insulated against some of the negative and disruptive impacts of modernization. If our culture and heritage is to continue to survive and flourish, our young people must understand and accept their role as custodians of a distinctive culture and the values and principles on which it is founded. Our heritage and culture must be seen to possess an intrinsic value and continue to provide them with a source of inspiration.

Our culture and heritage must remain a source of inspiration to our young people...they must learn to understand and accept that they are the future custodians of a rich and varied heritage.

Basic education has a critical role to play in this process and continuing efforts, building on the progress already

recorded, are required to inculcate an awareness and appreciation of the continuing and contemporary relevance of our culture and heritage to development of the individual, their families, their communities and the nation. We must continue with the renewal of educational curricula in ways that blend our worldview with scientific study. There is nothing inherently contradictory in this. However, it does require us to develop new messages, grounded in the norms of our educational system, and means of communication and dissemination that make use of modern technologies that are better understood by the young than the old.

Making Our Heritage Accessible

Many of the most important historical, religious and architectural sites in our nation are inaccessible and those who wish to visit them are often confronted with long and sometimes gruelling journeys. The inaccessibility of some sites often places them beyond the reach of the elderly and infirm. Greater efforts are required to document the location of important sites, their historical and religious significance, and the routes through which they can most easily be reached. We should have no hesitation in improving accessibility to some sites, even if this were to mean that the alignment of roads and tracks is based on cultural and religious criteria.

While improving the accessibility of our heritage, we must ensure that those who visit historical and religious sites demonstrate the respect that should be expected of them. We must also be prepared to place some of our most treasured and hallowed sites beyond the reach of the merely curious, enabling them to retain their mystery and to serve as a source of inspiration.

Conservation and Protection of Our Heritage

Our national treasure of historical artefacts is found throughout the Kingdom, in *dzongs*, *goendeys*, *goembas*, *lhakhangs*, at historical and religious sites and in local *chortens*, with the National Museum in Paro and the National Library in Thimphu among the brightest jewels in the national crown. It should be a matter of great concern to us all that many of our treasures are housed and displayed in buildings - many masterpieces in themselves - that are either in disrepair or are unable to provide the conditions required for the preservation of their collections, many composed of

We must improve accessibility to our historical and religious sites and promote greater understanding of their significance and importance.

We must demand respect of those who visit our historical and religious sites.

We must ensure that our national treasures are better preserved and protected...

... and be severe in our punishment of those who damage, desecrate or seek to steal them.

Bhutanese traditional arts and crafts draw upon a long tradition deeply imbued with spiritual significance.

artefacts that are genuinely irreplaceable. We must find the resources required to safeguard this legacy.

We must also be severe in our punishment of those who wilfully damage or desecrate our monuments and treasures as well as of those who, motivated by greed, steal them for personal gain, in response to an international market place for antiquities that is entirely without a conscience and moral scruples. This requires us to be ever alert to the fact that there are those who 'value' our heritage for reasons that are entirely different from our own.

The Promotion of Traditional Arts and Crafts

A society that seeks to articulate a cultural imperative in its development strategy is one that is committed to the active promotion of traditional arts, crafts and skills. Such promotion should not only stress their intrinsic worth but also the spiritual values that they embody and their continuing relevance to a society in change. Such efforts are able to draw upon a long and rich tradition. All higher forms of Bhutanese arts and crafts can be traced to the great 15th century *terton* Pema Lingpa, an accomplished painter, sculptor and architect. A notable landmark was made in 1651 when Shabdrung Ngawang Namgyal initiated the establishment of a centre for studying Bhutanese arts and crafts which is known as *zorig chusum* today.

Unlike many other countries, arts, ceremonies and festivals in our Kingdom are not remnants of a bygone age. Arts and crafts are practised and ceremonies and festivals are performed because they continue to have a religious and spiritual significance. As such, they are the manifestations of a living culture. Bhutanese arts are not primarily concerned with abstract concepts of 'beauty' that may appeal to a few, but with the interpretation of values and beliefs that are held by the vast majority and which embody the eternal stream of life or consciousness. It is a subjective process deeply imbued with a strong sense of morality, with many art forms epitomizing the eternal struggle between the forces of good and evil.

To ensure that this tradition continues to live in the minds of our people, we must make use of every opportunity to actively promote our traditional arts and crafts, especially opportunities that are able to capture the imagination of our children and young people.

Traditional arts and crafts continue to possess their religious and spiritual significance and retain their relevance in the minds and lives of our people.

We must be prepared to adapt our institutions in ways that promote a 'cultural consciousness'.

We must adapt our approach to development planning in ways that give better expression to our Buddhist worldview and its underlying beliefs and values.

Adapting our Institutions

If our culture and heritage is to continue to retain their relevance and to live in the minds and imagination of our people, we must be prepared to adapt our institutions in ways that promote a 'cultural consciousness' that finds concrete expression in their working methods as well as their policies and programmes. This readiness to adapt institutions should extend to some of our most cherished institutions, such as the codes of etiquette derived from *Driglam Chhoesum* that, in many respects, is at the core of our distinctive identity and culture. In seeking to adapt such institutions we must stress that the value of codes of etiquette resides more in terms of their underlying values and the attitudes they engender than in the mechanical and compulsory observation of its rules and its physical manifestations.

The adaptation of our institutions must also include the adaptation of our approach to development planning. Higher priority must be accorded to the formulation of guidelines that make it possible to incorporate our system of values and beliefs into our approach to development planning. We must recognize that imported approaches are implicitly assumed to possess a universal validity that often makes them insensitive to the contexts in which they are applied. The consequences may not be neutral, since approaches that are insufficiently sensitive to systems of beliefs, values and customs may unwittingly contribute to their erosion.

It was recognition of the limitations of traditional thinking on development that led His Majesty King Jigme Singye Wangchuck to propound the concept of Gross National Happiness. Challenges to some of our most talented people lie ahead in translating this all-encompassing and guiding concept into operational strategies and methodologies, a process that is already underway. The determination to travel untried paths must be accompanied by the determination to formulate strategies that are unfettered by the confines of conventional wisdom and mainstream thinking. Conventional wisdom has no place for a rich fund of philosophy that embodies The Four Noble Truths and the Eightfold Path. It is up to us to ensure that these find expression in our understanding of development policies and planning.

The Promotion of Traditional Architectural Styles

Our heritage and legacy has bestowed upon the Kingdom some of the great masterpieces of architecture. In the design of *dzongs*, *goembas* and other types of buildings, our ancestors relied, not on architectural textbooks, but on mental concepts and inspiration derived from their Buddhist worldview. They regarded rock outcrops, cliffs and other natural features not as 'obstacles' but rather as challenges. They met these challenges without resort to plans and blueprints, in the process creating architectural masterpieces that today form a distinctive part of the cultural heritage not only of Bhutan but also of the world at large. In recent years, we have been inclined to turn our backs on traditional forms of Bhutanese design. Many of our buildings lack architectural merit, embodying standards that are assumed to possess a universal applicability, with the consequence that an increasing number of our new buildings are becoming increasingly different from the traditional architecture.

We must seek to redress such negative developments, which are impoverishing both the physical and spiritual manifestations of our culture and identity. Efforts to redress the situation should include the formulation of a Construction Code that contains positive incentives to our architects and builders to maintain and adapt, as necessary, our traditional and distinctive forms of architecture, such as *jangkhim* (rammed-mud housing). We must also look to agencies with extensive building and construction programmes to actively promote, whenever feasible, Bhutanese architectural and artistic styles that make full use of local resources and which can be interpreted by local communities as a commitment to Bhutanese traditions and values and not as alien intrusions.

4. THE PROMOTION OF DZONGKHA

Language is more than a means of communication. It is a complex phenomenon that is inseparable from intellectual and psychological processes related to ways in which we organize and express our thoughts. Our language is the way in which we identify ourselves and distinguish ourselves from others. Strategies to conserve and promote our culture and heritage cannot thus be indifferent to language.

Some of our modern buildings are impoverishing our culture. We must derive inspiration from the past and actively promote indigenous styles of architecture and design that give expression to our identity and culture.

A Construction Code should be prepared that provides positive incentives to maintain and adapt traditional and distinctive forms of architecture.

Language is more than a means of communication. It is through language that we identify ourselves and distinguish ourselves from others.

Dzongkha has been a particularly powerful force for unifying the Kingdom, establishing a *lingua franca* among diverse ethnic groups. It is our national language and we must seek to ensure that the position it occupies is further reinforced. It has a value that goes beyond the promotion of our heritage and culture. It is an instrument for fostering national identity in ways that promote sovereignty and security.

