Annual Report on the Preparation of Bhutan's Smooth Transition Strategy (13th Plan) for Graduation from the Least Developed Countries Category

November 2023

Background

Bhutan is scheduled to graduate from the LDC category on 13 December 2023. A task force for the development of a Smooth Transition Strategy for Bhutan was established in April 2021. The formation of the Task Force was an outcome of a white paper by UNCTAD that highlighted seven thematic areas that Bhutan should incorporate into the smooth transition strategy. The Task Force reviewed the focus areas for the transition strategy and prepared an initial draft. After careful review and deliberation, the task force recommended that the smooth transition strategy be integrated into the country's 13th Five Year Plan to ensure that required interventions were mainstreamed and integrated into the overall development plan rather than maintained as a separate standalone strategy document. Accordingly, the Government approved for the 13th Five-Year Plan of Bhutan to serve as the smooth transition strategy for Bhutan.

Consultative Mechanism in the Preparation of the 13th Plan of Bhutan

The preparation of the 13th Plan of Bhutan began against the backdrop of a national transformative exercise that encompe72 (utan)-85(in)3(t)an)3(t)-3(i)j(r)-4(po)-2(rn)3(t)med the

Plan of Bhutan.

In keeping with the development planning approach adopted by Bhutan, the 13th plan preparation approach has been inclusive, consultative, and participatory in nature. All the stakeholders such as central government agencies, non-governmental organizations, civil society organizations, the private sector, and political parties were consulted in the process of plan formulation. Plan consultation with development partners including the United Nations Agencies was carried out and their assistance was mobilized through the consultative process. Similarly, local governments were

Summary of the 13th Plan Priorities for Smooth Transition

The 13th plan of Bhutan is part of a Long-Term plan which spans from 2024 to 2034. Both the long-term plan and the 13th Plan are anchored on the timeless development philosophy of Gross National Happiness championed by the visionary monarchs of Bhutan. The goal of the long-term plan is to make Bhutan *"A High-Income Economy"* by 2034 and it envisions creating a healthy, prosperous, and secure Bhutan and is underpinned by "3Ps" or principles of prosperity, people, and progress.

Under the prosperity principle, the aim is to build an innovative and sustainable economy that benefits all the Bhutanese. This entails achieving a GDP of USD 10 billion and GDP per capita of above USD 12,000 by 2034, achieving full employment with quality jobs, and quadrupling the income of the bottom 40% of the population. Related to the people principle, the drive is to ensure that all the development endeavors contribute to enhancing the well-being and productivity of the Bhutanese. This will be attained through advancing the quality and inclusiveness of health, education, living standards, and social protection across all demographic groups. With regard to progress, the aspiration is to ensure that Bhutan is a progressive nation for all times to come. This involves enhancing the security, community vitality, integrity, and resilience of the communities through high-quality infrastructure and public services.

The 13th Plan is approached through four strategic themes namely economic development, social development, governance, and security. Each theme is driven by its strategic objective and results level mainly spelled out in the outcomes and outputs, and the key performance indicators.

The strategic objective of the Economic Development is for *"Bhutan to be a high-income nation driven by technology and innovation."* To realize this objective, the economic

development initiatives will be geared towards enhancing productivity and diversifying markets. This is aligned with addressing the issue of limited productive capacity as well as enhancing market opportunities for Bhutanese products in the post-graduation era.

The economic development also encompasses advancing the share of manufacturing and other sectors with growth potential to GDP, creation of jobs in the digital economy, increasing the GDP share of private sector investment, enhancing foreign direct investment, reducing the national trade deficit, enhancing market access, leveraging technological innovation, increasing the annual household income and strengthening the conduciveness of business ecosystem.

National key strategies for economic development include deregulation to enable private sector participation and accelerate procedures, investment in strategic infrastructures and human capital development for sustained growth, facilitating availability, affordability and accessibility to land, labor, capital and market, investing in the rural economy based on growth potential to ensure right growth in right places and strengthen government business center for facilitation and debottlenecking existing challenges. Aligned with these national strategies, respective agencies under the economic cluster embody agency-specific strategies that will contribute to realizing the economic outcomes and objective of the 13th plan.

The strategic objective of Social Development is to achieve *"A healthy and productive society founded on equitable and high-*

commendable health and well-being, ultimately making up for the lack in number in terms of quality.

Social development also emphasizes effective management of diseases of public

complemented by agency-specific strategies in fulfilling the governance aspirations of the 13th plan.

In addition to the four national-level strategic objectives, the 13th plan also identified seven local government key result areas for the local governments. These include having a vibrant local economy with enhanced productivity and diversified local products, ensuring access to quality education and skills development for youths, improving the health and well-being of local residents, mitigating and managing the safety and disaster risks, strengthening the Bhutanese identity, culture, and values, and ensuring citizen centric local government public services.

Through strategic alignment and mutual reinforcement, the central government agencies and the local governments will strive for the optimum realization of the 13th Plan. Similarly, the private sector, civil society organizations, non-governmental organizations, and state-owned enterprises will form strategic partners to implement plan initiatives. Furthermore, the assistance and goodwill of the development partners and the United Nations agencies would be crucial for the plan's success. In this way, a whole of the government approach would be mobilized in the 13th Plan to ensure that the graduation from the least developed country category is irreversible, progressive and sustainable.

Approval Status of the 13th Plan

The draft 13th Plan which will serve as the Smooth Transition Strategy has been approved by the outgoing government in October 2023. The long-term goal, guiding principles of 3Ps, national key performance indicators, the salient features of the 13th plan, four strategic objectives, outcomes, outputs and cluster and agency-specific strategies were approved. The draft plan is undergoing continuous review to further

improve and sharpen the programs, projects and activities. The draft plan will be presented to