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## **Bhutan—Sustainable Development Through Good Governance**

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## **Executive Summary**

In 1960, Bhutan, one of the world's most isolated countries, started its first development plan amidst widespread illiteracy, steep infant mortality, food insecurity, and natural disasters. But it has since made enormous strides, in recent years achieving human development indicators that put it on par with the rest of South Asia.

Life expectancy has nearly doubled, reaching 66 years in 2003. By 2003 infant mortality, formerly among the world's highest, had fallen to 61 per 1,000 live births. Today more than 90 percent of the population has access to primary health care, 77.8 percent of the households and 97.5 % of the urban households have access safe drinking water, 80 percent of school-age children are enrolled in primary school and adult literacy has jumped to 54 percent, up from just 10 percent in 1970. Economic progress has been similarly impressive, with GDP per capita reaching \$755 in 2003—more than five times the level in 1980. Thus, despite serious challenges, Bhutan's development policies have had far-reaching, sustained effects.

### **The “Secret” to Bhutan's Success**

How has Bhutan achieved so much success in so short a period? Through good governance, the kingdom has made effective use of domestic and donor resources to rapidly expand health, education, and other services, even in remote and isolated communities. Moreover, development innovations have been mediated through traditional institutions by a strong, reform-minded leadership that has ensured policy stability and accountability for results.

Other factors also help explain Bhutan's rapid, sustained development:

- An absence of extreme poverty.
- A rich, largely renewable natural resource base (hydropower and forests).
- A well-functioning administrative infrastructure that delivers development services to cohesive community organizations capable of using them effectively.
- A home-grown development philosophy—based on the concept of “gross national happiness”—that stresses the primacy of economic growth, cultural preservation, environmental conservation and good governance and ensures that development approaches are adapted to local conditions and values.
- Long-term support from development partners willing to grant Bhutan considerable autonomy in recognition of its high standards for accountability, efficiency, transparency, and effectiveness in using donor resources.
- Public Services Reforms:

- The Royal Government's restructuring initiative of 1999 defined efficiency, accountability and transparency as the unpinning pillars of good governance. New institutions responding to emerging needs, some organizational restructuring and mechanisms for internal accountability have been established. Internal audit units in all ministries and an office of legal affairs have been set up. The Royal Audit Authority has been strengthened in terms of organizational reach and authority, and an Audit Act is due to be enacted soon. A Finance Act is under drafting. Several new ministries and departments have been created to meet the emerging public service needs

### **Smart Investment Strategies**

During the 1960s Bhutan's most pressing needs were to rapidly improve roads and telecommunications and to consolidate the institutions and mechanisms required for a modern, centralized state—including a civil service with competitive recruitment and merit-based promotion. The success of these investments laid the foundation for a steady increase in basic services, particularly education and health that continues today.

Public spending on the social sectors has been a high priority since the 1970s, and essential medicines are now available to almost the entire population. Moreover, childhood vaccination rates have steadily increased, with 78 percent of infants now immunized against measles and 88 percent against diphtheria, pertussis, and tetanus (DPT)—twice the levels in the early 1980s and well above the average for South Asia.

In education, the use of English as the medium of instruction greatly expanded access to instructional materials and international training. This has expanded the critical mass of leaders in government and private sector rapidly. It has also allowed the education system much faster than it was otherwise possible. Today there are more than 120,000 students (in a population of 600,000) enrolled in 447 educational institutions in Bhutan, including a new national university. Demand for schooling has skyrocketed as education has become recognized as the path to a better life. But while Bhutan has invested heavily in new schools, there remains a significant shortfall of trained teachers. To ensure the sustainability of the education system, private schools are encouraged and other cost sharing mechanism such as shifting stationeries to parents in urban areas are considered.

The development of a dynamic and strong private sector continues to be accorded highest priority as it plays an important role in fostering economic growth as well as creating employment. Several enabling legislations, e.g. the Bankruptcy Act 1999, the Movable and Immovable Property Act 1999, the revised Companies Act 2000, etc have been passed. Rules governing imports and import licensing have been streamlined. Efforts are being made to gain access to markets and opportunities through enhanced trade liberation initiatives at bilateral, regional and international levels. Bhutan has joined as the member of IFC in 2003 and initiated the accession procedures to become a member of the WTO by 2007.

## **A Drive toward Decentralization**

One of the key themes in the recent years has been to reduce excessive local dependence on the development role of the central government. This goal has been pursued through policies and institutions designed to decentralize administrative responsibilities and increase local decision-making and accountability. Accordingly, the monarchy has surrendered power to an executive branch led by a cabinet and to the national legislature. This process is now culminating in the drafting of a formal constitution for the country.

The formal structures and procedures for decentralization have evolved through the creation of local development committees at the district and block levels. These committees are empowered to formulate plans and make decisions for socioeconomic development programs in their communities. The committees also propose issues for debate in the national assembly. All the members of these bodies are elected representatives of local communities.

The central government recognizes that it is imperative to transfer skilled officials and other staff to districts. Still, perhaps the most important aspect of decentralization involves the transfer of financial powers and responsibilities to local development committees, a process that began in 2002. Budgets earmarked for projects in each district and block are now controlled by these committees. The committees have also been empowered to retain rural taxes and mobilize local financial resources. (At the same time, steps will be taken to ensure that fiscal decentralization does not disadvantage districts with lower economic productivity.) These and other changes in local financial authority have already generated an increase in local initiatives that would not have been possible under earlier arrangements.

These changes required the country to develop new sources of revenue to support its administrative systems, as well as to invest in development infrastructure and social services. Today rural taxes account for a negligible proportion of tax

## **Looking Ahead**

Bhutan's development policies and social and political institutions reflect Buddhist concerns for equality and compassion, particularly the sense of responsibility for maximizing happiness and minimizing suffering for all members of society. The government views happiness as a policy objective—one that can be achieved only by enhancing people's well-being. Hence goals such as alleviating poverty and increasing access to health and education are national priorities.

One of the biggest challenges for scaling up poverty reduction is overcoming rural isolation by constructing roads, which the government has made a top priority. Improving the economic base of the rural population and so reducing poverty will depend on enabling rural communities to access national and regional markets for their agricultural produce. As part of decentralized governance, local governments will now undertake these responsibilities. Despite its declining contribution to GDP, farming will remain an important economic activity.

Bhutan also faces other major development challenges and constraints—including its geographic isolation, limited arable land, small private sector, growing unemployment, lack of skilled labor, and excessive dependence on hydroelectricity for revenue. Among the most important challenges for Bhutan is translating its steadily growing hydroelectricity revenue into sustainable financing for development investments without provoking “Dutch disease,” triggering inflation, or otherwise distorting the economy, or creating sociopolitical tensions by aggravating income disparities and regional imbalances. Still, given the government’s long-standing concern for and competence in dealing with needy groups, it should be able to continue its progress in reducing poverty and advancing development.

## Introduction

Before the 17th century, Bhutan constituted of many autonomous principalities and valley kingdoms. Nobilities claiming descent from religious ancestors ruled most of them. There were also some secular rulers, especially in eastern Bhutan. With a history of over 900 years by then, Buddhism had greatly influenced the lives of people. Many saints, lama and scholars from Tibet either sought refuge in Bhutan from political and religious persecutions or came on missions to spread the Buddhist teachings to the Bhutanese people. They gradually established monasteries of the school of Buddhism they followed, and attracted considerable followers among the Bhutanese. Most of these traditions co-existed although there were conflicts among some of them at times. The arrival of Zhabdrung<sup>1</sup> Ngawang Namgyal, the founder of the modern Bhutanese state, in 1616 was thus only an event in the long historical process. The theocratic state established by him in the 17th century came to pattern itself after the classical political theory of Buddhism that ‘presupposes a monarchical government which supports the monastic order’<sup>2</sup>. It advocates the concept of dual administration known as *Choesi lugs-nyis*. According to it, the society is divided into religious and secular groups. At the head was the supreme ruler. He appointed a civil and religious subordinates who would act as regents during the infancy of the successor, and surrender all power when the successor comes of age. But this structure could not be established in its entirety. Powers of state were consolidated in the monastery. Although two subordinates were appointed, the civil ruler was also a monk. In the first decades of the establishment of theocracy, civil rulers were all monks. Ordinary people who rose to this office had monastic education or assumed a lifestyle that was very much like a monk. The society was thus largely divided into two groups. The monastic community with its rulers was the center of executive, legislative, judicial and other powers associated with the state. Then there were the ordinary people.

Society was organized into these major groups with specific occupations theoretically to support the propagation of Buddhism. This function is elemental to the monastic community. Monastic life does not encourage practitioners to engage in agriculture, business or activities intended to address basic necessities like food, clothing and shelter. The society is responsible for supplying these provisions. Surplus produces of farmers and their voluntary contributions were collected and supplied for upkeep of monks. Collection of surpluses later developed into an institutionalized form of taxation. Taxes were paid in kinds: food grains, cattle produce, textiles and labour. Labour contributions were essential in maintaining, renovating or constructing monasteries or religious monuments. The monks conferred spiritual blessings upon society.

As the number of monks increased and monastic activities diversified, more taxes had to be levied. Thus the nature and type of taxes was also diversified to raise sufficient resources to support monks and monastic activities. Some of the goods paid as taxes were deposited in the *dzong* quite

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<sup>1</sup> *Zhabdrung* is a title literally translated as ‘At whose feet one submits’. His re-incarnations had different personal names but were known by the title first used to address Ngawang Namgyal.

<sup>2</sup> Aris (1987), p.6

close to the sources of production. But a large proportion had to be transported by human and pack animal carriage for more than a week to other far-off dzongs. Thus the need to move commodities raised as taxes in kind as well as produce of aristocratic farmlands or estates led to a system of labour contribution from each household. Labour contribution became institutionalised also for maintenance and construction of dzongs and state monasteries. Labour was also mobilized in a systematic way for such undertakings as construction of mule tracks and bridges, the arteries of medieval Bhutanese economy. Collection of taxes and labour mobilization became two primary functions of the central government who also executed other responsibilities of state such as administration, defense, and law and order. Thus the modern Bhutanese state was founded in the name of a religious order. It provided the broad political, social and economic framework within which the monastic community could concern itself with religious pursuits, growth and spread the teachings. The state existed for the survival and perpetuation of Buddhism.

The founding principle, philosophy and purpose of the existence of the state remained unaltered for four centuries. They have deeply influenced development philosophy of modern Bhutanese society. The stability of the state structure also ensured the stability of social structure. However, the political situation after the first four decades of the establishment of the theocratic establishment deteriorated so much so that continued external aggression from Tibetan and Mongol armies till the mid 18th century, civil wars and feuds among ruling chieftains provided neither the right environment nor the political motivation for the country's leaders to commit resources for uplifting the living standard of the people. The founding of the monarchy in 1907 established the peaceful political environment which was almost a precondition for addressing concerns and welfare of the people. While the first two kings (1907-1952) made efforts for tax reforms and introduction of modern education (see below), their primary concern was devoted to the consolidation of the state apparatus and centralization of administrative powers. Therefore, when planned socio-economic development programmes were launched in 1961, there was virtually no infrastructure necessary for development. So, the first decades of planned development committed resources and concentrated immensely in building development infrastructure such as road and bridges. However, even before launching modern development, the visionary king of Bhutan, His Majesty Jigme Dorji Wangchuck (reign: 1952-72) initiated a series of social and political reforms which include freedom of serfs, land reforms and development of representative institutions. Among the reforms, tax reforms feature prominently as it had direct and far reaching impact on the lives of ordinary people who constituted more than 90% of the population.

## **Development Challenges in the Reform Period**

### **Tax Reforms**

Over the centuries, the nature, variety and purposes of tax collected in different parts of the country increased so much so that people worked half their lives only to pay these taxes. Taxation became so oppressive whereby local resources and produce were diverted to support the state's revenue and the monasteries. There were commodity taxes of every conceivable kind - from bundles of hay and

fodder for official stables, raw materials such as ash and bark for production of bark papers, clothes and textiles, baskets and crafts, butter, cereals and so forth. Taxes in kind were not alike for everybody: it was based on production in the area. So if a place wove woollen textile, the tax was collected in terms of woollen textile. A place such as Gey Nyin in Thimphu paid nothing else in taxes but pig iron which it produced. For more than three and half centuries after the founding of modern Bhutanese state when the tax burden kept increasing, the state could neither establish a sound economic base nor find stable political environment to explore alternative sources of revenue in order to lessen the tax burden. In fact, after the annexation of fertile Duar regions of the states of Bengal and Assam in India by the British before and after 1865, the most valuable source of revenue was lost. This made the state rely even more heavily on local resources and produce, which inevitably resulted in heavier taxation of the people.