His Late Majesty King Jigme Dorji Wangchuck, in recognizing the importance of a national language, initiated the process of committing the language to script. *Dzongkha* is still developing and will continue to do so in the years ahead. This process is one that should not be left to chance but should be guided in ways that conserve our heritage and promote our identity. The *Dzongkha* Development Commission should actively promote the use of *Dzongkha* and ensure that it is responsive to the future as well as the past.

Our history has been inextricably interwoven with our religious history and monastic institutions have played a decisive role in the evolution of our nation.

4. MONASTIC BODIES AND OTHER RELIGIOUS INSTITUTIONS

Our understanding of and approach to development embodies our Buddhist heritage and philosophy. It is a heritage that has been built up over more than a millennium. Buddhism was first brought to Bhutan by Guru Rimpoche in the 8th century. It was promulgated by several prominent religious leaders, notably *Phajo Drukgom Shigpo*, who introduced the *Drukpa Kagyu* school in the 13th century, and Shabdrung Ngawang Namgyal, who arrived in Bhutan in 1616 and unified our country. Many *dzongs*, monastic schools and other institutions were established in these early years. Since then, our history has been inextricably interwoven with our religious history and monastic institutions have played a decisive role in the evolution of our nation. In the 17th and 18th centuries, monks and lams fought shoulder-to-shoulder with *debs* and *pazaaps* in repelling repeated Tibetan and Mongolian incursions and supported them in their prayers to guardian deities.

Throughout our history monastic and religious bodies have tended not only to our spiritual but also to our material well-being.

Throughout our history monastic institutions have upheld the tradition of scholarship and learning and contributed to the establishment of systems of humane governance. They have traditionally tended to the material as well as spiritual needs of our ancestors. Today, our people continue to turn to religious leaders

Through their prayers and other pious acts, monks and anims continue to make a distinctive and indispensable contribution to national happiness and well-being as well as to peace within the Kingdom.

for advice and guidance, not only on spiritual and religious matters but also for emotional and psychological counselling. In modern times, the Royal Government has, in full recognition of the importance of religious bodies and the role and place of Buddhism in the lives of our people, worked closely with monastic institutions in establishing, for example, new *rabdeys*, *shedas*, *rigneys*, *drubdas* and *anim goembas*.

Monastic institutions and religious bodies continue to make a distinctive contribution to our nation's development. Religious ceremonies and rituals performed in the smallest hamlets and religious centres on special days and occasions contribute to the welfare, well-being and happiness of our people as well as to peace and security within the Kingdom.

Monastic institutions are also the custodians of our religious history, stored in *dzongs*, *goembas* and *lhakhangs* and other sites and buildings throughout the Kingdom. Recognizing the importance of this heritage, His late Majesty King Jigme Dorji Wangchuck issued a Royal *kasho* to establish a library in the Thimphu aimed at bringing together important documents, making them accessible, and promoting scholarship. In recognition of the losses incurred in the past by the nation, notably the fire at Punakha *Dzong* in 1832, the earthquake of 1897, and the fire at Paro *Dzong* in 1907, His Majesty's decree bore the foresight to provide for additional locations outside the *dzong* in the event of fire or other disaster.

Monks and *animas* must be free, to choose a life of meditation and devotion, and to dissociate themselves from a world that, in some respects, may be alien to them. We will continue to be blessed by their prayers and they will continue to make their own distinctive contribution to our well-being and happiness. Others should be encouraged to become a more active part of society. *Monks* and *animas* are held in high esteem and treated with the utmost respect. This makes them especially qualified to provide counselling and guidance in respect of emerging social problems that are threatening to unravel the strands of our society as well as to provide support for vulnerable and disadvantaged groups. We must also look to our monastic and religious institutions to translate Buddhist principles and values into concrete guidance. There are, for example, relatively few books on Buddhism and the contemporary relevance

of our religious history that are suitable for use in our primary and secondary schools.

There is already encouraging evidence of such initiatives. Since 1987, for example, monastic institutions have been involved in health and rural sanitation programmes. Numerous new initiatives are also under consideration. The *Dratshang* has, for example, declared its intention to support and educate the children of the poor, to induct them into their own community with the aim of increasing their self-esteem and their value to society.

The fabric that weaves together monastic institutions, secular organizations and civil society must be strengthened as a matter of deliberate policy. The fabric will become richer as a result, adding new patterns that serve to safeguard our culture and heritage and to promote the moral and ethical values upon which our society is founded.

Priority Area: Culture and Heritage	
MILESTONES	
• Preparation of a Construction Code	2002(End 8 th Plan)
• Preparation of a Culture and Heritage Act	2002(End 8 th Plan)
• Inventorying of culture and folk lore of Bhutan	2007(End 9 th Plan)
 Main Policy Instruments	
• Establishment of a Culture and Heritage Fund	Launched

5. THE NEED FOR A CULTURE AND HERITAGE ACT AND FUND

Our culture and heritage are too important to be left to chance. At present, we possess no legislation or comparable instruments that deals comprehensively with a subject that has so many dimensions and implications. This paucity could appropriately be addressed through the preparation of a Cultural Act.

The Cultural Act would serve a number of important purposes. It would, for example:

We have no comprehensive legislation that deals effectively with a central issue of development strategy. We should seek to redress this through the formulation of a Cultural Act.

- ❑ Elaborate objectives in respect of cultural preservation, conservation and promotion;
- ❑ Specify priorities in respect of the objectives formulated;
- ❑ Specify the responsibilities and duties of different institutions and bodies at different levels in respect of the priorities;
- ❑ Identify new mechanisms required to promote an understanding and appreciation of culture and heritage;
- ❑ Specify incentives consistent with the preservation, conservation and promotion of our culture and heritage;
- ❑ Specify fines and punishment for crimes committed in relation to culture and heritage

New initiatives in the area of legislation must be supported by new initiatives aimed at mobilizing the resources required for the preservation, conservation and promotion of our heritage and culture. These initiatives should include the establishment of a Cultural Fund, properly instituted and administered.

The Culture and Heritage Act and the activities financed by the Heritage Fund must contribute to the formation of a broad-based consensus on the continuing value of our heritage that can be shared by all Bhutanese. The formation of such a consensus will not emerge without conscious and more deliberate efforts designed to bring it about. They are nevertheless efforts that, if brought to a successful conclusion, could leave an indelible imprint on the further development of the Kingdom, rooting even more firmly the distinctive Bhutanese path of development in the minds and imagination of our people.

Initiatives in the area of legislation should be supported by new initiatives in the mobilization of resources...these initiatives should include the establishment of a Cultural Fund.

The Cultural Act and Cultural Fund should contribute to the formation of a broad-based consensus on the continuing values and importance of our culture and heritage

BALANCED AND EQUITABLE SOCIO-ECONOMIC DEVELOPMENT

1. INTRODUCTION

We will retain our commitment to balanced and equitable development, seeking to ensure that the benefits of economic and social progress do not accrue to the few at the expense of the many. This commitment is seen as wholly consistent with the need to build a future society that is founded on the principles of justice, harmony and unity.

A society in which the benefits of development are shared is a society that gives expression to the principles of justice, harmony and unity.

In seeking to achieve balanced and equitable development, we must give particular priority to four main areas of concern:

- Responding to the challenges posed by rapid urbanization;
- Ensuring equitable access to basic services and infrastructure;
- Responding to the needs of vulnerable and disadvantaged groups;
- Preventing the growth of inequalities.

2. URBANIZATION STRATEGY

The face of our nation is rapidly changing. Increasing numbers of people are choosing to leave their rural homes and to migrate to urban centres. We are not yet well equipped to deal with this rapid movement of population, being still uncertain of the specific constellation of factors that are fuelling the process - which may vary in different parts of the nation - and of the longer-term consequences, both positive and negative, that the process will have in both urban and rural areas. We cannot await to acquire a full understanding, nor can we allow our urban centres to be overwhelmed by the uncontrolled effects of rapid urbanization.

We must be prepared to meet the challenge posed by rapid urbanization.

The challenge must be met by measures that respond imaginatively to both 'push' and 'pull' factors.

Of the initiatives required to deal with this situation, two are of crucial importance. The first is to ensure that we retain our commitment to improving standards of living and the quality of life in rural areas, thereby reducing

the 'push' factors in migration. Farming and related activities must become more profitable and young people must perceive farming, not as a subsistence activity they associate with 'backwardness', but as a field of opportunity. The continuation of the focus on rural development and the further commercialization of agriculture are thus essential components in our urbanization strategy.

The second major initiative is the preparation of a growth centre strategy that identifies migration alternatives to Thimphu and Phuentsholing, both of which are currently growing at rates which may soon prove to be unsustainable. The growth centre strategy must meet a number of basic requirements.

We must identify a small number of growth centres that...

