

INTEGRATED SDG INSIGHTS BHUTAN

This initiative supports the articulation of national commitments to SDG transformation, towards accelerated SDG action in the second half of the 2030 Agenda.



HOW TO READ THIS REPORT



Integrated SDG Insights provides an overview of a country's economic growth trajectory, highlighting potential conflicts between growth, environmental concerns, and societal well-being (referred to as the **SDG Moment**).



It builds from the foundation of national SDG progress through the lens of the 5Ps and uses machine learning to analyse national development ambition with an SDG lens (**SDG Trends & Priorities**).



Combined, these insights are mapped against SDG interlinkages to define policy choices that accelerate SDG progress, tailored to national context (**SDG Interlinkages**).



These policy choices are made against fiscal constraints and opportunities for stimulus to ensure choices translate to development impact and leave no one behind (**Finance & Stimulus**).

SDG MOMENT: BHUTAN

While economic growth is a key element in achieving the SDGs, many countries are intent on moving beyond growth as a yardstick for progress. In the short run, growth enables the SDGs; but in the long run, the SDGs aim to transform the pattern of growth itself.

Bhutan's economy experienced significant growth prior to the COVID-19 pandemic, but contracted by 2.4% and 3.2% in 2020 and 2021, respectively, before reviving moderately to 4.3% in 2022.¹ Looking ahead, the pace of growth continues mitigating the recent contractions before accelerating and is anticipated to be 51% higher, on average, than the global figure, converging to the country's growth trajectory forecast before the pandemic. Consequently, the country is expected to graduate from LDC status in 2023.

Accordingly, Bhutan's commitment to achieve the SDGs is premised on an increased impetus toward enhancing socio-economic development, strengthening governance and addressing the impacts of climate change, while protecting the environment and ensuring carbon neutrality. This is underpinned by a strong conservation policy which is further leveraged by the nation's constitution that mandates 60% of its geographical area be maintained under forest cover for all time.

As a carbon sink, Bhutan absorbs close to three times more carbon dioxide than it emits with a net national emission of -5,572.50 Gg of CO₂ as of 2015. Nevertheless, the country's carbon intensity of growth is expected to increase through emissions from the transport sector and industries.

¹ The economic cycle is determined by adjusting the country's current GDP growth forecasts (April 2023) by their gap relative to the forecasts made before the pandemic and subsequent crises (October 2019). If the adjusted rates (not shown) are below 2%, the economy is considered in mitigation; it is coping if the adjusted rates range between 2%-4%, and it is in acceleration if they are above 4%.

² CO₂ emissions intensity of GDP is computed as tonnes of CO₂ per \$1,000 (2017 PPP).



SDG TRENDS

Understanding how Bhutan performs against the SDG targets provides a baseline landscape against which to build integrated SDG pathways. SDG progress tracking follows [UN Stats](#) standards and [methodology](#), and is aligned with country profiles.



SDG PRIORITIES

Bhutan's national priorities are analysed using machine learning to reveal the most prominent SDGs referenced in national policy documents. This analysis uses a custom-built model for SDG classification. It considers 100k+ terms, including phrases and expressions.



SDG INTERLINKAGES

SDG interlinkages reveal how actions directed towards one SDG can impact others. Uncovering and understanding these interactions can help Bhutan to achieve the 2030 Agenda for Sustainable Development and to navigate trade-offs.

Based on a global framework for interlinkages, Bhutan's SDG progress is colour-coded at the target level.

Building from national trends and priorities, the following integrated SDG pathways reflect policy choices with the most potential to accelerate the SDGs for Bhutan:

- Target 1.1: Eradicate extreme poverty
- Target 3.8: Achieve universal health coverage
- Target 8.2: Diversify, innovate and upgrade for economic productivity
- Target 11.a: Strong national and regional development planning
- Target 13.1: Strengthen resilience and adaptive capacity to climate-related disasters
- Target 16.6: Develop effective, accountable and transparent institutions



ACCELERATION PATHWAYS



SDG INTERLINKAGES

1.1: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.90 a day.

Bhutan has made tremendous progress in reducing extreme poverty and inequality in recent years, primarily through the implementation of robust social protection schemes targeting the most vulnerable segments of society. One such initiative is the provision of monthly cash transfers to the most vulnerable population, including children and single mothers, amounting to \$63.66 million for the entire pandemic period.

