

## Country Assistance Policy for the Kingdom of Bhutan

### 1. Relevance of Assistance

Bhutan made the transition from royal rule to constitutional monarchy based on parliamentary democracy in 2008, and has been on the path of a building democratic and stable nation. Japan and Bhutan have constantly maintained excellent bilateral relations since the establishment of diplomatic relations in 1986, and have been cooperating with each other in international arena as well. The stability of Bhutan is also of great importance for the entire region, as it is surrounded by two big countries, i.e. India and China.

While its economy is steadily growing by selling surplus electricity generated by hydropower, Bhutan is facing such issues as influx of young people into urban area, worsening unemployment and urban problems, as the gap between rural and urban areas becomes apparent. With the objective of graduating from dependence on foreign assistance, the Royal Government of Bhutan pursues a balanced national development policy supported by the basic philosophy of: maximizing Gross National Happiness (GNH) aiming at creating society, as a final goal, where people can live with a sense of happiness; achieving economic growth represented by Gross Domestic Product (GDP) figures.

Japan's assistance to Bhutan is greatly significant in terms of not only strengthening of cooperative relationship in the international arena by promoting friendly relationship with Bhutan, but also contributing to stabilization of the entire region through assistance to development needs which supports Bhutan's democratization efforts while respecting its basic philosophy.

### 2. Basic Policy of Assistance (Major Target)

#### Assistance for self-reliant and sustainable nation building with a good balance of rural and urban areas

Bearing in mind the basic philosophy of GNH and the consolidation of democracy, Japan will provide assistance for self-reliant economic growth as well as improvement of standard of living by revitalizing rural communities and strengthening social infrastructure and delivery of services in rural areas, which enables people to earn their own living.

### 3. Priority Areas (Medium Targets)

#### (1) Sustainable economic growth

The Royal Government of Bhutan sets forth "sustainable and equitable socio-economic development" as one of the pillars of development targets in its 11th Five Year Plan. In response to this, for the purpose of narrowing economic and social disparity between urban and rural areas, Japan will assist Bhutan's efforts to improve standard of living in rural areas through: agricultural and rural development such as mechanization of agriculture and development of horticulture; construction of rural basic infrastructure such as construction of roads/bridges and rural electrification; capacity building of local administration for the improvement of basic social services in rural areas. Furthermore, Japan will support development of industries and expansion of employment through infrastructure development for industrial promotion.

#### (2) Reduction of vulnerability

Being a landlocked country surrounded by steep mountains and limited in its size of territory and economy, Bhutan is vulnerable to natural disasters caused by climate change and to deterioration of natural and urban environment incurred by socio-economic change.

In this regard, Japan will assist Bhutan's efforts to tackle environmental issues and climate change through improved urban environment, climate change countermeasures and disaster prevention.

### 4. Other considerations

Given the fact that Bhutan is aiming at graduating from dependence on foreign assistance by 2020 and that Bhutan's Gross National Income (GNI) per capita has surpassed USD 2,000, Japan will work together with Bhutan to identify good projects, keeping also in mind the utilization of yen loan scheme.