The existence of organized local militia, the monastic community, state officials and aristocratic households in different parts of the country required the material support of ordinary people in terms of offerings, contributions and tax collection. The religious institutions spawned Bhutanese culture and traditions and the militia system was necessary for wars of defence. Resources raised through taxation made it possible for the state to maintain a system which enabled medieval Bhutan to consolidate its sovereignty, unity and national identity.

His Majesty Ugyen Wangchuk (reign: 1907-1926) was the first leader to express concern at excessive taxation of the people and made efforts at tax reforms. Reforms meant lowering of tax burdens and making tax equitable. The direct implication of such reforms was that the ordinary people had more access to consumption and utilization of their own resources and produce. However, the reign of the first king was largely devoted to consolidate and strengthen the structure and apparatus of the new state. While the process of consolidating the state apparatus continued even during the reign of His Majesty Jigme Wangchuck, the second king (reign: 1926-52), he continued and enhanced tax reform process. Three approaches were adopted in reforming the tax system. First, some forms of tax were abolished; second, the quantity, volume and rate of payable taxes were reduced; and third, taxes were made equitable all across the country in gradual phases. Abolition of taxes was a direct result of abolition of some official posts in different parts of the country. These posts had been established as part of the medieval bureaucracy, and had a wide array of staff. Tax reforms began first in Bumthang, then in Trongsa and Trashigang. Major tax reforms were initiated by His Majesty Jigme Wangchuck, the third king. For him, tax reforms were part of larger socio-economic reforms. There were different types of tax paying households who were all converted to equal tax payers. The in-kind taxes were all converted to cash taxes. The system of collecting rent in-kind for harvests of monastic lands were also abolished in 1969. Along with abolition of kind taxes, labour service to transport goods collected as taxes was abolished.

Development then, in the pre-modernization period really meant reducing the tax obligation of the people who were largely subsistence farmers. The huge genetic resource base of the country, due to its diverse agro-ecological zones spanning from subtropical forest to alpine meadows, is one of the most precious patrimonies. Over the centuries, the Bhutanese people developed farming systems in micro-climatic environment which met their subsistence needs and used available resources in a



sustainable way. Under the overpowering influence of micro-climatic conditions of Bhutan, valley communities diversified their argo-pastoral activities to adapt to what natural resources could offer without damaging the environment. In many remote mountain communities, such practices have not changed. A household keeps a number of different species of cattle and other animals. Far from being mono-culturist, a household grows many crops and vegetables and own patches of cultivatable and grazing land in both temperate and subtropical areas. Such diversification is dictated not simply by subsistence needs. It is a sophisticated ecological response to a risk-prone micro-climatic environment. It is estimated that in 1747, more than 95% of the total population were farmers. The size of the farming population would have remained more or less stable for centuries since agriculture remained the main economic activity. There were no substantial development and diversification of economic activities that would divert farmers to other sectors. Therefore, the entire revenue of the state was dependent on farmers. As state machineries as well as the monks in monasteries increased, tax obligation on the farmers became even more difficult. Tax reform was thus the major strategic approach adopted in 'alleviating poverty' and enabling rural households retain greater share of their farm income.

The relationship between the society and the state has undergone substantial changes between medieval and modern Bhutan. In the medieval period, the society extended its resources to the monastery and the state. Today the state is no more the collector of contribution, offerings and taxes, in kind and labour services from the rural population. It is not dependent solely on such resources drawn from farming households. In fact, although 79% of the population live in the rural sector, rural taxes constitute a negligible percentage of the total tax revenue. In the economic realm, the direction of net flow of resources between the state and the civil society has actually reversed. Because of various sociopolitical necessities, the state absorbed surplus from the society in medieval Bhutan. Now, it channelizes a considerable amount of resources into the society.

Bhutan is no longer a church-state of medieval times involved primarily in supporting religious institutions. For example, in the seventh five-year plan, only 1.2% of the budget outlay was allocated for monastic affairs. The role of the state has become very different compared to what it was in medieval period. Today, the government with the King at the helm is the prime mover behind social, legal, political and economic progress attained through a series of five-year plans. A synergistic partnership between the Royal Government and its development donors has clearly improved the general standard of living in Bhutan. This would be borne out by whatever measuring rod of progress one uses - longevity, income, literacy and also human choice.

Tax reforms required the state to look for alternative sources of revenue not only to support its administrative machineries and state monasteries but also to invest in development infrastructure and welfare services for the people. Modern development programmes were launched amidst other developments in the country and the region.

## Political Reforms

The rule of His Majesty Jigme Dorji Wangchuck (1952-72) has been dedicated to reform and restructuring of the existing political and economic system to allow the country to adapt to new challenges in a world that was rapidly changing. Decentralized administration has been initiated as early as 1953 with the creation of the National Assembly. Next to the establishment of the hereditary monarchy in 1907, the establishment of the National Assembly called the *Tshogdu Chhenmo* stands out as a historic landmark in 20th century Bhutanese history. Collective discussions and decisions were of course made earlier by people, but they were limited to their own community and locality. But ordinary people were never involved in making collective discussions at the national level. Therefore, this was a very significant reform. The establishment of the National Assembly really marks the first attempt at decentralizing governance in Bhutan. It was the precursor to the process of decentralization in the subsequent four and half decades.

The National Assembly performed advisory role to the king till 1965. However, its legislative functions were carried out. The establishment of the Royal Advisory Council or *Lodroe Tshogdey* in 1965 took over the advisory role of the National Assembly and enhanced the latter's legislative functions. Three years later, another major landmark reform was initiated. In a decree, the king abolished slavery and started land reform, settling landless serfs on free lands. In 1954, all in-kind taxes customarily paid by the people were converted to cash taxes. The value paid in cash was much less in comparison to in-kind taxes.

The reforms initiated by the third king were intended to establish a system where there is distinct separation of powers. The establishment of the high court (followed later by district courts) and a full-fledged cabinet in 1968 laid the foundation for evolution of institutions with specialized functions that were all centralized earlier in the central government. All these major reforms took place within a period of 16 years. After abolishing slavery and promoting land reforms in 1952, His Majesty developed a mass education system that became one of the key elements to further development process. That system has been able to generate a highly educated and qualified bureaucracy that forms the core of modern elite. Thanks to the financial support of India since it began modernization process in 1960-61, Bhutan managed to organize a very efficient planning system that allowed the country to meet ambitious objectives.

Further reforms by the king were constrained by socio-economic reality of the country. Ordinary people, who had no experience of civil administration, law and justice, politics etc. had to become aware and knowledgeable in these areas. This was the legacy of centuries of centralized rule. Development of representative institution and participation of the people in these institutions demanded infrastructure for faster communication, travel, better education, health and a growing economy. In its absence, the king could not foster the reforms besides establishing skeletal framework of institutions. Therefore, the next phase of his reign was devoted to the development of these infrastructure. However, the process of decentralization and devolution of power was sustained and further enhanced by his son, the fourth king, His Majesty Jigme Singye Wangchuk who ascended the golden throne in 1974.

## **Causes of Rapid Development**

### **First Cause: Political Leadership and Policy Stability**

Bhutan developed rapidly since 1961, when five-year plans were started. The achievements are particularly remarkable, given the modest base levels from which the process began. The rapid development can be attributed to several distinct causes. The first is the strong and dynamic leadership of the king of Bhutan, who provided a stable government. A visionary, he could also consummate his farsightedness with his immense capacity and energy for hard work. During a phase of rapid development and change, strong coordination and clear directions are prerequisites. Policy drifts have been prevented because of the existence of a disciplined vertical command structure. Continuity and cohesiveness in policies probably could not have been maintained without the benign but decisive authority of the king. The pivotal role of the present king in promoting development has made the people fully internalize the value of monarchy as an active agency of development as well as tradition.

### **Second Cause: Rich Resources, Low Population**

The second powerful cause of rapid development is that Bhutan possesses rich resource endowments such as hydropower and biodiversity, combined, unlike many other developing nations, with a low population density. Hydropower has been the main area of commercial investment and exploitation, and the rocket-engine of the economy. Reciprocity between India and Bhutan is realized through Indian assistance for the construction of hydropower stations in Bhutan, and the use of Bhutanese energy, free of greenhouse gas, by Indian industries and houses as far away as Orissa.

With a population of 600,000 people, Bhutan has a low density. There is no labour surplus, contrary to the situation in many developing countries. Research show that Bhutan had about 2,60,000 people in 1747; so demographic dynamics was such as to create a stable population over the last 250 years. Primary health services combined with water and sanitation programmes have improved public health. Owing to these and other factors, the population growth rate was discovered to be already 3% in early 1990s, but it has come down to 2.5% by 2000 due to successful family planning campaigns.<sup>3</sup>

### **Third Cause: Competent Government and Community Organizations**

While stable population and rich resource endowments are apparently important factors in development, a well-functioning administrative machinery and community organizations are not usually acknowledged as factors of development. The presence of well-developed administration and cohesive community organizations is the third cause of rapid development. Their calibre and integrity are essential conditions for rapid development to occur. The former is an instrument of delivering goods and services, the latter one of receiving and utilizing them, at the initial stage of development.

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<sup>3</sup> See Ministry of Health and Education (1996: 25).

Later, community organisations should progress to being author and subject of their own development.

#### **Fourth Cause: Primacy of Bhutanese Culture**

The fourth cause, also often insufficiently stressed, is the primacy of Bhutanese culture. As a country that escaped occupation by Tibetan troops in the 17<sup>th</sup> century, as well as by the British in the 19<sup>th</sup>, an assertive culture was built. This culture is a source of defining development strategies of one's own choice and pace.

Were it not for the strengths of Bhutanese culture, it would have been difficult not to be overwhelmed by the many development models and strategies from abroad which could neglect the peculiarities of local conditions and unconventional visions. To a large extent, the adoption of stereotypical ruling strategies and policies has been averted, and the decision making process in Bhutan has insisted on its own terms of development collaboration.

Culture as a criterion of evaluation and perception has been embedded in the mores of high officials. Its unifying grip may, however, be weakened as new generations move up the official hierarchy and as the administrators, professionals, business people, and industrialists do not necessarily have the same mooring in culture and traditions.

#### **Fifth Cause: Long-term Donor Support**

The last crucial cause of rapid development has been the long-term support of the various donors. Switzerland was the first nation, after India, who launched development assistance to Bhutan. In this sense, the positive image of the west in local popular perception is that of Switzerland. Not a single donor, whether multilateral or bilateral, who have come to participate in Bhutan's development has so far quit the country. This has to do with accountability, efficiency and transparency of utilization of aid, and the realization of intended purposes.

## **Guiding Principles of Development**

#### **First Guiding Principle: Economic Self-reliance**

One of the main guiding principles is economic self-reliance. The direction towards this goal is broadly indicated by an increase in domestic saving over investment, revenue over expenditure, and export over imports. There has been steady progress with respect to all these financial indicators. In the last budget year, only 50% of the total government expenditure was met out of domestic revenue. There is still a long way to go before total government expenditure can be financed completely out of domestic revenue, although the generation of more revenue from the export of electricity from new power projects in the near future may change the outlook significantly.

The main reason for the inability to meet budgetary self-efficiency is the baby boom which occurred from the 1970s to 1990s. It led to increase in government expenditure for social services, in

addition to steady expansion of infrastructure to address the goals of regionally balanced development. Despite the fall in birth rate, taking a twenty-year perspective, the population of Bhutan is likely to grow from the current 600,000 to 930,000 in 2020 when it can probably be stabilized.

### **Second Guiding Principle: Environmental Preservation**

Concern for the potentially adverse impact of increased economic activity and increased population on the fragility of the mountain ecosystem has led Bhutan to raise the preservation of environment as second important guiding principle. But in Buddhist political theory, a state exists not only for the welfare of human beings; it exists equally for the welfare of all sentient beings. So it has an intrinsic duty to preserve environment. Bhutan is normally regarded as an environmental leader with rich biodiversity, its soil, water and air not yet contaminated by harmful emissions and pollution.