However, poverty persists in rural areas of the country. As evident from its 13th Five-Year Plan (2024-2029), the Government remains committed to prioritizing substantial investments in socio-economic infrastructures to enhance productivity and expand market access. This emphasis aims to empower rural populations economically and bridge the urban-rural gap.

The plan also incorporates the development of a shock-responsive, inclusive and comprehensive social protection system to foster a more sustainable growth. Investments on SDG target 1.1. can generate positive effects across other SDGs, such as boosting economic development (SDG8), health (SDG3) and education (SDG4) outcomes.

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SDG INTERLINKAGES

3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

Bhutanese citizens have access to free health care services and the Government allocates a significant share of its expenditures to the health sector (12.9% in 2023). As a result, the country has witnessed strong achievement in health-related outcomes. Health policies have evolved from an initial emphasis on expanding access and coverage to strengthening the quality of care and improving equity.

Free and improved health services is a positive driver of broader SDG progress in areas critical for Bhutan: beyond contributing to poverty reduction (SDG1) and enhancing the nutritional status of individuals (SDG2), it directly reinforces progress in awareness of hygiene practices, positively impacting water and sanitation (SDG6). A healthier workforce is also more productive, leading to an increased economic output (SDG8), and a more resilient society to climate-related health challenges (SDG13). It can also catalyse progress in partnerships and resource mobilization (SDG17), which is critical for the sustainability of free quality healthcare.

Achieving the SDGs would require an integrated multisectoral response with intersectoral policies further articulated in the 13th FYP for healthy and productive society, aimed at building a resilient health system.

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Explore the interlinkages at:

<https://data.undp.org/sdg-push-diagnostic/BTN/synergies-and-tradeoffs>

SDG INTERLINKAGES

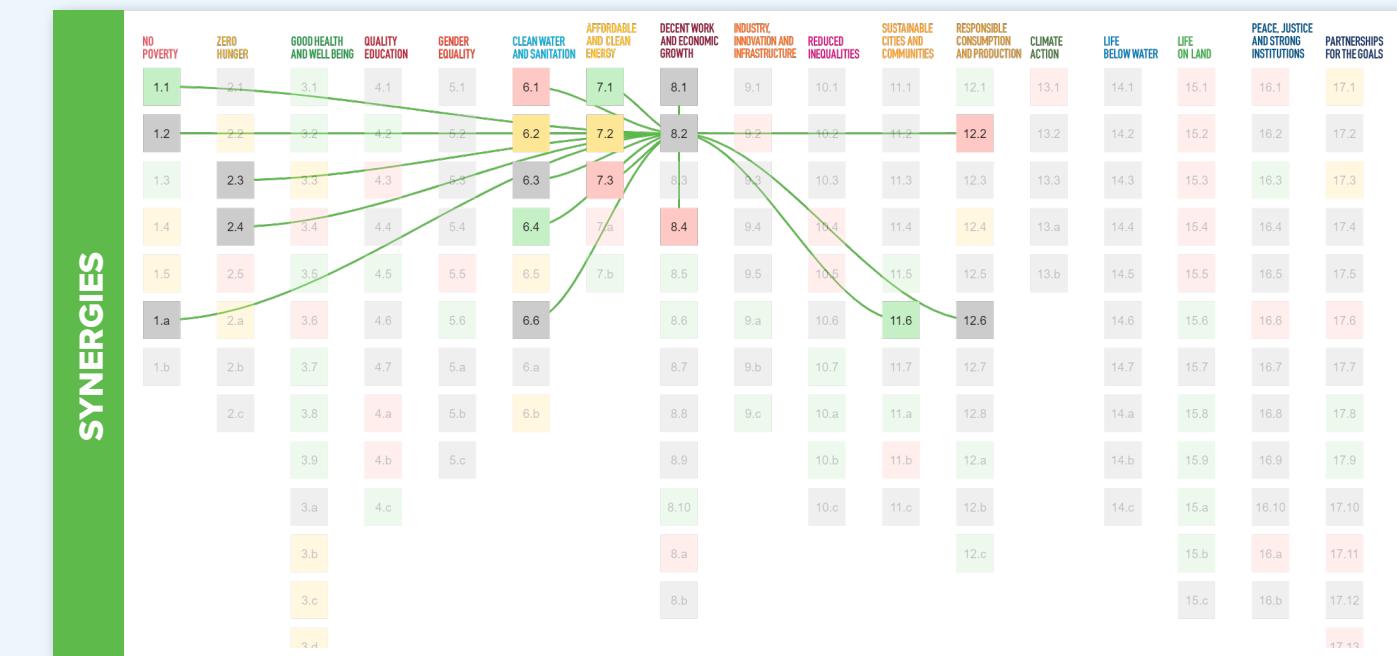
8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

