

BHUTAN

BASIC FACTS ABOUT PEI BHUTAN

Timescale: Preparatory Phase (October 2007–April 2008); Phase I (July 2008–December 2009); Phase II (January 2010–December 2013), Phase III (January 2014–2017)

Partners: Main executing agencies are the Gross National Happiness Commission (GNHC) and Department of Local Governance (DLG), Ministry of Finance, Local Governments, Civil Society Organizations along with UNDP Bhutan, UNCDF (for a local climate financing component) and the Government of Denmark, AusAID, SDC and EU.

Focus: Sustainable development planning and implementation undertaken at national and local levels contributing to addressing issues of gender, environment and natural resource use, climate change impacts, disaster risks and poverty reduction (GECDP).

MAINSTREAMING CONTEXT

In Bhutan, “Gross National Happiness” has been adopted as a development philosophy where social, environmental and cultural factors define the quality of life. This development philosophy has received global recognition, yet meeting the future development needs without compromising the environment remains a great challenge. Currently, Bhutan has a forest cover of 72.5 percent and protected areas cover 51.44% of the country. Bhutan’s socio-economic growth is driven by sectors dependent on the environment and natural resources. Electricity generated from water resources (hydropower) is used by more than 99.6% of the population and contributes 20% to the GDP of the country through export of power to India. Agricultural and forestry practices provide a livelihood and employment for more than 60% of Bhutan’s population.

MAIN ACTIVITIES

Support the set up and capacity development of national and local government mainstreaming reference groups to integrate GECDP into policies and plans.

Develop GECDP mainstreaming guidelines, tools, indicators and communication materials for use by key sectors and local government.

Integrate GECDP into national development plans, sectoral key result areas and local development plans including key performance indicators

Develop a green accounting system including a Public Environment Expenditure Review, and a classification of green budget codes.

Capacity-building activities targeting sector officials and civil society representatives.

Demonstrate poverty-environment nexus on the ground through pilot intervention on disaster resilient construction; sustainable financing mechanism to address human-wildlife conflict; sustainable land management; natural resource management; payment for environmental services; etc.

ACHIEVEMENTS

Bhutan's 11th five year plan (July 2013-June 2018) aims to deliver inclusive green development in line with Gross National Happiness and sustainable development. 'National Strategy and Action Plan for Low Carbon Development' in 2012 laid the basis for Bhutan to become the first carbon neutral country in South Asia.

The government has integrated environment-climate-poverty concerns into national and sectoral key results areas of the National Development Plan (11th Plan) and in the Local Development Planning Manual. "Bhutan's solution is to turn Gross National Happiness principles into a policy-screening tool to achieve that elusive ideal of sustainable development" (*Time Magazine*, 2012). All draft public policies are now screened by the mainstreaming reference group to help improve their sustainability elements and to make policies provide more benefits for poor people. It has already been applied to eight draft government policies.

At the sectoral level, the Ministry of Agriculture and Forest is promoting schemes to reduce wildlife damage affecting poor families and is putting in place the valuation of ecosystem services such as watershed protection, ecotourism; the Education Ministry is promoting green jobs through non-formal education systems, while the infrastructure sector is promoting climate resilient environmentally friendly road constructions.

In 2013, The PEI supported integrated socio-economic and environmental assessments of mining and quarrying activities that recommended institutional and fiscal reforms. This initiative has helped the government optimize national mining revenue for pro-poor and environmental sustainability.

Local Climate Finance Mechanisms are being strengthened and the Local Governments in Bhutan recorded increased expenditure for sustainable development during the first two years of the 11th Plan. Further, the Ministry of Finance's budget call circulation for 2013-2014 stated that "in formulating the budget proposal, budgetary agencies shall incorporate gender and ECP (Environment, Climate Change and Poverty) concerns into the respective budgets."

Bhutan pioneered an Environment-Climate-Poverty Mainstreaming Reference Group (MRG) institutionalized in 2011, which aims to green Government's work. The institutionalization of MRG was endorsed by the Prime Minister's Office through executive order in 2013. The MRG has improved the capacity of sectoral and local officials to address environment climate and poverty gaps in the analysis and design of new policies, plans and programmes.

The Public Environmental Expenditure Review process and findings have influenced the government's interest to increase state revenues from natural resources and to initiate a green economy process. Sound research has been developed in areas such as energy efficient transportation.

Through Bhutan's Tarayana Foundation, PEI supported the Rural Economy Advancement Programme (REAP) where 25 households benefited from eco-friendly and disaster resilient houses. Villagers now have secure shelter and are able to concentrate their efforts in agricultural activities and other off-farm opportunities through the skills that they have acquired thereby demonstrating sustainable utilization of natural resources in improving poor people's livelihoods.

Through a PEI collaborated multi-donor programme to implement the Local Governance Sustainable Development Programme, Bhutan has mobilized \$14.26 million, equivalent to 86% of the total estimated budget. This commitment to mainstream P-E-Climate objectives is reflective of the high level of ownership achieved by the country.

LESSONS LEARNED

Awareness of poverty-environment linkages from the highest (Cabinet) to lowest level (village representative) needs to be a continuous process for effective integration. Ensuring national ownership of the mainstreaming agenda and use of national capacity and government staff to ensure cost efficiency and enhanced national human resource capacity.

A Public Environmental Expenditure Review has been recognized as an important mainstreaming tool, however, refining and modifying budget codes of the government remains a challenge.

Pilot demonstration of P-E nexus on the ground has proven useful to connect downstream implementation with up-stream policies.

WAY FORWARD

Ensuring sustainability and maintaining the mainstreaming momentum within government will be a focus of the remainder of the programme through for example, the implementation of the 11th Five Year Plan. Phase III of Bhutan will focus on capacity building of Local Governments in bringing the mainstreaming strategies and policies put in place during the previous phases into implementation at the local level.