Bhutan's environmental legacy can be explained by the presence of the three favourable factors: (a) indigenous institutions for managing common property resources like irrigation water, sacred groves and citadels of mountains deities, wood lots, grazing land; (b) a strong culture of conservation and Buddhist ethics; and (c) enforcement of important legislations enacted mostly between 1969 and 1981. These elements reflect Bhutan's conservationist ethos and are mainly responsible for adherence to sustainable resource use.

Modernisation elsewhere is often compared to a march towards industrial and technological society that generates a serious and often irreversible impact on the environment. The strategy of development in Bhutan tries to take the country from being a late starter in modernization directly to a sustainable society - which is post-modern or post-industrial - hopefully with Buddhist welfare characteristics. In its development strategies, the Royal Government attempts to counter the environmentally negative aspects of modernization.

### **Third Guiding Principle: Regionally Balanced Development**

The third guiding principle is regionally balanced development. In neoclassical economics, regional imbalance is a short-term disequilibrium which free movements of factors of production will remove in the long run. If competitive market conditions obtain, growth is diffused. But we know that free movement of factors of production are assumptions, not reality, and serious disparities are likely to emerge without deliberate policies to correct them. The objective of balanced development provides for equitable services and infrastructure throughout the country so that there is less migration and urbanization in some region.

### **Fourth Guiding Principle: Decentralization and Devolution**

The fourth guiding principle is decentralization and community empowerment which tries to stimulate local institutions of decision making. Bhutan tries to maintain local institutions regulating natural resource use, collective work relationships and conflict resolution. In villages, where social and economic institutions are deeply rooted, there are unwritten and internalised rules governing the uses of natural resources and social relationships. These institutions bind people together as a

community; the people could not exist as members of the community without them. Such institutions, lying between the state and the family, are true indicators of the self-organizational capacity of a community. They are self-regulated through competition, cooperation and control within the community. When elements of cooperation, competition and control are present in a balanced way in a community, one may consider a community to be democratic.

On an administrative and political plane, a systematic decentralization of authority began in 1981 initiated by the present King to devolve decision making authority to the district and block (*gewog*) levels. Last year, the heads of Block Development Committees were elected by secret ballot based on universal adult franchise.

### **Fifth Guiding Principle: Cultural Preservation**

By far the most ambitious guiding principle is cultural preservation. Globally, lifestyles may be imploding or converging rather than diversifying. Traditional values and cultures get relativized, recomposed or submerged under the weight of global culture. The diffusion of trans-national culture can set in motion forces of silent dissolution of local languages, knowledge, beliefs, customs, skills, trades and institutions, and even species of crops and plants.

These changes subdue rather than enhance the cultural distinctiveness of Bhutan. During a period of cultural absorption, a society delves into its heritage in search of cultural specificity. In order to reconstruct or reconceptualize selfhood, it becomes necessary to find out what constitutes us as a people, a community, or a nation, in terms of our respective identities. It is a quest to define oneself as a historical continuity. Culture is cultivated and revived as an anchor in a sea of change. The anchor consists of values and institutions deemed desirable for the solidarity of a nation, despite its diverse sub-cultures.

As a set of values underlying the harmonious relationship between people, between man and nature, and between present and future generations, the aim of cultural preservation is to maintain the basic indigenous values in the face of adverse challenges from competing ideologies and world view.

Despite the emphasis on cultural preservation, there are inherent obstacles in planning for it. Technocratic development planners, who are increasingly in charge of the course of the nation, usually have a poor grasp of the cultural setting, as well as a dimly imagined vision of the cultural shape of the future society. Less is known about symbols, beliefs, values, ideology, hierarchy, and ethno-histories than about trends in income, mortality, nutrition, trade and price levels. The dynamic relationship between changes in the economic system and the cultural sphere is not easy to understand or predict. Unlike economic goals to be achieved, it is difficult to envisage a clear image of the future cultural state of affairs to be attained.

## Millennium Development Goals and Human Development

Despite a short history of modern development programmes, the results of the principles that guided development on a path consistent with Bhutanese culture and tradition resulted in successful achievement of human development goals. The millennium declaration adopted by 189 countries exhorts collective global commitments to alleviate poverty, which affects many people in the world. The eight-millennium development goals that were subsequently identified are now the focus of human development report, which has always argued that the purpose of development is to improve people's lives by expanding their choices, freedom and dignity. Bhutan's first human development report was prepared and published in 2000. There are no human development statistics for Bhutan before 1960's. Bhutan's national human development report mentions that the ending of isolation in 1961 paved the way for human development by building infrastructure, economic development and enhancing the quality of the life of people. The national report, which is constructed using available data ranks Bhutan as a medium human development country. Just as the UNDP, Bhutan's national human development report is based on three indicators: longevity, literacy and income. The index constructed according to the methodology followed by the UNDP has increased from 0.310 in 1984 to 0.510 in 1995. However, the UNDP's Human Development Report says Bhutan achieved this status only in 2003. "For the first time in the global report, the kingdom of Bhutan has moved up the HDI to join countries under the medium human development category," the report states. "Ranked 136 out of 175 countries, Bhutan is now ranked among the medium human development countries which, in South Asia, include Bangladesh, India, Maldives and Sri Lanka."

Bhutan's investment in the areas of human development has been guided by the belief that genius, creativity and productivity of the people were the single most important resources for the economic development of the country.

**Table 1: Bhutan's Human Development Index 1998**

Life Expectancy at Birth (Years)	Adult Literacy Rate (%)	Combined 1st, 2nd & 3rd level gross enrolment ratio (%)	Read GDP per capita (PPP\$)	Life Expectancy Index	Education Index	GDP Index	Human Development Index
1998	1998	1998	1998				
66	54	72	1534	0.683	0.6	0.460	0.581

Source: Bhutan's National Human Development Report

**Table 2: Human Development Index of Bhutan**

Year	Life Expectancy Index	Education Index	GDP Index	Human Development Index
1984	0.373	0.235	0.367	0.325
1991	0.517	0.345	0.420	0.427
1994	0.683	0.447	0.433	0.521
1998	0.683	0.600	0.460	0.581

Source: 'Bhutan National Human Development Report 2000', Planning Commission, Royal Government of Bhutan

## Health

Life expectancy in Bhutan has risen from 37 years in 1960 to 66 years in 1994. Very few nations in the world have achieved dramatic rise in longevity over a short period of time. Infant mortality rates have dropped to far less than half of what they were thirty years ago. In 1960, the infant mortality rate was 203, one of the highest in South Asia and in the world. By 1984, it has come down to 142, and by 1994, it has been brought down to 71, half that of 1984. The expansion of basic health services and primary health care throughout the kingdom has had a major impact on the overall health and well being of the population. Over 90% of the population has access to primary health care and 65% of the rural population has access to safe drinking water.

The 2003 Human Development Report identifies Bhutan's essential drug programme as the main success in health sector. It points out that in countries with high human development almost the entire population has access to essential drugs. Most countries with low human development have low access, 50 to 70 percent, according to WHO. "Bhutan, although a low human development country at the time of assessment, has succeeded in providing essential medicines to 80 to 94 percent of its population." "Bhutan shows how a coherent drug policy, backed by concerted international assistance, can achieve impressive results in providing essential medicines," says the report. Until 1986 public drug supplies in Bhutan were in disarray, with poor availability, erratic quality, irrational prescriptions and high costs. Then the country embarked on an essential drugs programme with extensive technical and financial assistance from the WHO and donor countries. In 1987 Bhutan adopted a comprehensive national drug policy with the key components being national procurement and distribution facilities, quality assurance through careful supplier selection and product testing and more rational prescriptions through the creation of standard treatment guides. Other components were better training and supervision of pharmacy technicians, reduced waste and increased efficiency through workshops for storekeepers on proper drug storage and management, and free public provision of essential drugs and vaccines. Today more than 90 percent of the population has access to high quality drugs with 90 percent of core essential drugs available. Bhutan reduced errors in medication bookkeeping, from 76 percent in 1989 to 14 percent in 1997. Bhutan also reduced waste, with only 0.75 percent of the drug budget spent on drugs that expire before their use. The essential



drugs programme, which procures 85-90 percent of drugs, paid much lower prices, falling to about half of average international prices.

## **Education**

Education reform has been one of the most important social reforms introduced after 1955. Achievements in education have also been impressive, with more than 80% of primary age children in school. The curriculum of monastic education consisted largely of religious rituals, innumeracy, astrology, philosophy, logic, grammar, dance, meditation, poetry, painting etc. The ultimate purpose of education was spiritual progress. Skills learnt and taught in monastic institutions were meant to contribute in enhancing the spiritual progress of the student. Mostly men were enrolled in monasteries although women interested in religious life were admitted without restrictions. Learning centers were located inside monasteries and *dzong*. The medium of instruction was *chökey* – classical Tibetan.

In contrast, the curriculum of modern education is secular, and initially imported. It consists of subjects such as history, geography, mathematics, sciences, literature etc. The purpose of introducing modern education was mass literacy. It also desired to create administrative and technical personnel that were required for development programmers. This was necessary for the state to reduce dependence on foreign experts recruited for development purposes. Schools were co-educational. Both girls and boys were given equal access and opportunity. School buildings and campuses were not located within monasteries. The medium of instruction is mainly English although *Dzongkha*, the national language is used in teaching *Dzongkha* subjects.

The introduction of modern education was not undertaken at the cost of abolishing monastic education. On the other hand, it has maintained continuity, and even grown in size and number over the years. Elements of modern education were also already present long ago. For example, the first king had a mobile court school, a school that moved around as and when the royal court shifted between summer and winter palaces. The second king also set up about 10 schools in some places in the country<sup>4</sup>. Some students went to study in India particularly in Kalimpong and Darjeeling. About 7 boys passed their matriculation examination from Calcutta University in 1925<sup>5</sup>. However, steps to develop formal education system were initiated only after 1955. In 1959, there were only 440 students studying in about 11 primary schools. The size and diversity of education today has seen considerable increase as indicated in the table below.

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<sup>4</sup> Sinha (2001), p.191

<sup>5</sup> *ibid.*, p.192

**Table 3: Student's Enrolment in Schools**

Category	Enrolment					
	Schools	Students	Boys	Girls	Total	Teachers
Community	151	17335	9611	7724	17335	369
Primary	110	32774	17956	14788	32744	750
Junior	59	40508	21368	19140	40508	1031
High	26	17481	9829	7652	17481	623
Private	8	2449	1300	1149	2449	108
Institutes	7	1824				164
Non-formal End.	146	5372				
Total	507	117743	60064	50453	110517	
1 college, 4 institutes and 2 sanskrit patchable <sup>6</sup>		1185	639	1824		
Gross Primary Enrollment 2000	72%					

Source: 'General Statistics, 2000', Department of Education, Ministry of Health and Education, Thimphu

Although there is still a long way to go before Bhutan achieves total literacy, the country's achievement in the past few decades are impressive. The adult literacy rate has quadrupled in the past twenty years. From an estimated 10% in 1970, it rose to 21.1% in 1984 to 54% today.

Much of the gain in life expectancy and literacy have come from significant improvements in health and public health systems, sanitation, levels of environmental pollution, better nutrition and access to safe drinking water, and a good network of educational facilities. The government has accorded high priority to improvements of the living conditions of people throughout its development process. During the first plan, 59% of the expenditures were incurred on public works for the creation of infrastructure. There has been a steady decline in the allocation of public works since then, and during the seventh plan, around 8% of the development outlay was earmarked for that purpose. Allocations to health and education went up from about 12% during the first plan to 26% during the second and third plan. They were around 17% during the fourth plan, but declined to 13% during the fifth plan and to 12.4% during the sixth plan. Allocations to these sectors have gone up from nearly 18% to 21% in the eighth plan.

<sup>6</sup> Institutes where Sanskrit is taught. These *patshala* are located in southern Bhutan.

## **Income**

During the past three decades, the Bhutanese economy has undergone dramatic structural changes evinced by the export of electricity, one of the most significant natural resources of the country. The monetized sector has grown rapidly. Social indicators have improved significantly. However, a large part of Bhutan's rural economy remains non-monetized. Barter system is still prevalent. Nearly 79% of Bhutan's population lives in rural areas. Agriculture, which contributed 34% to GDP in 2001 is subsistence-based and largely takes place outside the exchange sector. The available GNP figures are calculated solely out of monetary transactions that leaves a significant amount of non-monetized economic activities unaccounted for. In 1997, the GNP per capita was USD 594, in 2003 xxxx. However, GNP fails to capture, amongst others, the environmental wealth of Bhutan, which in fact makes a significant contribution. 'Bhutan's estimated wealth per capita (as opposed to income) is US\$6,500. Almost 85% of this is attributed to natural capital, whereas only 7% is attributed to produced assets and 8% to human capital'.<sup>7</sup>

However, the absolute level of household incomes remains low. The Household Income and Expenditure Survey 2000 shows an average per capita income of Nu.1200 per month which means it is less than a dollar for every person every day. The average household income in urban areas is slightly higher. These figures are national averages in nominal terms.

