

# The Approach to Development

## Development Goals and Role of the Royal Government

A part from the obvious objective of development: to increase GDP at the national level and incomes at the household level, development in Bhutan includes the achievement of less quantifiable objectives. These include ensuring the spiritual and emotional wellbeing of the population, the preservation of Bhutan's cultural heritage and its rich and varied natural resources. Although it is difficult to achieve progress for everybody at the same time, the Royal Government's development strategy is based on giving equal opportunities and equitable services to all members of society throughout the country.

Although the privatisation programme will reduce the role of the Royal Government in productive activities during the 7 FYP, the Royal Government will continue to play a substantial role in through the following activities:

- \* Providing a framework of law and order which fosters economic activity; macroeconomic management, including regulation of the currency;

- \* management of Bhutan's international economic relations, including aid and trade;

- \* providing and maintaining basic economic infrastructure;

- \* Providing and maintaining basic social infrastructure (education and health services), and developing of the natural resources involved and/or the proposed development is on too large a scale to be accommodated by the indigenous private sector;

- \* generally, seeking a national consensus on development objectives and strategy and acting as the custodian of national interests.

The Government is able to take both a broader and a longer term view than individuals and firms normally can. The necessary measures and legislation will continue to be enforced to ensure that individuals' and firms' short term decisions do not have long term consequences that are nationally unacceptable (eg in environmental terms). At the same time, the Government will continue to invest in those activities necessary for the long term development of the economy which the private sector is unlikely to undertake. This may be due to the high risks involved, long pay-off period or because it is difficult to charge the beneficiaries: such activities include, for instance, agricultural and environmental research.

The Five Year Plan is largely focused on RGOB activities, not because these are ultimately more important than private sector activities but because these are the activities that come under the Government's direct control. The Plan also focuses on public sector revenues and expenditure—firstly, because public resources are limited and their allocation needs to be based on a consistent strategy, and, secondly, because the expenditures it undertakes and the revenues it raises are one of the chief links between the Government and the economy is general.

### The Development Approach

As stated the overall aim of development is to raise the living standards of all the population, with due emphasis given to the quality of life as well as increasing income. While this is the usual objective of development as pursued by all developing countries, there are many means of achieving this goal. The Government, in consultation with the people and all levels of Government, has developed an overall approach based on six principles:

- \* self reliance
- \* sustainability
- \* efficiency and development of the private sector
- \* people's participation and decentralisation
- \* human resource development
- \* regionally balanced development

While being part of the overall development strategy, these principles are also reflected in the detailed policies and programmes of the sectoral chapters of this Plan. These are discussed in the paragraphs below.

**Self-reliance:** Although Bhutan's development has been greatly assisted by development cooperation with the Government of India and

with other aid donors, the Royal Government is determined not to perpetuate dependence on external assistance. Efforts are, thus being made and will continue during the 7 FYP to increase Bhutan's own technical capacity, through human resource development and through effective technology transfer. In addition, the ability to finance RGOB activities continues to remain a priority, particularly self-sufficiency in the recurrent and the Royal Government recognises the need to increase domestic revenues. Fiscal and Monetary Policy indicates the taxation and cost-recovery measures that RGOB will pursue. Reducing dependence on aid will also require increased domestic savings and investment: Fiscal and Monetary Policy also outlines proposals for the further development of Bhutan's financial institutions. Where capital requirements exceed the resources available locally, Bhutan will welcome foreign investment, although collaboration with foreign investors will be decided on a case by case basis.

Self-reliance does not mean that Bhutan will aim to produce all its requirements but that the Government will encourage the production of those goods and services that can compete in export markets. The revenue earned will provide for the import of goods and services that cannot be efficiently produced in Bhutan. The same principle applies to food security: Whereby every household should be able to produce its food requirements or obtain income from other sources to purchase sufficient food to ensure that every household member is always adequately nourished. Renewable Natural Resources spells out Bhutan's strategy for achieving national and household food security during 7 FYP.