- ❑ *First*, and most obviously, the locations selected for growth centres must provide the physical space to accommodate a growing population.
- ❑ *Second*, the locations selected must have an economic base that establishes the conditions required for self-sustaining growth. This requires us to take special account of the resource endowments of potential locations and of the possibilities of translating these endowments into tangible development potentials that can be exploited in the near and medium term.
- ❑ *Third*, full and proper consideration must be given to the potential environmental impacts of alternative locations so as to ensure that growth centres do not result in unacceptable environmental damage, for example damage that could arise from the exploitation of resource potentials.
- ❑ *Fourth*, the growth centre strategy must be reinforced by programmes aimed at developing the physical infrastructure, especially roads, power, water and telecommunications, required to exploit resource endowments and achieve self-sustaining growth.
- ❑ *Fifth*, the growth centres selected must serve as focal points for the provision of social infrastructure and services that are associated with expanded choice and the quality of life.
- ❑ *Sixth*, the centres should serve as focal points for government services and for programmes for the

... have space for expansion...

... possess an economic base that establishes conditions for self-sustaining growth...

... can be developed with minimum damage to the environment...

... are supported by infrastructure development...

... can serve as focal points for the provision of social services...

... and can serve as focal points for government services.

Particular priority must be given to identifying a growth centre that can serve Eastern Bhutan

decentralization of government administration from Thimphu to lower levels.

Given resource scarcities, it will neither be feasible nor desirable to seek to develop more than 3 or 4 regional growth centres. Highest priority should be accorded to the development of a growth centre in eastern Bhutan, where the distances to Thimphu and Phuentsholing are great and the density of population high, giving the region a high potential as a 'sending' area. Available resources will need to be concentrated in a small number of locations in order to achieve economies of scale, rather than spread too thinly over a larger number of centres where returns will be lower and more unpredictable. Preference will need to be given to the expansion of existing centres rather than the creation of new settlements, provided that the minimum requirements and basic conditions can be fulfilled.

The preparation of a growth centre strategy is now in and will form part of a larger strategy for the balanced development of human settlements in Bhutan. It is clearly of the utmost importance that the strategy be finalized and implemented at the earliest opportunity if the many potential negative effects of rapid urbanization are to be minimized.

These strategies must address effectively problems relating to land markets, land registration, affordable housing and urban services that are already in existence and they must encompass measures to prevent the emergence of the slums and squatter settlements that are familiar in many other developing countries. For both Thimphu and Phuentsholing it will be necessary to think imaginatively in terms of alternatives to continuous urban growth, with its possible negative implications for the quality of both the built and natural environment. We should give consideration, for example, to such concepts as 'rurabinization' that targets townships in the vicinity of the towns as future focal points for a pattern of urban growth in which the benefits are more broadly-based and equitably shared. Above all, it is imperative that we learn from past mistakes and do not repeat them in other urbanizing areas.

Our future strategies for human settlement development must give greater priority to achieving improvements in the quality of urban design and planning. Some towns, notably Phuentsholing, have grown without the benefit

We must finalize feasible urban development strategies for Thimphu and Phuentsholing...

... and apply innovative concepts that will ensure that the benefits of urban growth are more broadly based...

...and that we learn from past mistakes and apply the lessons learned.

We must give greater priority to securing measurable improvements in the quality of the built environment.

The promotion of equity and the expansion of economic activity require us to enlarge access to basic infrastructure and services.

of development plans and may soon reach a stage where, from an urban planning and design perspective, they are beyond repair. In seeking to achieve improvements in the quality of the built environment, we must draw inspiration not only from modern textbooks on urban planning but also from the wisdom and imagination of our traditional architects and craftsmen, promoting standards of urban design and architecture that are consistent with a distinctive Bhutanese identity.

3. EQUITABLE ACCESS TO BASIC SERVICES AND INFRASTRUCTURE

Our policy of ensuring that the benefits of development are shared equitably will continue through the maintenance of programmes aimed at enlarging access to basic infrastructure and services. This is an area in which considerable progress has already been recorded and we shall seek to build on this progress in the years ahead.

Further progress in the field of health means that we must continue to give high priority to improving access to potable water and safe sanitation.

Local communities irrespective of their location within the Kingdom stress the importance of roads and electricity. They serve to bring the communities out of their isolation, they enlarge access to markets and services, and they facilitate rural industrialization and, hence, the creation of productive employment outside of the RNR sector. Both are instrumental in improving both the standards of living and the quality of life in rural areas and are thus able to contribute to a reduction in rates of rural-urban migration.

Priority will also continue to be given to the rapid expansion of access to potable water and safe sanitation. Both will remain key components in our approach to achieving sustainable improvements in the health of the population and in addressing such problems as diarrhoea and skin infections which figure prominently in the nation's morbidity profile and which have been linked to the unsatisfactory hygienic situation that still prevails in large parts of the nation.

**Priority Area: Balanced and Equitable Development
MILESTONES**

- | | |
|--|---------------------------------|
| • Formulation of growth centre strategy | 2002(End 8 th Plan) |
| • Completion of urban development plans (Thimphu and Phuntsholing) | 2002(End 8 th Plan) |
| • Completion of development plans for other major towns | 2002(End 8 th Plan) |
| • Provision of potable water supplies to 80% of the rural population | 2002(End 8 th Plan) |
| • Provision of potable water supplies to 90% of the rural population | 2007(End 9 th Plan) |
| • Provision of potable water supplies to 90% of the urban population | 2002(End 8 th Plan) |
| • Provision of safe sanitation to 75% of the rural population | 2002(End 8 th Plan) |
| • Provision of safe sanitation to 90% of the rural population | 2007(End 9 th Plan) |
| • Provision of electricity to 50% of the rural population | 2012(End 10 th Plan) |
| • Provision of electricity to 75% of the rural population | 2020(End 12 th Plan) |
| • Introduction of personal income tax (PIT) | 2000(8 th Plan) |

Main Policy Instruments

- | | |
|--|----------|
| • Royal Decree on Water and Sanitation, 1992/93 | Existing |
| • Long-term Human Settlement Development Master Plan (1998-2020) | Launched |
| • Rural electrification masterplan | Proposed |

This Vision Statement envisages steady progress in all these areas. In two decades from now, we should seek to have achieved a situation comparable to the standards that today prevail in the industrialized countries.

4. VULNERABLE AND DISADVANTAGED GROUPS

Although the benefits of development have been widely shared, we must recognize that there are still groups within our nation that have been largely by-passed by the broad-based process of social and economic progress. These groups are often disadvantaged by their remote locations and are particularly vulnerable to the uncertainties that are associated with the harsh environments in which they live. The extreme isolation of such groups greatly adds to the cost of providing even the most basic infrastructure and services and sometimes places them beyond the reach of agricultural and other extension services.

Some groups, especially those in remote and inaccessible regions, have been largely by-passed by the process of

The emphasis we have chosen to place on equitable development means that we cannot ignore the predicament of particularly disadvantaged and vulnerable groups or be insensitive to their needs. New programmes are required that deliberately target them

and seek to bring them closer to the mainstream of the nation's development process. New initiatives that could be considered include one in which small and very isolated groups are offered new plots of land in less isolated locations in exchange for those that they currently farm. Since such groups are most likely to farm *kam-zhing*, *pang-zhing* and *tseri* land on relatively steep slopes in watershed area, such an exchange would not only prove potentially very beneficial to the groups concerned, but would also be entirely consistent with the objective of sustainable environmental development and the conservation of our natural resource base. Such an initiative would build on the positive experience already acquired with the ongoing programme of resettling populations from ecologically fragile areas.

New initiatives are required that specifically target vulnerable and disadvantaged groups

Very small and isolated groups should be offered land in exchange for the land they currently farm. This would not only benefit the groups concerned but also contribute to the attainment of environmental objectives.

5. PREVENTING THE GROWTH OF INEQUALITIES

Bhutan has traditionally been an egalitarian society in which differences between rich and poor were never pronounced. The rewards that accrued to Bhutanese people were seldom financial but rather ceremonial, with honours bestowed by His Majesty upon distinguished individuals for services to the state and to society. The forces of modernization have tended to change this balance. Although reliable data are not available, available evidence suggests that income disparities appear to be on the increase.

With the progressive liberalization of our economy and the deliberate efforts now being made to promote entrepreneurship and private sector initiative, we must recognize that conditions are being created which could give rise to the further growth of income disparities. Such growth should be considered inconsistent with our desire to build an equitable society and with the principles of unity and social harmony.

The liberalization of the economy and the promotion of the private sector could give rise to growing income disparities.

