

**Opening Statement at the Bhutan Round Table Meeting
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Your Excellency, Honorable Prime Minister, Lyonchhoen Jigmi Yoezer Thinley;

*Your Excellency, Lyonpo Yeshey Zimba, Minister-In-Charge of Foreign Affairs and
Minister of Works and Human Settlement, RTM Co-Chair,*

Excellencies, Distinguished Participants, Ladies and Gentlemen:

I am delighted to be back in Bhutan, and am honoured to co-chair this important and timely event. We are deeply grateful for the warm reception and generous hospitality shown to us by the Royal Government and the people of Bhutan. I thank the Royal Government for giving me the opportunity to address the Round Table Meeting today.

The philosophy of Gross National Happiness first articulated by His Majesty the Fourth King has guided Bhutan down a unique path of development that has improved the lives of many Bhutanese. Not only are average incomes higher now than ever before, but people live longer and are more educated; the natural environment has been protected; communities are valued, as is the culture; and the government is grounded in democratic institutions that are accountable to the people.

Though relatively small in area and population, to use a good sports metaphor, Bhutan has punched above its weight in the global debate on the meaning of 'development'. The question of how to improve the welfare of societies and

individuals sustainably and equitably is one of the central challenges of our time, and answering it requires all of us to think deeply about exactly what we mean when we talk about development, well-being and social progress.

Perhaps more than that of any other country, the Bhutanese approach to this question has pushed outsiders—including those working in international institutions, governing other countries, and designing aid programs in donor agencies—to fundamentally re-think our conceptions of ‘development’, as well as the principles that we value and the components of what constitutes a meaningful life. The global influence of Bhutan’s philosophy was illustrated by the Resolution adopted by the UN General Assembly this summer that invites member states to pursue policy steps that better capture the importance of happiness and well-being in development.

But the GNH philosophy might not have made such an impact on the global stage without the tangible development results of recent years that illustrate the approach in practice. Robust growth of 8% per year over much of the last decade has been underpinned by the vigorous pursuit of other socio-economic and political goals such as improved governance, rural development, and ecological conservation. Most measures of poverty and human development have improved. The income poverty rate has declined and the country is on pace to achieve most MDG targets—notably those for access to education, health outcomes, gender parity in both primary and secondary schools, and protection of the environment. GDP per capita in Bhutan is now higher than in most of its neighbours.

These impressive accomplishments have also spanned the country’s historic transition from absolute monarchy to representative democracy. Democratic

institutions have taken root across different levels of government, and a vibrant democracy has been born.

The Royal Government should be applauded for these many achievements, which have been supported by the policies adopted as part of the agenda reflected in its Vision 2020—a bold picture of Bhutan’s future—and the strategies laid out to achieve this vision as articulated in the 10th Five Year Plan. In line with this Plan, targeted poverty reduction investments have been pursued in health, education and rural infrastructure, coupled with the decentralization of decision-making powers to local communities.

But we must not rest on these accomplishments. Now is the time to sustain momentum and scale up the intensity of our efforts so that even more Bhutanese benefit. Because while progress has been made in many areas, the country is not all of the way there yet, and challenges remain that have constrained the government’s ability to reach all of the poor and disadvantaged in pursuit of its inclusive GNH policies.

It is important, especially at this Round Table, to recognise that many Bhutanese still live below the poverty line. There are also disparities in income and access to social services and infrastructure between and within regions and districts. Remote rural communities have higher poverty rates and more limited access to social services and electricity networks. Child and maternal mortality rates have declined but chronic malnutrition still affects one in three children. This has led to an emphasis in recent years on investments to close rural-urban gaps, and the number of rural residents with access to most services has gone up.

Bhutan's successful investments in harnessing its comparative advantage in hydropower generation have paid clear growth dividends. But a diverse private sector has been slow to materialize, and the country remains dependent on electricity for a large share of exports and revenues. The agricultural sector, where a large majority of Bhutanese make their living, has meanwhile lagged the rest of the economy, as its share of GDP has declined steadily and output has risen more slowly than that of other sectors.