Following a substantial contraction during the pandemic, Bhutan's economy is rebounding moderately with continued acceleration prospects, driven by a few capital-intensive sectors, such as hydropower, without commensurate employment creation. Low productivity, especially in the agricultural sectors, and youth unemployment remains among the most pressing issues in the country.

Achieving inclusive development and social mobility will require enhancing overall productivity and diversifying the sources of growth. These efforts should be underpinned by a rapid adoption of digital technology and innovation, while addressing the gender digital gap. The ongoing educational reform and specialized skills development program are expected to reduce youth unemployment and enhance worker productivity, directly contributing to harnessing Bhutan's demographic dividend.

Overcoming these investments are critical for the country to achieve its goal of becoming a developed nation by 2034.

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SDG INTERLINKAGES

11.a: Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.

Bhutan is currently encountering significant challenges in urban development with escalating rural-to-urban migration (21.7%). This has led to a concentration of population in urban centers (43.7% in 2022) that are susceptible to extreme weather events. The adaptive capacity of these populations is constrained by inadequate institutional, technical, and financial resources.

Bhutan recognizes access to clean water and sanitation as a pivotal element and policy combination to advance sustainable cities and mitigating health risks in the country. The nation prioritized sanitation and hygiene by providing citizens with improved toilets and water facilities. However, challenges remain in ensuring 24-hour access to drinking water for the entire population.

Achieving sustainable and resilient urban development is possible by strengthening water resource management and creating economically viable water-based industries. Climate-responsive urban planning, integrated green infrastructure, and adoption of sustainable building practices is also crucial for promoting balanced growth in rural and peri-urban regions. These approaches can yield positive interlinkages on outcomes related to SDG6.

