

**Annual Report on  
Bhutan's Smooth Transition Strategy (13<sup>th</sup> Five Year  
Plan) for Sustainable Graduation**

**November, 2024**

## 1. Background

The 13<sup>th</sup> Plan of Bhutan has been designed to serve as a Smooth Transition Strategy for sustainable graduation from the category of Least Developed Countries (LDCs). The implementation of the plan began in July 2024 and will continue till June 2029. It draws from a Long-Term Strategic Framework which envisions making Bhutan a “High-Income GNH<sup>1</sup> Economy” by 2034. This pursuit represents a strategic shift towards “rebalancing GNH” which embodies economic transformation to realize Bhutan’s needs in the 21<sup>st</sup> century. It also highlights that Bhutan’s development paradigm of Gross National Happiness would invariably steer high-income goals defined by a GDP of USD 10 billion and GDP per capita of above USD 12,695. This means that all aspirations for progress and prosperity would be pursued within the imperatives of sustainability including Bhutan’s commitment to remain carbon neutral and the constitutional mandate to maintain at least 60 per cent of its total land under forest coverage for all times.

The long-term goal is anchored on the “3Ps” or three pillars of ‘People’, ‘Progress’ and ‘Prosperity’ and entails realizing a happy, prosperous and secure Bhutan. These “3Ps” are interconnected and mutually reinforcing to uphold the principles of inclusiveness, resilience and sustainability as underscored by GNH and sustainable development goals (SDGs). The key performance indicators for the “3Ps” reflect the long-term direction

---

<sup>1</sup> Gross National Happiness

spanning over the next decade as well as serves to gauge our progress towards fulfilling the national objectives. The indicators are outlined in the figure below.

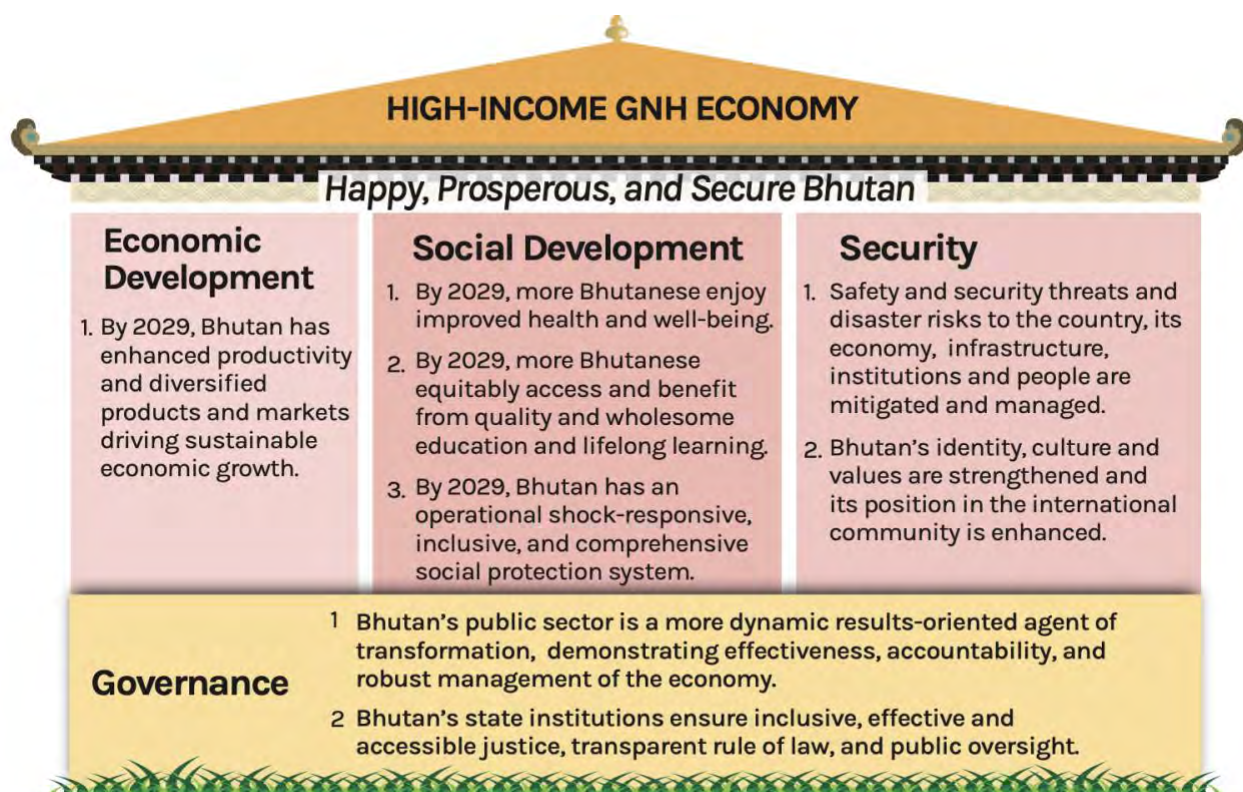


*Figure 1: National Indicators for A High Income GNH Economy*

## 2. 13<sup>th</sup> Five-Year Plan Outlay and Outcomes

In pursuit of the long-term goal of high-income GNH economy and realizing a Happy, Prosperous and Secure Bhutan, the 13<sup>th</sup> Five-Year Plan has an outlay of Nu. 512,283 million which comprises Nu. 245,000 million of capital expenditure and Nu. 267,283 million of recurrent expenditure.

The plan has adopted a cluster-based planning approach through the four clusters of Economic, Social, Security and Governance. The clusters have their respective deliverables and together embody eight outcomes at the national level which are reflected in the figure below.