We must thus be conscious of possible unintended side-effects of some of the policies we have chosen to pursue. The decision to promote the growth of the private sector is not motivated by the desire to see the nation's wealth concentrated in the hands of a few, but rather to extend new opportunities to the many. We must accordingly look to the Royal Government in the years ahead to develop a progressive system of taxation that is able to contain the growth of income disparities without imposing punitive rates on our most talented and able entrepreneurs. The introduction of the personal income tax (PIT) in 2000 is also a means to contain this growing

We must develop a progressive system of income tax that contains the growth of income inequalities without penalizing our most able and talented

disparities in the income level of the people. Such measures will enable us to sustain as the egalitarian society that we have been so far. We must also seek to maintain, to the maximum extent possible, the system that, rooted in our traditions and customs, bestows ceremonial awards and honours upon those who render distinguished services to the further development of our nation in such fields as arts, culture, sports and development.

Chapter 8

GOVERNANCE

1. SYSTEM OF GOVERNANCE

Our system of governance will continue to evolve along the path we have already set out. Our system of governance is in many respects unique in the world. It is a system that provides people with direct access to the nation's monarch, and which incorporates fora in which the people's elected representatives debate and take decisions on matters of national importance, with an agenda that is based upon the concerns and aspirations of local communities. Evidence of the capacity of our system of governance for further evolution is provided by the importance accorded to decentralization aimed at further empowering local communities and at enlarging opportunities for them to share in decision-making on the future of our nation.

Our system of governance must continue to evolve along Bhutanese lines, based upon time-honoured institutions and traditions.

Our system of governance has demonstrated its capacity to adapt to changing needs and situations.

2. THE MANAGEMENT OF DEVELOPMENT

It has been stressed in this Vision Statement that our nation stands on the threshold of new challenges more daunting than those that have confronted us in the past and that the process of development is becoming substantively more complex. This carries major implications for the way in which we should seek to plan and manage the Kingdom's future development. These implications include the following:

The management of development must be progressively adapted in response to new needs and requirements. The process of change must take account of...

- *First*, we can no longer assume that the Royal Government should be held solely responsible for the nation's future development. These responsibilities should be shared and new partnerships should be formed with agents of change and development. These partnerships can and should take numerous forms in recognition of the growing complexity and the challenges faced. They should include the private sector as a means for generating self-sustaining growth; they should include the religious institutions as a means for maintaining our commitment to the spiritual and cultural dimensions of development; and they should include the growing number of

... the reinterpretation of the role of the Royal Government as an 'enabler' of development and the need to build and strengthen partnerships with other agents and institutions...

national NGOs that are committed to the principles of justice, equity, social harmony and cultural and environmental conservation.

- *Second*, responsibilities for development must also be increasingly shared with *dzongkhags* and *geog* administrations, and we must seek to take full advantage of the mechanisms we have created, like DYT and GYT, that establish fora in which our people are able to assume greater responsibility for the development of their communities, to participate in decisions that have a direct bearing on their lives and livelihoods and the future of their families and communities, and to express and share their hopes and aspirations for the future of our nation.
- *Third*, these positive developments require us to think increasingly in terms of the need to manage a development process, and it is the responsibility for management that should be entrusted to central authorities. Management entails the capacity to guide development in preferred directions, to monitor and evaluate the process of change, and to identify the need for remedial and corrective measures when we deviate too far from the directions we have set for the nation. Effective management also requires that full and proper attention be given to ensuring that the principles and imperatives elaborated to guide the process of development are respected and that safeguards derived from our commitment to the principles and imperatives are neither overwhelmed nor ignored.
- *Fourth*, we must be prepared to develop new planning and management instruments that are responsive to the challenges ahead and the demands of a development process that is becoming substantively more complex. We should demonstrate the readiness to relinquish present planning instruments, especially if it can be shown that other instruments are more responsive to future planning and management needs and requirements of the country.
- *Fifth*, this understanding of management is one that places a premium on the professionalism of our civil service. We must seek to ensure that this professionalism increases over time and that the civil service is able to retain many of our most talented and dedicated individuals. Although we must

... the devolution of new powers and responsibilities to the Dzongkhag and Geog levels...

... the need to strengthen capacities for the management of a development process that is becoming substantively more complex...

...the need to develop and apply new planning instruments...

.. the need to maintain a civil service that meets the highest standards of professionalism and is able to retain our most able and talented people...

maintain our commitment to a compact civil service, we must be prepared to undertake periodic restructuring so as to make it possible to induct new professionals that may be more competent than those they will replace. This will also help to ensure that well-trained and highly qualified professionals will not be lost to the nation.

- *Sixth*, we will be unable to exercise the management function without more concerted efforts to develop the information systems and data bases required to monitor the nation's development, to test and evaluate alternatives, and to support informed decision-making. Management must be supported by the capacity to undertake policy-relevant research on urgent development issues. This capacity is still lacking in a number of critical areas and we must seek to address this issue as a matter of priority. It would be a grave mistake if we are not able to make use of the available technologies like internet and information technology to our advantage. Priority shall be placed in developing this sector for the benefit of the business community, government offices and the general public.

- *Seventh*, the management of development must also take fully into account the distinctive Bhutanese path of development we have chosen to set out for ourselves. This requires us to reflect on the many implications for development and to develop and apply methodologies and procedures that sensitize development planning to the values we have chosen to place at the centre of the process of further social and economic transformation.

3. LAW AND JURISPRUDENCE

The further development of our institutions must be accompanied and supported by the further development of national law and our judicial system. Both have a long history. Bhutan's first set of codified laws was promulgated by Shabdrung Ngawang Namgyal in 1651. Founded on the teachings of Buddhism, it exhorted the practice of the ten acts and devotion to the 16 pious and virtuous acts of social piety.

The absence of a colonial history prevented the introduction of alien systems of law and justice, allowing our own traditional system to develop over centuries in

...the need for up-to-date information required for forward analysis and informed decision-making....

... and gives concrete expression to the values and beliefs at the core of our development strategy.

We must accord priority to the further development of national law and our judicial system.

Our system of jurisprudence is based primarily on Buddhist natural law. Some western concepts, especially relating to criminal law, have served to enrich our traditional system

Our system of law and jurisprudence must continue to evolve in response to the needs of a society in change. Further evolution of the system must be guided by four main principles.

response to the evolving culture and ways of life of our people. The principles of Buddhism and 'natural justice' enshrined in the laws did not alter with the passage of time, although, in more recent times, several principles and procedures of western jurisprudence, especially with regard to criminal justice, have been absorbed and have served to enrich our traditional laws.

Our traditional laws were codified in 1958 in the *Thrim Zhung Chenmo* (Supreme laws), which covers almost all categories of criminal offences and penalties. With the monarch at the apex of the legal system, the *Thrim Zhung Chenmo* separated the judiciary from the executive and legislative branches of government, with the process of separation reaching its culmination in 1968 with the establishment of the High Court. Later, a separate judicial cadre was established to safeguard the independence of the judiciary and specific provisions were made in the law to prevent the executive from interfering with the judiciary.

The main priority now is to ensure that the independence of the judiciary is maintained and that the systems of law and jurisprudence continue to evolve in response to the needs of a society in development. The further evolution must be guided by four main principles:

- ❑ All Bhutanese have equal and unimpeded access to the law and legal process;
- ❑ The legal system is able to dispense justice swiftly and efficiently;
- ❑ The judiciary is able to perform its tasks and execute its responsibilities with the highest degree of professionalism;
- ❑ Law must be accepted by all Bhutanese as being fair, responsive and relevant.
- ❑ In order to deliver justice, the mechanism to implement the law must be strengthened.

Our system of law has traditionally been retroactive, responding to changes within society and to emerging needs. Given the nation's rapid pace of development, we must seek to ensure that law is, wherever possible and appropriate, proactive in terms of its capacity to anticipate change and the legal instruments required to

We must ensure that our law-making process becomes more proactive in terms of capacities to anticipate change and the legal instruments required to deal with it.

deal with it. This implies that the further evolution of our traditional system of law must be supported by measures to enlarge our capacity to undertake action-oriented research on law and jurisprudence, with the aim of identifying ways in which systems that remain anchored in Buddhist principles, beliefs and values can maintain their relevance as a positive force for change in the next millennium.