The concept of self-reliance also applies at the household and community level. The RGOB approach to development means that individuals and communities are involved in identifying their needs and priorities, with the role of central government being to assist in meeting these needs. This relates to the fourth principle: people's participation.

**Sustainability:** Increasing incomes in the long run is dependent on the ensuring the sustainability of production: ie that short run growth does not jeopardise the country's ability to expand production in the future. The sustainable utilisation of natural resources is of major importance in a country where the majority of the population remain dependent on agriculture for incomes and employment and where a wide range of valuable species remains largely intact.

The sustainability of raising living standards is also dependent on the population growth rate, as increases in GDP can be offset by high rates of population growth thus reducing per capita GDP. Increasing population is also one of the main determinants of pressure on natural resources. The Royal Government therefore regards reducing the rate of growth of Bhutan's population as an important aspect of the strategy for sustainable development. The Royal Government through the National Assembly will consider adopting a family planning policy which will aim to curb the population growth below 2% by the year 2000.

**Efficiency and development of the Private Sector:** Limited financial and human resources are the major constraint to raising living standards. One of the ways of addressing this constraint is to make more effective utilisation of existing resources through improving the efficiency of both the private and Government sectors. The Government will therefore encourage increased efficiency in the utilisation of resources through the implementation of the following measures in the economy as a whole:

- \* the continuing privatisation programme and minimising RGOB intervention in private sector decision making;
- \* when intervention is necessary, avoiding arbitrary administrative controls, making clear the rules that will be applied, and relying more on tax and price incentives than on quantitative restrictions;
- \* promotion of appropriate technological innovations (in the country's internal and

external telecommunications, for example); and

- \* human resources development programmes which take account of private as well as public sector skill requirements.

**For Government itself,** measures to maintain and increase efficiency will include:

- \* concentration on well-defined priorities, and adopting standards (of services and facilities) that correspond to what Bhutan can presently afford in the short and medium term;
- \* limiting the size of the public service, while ensuring high standards of productivity;
- \* improving the coordination within Departments and between Ministries, to ensure that related activities are implemented in an integrated manner and avoid duplication of effort and resources;
- \* setting and monitoring performance targets;
- \* establishing appropriate management structures for enterprises which remain in the public sector, so that they can operate on quasi-commercial lines; and,
- \* appropriate assignment of responsibilities and resources between the different levels of government (see next paragraphs).

**People's Participation and Decentralisation:** As noted above, the Royal Government is determined that all regions and groups in the country should benefit from development. Popular participation in the planning and implementation of development is a way of ensuring that plans take account of popular concerns, draw on local knowledge and mobilise local resources for development. The consultative process in preparing the 7 FYP is outlined in Section IV.

The RGOB has also made considerable efforts to decentralise administration and planning since the beginning of 5th Five Year Plan in 1981. Dzongkhag Yargay Tshogchung were created in all the 18 dzongkhags which consist of elected members of the dzongkhags including gups, chimis and community leaders as well as dzongkhag authorities. In the 6th Plan, the process of decentralisation was taken further with the operation of Zone IV in Eastern Bhutan and the establishment of 119 Gewog Tshogpas at the command of His Majesty the King. The Gewog Tshogpas will widen

the base of decision making to the grassroots level.

**Human Resource Development:** People are Bhutan's most important resource. Human resource Development is both an end in itself — since better health and education enable people to live more fulfilling lives — and a means of increasing Bhutan's development potential. The strategy for the Seventh Five Year Plan is (a) to ensure that widest possible access to basic health and education, while (b) selectively investing in the much more expensive development of higher skills and secondary level health facilities.

Although women are accorded equal status in Bhutanese society, their circumstances often place them at a disadvantage — they are much less likely than men to complete their schooling for example. Children's welfare strongly depends on the health and education of their mothers. Realising Bhutan's full human potential as well as ensuring that the whole population benefit from development, requires special efforts to involve women in development.

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WED	BANGKOK	DHAKA	KB	110	1015	1205
WED	DHAKA	PARO	KB	110	1250	1400

VALID FROM 29 OCT '95 UNTIL 30 MAR '96