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SDG INTERLINKAGES

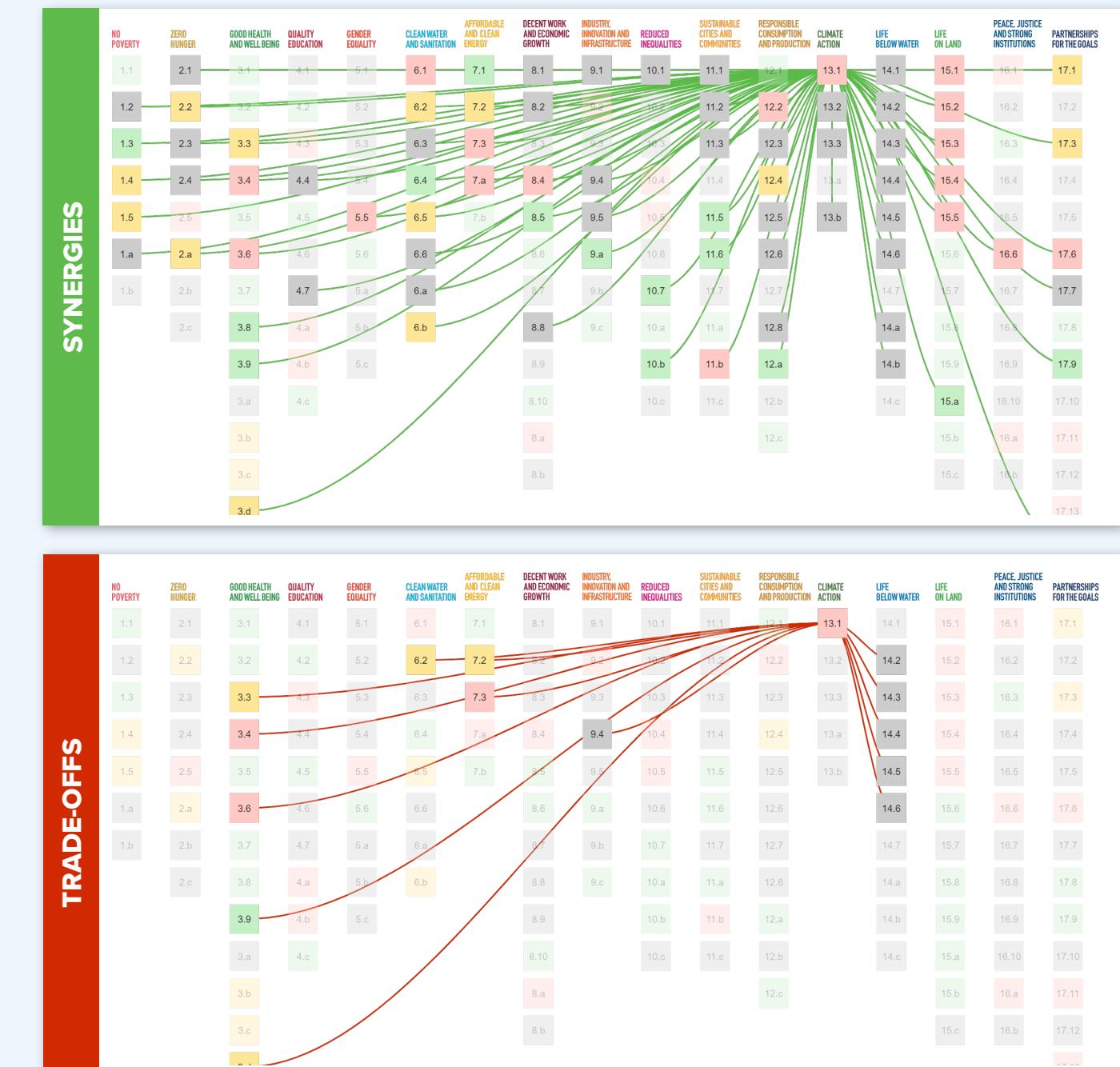
13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Bhutan's success as a carbon-negative country can be largely attributed to effective policies and strategies, underpinned by a strong emphasis on environmental protection, promotion of renewable energy, and a large forest cover (mostly under protected areas). Bhutan reaffirmed its carbon neutrality through its enhanced NDC and Low Emission Development Strategies.

Bhutan renewable energy master plan and Electric Vehicle Road Map (2021-2035) diversifies clean energy sources with solar energy investments. This will accelerate, zero-emission transition and enhance women's participation in traditionally male-dominated fields.

However, being carbon-negative is facing increasing pressure with higher demand for socio-economic growth and changing land use. Sustaining low-carbon development requires an inclusive and balanced approach that combines economic aspirations and environmental benefits. This challenge is further exacerbated by the threat posed by rapidly melting glaciers and the resulting climatic extremes. Investments in technology and innovation are essential for implementing effective solutions and achieving climate-resilient, low-carbon development.

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Explore the interlinkages at:

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SDG INTERLINKAGES

16.6: Develop effective, accountable and transparent institutions at all levels.

A vibrant democracy and effective governance are critical for Bhutan's human development. Since the adoption of the Constitution in 2008, its political systems and governance institutions have made transformative progress, with stronger checks and balances, improved decentralization and service delivery and more robust citizens' engagement.

However, citizens' understanding of judicial processes and the law, and women's presence and engagement in decision-making continues to remain low. Providing access to justice and decision-making platforms to vulnerable groups is an ongoing effort in the country.

Through the 13th Five-Year Plan, Bhutan aims to bolster access to information, fostering civic engagement and reinforcing its executive, legislative and judiciary systems through a country-wide digitalization transformation and through the adoption of data driven, anticipatory and adaptive governance mechanisms. Improvements in SDG target 16.6 have multiplier effects in other priority areas for Bhutan: poverty reduction, decreased inequalities, improved nutrition, health and education, gender equality, and effective infrastructure planning.