4. DECENTRALIZATION AND PARTICIPATION

We have established a system of decentralized decision-making on development that, in some respects, is unique to the world. Under this system, issues identified at the local level can become the subject of debate in the *Tshogdu*, the nation's highest elected decision-making body, and needs articulated at the local level are linked to development planning at the national level. The task before us now is to further develop the system in ways that build real autonomy at especially the *dzongkhag* and *geog* levels, with due consideration to the requirements of administrative efficiency, transparency and accountability. Priorities must be defined to include the following:

- *First*, the autonomy of the *dzongkhags* must be enlarged and their capacities strengthened to formulate, implement, monitor and evaluate development policies and programmes, especially at the DYT and GYT level. Higher priority should be accorded to the transfer of appropriately qualified government officials from the central to the lower levels so as to facilitate the process.
- *Second*, line ministries at the central level must be progressively reorganized to enable them to support capacity development at the *dzongkhag* and *geog* levels. As capacities at lower levels are strengthened, the role of line ministries must be redefined to stress the importance of regulation, coordination, and research rather than of plan and programme implementation.
- *Third*, autonomy building and capacity development at the *dzongkhag* and *geog* levels must be accompanied by the transfer of financial responsibilities. This will best be achieved by the award of block grants to *dzongkhags* that will have the authority to decide on how such grants should be used. Decision-making on the use of block grants

The system of decentralization must be further developed, with highest priority being accorded to...

...further strengthening the autonomy and capacity of the Dzongkhags...

... the reorientation of line ministries to enable them to better support the process of decentralization...

...the progressive transfer of financial responsibilities to the dzongkhag and geog levels...

would need to be approved by DYT and GYT and supported by strict adherence to procedures that ensure full transparency and accountability. The possibility should also be examined of providing *dzongkhags* with the powers required to enable them to mobilize their own financial resources, although measures would be required to ensure that *dzongkhags* with low levels of economic activity are not disadvantaged by such arrangements. High priority must also be accorded to the devolution of financial responsibility from the dzongkhag to the geog level, building on the initiatives already taken in this area.

**Priority Area: Decentralization and Participation
MILESTONES**

- Enhanced capacity of DYT and GYT to prepare plans 2005(9thPlan)
- Introduce Geog development funds in all Dzongkhags 2017(End 11th Plan)
- Operationalize Geog development funds in 100 Geogs 2007(End 9th Plan)
- Operational Local Development Funds in all Geogs 2012(End 10th Plan)
- Establishment of well-equipped Gup offices in all Geogs 2007(End 9th Plan)
- Establishment of M&E system for the country 2002(End 8th Plan)
- Financial practice and guidelines for Geog Funds 2007(End 9th Plan)
- Revision of decentralization guidelines 2002(End 8th Plan)

Main Policy Instruments

- | | |
|---|----------|
| • DYT Chatrims, 1981 | Existing |
| • GYT Chatrims, 1992 | Existing |
| • Decentralization Guidelines, 1993 | Existing |
| • Revision of above Chatrims and Guidelines | Proposed |

- *Fourth*, administrative and financial powers should be transferred to *dzongkhags* to enable them to recruit support cadres, while the decisions on the recruitment of professional cadres continuing to be taken at the central level, thus devolving some authorities to them.
- *Fifth*, the office of the *Gup* must be strengthened to enable it to take on new roles and responsibilities, with priority being given to the development of

... providing dzongkhags with responsibilities for the recruitment of some staff.....

capacities for management, administration and accounting in accordance with specified criteria.

- *Sixth*, since local communities are in the best position to articulate their needs, new mechanisms should be established that serve to enlarge the decision-making powers of GYTs on local development issues.
- *Seventh*, existing mechanisms should be strengthened and new ones created that eventually enable local communities to take charge of the development process at the local level. The mechanisms should encourage the view that local communities 'own' the development process, thereby reducing their reliance on the Royal Government as the main agent of development.
- *Eighth*, the DYT and GYT Chatrims and the Decentralization Guidelines should be reviewed to identify areas in which modification or expansion are required. If necessary, we must be prepared to formulate and adopt new guidelines that are able to provide a more positive stimulus to decentralization, participation and empowerment.

4. HUMAN RESOURCES DEVELOPMENT

The future pace of institutional development will continue to be linked to the pace of human resources development (HRD). HRD is an area that has traditionally been accorded high priority and, since 1961, around 7,000 Bhutanese have been trained in overseas institutions. During the past five years, the nation's supply of trained manpower has grown at an annual rate of 400 nationals trained in foreign institutions and 500 completing courses at national training institutions. Despite this progress, the Kingdom's development continues to be hampered by critical skills shortages in a large number of areas, and this finds expression in a continuing reliance on expatriates, especially in the private sector.

Strategies will continue to be guided by the Human Resources Development Master Plan prepared for the period 1997-2002, which is presently being revised to cover a 20-year period up to 2020. This Vision Statement points to several important additional priorities for the next two decades.

... strengthening the office of the Gup...

...enlarging the decision-making powers of GYTs...

... the development of mechanisms that enable local communities to 'own' the development process...

... the formation of users' and producers' associations...

...and review , when necessary, the Chatrims and Guidelines.

Our strategy for the critically important field of human resources development will continue to be guided by our Human Resources Master plan.

The provisions of the Master plan must be reviewed to take account of...

...the overseas training needs of monastic and religious institutions...

□ *First*, the HRD Master Plan provides for ‘training slots’ for individuals for future induction into the public and private sectors. There may be those who should be considered for overseas training who may be difficult to place within these sectors. This could apply, for example, to representatives of monastic institutions as well as the wider community.

... demand side problems arising from the need to create productive employment....

□ Second, our HRD Master Plans have so far been largely concerned with supply-side problems and the placement of Bhutanese in especially overseas training institutions with the aim of overcoming supply constraints. This emphasis needs to be complemented by manpower planning that takes more fully into account demand problems arising from the growth of the labour force and the need to create productive employment for ever-larger numbers of young people. New initiatives are urgently required to address perceived imbalances in supply and demand side considerations.

Priority Area: Human Resources Development	
MILESTONES	
• Establishment of University of Bhutan	2007(End 9 th Plan)
• Fully developed capacity of RIM for management training	2007(End 9 th Plan)
• Establishment of Deothang Engineering College	2002 (End 8 th Plan)
• Establishment of independent unit for manpower planning	2002(End 8 th Plan)
Main Policy Instruments	
• Human Resources Development Master Plan (1997-2020)	Existing
• Long-term Manpower Development Plan	Proposed

□ *Third*, HRD and manpower planning must be based upon a longer-term vision for the nation’s development that has so far been lacking. Explicit choices still have to be made, for example, on the precise path of industrialization that we intend to follow. Should this path stress the importance of ‘high-tech’ industries linked to the sustainable exploitation of our natural resource base, this choice must, given the long lead times required for training, be reflected at the earliest stage in our HRD and manpower planning policies.

- *Fourth*, an important part of our perspective for HRD has inevitably and necessarily been oriented towards overseas training institutions. However, it is essential that we think increasingly in terms of developing our own 'centres of excellence' and of the infrastructure and supporting arrangements, including twinning and cooperative relations with overseas universities and research centres, required to make them a reality. As a minimum, we must start preparing now for the establishment of a National University that is able to meet not only our own needs but also those existing in the region and even further afield. The notion of a 'centre of excellence' would require our National University to acquire an international reputation for opportunities offered for Buddhist studies and studies linked in theoretical and practical ways to our rich biodiversity.

...and the need to develop our own 'centres of excellence', especially a National University

6. RESOURCE MOBILIZATION AND DEVELOPMENT FINANCING

Although we are fully committed to financing the further development of our Kingdom entirely from our own resources, we must recognize that this will not be possible until the next century. From a time in which virtually all our recurrent and capital expenditures were financed through foreign aid, we have progressed to a situation in which we are able to finance our growing recurrent expenditures from our resources, and we must continue to look to our development partners for assistance in the financing of development expenditures.

... the longer-term needs of the economy arising from our choice of industrialization strategy...

We expect this situation to change dramatically when new large hydropower schemes come on stream in 2006 and thereafter. However, this should not prevent us from exploring every avenue of domestic resource mobilization so as to enable us to reduce our reliance on external assistance. Although the nation's tax base is recognized as being very narrow and inelastic, we have already recorded considerable progress in this area.

We must systematically explore new sources of revenues and be prepared to levy user fees for services on the growing numbers of people with the capacity to pay.

In an effort to increase this growth rate, we have already embarked on a major programme of tax reform. The traditional salary tax levied on civil service employees has been replaced by a broader-based system of income tax that will draw others into the tax net. We are also examining the desirability and feasibility of introducing a sales tax on goods and services and property tax. The possibility is also being examined of revising the

structure of royalties on forestry products and of levying user fees for social services, notably health and education, on those who are able to pay. It is also time for us to consider privatizing some health and education services in recognition of the fact there are growing numbers of Bhutanese who are today able to bear the full costs of these services. The policies being actively pursued to promote the private sector can also be expected to extend and deepen the nation's tax base.

While the measures presently under review can be expected to contribute to the growth of the revenues required to sustain the pace of the nation's development, they are unlikely to have a significant impact on the need for external assistance in the short and medium term. We will accordingly continue to seek the assistance of the nation's development partners and will accord priority to the development of relationships based upon mutual respect, trust, openness, transparency and predictability. At the same time we will enhance our effort in mobilizing the domestic resource wherever possible. This shall be vigorously pursued through our financial institutions as they are mandated to stimulate the economic growth of the country.