Looking ahead, ensuring that hydropower revenues are used to speed balanced socio-economic development will be critical. This means continued investments to support rural development and economic diversification, including those that create more non-farm employment opportunities. The need for new jobs is also likely to become more acute in coming years as a large number of young people enter working age.

The effects of climate change are already evident in Bhutan, and consequences such as erratic rainfall and temperature patterns impact subsistence farmers the most. But climate change affects more than just agriculture, as the hydropower sector relies on rain and run-off from rivers and is thus susceptible to climate-related variations.

Bhutan is also vulnerable to more frequent natural disasters, and in recent years has already dealt with earthquakes, floods, windstorms and landslides, not to mention the ever-present risk of overflowing glacial lakes. These disasters lead to setbacks to health, livelihoods and education that are difficult to reverse—especially for the poorest. In a more general sense, the country will also continue to face the challenge of balancing further economic growth—such as from increased tourism, rural

investments, and industrial development—with its concerns for long-term environmental sustainability.

Many policy responses to meet these challenges are already part of the Royal Government's ongoing program targeting more inclusive human development for all Bhutanese.

Building on these past efforts, I highlight several key dimensions that may help consolidate this forward momentum:

First, sustained emphasis on finding locally grounded solutions to development constraints can help improve the design of anti-poverty interventions. This means strong local ownership of development strategies consistent with the needs and aspirations of the people in affected communities.

Second, continuing the Royal Government's program of fiscal and administrative decentralization can help promote government effectiveness and accountability. Creating strong sub-national governments with more decision-making authority and control over resources can improve service delivery, enhance government responsiveness, and increase citizen participation.

Third, a comprehensive set of policies to promote rural development can help lessen regional inequalities. Policies such as investments to connect rural communities to markets, create urban centres at the sub-national level, and expand vocational training programmes and employment schemes, particularly for women and young people can help increase productive capacities and non-farm employment prospects. These initiatives should include the private sector as a key partner.

Fourth, quality education and health services are essential for wider human development in Bhutan and for enabling gender equality. While these services are more accessible today than ever, keeping them in step with the needs of a developing society requires further investment.

Fifth, measures to support and link climate change adaptation and disaster coping mechanisms can help reduce the vulnerability of poor communities. Complementary initiatives such as agricultural programs to support new and sustainable farming techniques and insurance schemes to protect against losses can help mitigate the consequences of the changing climate.

It is critical that Bhutan's development partners continue to support the Royal Government's efforts, as considerable resources will be required to make its vision for the people a reality. External assistance still finances a significant portion of the budget—including many of the capital investments necessary to boost agricultural production, diversify the economy, and improve social and other services in remote rural communities. And while the country has begun efforts to increase domestic resource mobilization, the need for external finance will remain in the short- and medium-terms. A drawdown in assistance would have severe consequences on the ability to meet the growing demands and aspirations of the people for tangible improvements in living standards across the board, to fulfil the promise of democracy and to fully implement the MDGs.

As the Royal Government moves to tackle the next range of challenges, it is also clear that scaled up and predictable financing will be essential for Bhutan to broaden the impact of its interventions. As a small, landlocked Least Developed Country, Bhutan is

vulnerable to external shocks due to a narrow domestic economic base and faces difficulty in transferring goods to and from world markets. Bhutan's geography of difficult terrain and dispersed communities deepens these challenges. Meanwhile, the financing requirements for climate change adaptation are also considerable; resources are needed quickly given the long-term nature of adaptation initiatives and the short-term prospect of climate-related consequences.

In closing, Bhutan has a bold vision of its future. It is also in a strong position to realize it. The Royal Government is committed to growth that is shared by all, and also to a broader development agenda that includes strengthening local communities, protecting the natural environment, providing universal access to quality health and education services, and preserving traditional culture and heritage.

I also thank the development partners for their past assistance that is clearly linked to the impressive achievements of recent years. You can be sure that your aid money is well spent in Bhutan. I now count on your continued support to ensure that these past accomplishments are not lost, and that the vision of development and happiness articulated so well by the government can be shared by all Bhutanese.

Thank you and Tashi Delek.