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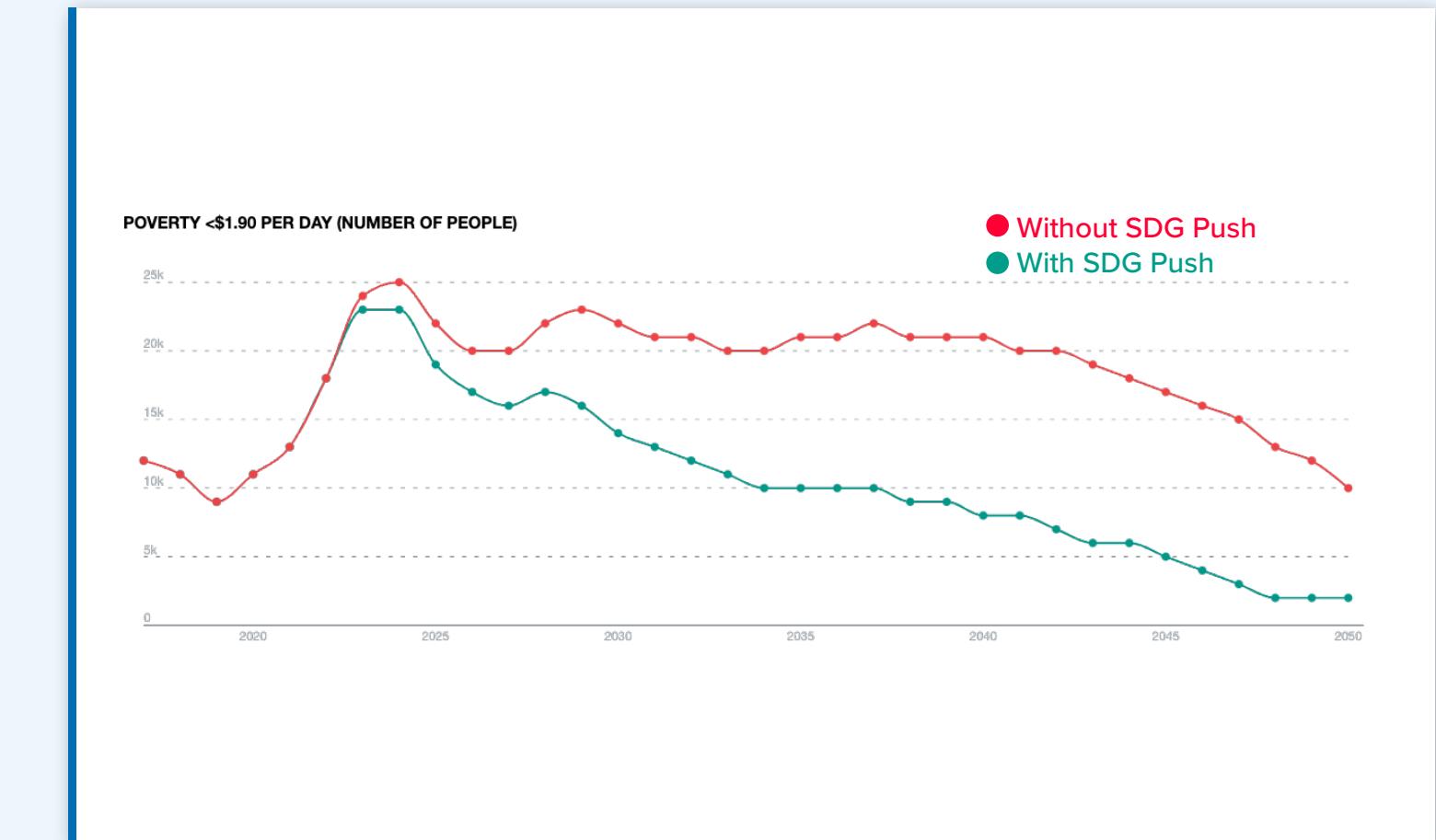
FUTURES SCENARIOS

Achieving the SDGs is possible.

The ‘SDG Push’ is a futures scenario based on 48 integrated accelerators in the areas of Governance, Social Protection, Green Economy and Digital Disruption. It uses national data to explore the impact on human development by 2030 and by 2050 across key SDG indicators, extrapolating the latest economic growth trends and assuming a reduction in inequalities across time.

Incorporating ‘SDG Push’ accelerators into development interventions in Bhutan can reduce the number of people living in poverty over time.