Chapter 8

ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT

1. CHANGING PERCEPTIONS AND ATTITUDES

Our approach to the environment has traditionally been anchored in our Buddhist beliefs and values. We not only respected nature, we also conferred upon it a living mysticism. Places were identified with deities, divinities and spirits, and a large part of the landscape was mapped in such terms in our minds.

Our approach to the environment reflects our Buddhist worldview.

We must recognize that some of the measures that we have taken to protect and preserve the environment and biodiversity may also have contributed to the erosion. The establishment of nature reserves and protected areas has introduced lines of demarcation between humans and nature that formerly never existed. The introduction of rules and regulations that must be respected have stripped some locations of their mysticism and prevented the communion with nature that was once common. Our belief that we should manage our biodiversity and environment in accordance with international standards may have unwittingly contributed to a hardening of traditional attitudes, perceptions and values.

The further erosion of our traditional perception and understanding of our place in natural systems carries potentially disturbing consequences for the environment. It may be a shorter step than we might care to imagine from seeing ourselves as part of a living world to seeing it as a source of wealth and as a resource base to be exploited for immediate gain - a step that would undermine the whole ethos and ethics of conservation. We must be ever-conscious of this danger. It can only be addressed by deliberate efforts to keep alive traditional attitudes and values. This establishes a clear link between environmental conservation and the conservation of our cultural heritage.

2. FOREST REGENERATION AND BIODIVERSITY

We can take justifiable pride in the efforts we have made to protect our forests, and forest regeneration must remain a priority for the future. Our future approach should, however, display a higher degree of sensitivity to the maintenance of biodiversity. There are reasons for believing that our commitment to the planting of pine may have contributed to a reduction of biodiversity. Pine forests have, for example, progressively taken over the alpine meadowlands that were once more common, and this process of forestation has resulted in a loss of plants, birds and insects that formed part of the meadowland ecosystem.

Our approach to forest regeneration must display greater sensitivity to the maintenance of biodiversity.

There are cases where we must accept a reduction in biodiversity in the interests of environmental conservation. Our decision to eliminate *tseri* cultivation, for example, taken on the soundest environmental grounds, has meant that we have effectively lost several species of millet and sorghum that only grew in conditions associated with shifting cultivation. However, we should be less sanguine about the losses in biodiversity that have been occasioned by forest regeneration and we must seek to reduce these losses in the future through ecologically more sensitive approaches to forestry management.

Priority Area: Environmentally Sustainable Development
MILESTONES

- | | |
|---|--------------------------------|
| • Maintenance of 60% forest cover | All times to come |
| • Preparation of master plans for other watershed areas | 2007(End 9 th Pan) |
| • Introduction of mandatory EIAs for all large-scale projects | 2002(End 8 th Plan) |
| • Introduction of EIAs for all physical infrastructure projects | 2007(End 9 th Plan) |
| • Operational capacity at Dzongkhag level for EIAs | 2007(End 9 th Plan) |
| • Fully elaborated water quality standards | 2002(End 8 th Plan) |
| • Fully elaborated air quality standards | 2007(End 9 th Plan) |
| • Fully elaborated standards for environmental health | 2002(End 8 th Plan) |
| • Inventorying of bio-diversity resource base | 2002(End 8 th Plan) |
| • Greening of National accounts | 2002(End 8 th Plan) |

Main Policy Instruments

- | | |
|---|-------------------|
| • National Forestry Master Plan (1996-2010) | Existing |
| • National Environment Strategy | Existing |
| • National Biodiversity Action Plan | Existing |
| • National Environmental Action Plan | Under preparation |
| • EIA legislation | Proposed |
| • EIA Sectoral guidelines | Existing |

Our strict and uncompromising approach to environmental conservation may have hindered us from seeing our nation's rich biodiversity as a development asset that we can draw upon in responsible and sustainable ways to further the process of social and economic development. The rich biodiversity may have a unique role to play at the global level in maintaining the genetic material required to guarantee food supplies for a growing world population as well as in the development of new pharmaceutical products. It has been suggested elsewhere in this Vision Statement that our rich biodiversity may confer upon us a distinct comparative advantage in the development of new and clean industries based upon bioprospecting and genetic engineering - industries that could help to place Bhutan in the vanguard of scientific advance for the benefit of humankind.

While we refer to our rich biodiversity, we are as yet unsure how varied the nation's biodiversity actually is. If we are to turn biodiversity from a constraint into an opportunity, we must, as a first step, accord priority to completing a full inventory of the nation's biodiversity resource base.

4. THE GREENING OF NATIONAL ACCOUNTS

National accounts are used as the basis for calculating Gross Domestic Product, the total value of the goods and services produced by a nation. The system used in Bhutan for the calculation of GDP is based upon the methodology and practices recommended by the United Nations (the 1993 SNA). While the methodology represents a considerable improvement over earlier methodologies, it still takes no account of the value contributed to the economy by the environment and by ecological services. An estimate of this value can be arrived at through the compilation of environmental satellite accounts, for which methodologies have been developed and tested.

We should accord priority to the adaptation of our system of national accounts to include environmental satellite accounts. The 'greening' of our system of national accounts would certainly result in higher GDP estimates than those arrived at through conventional routes. However, this would not be its main value. More importantly, it would help to provide us with quantitative indicators of the importance of the environment to our economy and of the sustainability of our development path. In this sense, the greening of our system of national accounts would contribute to the quantification of Gross National Happiness.

5. INSTITUTIONALIZATION OF CAPACITIES FOR EIAs

High priority must be accorded to institutionalizing capacities for conducting Environmental Impact Assessments (EIAs). These must be applied to a wide range of projects, especially physical infrastructure projects, in order to evaluate their likely impacts on the environment. EIAs are a particularly important means for helping to ensure that:

- Development projects are environmentally and economically sound in the longer-term;
- Adverse environmental, economic, cultural, and social impacts of development projects are minimized;
- Environmental impacts on ecologically fragile systems receive prior evaluation;
- The effects of development pressures on the natural resource base as well as on communities and culture are made the subject of systematic assessment;
- Project benefits can be optimized.

An EIA Unit has already been established in the National Environment Commission and developed an EIA system used as an integral part of the development planning and environmental management process. It is preparing guidelines for conducting EIAs. As the system becomes institutionalized it is essential that it be extended to the *Dzongkhag* and *Geog* levels given the expanded role they will be called upon to play in development planning within the framework of the nation's decentralization initiative. Further, the Commission must ensure that monitoring of the EIAs are carried emphasized with a proper code of implementation.

6. WATERSHED MANAGEMENT

The effective management of watersheds must be considered a key component of our efforts to place the nation's development on a sustainable path. There are five main watersheds and the policies set for each will impact on all other activities, including hydropower development, farming, livestock, settlement, and the

We must fully institutionalize capacities for undertaking EIAs.

Capacities for undertaking EIAs must also be developed at the dzongkhag and geog levels to enable them to exercise new planning and management responsibilities.

Watershed management is a key component of sustainable development.

Highest priority should be accorded to the preparation of a management plan for the Wang Chu watershed.

exploitation of timber and logging. Watershed management is a key tool for maintaining biodiversity, soil fertility, the biological productivity of natural systems, and for combatting erosion and other forms of environmental degradation.

Of the five main watershed areas, highest priority should be accorded to the preparation of a management plan for Wang Chu, which should be completed within the current Plan period. Management plans for Puna Tsang Chu, Mangde Chu, Kuri Chu and Dangme Chu will need to be prepared shortly thereafter.

7. ENVIRONMENTAL LEGISLATION

Bhutan has enacted various laws pertaining to the environment, the conservation of natural resources, and the protection of wildlife and wildlife habitats. Among the most prominent are the Forest Act of Bhutan of 1969 and the Forest and Nature Conservation Act of 1995. Though they encompass many of the basic elements and processes of environmental legislation, there are grounds for believing that they do not go far enough in a number of areas and need, therefore, to be complemented by new legislation. This could appropriately take the form of a National Environmental Protection Act that consolidates and builds upon existing legislation and which provides for new enforcement measures. Such an Act could also be further extended to cover environmental problems that are directly related to public health as the consequences of a rapidly growing urban population.

Although our environmental legislation is extensive, there are grounds for believing that in some areas it does not go far enough.

Initiatives are also required to review related legislation, for example the Inheritance Act, the Land Act, and the Livestock Act, to identify the areas where they need to be strengthened if they are to contribute more directly to environmentally sustainable development.