There is much in common between the millennium development goals and the HDI and Gross National Happiness. Perhaps, the only major difference is the fact that GNH encompasses more factors, and is not measurable in quantitative terms. GNH recognizes all aspects of human development important to the enjoyment of one's life such as culture and tradition, and the environment. Although Bhutan ranks 136 out of 175 countries in the HDI, most Bhutanese would claim that the quality of life in Bhutan is much better than what the HDI ranking implies. Bhutan's human development achievement, despite considerable structural constraints like being landlocked, rugged terrain, small size, thinly dispersed population, can be directly attributable to the sound socioeconomic policies and public expenditure decisions taken by the government.

## **Decentralization**

### **Economic Decentralization**

Decentralization and people's participation have been the thrust of major reforms during the reign of His Majesty Jigme Singye Wangchuk. This took place in two forms: one, by voluntary surrender of power and two, by empowering people through participation in public institutions. Decentralization and people's participation have been top priorities of the government since the beginning of Fifth Five-Year Plan (hereafter FYP)<sup>8</sup> in 1981. They are indices of good governance. The formal organizational structure and procedures for decentralization have evolved in the last three decades

<sup>7</sup> Bhutan's National Human Development Report, 2000, p.17

<sup>8</sup> Development planning is done for a period of five-year. The first five-year plan began in 1961.

through the establishment of local development committees: *Dzongkhag Yargay Tshogchung* or District Development committee (DYT) in 1981 and *Gewog Yargay Tshogchung* or Block Development Committee (GYT) in 1991. These development committees are empowered to formulate plans and make decision concerning socio-economic development programmes of their communities. They also propose agenda for debate in the National Assembly. Members in these bodies are all elected representatives of grassroots communities.

The establishment of 20 DYT first provided the institutional framework necessary for decentralization. This committee is empowered to formulate plans, propose agenda and make decisions on the socio-economic development of the district. The establishment of the DYT's did away with the traditional practice of central planning for the whole country. The *dzongdag* was the chairperson of the DYT. He is the chief civil servant in the district appointed by the government. As a chairperson, he guided the discussion of the DYT but the planning and decision making autonomy of the DYT was not compromised. The members who are the elected representatives of the people propose meeting agenda and take decisions based on consensus or two third majority. The possibility of interference and induction of changes by the chairperson was limited although he yielded considerable influence. This was because, the decisions in every DYT sessions were taken in conformity with the general agenda for district development identified by the people during plan meetings with government officials which was presided by His Majesty the King before the beginning of every five-year plan. These plan meetings have evolved as distinct institution of open forum for discussing plans. Direct exchange of views, opinions and discussion on plan budget takes place between the people and the government.

In the historic elections of 2002 (see below), the chairperson of the DYT was also elected amongst members of the DYT. The election of DYT chairpersons is the most fundamental change, shifting the pivotal role in a DYT from the district's top civil servant to an elected person. Making the DYT chair an elected post and changing the status of *dzongdag* to that of an observer in a DYT is significant to both laymen in villages and civil servants. It clearly signifies the evolutionary direction of DYT's towards a district governance institution. The *dzongdag* is now the chief executive who is responsible, along with his staff headed by different sectoral officers, for implementing the decisions of the DYT.

The chairpersons and members of the GYT's are all electives of grassroots communities. The significance of the GYT lies in the fact that the decentralization process would involve grassroots communities who could not have access to the DYT's. The establishment of the GYT was a result of the command of His Majesty in 1991 which maintained that the 7th five-year plan (1991-1996) should be centred on the gewog, and that all future plans must feature distinct sectoral strategies at the gewog level.

People's participation in the process of economic planning is not limited to identifying priorities and taking decisions. It entails assuming ownership and therefore, responsibility for development projects and activities in their locality. Decentralization is also aimed at building real autonomy at the level of grassroots community with an administrative structure that is efficient, transparent and accountable. Autonomy demands capacity building to strengthen independent

decision-making, formulating, implementing and monitoring development projects. The government recognizes the transfer of skilled and qualified officials and other manpower from the centre to the districts as imperative. Perhaps, the most important process in decentralization process is the transfer of financial power and responsibilities to the GYT's beginning 2003-2004. Budgets earmarked for projects in each district and block are now directly under the control of these development committees. Besides, they are now empowered to retain rural taxes which was earlier deposited as revenue for the government, and mobilize their own financial resources. At the same time, policy steps would be taken to ensure that districts with low levels of economic productivity are not disadvantaged in the process.

### **People's Participation**

Decentralization in Bhutan is not limited to economic planning and decision making. Good governance has been identified with effective promotion of people's participation in the country's political life. This implies making executive and legislative institutions more representative. *Zomdue* or public meetings in the villages have been the rudimentary institution for people's participation in discussing issues of local importance and taking decisions on them. This traditional institution was revitalized by His Majesty the King to develop into a formal body for participation, the GYT. But this has not resulted in the dissolution of the meetings. On the contrary, they constitute the primary institution for election of members to the GYT, proposition of agenda for discussion in the GYT and decision on public activities in the villages. Since members attending the meetings are representatives of every household in the villages, they remain the ultimate beneficiary of all development plans and activities. The GYT is only the next level up in the hierarchy. Its members are directly accountable to the people.

People's representation in the National Assembly exceeds 70% while the remaining constitutes of government nominees and representatives of the monastic community. The business community has also a representative. A notable development over the last few years in the national Assembly has been in the number of women representatives, which has increased from 1 in 1996 to 16 in 2003. As the benefits of education spreads, women take on the role traditionally identified only with men. The number of women's representatives in the National Assembly will certainly increase even more in the years ahead which will provide them the opportunity to pursue and follow on national debates from a different perspective. A royal decree in 1998 highlighted the need for a fair and equitable gender representation based not on any special considerations or seat reservations but on competence and on the number of votes they secure during elections in their constituencies. The country is yet to see the election of a woman as the chairperson of a GYT. In the elections of 2002, only one woman contested to lose by a small margin.

These two development committees involve the people in broader political, social and economic decisions while simultaneously increasing the capabilities of the participating agents to think-through their collective priorities and to stimulate means and initiatives for their fulfillment. It also make the bureaucrats sensitive to the worldview of the villagers whose knowledge, beliefs and assumptions which can be different from theirs. Attitude and capabilities of the communities are

changing as people become more informed and educated about the means and meaning of development. The two decades of decentralization and participatory development has led to the following changes:

- Increasing devolution of administrative and financial powers, and manpower from the centre to local administrations.
- Increasing capacity of local governments to make collective decisions regarding five-year and annual plan activities, and implementation of decentralized activities within those plans.
- Autonomy of the local governments to make regulations and legislations applicable within their own territories.
- Autonomy in operation of accounts and financial management with a separate gewog accounts office opened in all the districts.

### **Bhutanese Context of ‘Decentralization’**

Till 1980, planning, implementing and monitoring of development programmes were done by the central administration. To make development effective, ‘decentralization’ was adopted as a development strategy in 1981. According to the previous *chathrim* of DYT, decentralization is defined as the promotion of people’s participation towards the attainment of national goals and aspirations. Participation was to be encouraged through the establishment of the DYT. But the concept of participation then was limited. It meant assisting the *dzongkhag* administration in determining local needs and priorities in formulation of Five Year Plans and implementation<sup>9</sup>, not in determination itself. Participation through such assistance was considered as joint decision-making by the *dzongkhag* administration and people’s representatives. The government became aware of this limitation and took another initiative.

When the GYT was established in 1991, the concept of decentralization broadened to ‘cooperative partnership between the people and the government’. Participation was expected to go beyond mere articulation of local needs and priorities. The government realized that the goal of realizing genuine people’s participation remained unfulfilled due to lack of a sense of community ownership of development services and infrastructure. To overcome this, people are expected to work ‘hand in hand’ with the government, and learn to solve their own problems and strive to achieve self reliance within the framework of national priorities, plans and policies.

### **Reasons for ‘Decentralization’**

It is necessary to understand why decentralization was adopted as a development strategy in the first place. The negative offshoot of a centralized development administration before 1980 was the increasing dependency of people on the government for the provision and maintenance of all forms of rural service infrastructure. These include schools, health clinics, offices of *gup* etc. The traditional

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<sup>9</sup> Ministry of Home Affairs (1995), p.1

community self-help institutions were collapsing. Since people were neither involved nor consulted, they were unaware even of development programmes within their own community. Therefore, people's labour contribution (which were paid) necessary to match government investments in development activities were seen as conscripted labour. This was viewed unfavorably and people tried to evade it under various pretexts<sup>10</sup>. Labour contributions of people were necessary to avoid excessive import of labour. A presence of even a small non-Bhutanese labour in a rural community would completely distort local demographic balance and result in many unhealthy social consequences.

The establishment of DYT could not solve this problem because members participated only in assisting *dzongkhag* administration to determine priorities. Hence, the GYT was established largely to 'motivate genuine people's participation in the implementation of shared decisions'<sup>11</sup>. It particularly required communities to own service facilities and assume responsibilities for their operation and maintenance. However, participation was still limited to representatives of households in villages, not by individuals. The household is represented by one of its members in public meetings to decide on any socio-economic activities or to vote for candidates for public offices. By virtue of being at home, women mostly represent households in village meetings. But men and young people also take part. The representatives of households communicate all decisions taken or announcements made in such village meetings to other members. There are no set rules that identify a particular representative who has to represent the household on all occasion. Anyone can be the representative. Depending upon the flexibility or availability of any members, households are represented at various forums.

The process of decentralization had resulted in the empowerment of the household, not individuals in terms of decision-making through voting or arriving at consensus. Although individuals participated, they represented the collective interest of the household. This is an important consideration in understanding the impact of decentralization process on grassroots communities. The flexibility involved has its advantages. Participation by all members in every meeting has considerable social cost in terms of labour and productivity. People in villages are generally not in favour for individual representation. They opine that individual voting would only be a duplication of the general household votes since household representation does exactly that. One person represents the family as the same interest group. Since the system allows for participation by any household members, it had also served as means for enhancing the general awareness of family members one time or the other about social, economic and political issues and practices. In addition, the very idea of a household and a family, which is crucial to Bhutanese society, has been further strengthened. However, the move from representative to individual representation has already begun as was evident during the *gup* elections of 2002 based on adult franchise system.

There was neither gender discrimination nor age bar for such participation although the proposed minimum age for participation was 18 years. This often resulted in parents sending very

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<sup>10</sup> *ibid.*, p.5

<sup>11</sup> *ibid.*, p.6

young children to represent the household in the past. It reflects how unwilling they were in sacrificing the labour value of elder members that would be lost by attending such public meetings. Village headmen insist on participation by elder members. There is usually 100% turnout in such meetings except for those who are exempted from participation owing to unavoidable circumstances.

People's participation is effectively household participation. But this must be understood in the Bhutanese social and cultural context. There are three primary reasons for taking households as basis for participation. First, individuals in rural villages never lived separately. They were always a part of the family, and thus associated with it. Second, the household was the basic unit of taxation. Third, the rural household was homogenous in terms of occupation of its members. Interests of members were generally the same.

### **Decentralization in the Ninth Plan (2002-2007)**

Medieval Bhutanese administration consisted of *gup* at the lowest level. Above him was the *dungpa* at the sub-district level and *dzongpon* (fort-governor) at the district level. A *dzongpon* was assisted further by *nyerchen* (store-master) and *zimpon* (chamberlain). Subsequently, the *dzongpon* was replaced by a *dzongtshab*, and later by *dzongdag*. Such an administrative hierarchy was instituted to collect, manage and redistribute the offering, contributions and tax collections from the people. Until 1963, the office of *gup* was the privilege of distinguished and well-known local families. The eldest son always became the *gup* at the expiry or resignation (due to health or social reasons) of the father. This hereditary nature of *gup*'s office was abolished by a resolution of the National Assembly passed in 1963. Discontinuing this practice made representation fairer. Candidates of *gup* were no longer members of local nobility but competent people in the village. The office of *gup* was subject to election rather than hereditary assumption. This was very significant because the *gup* that time represented the people in the National Assembly. The separate office of the *chimi*, people's representative was created much later. Legislative opportunity was at first limited to a few distinguished families. The abolition of hereditary *gup*'s office extended the opportunities to ordinary people.