People living in poverty	By 2030	By 2050
Without the SDG Push	22,000	10,000
With the SDG Push	14,000	2,000



Explore SDG Futures Scenarios at:

<https://data.undp.org/sdg-push-diagnostic/BTN/future-scenarios>

FINANCE & STIMULUS

Many countries are facing reduced fiscal space, high debt levels, rising interest rates and downgrades on credit ratings. Fiscal and financial constraints tend to slow or even reverse SDG progress.

The radar diagram shows low frequency data points linked to government revenue and debt as a proportion of GDP and the natural resource share of total revenue. The financial indicator graphs show external debt servicing relative to revenue and the country's latest Debt Sustainability Assessment (DSA) risk rating.

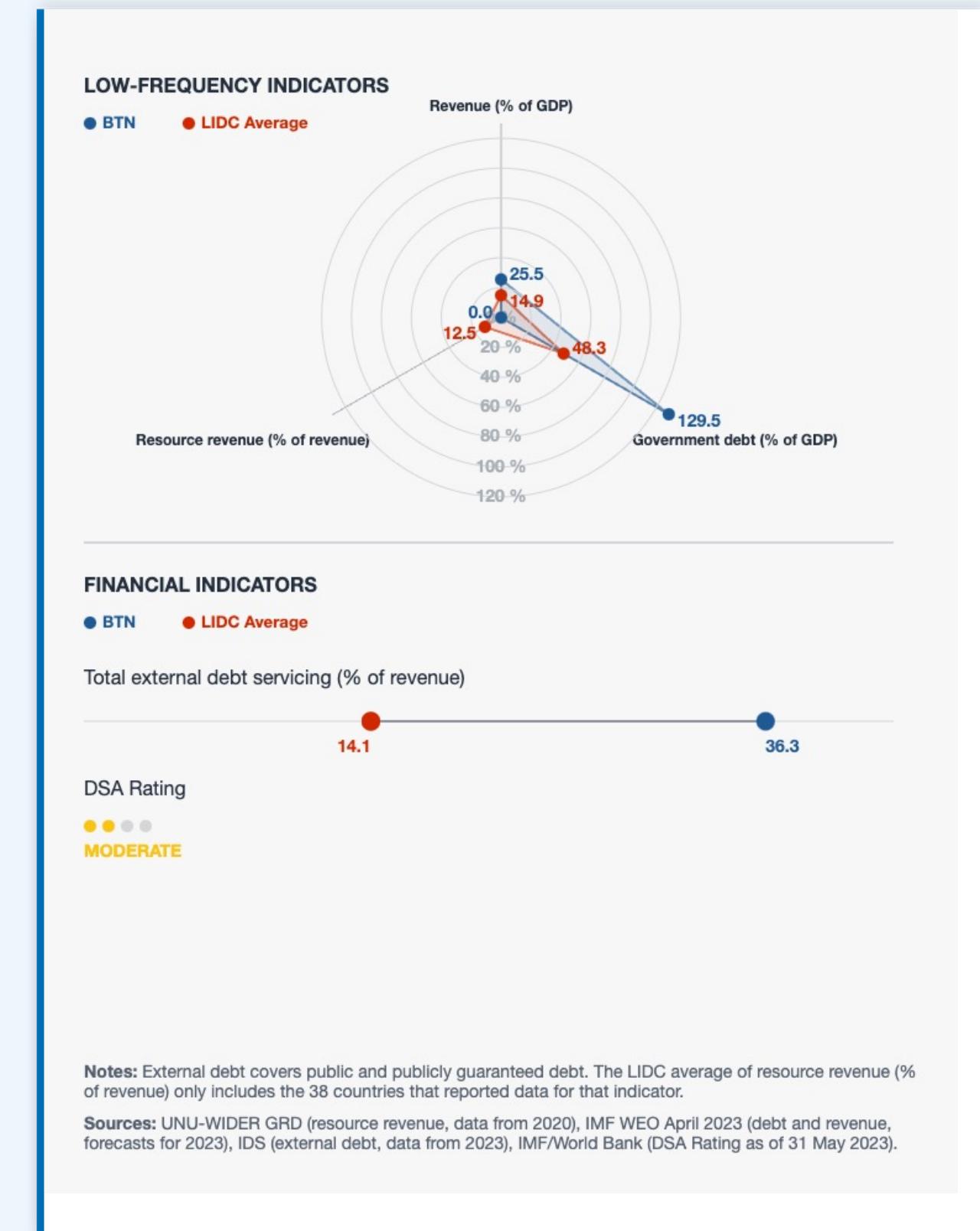
Bhutan's gross government debt, projected at 129.5% of GDP in 2023, is more than 2.5 times above the low-income developing countries (LIDC) average of 48.3%. The country is expected to collect 25.5% of GDP in revenue this year, thus 10.6 percentage points (pp) more than the LIDC average of 14.9%.

