

January 2023

## Country Development Cooperation Policy of the Kingdom of Bhutan

### 1. Relevance of Assistance

Since the establishment of diplomatic relations in 1986, Japan and Bhutan have maintained excellent cooperative relationship in the international arena. Located near the nexus of ASEAN, Southwest Asia, and China, Bhutan's geopolitical importance makes its stability and prosperity great importance for the entire region.

While Bhutan's economy is growing through the sale of surplus electricity generated by hydropower, the disparity between urban and rural areas is becoming apparent, and the outflow of young people to cities, unemployment, and urban problems are becoming more serious. In addition, the ratio of doctors and nurses per population is one of the lowest in the world, and improving the fragile medical services has become an issue.

Under the circumstances, the Royal Government of Bhutan has set forth a balanced national development plan based not only on economic growth as measured by Gross Domestic Product (GDP), but also on the Gross National Happiness (GNH) principle, aiming at creating a society, as a final goal, where people can live with a sense of happiness, and engages in its own socioeconomic development to graduate from the Least Developed Country (LDC) status by 2023 and to become a more autonomous and sustainable country.

Japan's assistance to Bhutan - a partner that shares universal values such as freedom, democracy, human rights, and the rule of law, while respecting Bhutan's basic principles - is significant not only in terms of strengthening cooperative relationship in the international arena by promoting friendly relationship, but also in terms of promoting high quality growth, realizing "free and open Indo-Pacific" and achieving its Sustainable Development Goals (SDGs).

### 2 Basic Policy of Assistance (Major Goal)

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 for sustainable national development by reducing poverty in rural areas through the revitalization of rural areas, etc. Since the outcome of this assistance will contribute to the achievement of the SDGs, especially Goal 1 (No Poverty), Goal 8 (Decent Work and Economic Growth), Goal 9 (Industry, Innovation and Infrastructure), Goal 10 (Reduced Inequalities), and Goal 11 (Sustainable Cities), the assistance will be implemented taking into consideration its consistency with these goals.

### 3. Priority Areas (Medium Goal)

#### (1) Sustainable Economic Growth

In order to realize sustainable economic growth in Bhutan, it is necessary to reduce the disparity between rural and urban areas. To this end, Japan will provide assistance for rural revitalization, administrative capacity building, industrial development and economic diversification, along with the development of economic, social and cultural infrastructure, including in the field of higher education.

#### (2) Reduction of Vulnerability

Bhutan is a mountainous country located in the steep Himalayan mountains, and the country faces challenges in coping with natural disasters and other problems caused by climate change and the deterioration of the urban environment due to population outflow from rural to urban areas. In addition, the coronavirus has revealed the need to strengthen the response to a pandemic. To address these issues, Japan will provide assistance to address climate change and disaster prevention, urban environmental issues, as well as health and medical care in order to improve social services and strengthen resilience. Moreover, as Bhutan has hotspots that are habitats for a wide variety of organisms, consideration will be given to the conservation of biodiversity.

### 4. Other Considerations

Given the fact that Bhutan is expected to graduate from LDCs in 2023, etc., the possibility of a yen loan project will be kept in mind while confirming the sustainability of the debt management and finances of the Bhutanese government.

In addition, cross-sectoral efforts, such as the utilization of digital technology and gender considerations, will be promoted.