*Figure 2: 13<sup>th</sup> Plan Outcomes*

### 3. National Programmes in the 13<sup>th</sup> Five-Year Plan

To deliver the national goals and outcomes, the 13<sup>th</sup> Plan has eight national programmes. These programmes have projects and activities which are

aligned to national outcomes and outputs and will be implemented by various agencies in the plan period.

### **3.1 Economic Transformation Programme**

This programme will be largely implemented by the agencies under the economic cluster such as the Ministry of Industry, Commerce and Employment, the Ministry of Energy and Natural Resources, the Ministry of Infrastructure and Transport and the Ministry of Agriculture and Livestock. It focuses on promoting green, sustainable and inclusive economic growth primarily through bolstering private sector development, investing in strategic infrastructure and revitalizing traditional sources of growth while also harnessing emerging growth sectors. It has an indicative outlay of Nu. 80 billion.

### **3.2 Climate Resilience and Ecological Diversity**

This programme focuses on enhancing resilience to the impacts of climate change and strengthening environmental stewardship. It emphasizes the pursuit of a low-carbon and climate-resilient development through building carbon assets, and prudent management and sustainable utilization of natural resources. It has an indicative outlay of Nu. 14 billion.

### **3.3 21<sup>st</sup> Century Skilling Programme**

This programme aims at providing 21st century skills and knowledge to the Bhutanese population which will facilitate gainful employment. It mainly seeks to transform the Technical and Vocational Education Training System,

and tertiary education programmes and promote a culture of lifelong learning to generate a skilled and productive workforce. It has an indicative outlay of Nu. 10 billion.

### **3.4 Healthy Drukyul Programme**

This programme focuses on ensuring good health and well-being among the Bhutanese population by delivering quality preventive and curative health services. It employs key interventions such as improving the health governance system, investing in quality health services and rationalizing health infrastructures. It has an indicative outlay of Nu. 20 billion.

### **3.5 Education Transformation Programme**

This programme emphasizes transforming the school education in Bhutan and enhancing the learning outcomes. The transformation will mainly be pursued through implementing industry-relevant curricula and programmes, developing quality infrastructure, strengthening educational professionals and strengthening education governance. It has an indicative outlay of Nu. 30 billion.

### **3.6 Digital Transformation Programme**

This programme is aimed at advancing the digital sector and enhancing its contribution to the national economy. It predominantly focuses on promoting digital governance, strengthening the digital economy, building a digitally vibrant society and investing in building digital enablers. It has an indicative outlay of Nu. 10 billion.

### **3.7 Socio-cultural Resilience and Community Vitality**

This programme aims to strengthen Bhutan's resilience to various shocks and risks that could impact its peace, security and stability. It mainly emphasizes efficient management of emerging and imminent threat perceptions, ensuring community safety and public order, instituting comprehensive social protection and promoting cultural preservation. It has an indicative outlay of Nu. 10 billion.

### **3.8 Transformational Governance Programme**

This programme is aimed at ensuring an efficient, effective, dynamic and results-oriented governance system by adopting a whole-of-society approach. It emphasizes building a high-performing public sector, strengthening the rule of law and democratic principles, enhancing prudent management of resources, leveraging digital technology for service delivery, mainstreaming cross-cutting issues and enhancing evidence-based decision-making. It has an indicative outlay of Nu. 267 billion.

## **4. Local Government Key Result Areas in the 13<sup>th</sup> Five-Year Plan**

Aligning to the goal of realizing a "High-Income GNH Economy" by 2034 and the eight national outcomes, the 13<sup>th</sup> Plan has identified seven local government key results areas. This will ensure that local governments play a crucial role in materializing national aspirations by fostering close collaboration and synergy with the central agencies. The seven key result areas are:

- a. By 2029, Dzongkhag/Thromde will have a vibrant local economy with enhanced productivity and diversified local products.
- b. By 2029, more children access and benefit from quality education and skills development.
- c. By 2029, more residents enjoy improved health and well-being.
- d. By 2029, Dzongkhag/Thromde has proactive social protection and support measures
- e. Safety and disaster risks in Dzongkhag/Thromde are mitigated and managed at all times
- f. Bhutanese identity, culture, and values are strengthened
- g. Dzongkhag/Thromde's public services are citizen-centric and delivered seamlessly in an efficient and effective manner

## **5. Areas for Additional Support**

Being a small developing nation, Bhutan continues to face resource constraints which manifests in a high fiscal deficit. The fiscal deficit in the 13<sup>th</sup> Plan is projected at Nu. 55 billion which accounts for 2.97% of the country's GDP. Support in exploring and mobilizing innovative sources of financing thus remains a priority.

Bhutan also remains highly vulnerable to the impacts of climate change. Extreme weather events such as floods, landslides, forest fires and others



continue to cause loss of lives, livelihoods and damage to hard-earned developmental gains. While the impact remains high, Bhutan will lose priority access to LDC-specific climate financing windows after the transition period. Given our immense contribution to mitigating climate change and continued vulnerability, support must be given to ensure that Bhutan continues to receive climate-related finances after the transition period. Support is also required in terms of securing carbon marketing and facilitating carbon trading which is of high priority for Bhutan.

Limited trade and an undiversified export basket and destination also remain a challenge for Bhutan. After the transition period, Bhutan would lose preferential market access to the European Union which would make Bhutan's exports less competitive. Continued support is required to enhance Bhutan's trade and diversify products and trading markets.

Inadequacy of human capital particularly in the social sectors such as health and education remain a critical challenge which is further aggravated by emigration. Tailored support is thus required in terms of human capital development in health and education as well as skills development in vocational and technical education.

\*\*\*\*\*