Bhutan's external debt servicing this year is expected to be as high as 36.3% of revenue, thus more than 2.5 times the LIDC average of 14.1%. Given that Bhutan owes most of its public debt to India for hydropower projects and India covers the financial and construction risks of the latter and, given an expected downward trajectory of debt due to increased electricity exports, the latest World Bank and IMF DSA 2022 rated the country as at 'moderate risk of debt distress'.

Historically, the Government has demonstrated strong fiscal prudence and fundamentals while supporting growth and maintaining deficit within 3.0 per cent over the plan period. The fiscal response to the shocks from the pandemic has also been rapid and effective in implementing livelihood and growth supporting measures.

However, government finance faces mounting pressure amid increasing expenditure and declining revenues. The fiscal deficit remained elevated for two consecutive years (6% in 2020, 9.3% in 2022) and is expected to further deteriorate to 11.3% in 2023.

In response the Government is redoubling efforts towards enhancing resource mobilization through diversifying and expanding of financing sources beyond ODA to mobilize resources from the private sector (public private partnerships), foreign direct investment and innovative financing mechanisms, such as green bonds.



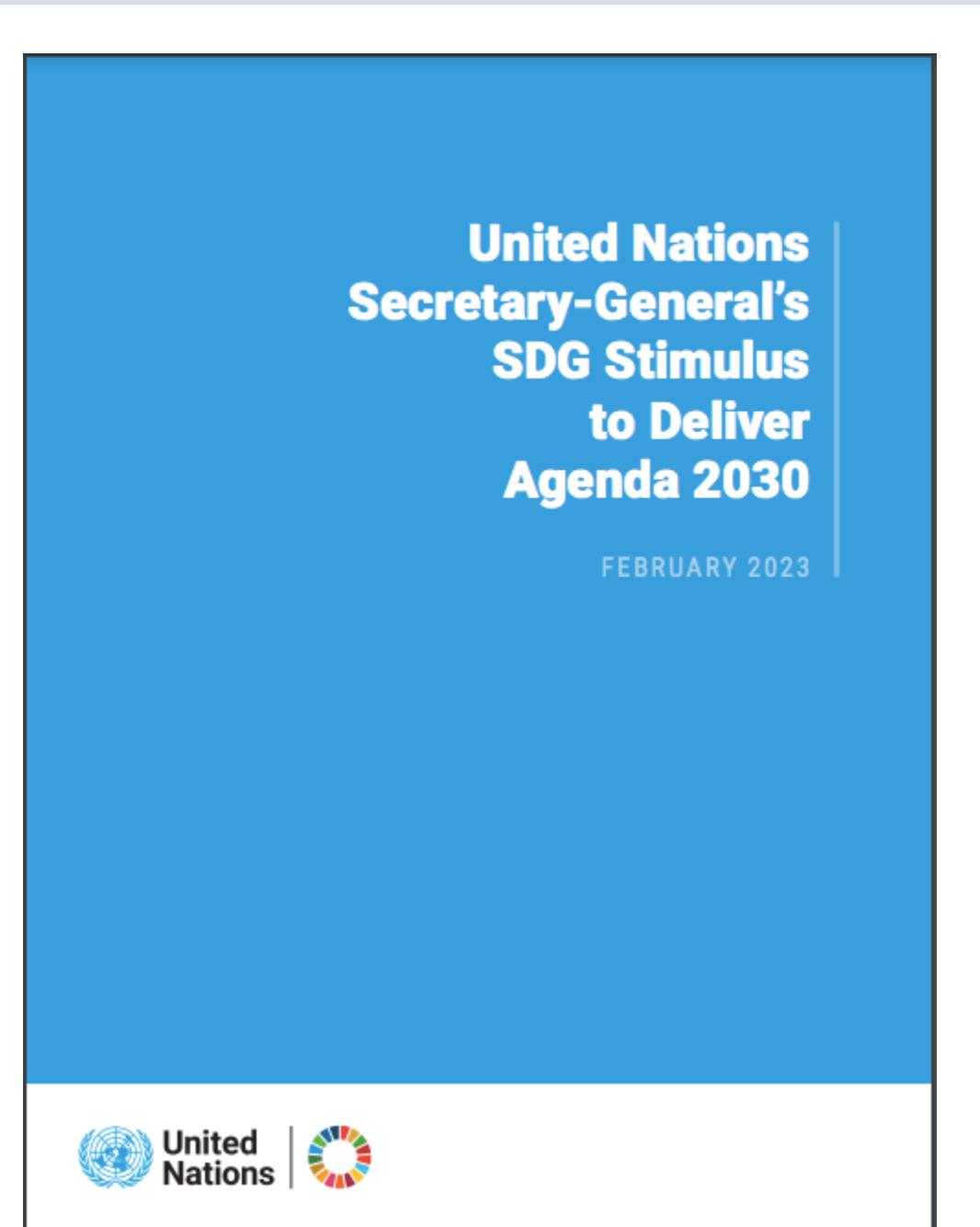
SDG STIMULUS

The [UN Secretary General's SDG Stimulus Plan](#) lays out a blueprint for action within the existing financial architecture. It includes:

- Providing liquidity to support recovery in the near term
- Enhancing debt relief for vulnerable countries
- Expanding development financing by MDBs
- Aligning financial flows with the SDGs and the Paris Agreement, according to country-level priorities and needs, for example through the roll-out of the UN Integrated National Financing Framework (INFFs).

Given the projected fiscal and financial constraints faced by Bhutan possible funding options for the investments derived from the identified interlinkages are as follows:

- Tax and revenue reform and aligning taxes to SDGs
- Redouble efforts in resource mobilization, including expanding finance beyond ODA. These could include:
 - Debt for SDGs
 - Climate finance
 - Blended finance and public-private partnerships
 - Accessing financial markets and insurance
 - Remittances, philanthropy and, most importantly, foreign direct investments, green, SDG and social bonds