After the *chimi* took over the responsibility of representing people in the National Assembly, the *gup* functioned as 'the bridge between the people and government'. He was responsible for collecting taxes, mobilizing labour contributions and also resolved cases and disputes. He conveyed to the people the development plans and policies of the government and submitted the views of the people to the government. These responsibilities became more formal and structured with the establishment of the DYT. His roles and responsibilities were enhanced as the chairperson of the GYT after it was instituted.

A radical and fresh form of decentralized planning, as commanded by His Majesty, began from the 9th FYP, i.e. from July 1, 2002. The 80th session of the National Assembly that year passed the revised acts of these development committees. The revised acts lay down the basis for a conceptual shift from a technocratic sector-led development approach to a more open-ended block based system. It will promote self-organization at the micro-level, deepening people's participation, and spur greater effort of the communities.



One of the first consequences was to re-elect the *gup* in all the constituencies between September and December 2002 irrespective of whether the serving *gup* has or has not completed his tenure. Election Committees were set up in each district, and polling centres chosen in consultation with the people of each *gewog*. There were, on average, two contestants for every post but in many constituencies, there were four or five contestants. Despite the distance voters had to walk, some as far as two days, to their polling centres, people took this new democratic obligation with seriousness and enthusiasm. Election results suggest that the expectation for capable persons to be elected has been realized to a large extent. The election of a new set of able *gup* and DYT chairpersons augurs well for the pioneering new stage of devolution and decentralization.

Elections were conducted according to provisions of the acts GYT's and DYT's. The provisions represent a significant revision and amendments to an existing act drawing upon twenty years of experience in local government. Where a household traditionally accounted for one vote, every adult aged 21 years and above voted for the first time. Rural households were homogenous. Everyone in the family was practically a farmer. Their interests were more or less the same. The change from a representative vote to adult franchise reflects the changing composition and structure of Bhutanese rural family whose collective interests as a farming household now diversify to accommodate different occupations of family members determined by new levels of skills and education. The choice of the leader was therefore, necessarily someone capable of answering needs and addressing concerns, which are increasingly different from those of traditional communities. The *gup* election was part of the larger decentralization scheme intended for the five-year economic planning process. Unlike the eight previous five-year plans, the ninth plan entails formulation of development plans by members of local development committees chaired by the newly elected *gup*.

A year and half after this landmark reform, the outcomes of devolving authority to local governments have proved successful. For example, all rural taxes which were earlier deposited as revenue for the central government are now retained by the local government. While some constituencies have not utilized the collections of the previous two years, some have used them for basic initial requirements such as purchase of furniture and stationery for the local government office, set aside a percentage of it for local hospitality and entertainment expenses and earmarked the remaining funds for local development needs where budgets may not be available. This is a significant development since expenses for all such activities earlier were borne by the people either through resource collections or labour contributions.

### **Gewog Development Fund**

Since the *gewog* to largely functioned as agent of the *dzongkhag* administration in development planning and implementation, the possibility of growing into a genuine local government was constrained. The DYT's and GYT's initially operated like a consultation forums between the government and people, and instruments of the district administration to reach out to local communities. Central agencies controlled distribution of resources and implementation of projects. However, the Bhutan 2020 - Vision for Peace, Prosperity and Happiness had stated local level financing and planning perspectives as the integral component of government system. The Royal

Government therefore, had already had the policy in place to move towards the development of genuine local government. Hence, the UNDP/UNCDF cooperation with RGOB in governance during the Eighth Plan aimed to enable local government bodies to take increasingly greater control over their own development decision making, resulting in a significant and positive impact on sustainable human development in Bhutan. The initiative to develop the *gewog* gradually into a local governing unit with genuine financial and administrative empowerment of the local authorities began in June 1998 with these donors support. UNCDF/UNDP support was channeled at the three tiers of Government. At the central level UNDP assistance focused on the role of the Government as the manager of development in a decentralized environment, by strengthening monitoring and evaluation capabilities and development management. At the *dzongkhag* level, UNCDF/UNDP assistance aimed to strengthen capabilities for planning, monitoring and evaluation of development activities decided upon and implemented at the *gewog* level, with UNCDF support, a decentralized financing mechanism was introduced through the provision of "block grants" to GYT's to strengthen the capacities for participatory planning and management.

The project known as Gewog Development Facilitating Activity (GDFA) was part of the larger project called 'Strengthening Capacities for Development Management and Decentralization' (SCDMD). The core component of GDFA was the Gewog Development Fund (GDF), which initially earmarked for two *gewog* was later made available for development projects in ten *gewog*. It was a special pilot component to test a process of Geog level sub-project financing, planning, and implementation in ten pilot Geogs. GDFA provided approximately \$30,000 for each of the pilot *gewog* to fund local development sub-projects of their selection. The project's total cost was USD 633, 475.

The GDFA experiment implied to develop, test and adapt:

- A system of block grants to *gewog*
- A participatory local planning, programming and budgeting procedure
- A new financial rules empowering the *gewog* level authorities to implement local projects of their choice

The GDF specifically focused on planning, financing and implementing of public sector development activities at the local level. The process of *gewog* based planning must be sustainable in a double sense - to build the necessary capacity at the local level, and to build up a sustainable support structure. It was a pilot programme in the shortest possible time, of not much more than one year, and covering ten *gewog* in six *dzongkhag*. They are Dagala and Toebisa *gewog* in Thimphu, Dragteng and Nubi in Trongsa, Athang in Wangdue Phodrang, Tang in Bumthang, Yangnyer and Thrimshing in Trashigang, and Bumdeling and Khamdang in Trashy Yangtse. The projects identified under the GDFA includes amongst others, construction of GYT building, mule track, community store, irrigation channel, feeder road resoling, and school fencing. The GDFA supported two sets of sub-projects in each *gewog*.

**Table 4: Gewog Sub-Projects and Funds**

Gewog and Phases	Sub-Project Type	Funding (Nu.)			
		G DFA	Cmty. Contribution Cash/Kind	Total	Cmty. Contribution Total
Yangnyer I	GYT Building\3	649500	89000 (c) 0/4	738,500	12% 0%
Yangnyer II	Mule Track Khardung-Demkhar (new) Community Store, Gongthung				
Thrimshing I	GYT Building\3	649,500	25,250 (k)	675,000	4%
Thrimshing II	Community Store, Phagpari				
Bumdeling I	GYT Building \3	647,250	450\5	647,700	0.07%
Bumdeling II	Irrigation Channetl, Tshaling		307,000\1\4	954,250	32%
Khamdang I	Mule Track, 4.5 km, Gangardung GYT Building \3	647,250	1,500\6 547,750\4	648,750 1,195,000	0.43% 46%
Khamdang II	Irrigation Channel at Buyang				
Tang I	Feeder Road Resoling 2.8Km\3	6,47,250	0	6,47,250	0%
Tang II	Irrigation Channel, 3 chiwog School Fencing Renovate, Furnish GYT Building	1,03,000	702,750 (DoR)\4	1,350,000	52% (DoR)
Dragteng I	GYT Building \3	647,250	0	647,250	0%
Dragteng II	Market Shed Feeder Road, 3Km		45,000\4	692,250	7%
Nubi I	GYT Building \3	647,250	0	647,250	0%
Toebisa I	GYT Building	647,250	0	647,250	0%
Toebisa II	Purchase of Mithun Bull Irrigation Channel Rehabilitation, Zuku				
Dagala I	GYT Building \3	647,250	0	647,250	0%
Dagala II	?				
Athang	School, Rukha \2				

Source: 'Decentralization Down to the Gewog', Consultants Report to the UNDP/UNCDF, 2001

The GDF was a 'policy experiment' for genuine financial and administrative empowerment of gewog level local authorities. It was not about delivering infrastructure and services to the participating communities, but about changing institutions through which such infrastructure and services were delivered. Its objective was institutional development, not capital development. It aimed to develop and test organizations and technical procedures.

The G DFA project funding was a small amount relative to the total budget of the *dzongkhag* (approximately one percent of total *dzongkhag* budget in the case of two *dzongkhag*. The Royal

Government of Bhutan took advantage of the GDFA experience in their preparations of the *gewog* based 9th FYP and in expanding financial decentralization to all the *gewog*.

### **Financial Decentralization**

In order to enhance the decentralization process, both the *gup* and the GYT have been provided considerable financial powers beginning the ninth five year plan. A notable development is the collection and retention of rural taxes which include land and grazing tax, house and cattle tax for 'maintenance expenditures of the *gewog* infrastructure facilities. While *gewog* development plans were earlier made in consultation with the people by the DYT, particularly the *dzongkhag* administration, each *gewog* in the country prepared its own ninth-plan with the technical support provided by the *dzongkhag* administration. Consultation earlier referred to submission of 'wish-list' by the *gewog*. Wish list included not necessarily local development priorities but those which the *gewog* felt have higher chances of getting accepted or endorsed by the administration. The significant change now is that the *gewog* not only determine their own plans and development programmes, the *gup* is empowered to prepare annual budget proposals which are incorporated as part of the overall *dzongkhag* budget once the GYT endorses it. The Department of Budget and Accounts open independent Letter of Credit accounts of each *gewog*. These accounts are jointly operated by the respective *gup* and the head of *dzongkhag* finance section. While the *gup* has the sole authority of authorizing payments according to which the finance personnel make payments, the payment process is regulated by the national Financial Rules and Regulations of 2002.

Another significant development is the empowerment of *gup* to sanction development activities that cost Nu.50,000 or less. Only if the cost exceeds Nu.50,000, the sanction of the GYT must be sought. For development works which cost less than Nu.500,000, the GYT can award work to a registered local contractor if the cost quoted by the contractor is within the range of +/- 5% of the work's cost estimates which would be prepared with the support of *dzongkhag* engineers and other technical personnel. For works that cost between Nu.500,000 and Nu.4,000,000, tenders shall be floated within the *dzongkhag*, and for works costing above Nu.4,000,000, tenders shall be floated in the entire country.

This is significant because contract works for any local development activities were earlier executed by national contractors. Now that the money would remain within the locality, the direct benefit would be to the local economy and the people. Since the *gup* is the chairperson of the tender committee which mostly constitutes of GYT members, they have the discretion to determine how best the local economy and people would be benefited. Besides the financial power related to fixed budgetary provision which can be reappropriated, the GYT can approve plans for the utilization of rural taxes for maintenance of development infrastructure and of funds raised otherwise by itself.

The primary financial powers of the DYT include prioritization and allocation of resources to *gewog* and *dzongkhag* plans, re-appropriation of budget of one *gewog* to another from particular activities that cannot be implemented within the given time frame to another activity in different *gewog* where budget is needed and the activity can be completed within the time frame. It can also review, approve and re-appropriate the *dzongkhag* plan budget which was an authority earlier

associated with the *dzongdag* or other higher departmental and ministerial authority. The most significant aspect of the financial decentralization however, is the fact that the real financial authority concerning sanction of payments, authorization of financial transactions and award of contracts for development works rest with the GYT. The financial powers associated with the GYT and DYT are specifically outlined in the Financial Rules and Regulations which are part of the acts of Gewog and Dzongkhag Yargay Tshogchung.

## **Environment Conservation and Sustainable Development**

### **Biodiversity Conservation**

Bhutan's forests include the last remaining large tracts of mid-hill Himalayan ecosystem and cover 72.5% of the land (29,045 square kilometers).<sup>12</sup> One-quarter (26%) of the country is designated as park or protected area.<sup>13</sup> Another 9.5% of the nation is protected in the biological corridors that link the nine protected areas.<sup>14</sup> Bhutan has remarkable biological diversity. Its 40,076 square kilometers land area is home to 5446 species of vascular plants, 178 species of mammals, and 770 species of resident and migratory birds. Overall, Bhutan's parks and protected areas are home to 72 of the world's threatened species.<sup>15</sup> The country has been declared as one of the ten global biodiversity 'hotspots' in the world. The people have been able to conserve its forest even to this day, firstly because of the visionary leadership, and the people's way of life and culture which is strongly influenced by Buddhism. Bhutan's commitment to conserve its forest is reflected in its forestry policy to maintain a minimum of 60 percent forest cover for all times.