There is a need for a national Environmental Protection Act that consolidates and builds on existing legislation

New legislation must be founded on accepted environmental standards. Many of the standards at present used in Bhutan have been adapted from regional and international standards. Given this situation, more concerted efforts are required to develop standards that reflect the ethical, cultural and legal setting of the nation. We must acknowledge that some modern legislation has only served to weaken the informal arrangements, built up over centuries, that have been used by local communities to manage shared resources. These informal arrangements often embody a

New environmental legislation must display sensitivity to ethical, religious and cultural values and traditional systems of resource management.

profound understanding of local ecosystems, and represent a very tangible expression of our cultural heritage. The challenge is thus to achieve a balance between the need for modern forms of legislation that can advance the cause of environmental conservation and the need to respect and maintain informal arrangements that have demonstrated the contribution they are able to make to sustainable development in a sometimes harsh and unforgiving environment.

BHUTAN IN 2020

1. INTRODUCTION

What would Bhutan look like twenty years from now if we were able to achieve the objectives and priorities set out in this document? We can be certain that, in many respects, it would be as different from the country we know today as the one of today is compared with a only a generation ago. In other respects, it would still be recognizable as a country that embarked on a unique and distinctive path of development.

If we were to achieve the vision set out, our Kingdom twenty years hence would, in some important respects, be as different as the one of today is compared with only a generation ago.

In this final chapter we will seek to sketch a picture of our Kingdom in the future. The picture painted is not a theoretical abstraction, but rather the logical consequence of the policies presented in this Vision Statement. In presenting Bhutan in 2020 we will use the thematic headings used at the beginning of the Vision Statement to identify challenges.

2. OUR NATION

Bhutan would be a respected member of the international community and an active participant of the regional organizations in which it was a member, recognized for the role it had played in promoting peace, security and stability in the region. Our borders would be secure, not because of the size of our army, but as the consequence of collateral security made possible by the constructive relationships maintained with all of our neighbours, built on the principles of mutual respect and sovereign independence.

Our Kingdom would be a secure state at peace with itself.

We would still be the last Buddhist Kingdom remaining in the Himalayas. We would have provided evidence to the world that it is possible to embrace the many benefits of modernization without being overwhelmed by its many negative and disruptive forces. We would have demonstrated that modernization need not be defined exclusively in terms of westernization and that, despite the global forces that seek to shape the world in its own image, it is possible to maintain a distinct identity that is not only recognized but also respected and valued by others.

We would have provided evidence to the world that it is possible to embrace the benefits of modernization without being overwhelmed by its negative forces...

that it is possible to be the same while being distinctively different.

In a real sense, Bhutan would be a beacon to the world relaying the message that, with wise and inspired leadership, wisdom and imagination, it is possible to be the same while being distinctly different.

3. OUR PEOPLE

We will be self-confident and proud citizens of a self-reliant nation. We will have built a compassionate, tolerant and egalitarian society that continues to give concrete expression to the beliefs and values we have embraced for more than a thousand years. Our people will live in harmony and unity, sharing a common sense of purpose and destiny, and united by a common language. While all will respect our distinctive Mahayana Buddhist identity, those with other beliefs will enjoy the freedom to practice them, and we will regard this unity with diversity as a source of pride and of cultural achievement. All Bhutanese, irrespective of their ethnic background and religion, will be proud to call themselves Bhutanese.

We will have moved much closer to an ideal family size, with the prospect of an economically and socially sustainable rate of population growth well within our reach. Significantly expanded levels of educational attainment and economic security would have contributed greatly to reduced levels of fertility, and men and women will make conscious decisions about the desired size of their families.

Our concepts of health and education will have been redefined to take full advantage of advances in technology that are only now becoming visible and that will enable us to bridge the distances that separate local communities in ways that are impossible today. Access to basic education and health care will no longer be issues. Education will have evolved in ways that stress the development of the innate potentials of all children, inculcating an awareness and appreciation of our own cultural values and heritage, and fostering an appreciation of the importance of moral and ethical choices in their lives. Education will have better prepared our young people for the world of work based on an appreciation of the dignity of labour, while engendering within them a natural curiosity for learning and the acquisition of new knowledge and skills. New technologies will not only have contributed to improving the quality of education, they will also have transformed the processes of education and learning, bringing

We will be a self-confident and more self-reliant nation... with a compassionate, tolerant and egalitarian society in which our people live in harmony and unity..

...sharing a common sense of purpose and destiny.

Population growth rates will be stabilizing....

...concepts of health care and education will have been redefined...

... and education will have evolved in ways that foster the development of the innate potentials of children...who will appreciate the importance of moral and ethical choices in their lives.

Bhutan will be equipped with the full ranges of institutions required for the formation of knowledge and skills.

learning opportunities to individual communities and even homes and enabling us to increase the social relevance of education to individuals, communities and the nation as a whole.

Twenty years from now, we will be equipped with the full range of institutions required for the formation of the knowledge and skills required to sustain the nation's further development. At the apex of our institutions of learning will be a well-equipped university that will not only meet the intellectual and learning needs of Bhutanese but will also attract students from other countries, both within the region and beyond. By 2020, the University of Bhutan and Deothang Engineering College, will be actively cooperating with other universities and form an established part of the worldwide network of learning. It will have acquired an international reputation for the quality of its research on the environment and for the quality of its scholarship in Buddhist and related studies. Two decades from now, many Bhutanese will also be enrolled in the advanced study programmes of overseas institutions without it being necessary for them to leave their homes.

Health will also have benefitted enormously from technological developments. In 2020, the levels of our decentralized four-tiered system of health care will still be visible, with the main nodal points within the system having being further reinforced and with the health of Bhutanese firmly in the hands of Bhutanese health professionals. Our system of health care will rival the system existing in industrialized countries today and others will look to us for advice on how knowledge of indigenous medicine can be integrated into the mainstream system of health care. More responsibilities for both preventive and curative health care will have been transferred from the national to lower levels. The health care system will also feature new linkages that traverse the levels, with BHUs maintaining electronic contact with regional hospitals and, when necessary, with national institutions. Developments in electronic communications will provide important opportunities for self-diagnosis using information accessed from central and regional hospitals.

Our culture will have evolved in response to a society in development, but it will continue to live in the minds of our young people, who will retain a respect for valued traditions and a commitment to the ideals, beliefs and

Our system of health care will rival those existing in industrialized countries today...and industrialized countries will look to us for advice on indigenous medicine.

Our heritage and culture will continue to live in the minds of our people...but it will have acquired new forms and meanings that infuse it with contemporary relevance.

Our economic structure will be broader and deeper...

...Bhutan will not only be an important producer of hydropower but also in the vanguard of scientific and technological advance...

...with new and clean industries based on our rich biodiversity

values that have given substantive and spiritual content to our path of development. Our rich cultural heritage will be clearly visible in the lives of Bhutanese and it will have acquired new forms and meanings that infuse it with contemporary relevance.

4. OUR ECONOMY

Two decades from now, the economic geography of Bhutan will have been transformed and our economic structure will be much broader and deeper. Hydropower development will have been actively promoted and will generate the resources we require to maintain investments in the social services and the development of the physical infrastructure we require to continue to raise standards of living and the quality of life as well as to expand the level and pace of economic activity. Although we will use the cheap power produced to develop new resource-based processing industries in areas located close to their main export markets, we will have selected the theme of 'sophistication and civilization' as the guiding principle for our industrial transformation. This theme will, two decades hence, find expression in the existence of clean industries based on a development-oriented interpretation of our resource endowments and comparative advantages and the existence of 'high technology' enterprises, engaged in the production of high value/low volume products that place the nation in the vanguard of technological advance and innovation. Bhutanese high value products, some of which will be based upon the sustainable exploitation of the nation's rich biodiversity, will have a world market and will be recognized as the products of one of the least polluted and least contaminated countries to be found anywhere on earth.

People will travel considerable distances to visit Bhutan for a variety of reasons. Some will choose to 'get away from it all' and to escape to an environment that has few equals in the world for its natural beauty and as a source of adventure and nature-based sports. Some will come to spend time at our internationally-recognized 'centres of excellence', be they in the health or education fields. Still others will choose to visit Bhutan to observe and pay tribute to the attributes of a living Buddhist culture that, two decades from now, will be recognized, even more than today, as an oasis of spirituality and civilization in a world that is dominated by materialism and cheap sensation.

People will choose to visit Bhutan for a variety of reasons..

...some to spend time at our internationally recognized 'centres of excellence'

We will have avoided the negative effects of indiscriminate urbanization.....

...and new growth centres will have been established that provide alternatives to existing centres of attraction.

Rural areas will have undergone a major transformation...and the incomes of farmers will be incomparably higher than those of today.