- Enabling business environment and ecosystem
 - SDG-aligned business environment and investment
- Green inclusive growth
 - Recovery efforts to transition to a more resilient and sustainable economy leveraging upon promoting green investments, including in alternative renewable energy, green jobs and the implementation of climate-resilient solutions.
 - Private sector development through implementation of a conducive business ecosystem and public private partnerships



METHODOLOGY

Click [here](#) to view the Methodological Note for the Integrated SDG Insights



SDG MOMENT

Methodology

Assesses challenges and opportunities in national growth trajectories with insights on environmental sustainability and inclusiveness.

Data Sources

Future trajectories to 2025 are based on IMF-WEO GDP projections, distributions of per capita income or consumption from the World Bank, and CO₂ emissions from the Global Carbon Budget 2022 and EDGAR (JRC and IEA).



TRENDS & PRIORITIES

Methodology

SDG trends tracks progress from 2015 to date for the 231 indicators. National priorities are analysed using machine learning to reveal the most prominent SDGs referenced in national policy documents.

Data Source

Trends utilizes official [UN statistics](#) to assess [SDG progress](#), supplemented with national data when available. Priorities uses a custom-built model for SDG classification. The policy documents analyses are provided by Governments.



INTERLINKAGES

Methodology

Global target-level interlinkages are drawn from the [KnowSDGs Platform by European Commission](#). SDG interlinkages were retrieved through a structured literature review in Scopus and Google Scholar to tap both grey literature and peer-reviewed publications as a source of information.

Data Source

The exercise globally considered a total of 454 documents published from 2015 to August 2022. ([Miola et al., 2019](#) updated in [2021-2022](#))



FINANCE & STIMULUS

Methodology

Provides insight into indicators of fiscal and financial stress with options (INFF) for stimulus and other means to accelerate progress.

Data Source

Most recent resource data from UNU-WIDER GRD (between 2018 and 2021), debt and revenue from IMF WEO (between 2020 and forecasts for 2023), external debt from IDS (2023), yields from Haver Analytics (8 June 2023), credit ratings from S&P, Moodys and FITCH (2023), and DSA ratings from World Bank/IMF (31 May 2023).