Before 1961, there was a strong traditional institution in place to utilize and manage forests. People enjoyed free access to forest resources from which they met most of their daily basic necessity. Slowly, modern legislation replaced the traditional customary laws and institutions, and restricted the people's rights to the use of forests. The government was concerned with the rapid depletion of forests in some parts of the country, and its long-term sustainability. However, the government adopted participatory forestry policy to involve planning, management and utilization of forest by the communities themselves. Under this policy, social forestry programme was launched whereby the people developed community and private forestry through the government's technical backstopping. The forestry activities have been devolved to the grass-root level in line with the government's decentralization policy. Through this programme, people have been able to participate in the forest and harvest forest products on sustainable basis.

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<sup>12</sup> Bhutan Trust Fund for Environmental Conservation (BT FEC), <http://www.bhutantrustfund.org/framePA.html>.

<sup>13</sup> BT FEC

<sup>14</sup> BT FEC

<sup>15</sup> IUCN 2002. 2002 IUCN Red List of Threatened Species. Downloaded on 04 May 2003.

The reasons for the unspoiled condition of Bhutan’s natural environment is perhaps even more unusual than its vast forests. Mahayana Buddhism, as practiced in Bhutan, imbues its adherents with a compassion and reverence for life that tends to curb profligate use of natural resources. Buddhist and traditional beliefs about appropriate interactions with animals and plants are codified in Bhutan’s conservation principles and laws. The Biodiversity Action Plan recognizes that “the mountains, rivers, streams, rocks and soils of Bhutan are believed to be the domain of spirits. The Buddhist respect for all living things has led to the development and adoption of environmentally friendly strategies.”<sup>16</sup> It also highlights the special respect Buddhism holds for trees because the four major events of the Buddha’s life – his birth, enlightenment, first teaching in the Deer Park in Saranath, and death – occurred under trees.<sup>17</sup> *Bhutan 2020*, the country’s guiding vision document, begins its section on “environmentally sustainable development,” one of the five development goals, with the recognition that Bhutan’s “approach to the environment has traditionally been anchored in . . . Buddhist beliefs and values. We not only respect nature, we also confer on it a living mysticism. Places are identified with deities, divinities and spirits.”<sup>18</sup> This approach connects environmental preservation and cultural preservation, rooting the present Bhutanese in the context of their forebears. Within the cultural heritage are the values and ethics that make culturally appropriate environmental conservation possible. Protecting the culture allows for the expression of traditional values in relation to the natural environment; protecting the natural environment provides content and application for traditional values.

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<sup>16</sup> RGOB, Ministry of Agriculture, *Biodiversity Action Plan for Bhutan*, (Thimphu: 1998), 18.

<sup>17</sup> RGOB, Ministry of Agriculture, 1998, 19.

<sup>18</sup> RGOB, *Bhutan 2020: A Vision for Peace, Prosperity and Happiness*, (Thailand: Planning Commission Secretariat/ RGOB, 1999), 87.

**Table 5: Bhutan's Land Cover Area by Percentage**

	Land Cover	Areas (sq.km)	%
1.	Forest	25, 787	64.4
2.	Scrub forest	3, 258	8.1
3.	Pasture	1, 564	3.9
4.	Tseri/fallow-rotation	883	28.1
5.	Agriculture	3, 146	7.8
6.	Snow and glacier	2, 989	7.5
7.	Water-spread/marshy	339	0.9
8.	Rock outcrop	2, 008	5.0
9.	Other	985	2.5
	Total	40,076	100

Source: Biodiversity Action Plan for Bhutan 2002, *Ministry of Agriculture, Thimphu*

### Forest Resources

Before 1961, the whole country was a large tract of undisturbed, pristine forests. The areas of use were confined mainly in the south, close to Indian border, centers of population and near motor roads. It was because of the relative abundance of forests that the per capita fuel wood consumption is one of the highest in the world, and a traditional architecture came to use large quantities of timber.

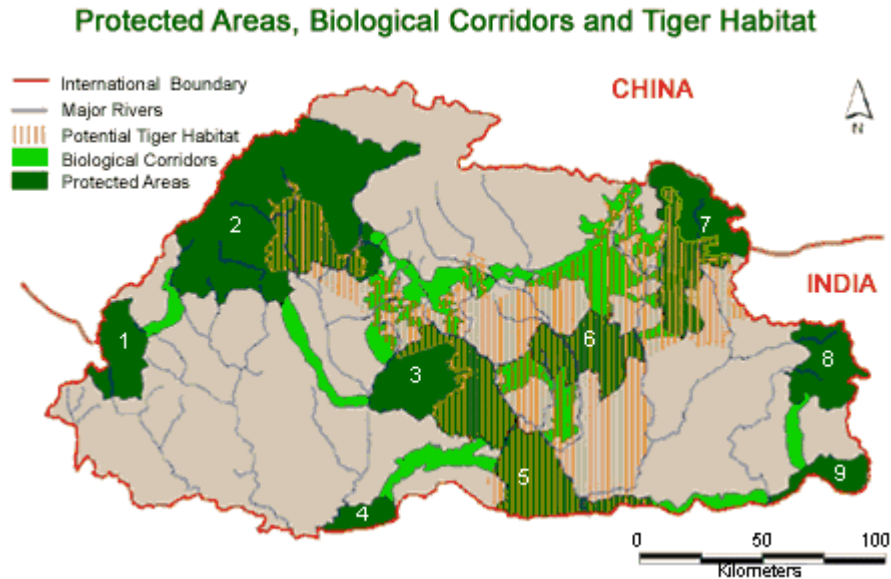
The community managed natural resources like forests and water through its indigenous institutions and customary unwritten laws, and ensured its sustainability. The institutions of forests protector (*risungpa*), protector of forests against forest-fire (*mesungpa*), protector of crops against wild animals (*shingsungpa*) and protector of drinking water and irrigation canals (*chusungpa*) were instituted by the community. For instance, *risungpa* ensured distribution of fuel wood and timber for construction, and enforced *ridam*<sup>19</sup>. Similarly, *mesungpa* protected forest from fires and mobilized fire-fighters from amongst the community. Individuals or communities used forests in the form of *sokshing* - a forests on which individuals or community exercised rights to collect or gather leaves for composting with animal manure - collecting fodder and dry firewood as a customary rights.

Pressure on ecosystem (forest) did not lead to its degradation because of low population pressure and sustainable land-use practices of the local people. Slowly the civil authorities (district officials) took more control of traditional forests and grazing rights. However, local institutions such as *mesungpa* and *chusungpa* continue even to this day. The role of civil authorities was slowly replaced by the Forestry Department, which was established in 1952 with a mandate to manage

<sup>19</sup> Traditional practice of managing natural resources. Access to utilization of mountain resources is strictly prohibited for a certain period in a year. Restriction is imposed so as to prevent people from felling trees in mountain that could provoke displeasure of local gods and deities who would unleash torrent of rain and hailstorm and destroy all crops.

natural resources. There was no central regulation or administration prior to 1959 and the communities managed the forests.

After the launching of the first five-year plan through India's financial and technical assistance, the forestry policy saw a sudden change. The policy was greatly influenced by India's National Forest Policy, which stressed on both productive uses and conservation of forests. The forest officials were given the policing role.



**Key**

1. Torsa Strict Nature Reserve
2. Jigme Dorji National Park
3. Jigme Singye Wangchuck National Park
4. Phibsoo Wildlife Sanctuary
5. Royal Manas National Park
6. Thrumshingla National Park
7. Bumdelling Wildlife Sanctuary
8. Sakten Wildlife Sanctuary
9. Khaling Wildlife Sanctuary

Source: Bhutan Trust Fund for Environmental Conservation

**Forestry Policy and People's Participation**

*Thrimzhung Chenmo, 1959* (Supreme Law of Bhutan, 1959) was the first forestry-related legislation. This law shifted the power from community to the centre, and changed traditional customary laws to formal written law. The National Assembly became an important lawmaker, making legislation on



forestry related issues. The 24th National Assembly made royalty exemption for timber and firewood for domestic purposes, while the royalty was imposed for commercial activities.

In 1966, the first protected area - Manas Game Sanctuary - was established to protect wildlife in the sanctuary. The forest conservation, management and utilization functions were largely managed from the center through a network of functional administrative units. In the initial years, the primary focus of Forest Department was to establish the forestry administration, sustainable use of forests for income generation, afforestation activities and establish saw-mills and other wood-based industries. Scientific management of forests with forest management plans began in 1964 to decrease forest exploitation despite the fact that primary focus of the Forestry Department was revenue generation with management plans focused on logging. All activities related to forests and nature conservation was assigned to the Forestry Department.

*Bhutan Forest Act, 1969* is the first modern forestry legislation. The large-scale deterioration of forests in the neighboring countries made Bhutan government more cautious to pursue systematic forest management programmes. The National Assembly made civil authorities, mainly *thrimpon* (judge) responsible for enforcing forestry rules, and forest administration was responsible for the protection of wild fauna, maintenance of protected areas and managing and controlling access to the forests through forest patrolling. Concerned with the over-exploitation of forests through logging, and continuous forest-fire, new activities were started such as patrolling against illegal activities, controlling forest fire, checking unauthorized felling of trees and clearing of lands, supervising authorized felling, assisting in natural regeneration of forests and educating villages on forest protection.

*National Forestry Policy, 1974* prescribes long-term national goals and objectives on forests and their utilization. It was made mandatory to keep 60 percent of the land under forest cover and the need to demarcate forest, and make management plans. *Land Act, 1979* established all legal categories and types and uses of land, including agriculture and forestry. It specified local rights in *sokshing*, *tsamdo* and private forestry, besides outlining legal provisions for conversion of land types. His Majesty issued a Royal Decree on *Social Forestry* in 1979, commanding the Department of Forest to revise forest policy and prepare a scheme for the promotion of social forestry in and around rural villages by involving the local people in the planting of trees in their own private or villages. The role of community involvement in protection and management of forest resources was increasingly recognized since it is the people who live closest to the forests.

*Social Forestry Rules, 1990* was framed by Ministry of Agriculture in response to His Majesty's command mainly to encourage the plantation of trees in absence of policies or incentive. This is also called private forests rules, since it allows individuals to plant on dry land (*kamzhing*), wetland (*chushing*), permanent cultivated land under fallow cultivation (*lhotshe*), and shifting cultivation (*tseri*). No royalty is levied for forest produce harvested for any purpose from the private forest, in accordance with the rules. This rule is significant in reducing biodiversity threat through practice of shifting cultivation and forests fires.

In line with the national policy of decentralization, all kinds of field-level forestry programmes were made readily accessible to the local people. Ministry of Agriculture adopted the RNR Approach in 1991 by creating Renewable Natural Resources (RNR) structure and functions to decentralize local planning, project implementation and monitoring to districts. RNR includes agriculture, animal husbandry, forestry and irrigation sectors. *Forest Policy of Bhutan, 1991* was framed to ensure that forest resources are used according to sustainable principles. The main policy is to first ensure conservation of the environment, and thereafter, derive economic benefits from the forests through rational management.

*Bhutan Forest and Nature Conservation Act 1995* is the most important legislation ratified by the National Assembly in 1995. It has nine chapters on 47 topics ranging from forest conservation and the use of forest timber to the protection of wildlife in the kingdom. It provides a strong legal basis for all social forestry-related activities. The Act was framed after concerns were raised against exploitation of forest resources and the loss of wildlife. Its explicit goal is the protection and conservation of forest resources, while its implicit goals are conservation of biodiversity through land use controls in national parks and game sanctuaries. It put a limit for utilization of forest produce for rural consumption and the requirement for forest management plans, and extract forest produce for commercial or industrial purpose. This is to ensure sustainable management and utilization of forests. The Social Forestry introduced in 1979 was also incorporated in the new act. Among others, there are provisions for soil and water conservation and forest protection from fire.

The most important provision for people's participation in the forestry is the social and community forestry where any person is encouraged to grow and nurture forest crops in his own private land. This policy reduced shifting cultivation by allowing individual, household or community ownership over lands, and provided comprehensive guidelines for the balanced use and management of the nation's forest resources. *Geog Yargay Tshogchhung, 2002* (GYT) and *Dzongkhag Yargay Tshogdu, 2002* (DYT) enacted to further decentralize a wide range of powers, authority, functions and responsibilities to the people, have provision on community participation in conservation and forestry activities (see appendices).