Changes in economic geography will have been matched by changes in human geography. Around one-half of our people will continue to live in what we today regard as rural areas, although two decades hence the distinction between 'rural' and 'urban' will be much less marked and 'rural' will be without its pejorative associations. We will have largely prevented the unplanned growth of our few main towns. A number of regional growth centres will have appeared that have already established their place as genuine alternatives to Thimphu and Phuentsholing as centres of opportunity for those who choose to migrate to urban areas. These growth centres will play important roles in the system of production, and their development will have been supported by the decisions we have taken on the development of physical infrastructure and the decentralization of government administration. They will constitute focal points within a well-conceived and balanced system of settlements that is able to provide a positive stimulus to growth and change

Virtually all Bhutanese will have access to basic infrastructure and services.

Developments in transport will have changed the lives of many people as well as greatly facilitated economic growth

Rural households will have taken advantage of new opportunities emerging in farming, choosing to produce high value products that have regional and international markets in innovative ways that combine modern technologies with local knowledge. The incomes of farmers will be incomparably higher than the incomes of subsistence farmers today, and much of the surpluses generated will be invested in rural areas that create off-farm employment and promote rural industrialization, taking advantage of the growing provision of physical infrastructure.

Our natural environment and natural resource endowments will still be largely intact...

By the year 2020 all Bhutanese, with the possible exception of those who choose to live in the most remote and isolated locations, will have access to the basic infrastructure associated with the quality of life and with the expansion of choice and opportunity. The nation's road network will have been complemented by additional trunk roads capable of moving freight and people with greater speed and safety, while an expanded system of feeder roads will have transformed the lives of many who have traditionally lived in isolation. The nation will have access to dry ports that will greatly expedite our high value exports to distant markets. Two decades hence, will be served by a well equipped Paro international airport that will serve to expand our links with the outside world and which will support economic growth and development. The airport will be a focal point in a growing domestic system of civil aviation that will

...but our approach to environmental conservation will have evolved in ways that make it more dynamic and development-oriented...

contribute to the further integration of the national economy as well as to social integration.

5. OUR ENVIRONMENT

In 2020, 60 percent of our nation will still be forested and we will be unique among the community of nations for the proportion of our territory that we have freely chosen to set aside and designate as national parks, nature reserves and other protected areas.

Our approach to environmental conservation will not be a static one. It will be given a dynamic and development-oriented interpretation in which natural resources are not only seen as something to be preserved but also as a development asset that can, with care and wisdom, contribute to the process of sustainable social and economic development. This interpretation will have been given to our rich biodiversity that, two decades hence, will have provided the basis for new economic activities that will not only provide an important source of export revenues and high quality employment but also place our nation in the vanguard of technological advances for the benefit of humankind. Our spectacular, unspoilt scenery and rich biodiversity will also have conferred upon our nation a special status for high value and eco-tourism that, with prudence and care, can be combined with the principle of conservation.

This interpretation will have been accompanied by the full institutionalization of capacities to undertake systematic and detailed assessments of the environmental and social impacts of development projects. Such assessments will have become a routine and indispensable part of decision-making on development, not only at the national but at the *Dzongkhag* and *Geog* levels also.

Two decades from now, yak herders will still form part of our population. We will take pride in such occupations, representing as they do a tangible example of the unique relationships that have evolved between people and nature in our Himalayan Kingdom as well as of the wisdom accumulated over centuries concerning the sustainability of human activities in a fragile and often inhospitable environment.

6. OUR INSTITUTIONS

Our institutions will have further evolved along distinctively Bhutanese lines. They will provide for stability and participation that, in a future world of conflict and political turmoil, will be the envy of many others. The monarchy will continue to be the jewel that shines most brightly in our institutional crown and it will retain its place as the most respected and hallowed of all Bhutanese institutions.

Our institutions will have evolved along Bhutanese lines that provide for stability and participation...with an hereditary monarchy remaining the jewel in our institutional crown.

Although the Kingdom will continue to look to the nation's monarch for inspiration and wisdom, Bhutan will have the strong institutions required by a modern and forward-looking nation state, with a well-developed capacity to manage and monitor the nation's development and to guide it further along our distinctive Bhutanese path of people centred sustainable development. While the Royal Government will have increasingly defined its role in terms of 'enabler' rather than 'provider' of development, there can be no other place for national institutions other than at the forefront of efforts to build consensus on the purposes and directions of development, to maintain unity, identity and security, to articulate preferred values and a cultural imperative, and to safeguard the interests of vulnerable and disadvantaged groups and of future generations.

We will have the strong institutions required by a modern and forward-looking nation state.

However, as the process of development becomes more complex and multi-dimensional, it can no longer be entrusted solely to the Royal Government, but needs to be understood increasingly in terms of partnerships and shared responsibilities. The maintenance of the economic growth required to support the nation's further transformation will be entrusted to the private sector that, two decades hence, will have long assumed its role as the main engine of growth and will itself have entered into partnerships with foreign enterprises so as to acquire access to the technologies and know-how we require to travel the preferred path of industrialization and to foster processes of technological innovation. Two decades from now, the private sector will be much more broadly based, with new enterprises having emerged to take advantage of an environment that encourages and rewards entrepreneurship and innovation. The image of the private sector will have changed dramatically, with our young people well-prepared to work within it, associating the private sector with opportunity and advancement.

Development will have resulted in the establishment of new partnerships.

The private sector will be much more broadly based. It will have established its place as the main engine of growth...and will serve as the magnet for the employment of our young people.

Greater responsibility for the satisfaction of spiritual and non-material needs will be entrusted to monastic institutions. These will have been encouraged to redefine their role in ways that reinforce their interactions with society and the nation's development process. While some *lamas, monks, gomchens, pandits* and *animis* will necessarily choose a life of isolation, devotion and meditation, others will have become respected and active participants in the nation's development process, exercising important responsibilities in such fields as health and education, playing roles of importance in our 'centres of excellence', and nurturing the very roots from which spring the meaning, relevance and value to our lives as human beings.

Monastic institutions and religious bodies will be active participants in the development process...nurturing the values that give meaning and direction to our lives.

These processes of change will have been supported by the further development of our legal institutions and system of jurisprudence. The legal system will have responded fully to the challenge of fusing universal values with traditional, respected and cherished concepts of Buddhist natural law, while the system of jurisprudence will provide for expeditious, fair and equal treatment of all Bhutanese on the basis of a body of law that is respected by all. Advances will also have been made in the development of commercial and trade law, which will have provided positive support to the development of the private sector and contributed to the attainment of our industrialization objectives.

Law and jurisprudence will have evolved along Bhutanese lines to meet the needs and requirements of a society in change.

Two decades from now, the process of decentralization will have been completed. *dzongkhag* and *geog* administrations will have taken over fully and effectively many of the development planning and management roles that are now entrusted to central institutions. They will exercise prime responsibility for the financing of development in ways that give expression not only to national goals but also to local aspirations and priorities. The powers of DYT and GYT will have been significantly expanded and there will be greatly enlarged opportunities for people and households, both directly and through their elected representatives, to influence the decisions that have a bearing on their lives, livelihoods and the future of the nation. This process will have empowered local communities to discharge new roles and responsibilities and will have given new dimensions to traditional concepts of representation and democracy.

The process of decentralization will have been completed. At the local level, people will 'own' the development process, with institutions having evolved in ways that give new dimensions to traditional concepts of representation and democracy.

The financing of development will be largely in our own hands.

All these changes will have been accompanied by the implementation of measures that will have deepened and broadened the system of financial institutions, with the

creation of new mechanisms required to mobilize capital and resources. By 2020, the financing of development will be very largely in our own hands. The tax base will be far less narrow and inelastic, with the Royal Government obtaining the revenues required for investment from a much broader range of sources and fiscal measures, with revenues derived from the sale of hydropower being the most important. The growth of the private sector will have enlarged and deepened the tax base, and new institutions and mechanisms will be in place that enlarge its access to the capital and resources required to take full advantage of new opportunities. New financial mechanisms will also be in place at the *dzongkhag* and *geog* levels that are capable of mobilizing savings, diverting them from consumption to investment, and further expanding the tax base.

There may be those who feel that such a future is beyond our reach. They are those who undervalue our assets and resources and underestimate our determination and commitment to the future of our nation and our children. If we maintain our identity and unity and make full and prudent use of our assets and resources, Bhutan in 2020 could provide an example to the rest of the world. It could demonstrate that with confidence, wisdom, forethought, imagination and above all firm unity and belief in a common purpose, it is possible for even the smallest of countries to rise to challenges of historical proportions and to carve out a distinctive place for itself in the world of the 21st century.

We will have demonstrated that, with confidence, wisdom, forethought and imagination, it is possible for even a small mountainous nation to carve out a distinctive place for itself in the 21st century.