### **Social Forestry and People's Participation**

In Bhutan social forestry consisted of Community Forest (CF) - management of local forest activities on government land, including community lands, by groups of traditional users; Private Forestry (PF) - promotion of tree planting and forest or woodlot activities by individuals on the private lands as well as creation of private nurseries and seedling distribution; and School Social Forestry - which involves institutional forestry focusing on education and developing awareness among the students (RGBO, 2000a).

The main objective of the private, community and institutional forestry programmes are 1) to promote community-based forestry development, 2) assist rural people to become self-sufficient in their forest resource needs and forest product development, and 3) integrate tree planting into farming systems and transfer responsibility of local forests resource management to traditional users organized into forests management groups. Before this programme was started in 1979 through a

Royal Decree, all forests had been nationalized with the intention of ensuring environmental protection and equitable access by all the people. Prior to that local people had unrestricted and unlimited privileges and access, using local trees and forests resources to meet their need according to traditional practices.

Community and private forestry enabled sustainable local forest management on government reserved lands at various levels, especially at village level, through the involvement of individuals in tree planting and other forestry related activities on their private lands and groups of traditional users implementing activities specified in a community management plan. The ultimate objective of this programme is decentralization of forestry related activities to rural communities for effective management and protection. His Majesty exempted taxes and royalties on trees, which were planted by the people on their own land under the social forestry programme.

The social forestry programme was initiated by distributing free seedlings to households, schools, monasteries and other institutions. Under the decentralization programme, the social forestry scheme (SFS) was designated as a district-level programme and staff were accordingly transferred. District forestry extension officers were made responsible for management of private forestry, community forests, school social forestry, protection of government forests from fire, protection of encroachment into *sokshing* (leaf-litter), *tsamdo* (pastureland) and allocation of dry firewood. At the director's level, the forestry extension section was mandated to coordinate nation-wide decentralization programme on social forestry activities.

Over time social forestry activities at district level have been broadened to include a wider variety of activities such as, 1) the creation of community awareness of social forestry, 2) conducting need assessment and participatory planning exercises, 3) community mobilization of participatory forest and plantation management, 4) villagers involvement in the production of tree sapling, 5) private nursery development and nursery operations' training, and 6) monitoring and evaluating planning programmes.

Over the years, several forestry development programmes with social forestry component has been set in place around the country. Different forest development projects have been started across the country, and social forestry activities have gained a high priority, and it was increasingly oriented towards a better and more productive partnership with local communities. District staff and project specialist facilitate the villagers in planning, implementing and reaping the benefits of forestry initiatives as part of the wider Renewable Natural Resources sector programme. The Forestry Department declared the 2 June Coronation Day as the Social Forestry Day in 1985 to promote widespread tree planting.

### **People's Participation in Park Management**

To maintain the considerable size of protected areas at the present level of ecological stability, the stakeholders are involved in the management. These stakeholders are subsistence farmers depending either directly or indirectly on the surrounding natural resources. The protected area management is

collaborating closely with these stakeholders who are the actual guardians of the natural resources, and improve the socio-economics conditions of these people.

Integrated conservation and development programme (ICDP) was launched in the early 1980s to address and resolve the conflicting interests of bio-diversity conservation on one hand and the development needs of the local communities who depend on the local resources on the other. In almost all the protected areas in Bhutan, there are local communities residing in the areas who depend on the local resources for their subsistence. Since conservation cannot be achieved without fulfilling the socio-economic needs of these people, this integrated development programme identifies activities that lead to conservation as well as fulfillment of communities' socio-economic needs. Income generation through community-based enterprise development is one potential area. In this, the eco-tourism is one viable programme that will bring positive changes in conservation as well as development. Many historical and religious sites are also located in the protected area. The integration of such sites with the park management activities may also result into community support towards conservation of environment.

In order to make such activities more effective, the implementation of integrated conservation and development programmes are left to the local authorities, who have the first hand knowledge of the community development and constant dealings with the local people. In 2002, participatory forest management project (PFMP) was started to 'achieve sustainable forest management and improve rural livelihood in Bhutan by strengthening the capacity of local communities to utilize and conserve forest resources, with an emphasis on poverty alleviation and the equitable distribution of benefits".

### **Local Government and Conservation Regulations**

The new GYT and DYT chathrim have given substantial administrative and regulatory powers to these two institutions to enable them take decisions pertaining to different aspects of local communities. Earlier, most of these powers were held by central agencies who would have had little or no knowledge of local context to enforce regulations and take decisions. Powers to enforce regulations pertaining to environmental conservation and protection, which are provided in these two *chathrim* reflect the growing awareness that local governments can make more informed choices and decisions in relation to local contexts.

#### **Administrative and Regulatory Powers of GYT**

- Article 8: Regulatory Powers of Gewog Yargay Tshogchung
- Clause 1. Safe disposal of waste.
- Clause 2. Control and prevention of pollution of air, soil and water.
- Clause 8. Protecting and harvesting of edible forest products in the local area in accordance with the Forest and Nature Conservation Act, 1995.
- Clause 11. Depredation of crops by livestock and wildlife, in accordance with the provisions of the Forest and Nature Conservation Act, 1995.

- Article 9: Administrative Powers and Functions of GYT
- Clause 7. Conservation and protection of water sources, lakes, springs, streams and rivers.
- Clause 8. Custody and care of communal lands, community forests, including sokshing and nyekhor tsamdo, medicinal herbs and accordingly prevention of illegal house construction and all other types of encroachment in such community lands as well as on government land and forests.
- Clause 10. Protection and preservation of ney, neykhang of yulha and zhidag, which are not part of custody of a monastic body or central agencies.

#### **Administrative and Regulatory Powers of GYT**

- Article 8: General Functions and Power of Dzongkhag Yargay Tshogdu
- Clause 13. Make recommendations on activities with major environmental impacts such as construction of roads, extraction and conservation of forests, mining and quarrying.
- Article 9. Regulatory Powers and Functions of Dzongkhag Yargay Tshogdu
- Clause 2. Designation and protection of areas of special scenic beauty or biodiversity as dzongkhag parks and sanctuaries.
- Article 10: Administrative Powers and Functions of Dzongkhag Yargay Tshogdu
- Forest management plan including extraction, conservation and forest road construction in accordance with Forest and Nature Conservation Act, 1995.

#### **Micro-Environment Action Plan**

The United Nations Development Programme (UNDP) is providing a grant of US \$ 167,000 over a period of three years (2003-2005) to develop the capacity of GYTs for the implementation of the micro-environmental action plans (MEAP's). This grant will support the implementation of 40 MEAP's, two each in all 20 *dzongkhag*.

As a part of the Capacity 21 Project, during the eighth plan, NEC embarked on a nation-wide environmental awareness campaign. An outcome of this activity was that many *gewog* submitted a list of possible environmental action local communities could take in addressing their local environmental concerns if resources were available. The NEC has compiled a list of proposed activities and circulated them to the *gewog* to finalize it. It will now execute the MEAP through the *dzongkhag*. by providing Nu.200,000 to each *dzongkhag* to be given to *gewog* to control environment related problems which include landslides and erosion, protection of sacred sites, protection of community watershed etc. For example, Tshangkha and Kana *gewog* in Dagana Dzongkhag have decided to use the money to fence and grow trees around the lake in their *gewog*. This project called the Micro Action Environment Plan is aimed at involving villagers in environmental preservation. If this pilot project proves successful, the *gewog* would receive more financial support for their environmental plans in future.

An awareness programme on millennium development goals (MDGs) will also be conducted to facilitate the integration of sustainable development concepts into the local planning process. This is expected to help Bhutan work towards reaching the MDGs, through the implementation of plans and the capacity that will be developed in the gewogs to implement further plans.

## **Local Governments' Initiatives for Sustainable Development**

Decentralization is the key element in Bhutan's good governance process. The local governments, particularly the GYT's now constitute the primary institution of effecting decentralization. The devolution of adequate administrative and financial authorities was expected to facilitate local governments take initiatives in ensuring sustainable development of their communities, which will ultimately help attain the MDG's. After a year and half of the historic changes in the local governments' power and structure, many initiatives, that were not possible earlier, were taken. The following case studies in different gewog illustrate the diversity of initiatives meant to address community needs for income generation, environment conservation, and preservation of culture.

### **Cultivation of Winter Crops in Five Gewog of Trashigang**

Radhi gewog in Trashigang has suffered severe environmental damages, particularly land slides due to excessive grazing and felling of trees. Since the new GYT chathrim empowers GYT's to enforce any regulations pertaining to environmental conservation and management, the Radhi GYT initiated a consultation with four other gewog in the area resulting, for the first time, a regulation to address similarly problems. Although the agreement was signed among GYT members of Radhi, Phongmey, Merak, Sakteng and Shongphu in order to enhance community self-reliance and income generating activities, it has not been blessed by the Trashigang DYT. The DYT expressed concern over articles pertaining to penalty due if the agreement is breached. While it would be reviewed in the following GYT session, the signatories have already begun implementing its provisions.

Over the years, people in those areas have abandoned winter cropping for many reasons but mainly due to foraging by domestic cattle which are mostly kept at home in winter. So, while the agreement requires farmers to sow winter crops vegetables and plant fruit-bearing trees, it states that low breed cattle must be gradually done away with and better breed reared. Farmers must plant their own fodder and ensure that their cattle do not stray in to other farmer's fields. This is because there are limited pastures. When crops are planted after the 3<sup>rd</sup> month, no household can keep at home more than one milky cows and calf and a pack pony. Fallow fields, uncultivable lands and areas prone to land slides should be improved with different species of trees. Farmers in Shongphu and a few other signatory gewog have already planted winter crops as required by the agreement. One major impact of this agreement will be on the people of Merak and Sakteng. Who bring their yak herbs in winter from high mountains down to move tropical pastures around Radhi. But it would help alleviate acute deforestation and frequent landslides in the area besides boosting local food produce.

### **Closure of Quarry Affecting Paddy Fields**

A sand and stone quarry on the banks of the Gamrichhu river in Trashigang had been in operation for about two decades. Recently the volume of extraction has increased as several new development projects began in the dzongkhag. About 20 truckloads of stones and sand were extracted from the river banks every day. The building of the vocational training institute in Buna costing Nu.50 million requires a total of 500 truckloads of sand and stones. The five month-old Rangjung town development project costing Nu.30 million also requires about 10 truck loads of stones and about five truckloads of sand everyday.

Ten household from Shongphu and Galing villages own rice fields along the quarry. Another four households from Bidung also own paddy land on the other bank of the river where sands and stone are extracted. Farmers have pressured forestry authorities to temporarily shut down the quarry complaining that quarrying was making their paddy fields more prone to floods in the monsoon. Quarrying aggravated the erosion of their wetland during the rainy season. People are afraid that it might erode the existing 20 acres of rice fields on the left bank of Gamrichhu. Farmers of Galing has already lost about two acres of rice field last monsoon.

The Shongphu Chimi and Bidung *gup* submitted the issue during a Dzongkhag Yargye Tshogdu (DYT) meeting where the dzongkhag administration was asked to conduct a detailed inquiry. The divisional forestry immediately stopped issuing permits and prohibited further extraction from the quarry in late November. The dzongkhag administration and the divisional forestry office began an investigation to assess environmental, scientific, and economic impacts of the quarry.

### **Community Festival in Kanglung, Trashigang**

The Yonphu Tshechu is an annual festival for the people of Kanglung. Many years ago, the continuity of festival became questionable owing to decline in resources necessary to organize it. So a fund was mobilized through contributions of more well-off people. The fund was held under the custody of the *gup*. Recently, the GYT took over the fund which has increased to nearly Nu.100,000. Every year, at the conclusion of the festival, the GYT asks any person from their community to take over the fund. That person would be responsible for handing over the same amount of money just before the next festival. For a year, he can invest the fund in any way he prefers. He does not need to pay any interest. Thus, the fund ensures dual purpose of festival's continuity as well as benefiting a community member. However, if the GYT members feel that the person who volunteer to take care of the funds is of questionable character, they do not give him.

While the financial issue has thus been solved, there arose another problem. Over the years, the village's monastic community constituting mainly of laymonks who lead the festival would not be available in during the festival. The GYT then invited laymonks from the Yonphula Drubdey located nearby. But it was difficult for the organizers when the festival coincided with an event at Yonphula Drubdey. Then, they would hardly have enough laymonks to lead prayer ceremonies and mask dances. The GYT took a decision to make it compulsory of all laymonks in the community to attend all the important religious event of the community. While the community would not be concerned

about their absence during any time of the year, they have to attend all the major religious activities. A rules and regulations to govern this community activity was framed by the GYT in consultation with the people.

### **Forest Management in Segye, Thimphu**

Several years before the introduction of Forest Act of 1969 and the Nature Conservation Act of 1995, traditional management of forest and sustainable harvest of natural resources was strong and effective in this village. Many elderly people claim that rural people were adequately conscious of the importance of preserving forests surrounding their village. There existed an institution of *resungpa* (mountain guard), a person appointed by the community to ensure sustainable use of forest resources like firewood, timber, fodder and bamboo. He was responsible for controlling activities like excessive extraction of wood, bamboo and grazing in the forest.

An institution of *mesungpa* (fire guard) also existed who was responsible for protection of forest from fire and for mobilizing community labour to control the fire. *Mesungpa* was appointed from among the villages for a year. These two posts had no salary or any other kind of material compensation, but were exempted from tax and obligatory community labour contribution. However, the institutions weakened after introduction of forestry division. Foresters took over the responsibility of *resungpa* and *mesungpa*.

Later on, village leaders and elders called the community for a public meeting to discuss the issues of community forest management. It was decided that the village should have a strong committee with a proper legal framework to regulate and manage forest resources on the basis of equal access to every household while ensuring sustainability of the common resources. The committee was thus formed with *gup*, *mangap*, *tshogpa* who are members of the GYT and a few village elders. The committee was formed to prevent people of other villages from felling trees or hunting animals in their areas. It was also to control the inhabitants from felling trees around water sources and enable sustainable harvest of forest resources for domestic uses.

### **Citrus Core Group and Orange Cultivation in Dungleang, Tsirang**

The idea of a ‘Citrus Core Group’ was implemented recently with the support of agriculture extension agent of Dungleang Gewog. There are 50 households from Bichgaon A and Bichgaon B as members. All of them own certain number of orange trees. The *tshogpa* of Bichgaon B is the chairperson. There are four other executives members. The duties of the committee members are basically to:

1. Coordinate the development of orange production activities in the area
2. Development of orange production
3. Represent orange growers
4. Collect information and maintain data
5. Coordinate with the Dzongkhag citrus committee.



6. Monitor, advice and supervise orange growers in the area

There are many foreseeable advantages of this group. For example, it adds on to collective responsibility. For instance, it became easier for the Dzongkhag citrus committee to sanction anything required by the group such as pesticides and fertilizers. Otherwise, it was inconvenient for the Dzongkhag citrus group to listen to every problem of orange growers. The 50 households have been grouped into 5-6 households. They assist each other in plantation and care of orange plants. Soon the committee will formulate a system whereby only the members would be engaged in harvesting and transporting oranges. The committee will also raise funds and open a saving account. Whenever needs arise, members can help each other solely for the purpose of orange production. They are planning to award contracts of buying and selling the oranges within the group so that the outside contractors do not cheat them. Normally, the outside contractors buy only from bigger orchards and the smaller ones are left out. Hereafter, an outside contractor has to buy from both the smaller and bigger orchards. If not, the contractor would be even allowed to touch the oranges. Otherwise, the owners of the smaller orchards have to run after the contractor to sell their oranges. They were earlier left at the mercy of the buyers. The committee not only considers the quality of oranges, but also looks at its quality and sizes. In consultation with the Dzongkhag focal person. The CCG encourages people to produce quality oranges for better market price, and thus, increases their income.

**Community Apple *Tshogpa* in Gabjana, Paro**

The need to appoint an apple *tshogpa* in Gabjana under Luni gewog in Paro Dzongkhag was suggested by the Agriculture Minister, Lyonpo Sangay Nidup during his visit to village in 2003. The suggestion was discussed in the GYT meeting, and then a new chathrim formulated in consultation with the people. The chathrim discusses issues related to apple orchard in the village. While apple constitutes the main cash crop in the village, they had always encountered major problems of low productivity and quality. This was because of poor maintenance of apple orchard, lack of skills and trainings of the farmers. Due to financial constraints, they were not able to purchase fertilizers and agriculture machineries. Those who had adequate financial means were also discouraged because of the poor quality and low production of apple caused by different diseases from orchards that were not maintained properly.

In order to solve this problem, the GYT has decided to appoint a person who will strictly enforce rules and regulation laid down in the chathrim. Thirty six year old Ten Namgay was appointed on January 1, 2004 by the people. He is responsible for ensuring that the villagers comply with the rules, inspecting proper maintenance of apple orchard to keep diseases under control and rendering services to needy ones.

He was trained for a month by the Ministry of Agriculture on the proper management of apple orchard, detection of apple diseases and spraying of pesticides in the orchard. This had benefited both the agriculture extension worker and farmers. Earlier farmers did not cooperate with him, and no measures had been taken to control diseases. He imposes penalty on those who do not comply with the rules and regulation set in the Chathrim. He also takes initiatives to help those people who cannot afford to manage their orchards, but they have to pay him back after selling their apples.

The farmers experienced rapid improvement in the maintenance of apple orchard after appointing the apple *tshogpa*. For his services, he is neither paid nor exempted from any local labour contribution. The apple *tshogpa's* term is only for one year. The post will rotate among orchard owners every year.

### **Construction of Irrigation Channel at Tshangkha, Trongsa**

Among the various development activities identified by the people of Tshangkha village, the construction of four kilometer irrigation channel in the ninth plan has been recently launched. The access to limited water sources have always resulted in low paddy harvest despite the fertility of the soil. The channel would help 15 farmers. All construction expenses, including wages for labour, are provided by the government. The total expense was estimated at Nu.400,000, i.e, Nu.100000 for every kilometer. The number of days land owners work depend on the size of each person's landholding. Hence, farmers owning large area of land work more. All workers including skilled laborers were among the landowners. This ensured that the wage support provided by the government do not flow out. A total of 15 land owners work every day. The construction is carried out with the technical assistance provided by the dzongkhag engineer. Thus far, 50% of the work has been completed.

### **Private and Community Forestry in Mongar**

Chali, Tsamang and Saling gewog have started to grow trees in some of their land holdings. This idea of owning private woods in these villages came up mainly because these gewog fall under Thrumshingla National Park. The Park authorities would not allow farmers to harvest wood from the park area. In the beginning, the private woods were mainly used for fuel wood, fodder and other wild products. However, the people have realized that woods can also be grown for commercial purposes. Therefore, since 2003, people have started growing hard wood with the consent of GYT.

There are two types of such woods. Gerde Nagtshel is owned by a household whereas Drongde Nagtshel is owned collectively by a village. Drongde Nagtshel provides fuelwood and fodder, and is also used as grazing area for community cattle. While Gerde Nagtshel is used for similar purpose, farmers grow hard wood in it to harvest them for timber for house construction and furniture.

In Thridangbi village, Saling Gewog, farmers are growing bamboo, walnut and cane. They were helped by the National Park to begin their private forest. In Chali village, ten households have cultivated walnut, Zalashing and Kershing. Each household has anywhere from 30 to 40 trees. They have a nursery for saplings. Each member from every household go into forest to collect sapling. Only ten households have been given responsibility to start this private forest according to their capability.

Saling Geog owns a Drongde Nagtshel in Pangsibi area which is nearly 220 acres large. The trees are mature to be harvested and sold, but Pangsibi is far from the highway. However, the people have proposed road construction as part of their development programme, and they hope to be able sell the woods. Jangdung village in Saling has a nursery that supplies saplings to the whole geog. A

household in Umling village in Tsamang owns a private nursery. In 2003, this household provided sapling for plantation during the Social Forestry Day on June 2, which is celebrated as the coronation day of His Majesty the King. This household earned Nu.3000 by selling saplings to a nearby school.

### **Rosin Collection in Tsamang, Mongar**

The main source of income for Tsamang village is rosin of chirpine. An agent looks after the whole area of Tsamang. He provides technical advise related to rosin collection, and also assigns areas to collectors. He earns a commission of Nu.17 for every tin of rosin collected. His annual income is approximately Nu.40,000. Collectors earn about Nu.130 for every tin. Their annual income is approximately Nu.60,000. Rosin is packed in a tin and transported on horse to a place called Yongkala, where they have a store. From there, contractors export it to India.

Years ago, collectors came from every part of Mongar Dzongkhag. There were even some India labourers. The GYT of Tsamang decided to allow only local people to collect and sell their local resource. The local people are advised on conservation issues and advised not to destroy the tree by cutting collection point at several parts of the trunk. The cut is made according to the size of trees. Even bigger trees are allowed not more than two cuts. If people are found making more cuts than permitted, the forestry officials impose fine.

Tsamang village is almost 15km away from the main highway. People face transportation difficulty. Horse owners demand very high fees. To overcome this problem, the Tsamang GYT took initiative to construct a road.

## **Conclusion**

'Given Buddhist egalitarian concerns and the content of compassion...social institutions should aim at equity distribution and opportunity and especially at the minimisation of suffering for the least advantaged'<sup>20</sup>. From the fundamentals of Buddhist moral theory...social institutions should aim at maximising happiness and minimising suffering for all members of society. Buddhist social institutions and political arrangements should presume and cultivate a sense of responsibility for others. This requirement would most obviously find expression in the requirement for extensive health and welfare services as the primary responsibility of government.

In Bhutan, this Buddhist principle has been aptly captured in the national development philosophy of Gross National Happiness. Happiness is both a policy concern and policy objective in Bhutan. Maximization of happiness can only be achieved by addressing the hardship and suffering of the people. Hence, issues such as poverty alleviation, access to health and education are priority on the social agenda.

The basic tenet of development is economic improvement and enhancing the well being of people. But development seeks to balance modernization and tradition. Balanced, equitable and

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<sup>20</sup> See Garfield, Jay L. *Buddhism and Democracy*, The University of Tasmania: School of Philosophy

sustainable development through decentralization and people's participation has been the foundation of development process. Major investments were made in social sectors, education, health and rural development. Consequently, Bhutan has achieved significant socio-economic progress in the last few decades. However, major challenges lie ahead in the face of many development constraints such as Bhutan's geographical isolation, limited arable land, small and infant private sector, growing unemployment and lack of skills of labour force, and excessive dependence on hydro-electricity for revenue.

One of the most significant challenges for scaling up poverty reduction is to overcome rural isolation through road construction, which has been given a high priority in the Ninth-Plan. Improving the economic base of rural population and consequently reducing poverty would depend on enabling rural communities gain access to national and regional markets for their agricultural produce. As a part of decentralized governance, local governments would now undertake these responsibilities.

Despite its declining contribution to the GDP, farming will constitute an important economic activity. Food security is a national priority, and hence, the importance of farming and related activities is evident. On the other hand, there is reduction in agricultural labour force, and increases in non-food producing communities. Demands of food supplies for this non-farming community have to be met. This requires farmers to produce surplus through usage of improved seeds, adoption of scientific high-yielding methods and farm mechanization in view of the growing shortages of farm labour. Moreover, flat wetland where mechanized farming is possible is being reduced as they are converted for infrastructure development like schools, power projects, roads, housing, and town. The country has lost about 629.91 acres of wetland already. This is substantial given the fact that less than 8% of the land is arable and only few flat lands are available. Loss of flat land had resulted in declining food production, particularly rice<sup>21</sup>.

The biggest share of Bhutan's income over the past decade has steadily shifted toward hydropower sales to a monopsonistic buyer (India) through politically negotiated terms, an arrangement predicted to continue the country's strong growth in GDP for years to come as much-larger sites are developed and brought on-line. Indian financing of major capital portions of Bhutan's budget gives strong leverage in negotiating favorable rates, while the Bhutanese king's excellent relationship with New Delhi has been equally useful in pressing for rates more favorable to Bhutan. But an important development challenge for Bhutan is how to translate steadily-growing hydro sector rents into sustainable financing for sound development investments without provoking "Dutch Disease," triggering inflation, or in other ways distorting the economy through financing poorly-conceived projects with low returns, or socio-political tensions through aggravation of income disparities and regional imbalances.

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<sup>21</sup> *Kuneselonline*, Nov.2, 2001

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