Millennium Development Goals (MDG) Acceleration Framework:

YOUTH EMPLOYMENT IN BHUTAN

December 2013

Table of contents

Foreword

Promoting youth employment is a development priority for the Government of Bhutan, as evidenced by its renewed commitment to reducing youth unemployment to 2.5 percent by the end of the 11th Five Year Plan (July 2013-June 2018).

At the same time, partnerships for development represent a cornerstone of the Millennium Development Goals (MDGs). The commitment to youth employment embedded in MDG8 calls for partnerships among governments, employers and workers, civil society and young people themselves to develop and implement strategies that give young women and men a real chance to find decent and productive work. However, time is limited. Thus, we need to accelerate our efforts to support Bhutan in this endeavour.

It is against this backdrop that the UN has supported developing the MDG Acceleration Framework (MAF) report and Action Plan on youth unemployment. In turn, the MAF provides national stakeholders with a systematic approach to identify and analyze bottlenecks that hinder timely MDG achievement.

This MAF report has emerged through a nationally owned process that has been supported by strong leadership from the Government. The Gross National Happiness Commission and the Ministry of Labour and Human Resources have been especially supportive, with multi sectoral inputs from civil society, the private sector and young people.

The axiom that youth are our future holds true particularly in Bhutan, where youth constitute more than 20 percent of the population. As such, this presents a key opportunity to take advantage of the demographic bonus by creating sufficient, adequately productive and remunerative employment opportunities for the broader labour force.

If the current social context in Bhutan can be characterized at all, it is one of embracing modernization and globalization in a manner consistent with the country's traditional values. Nonetheless, preparing the labour force to be competitive in the 21st Century is no easy task. Some of these potentially competing forces, especially those that have a direct bearing on aspirations of youth, are evident in the labour market. In particular, while unemployment is low overall, unemployment is relatively high among the youth.

Critically, youth employment is not just an economic issue: It is also a social agenda to deter young people from potential youth-related problems. Therefore, providing decent and gainful employment opportunities also can help to maintain social cohesion and harmony, a hallmark of Bhutanese culture.

The MAF approach builds on existing employment strategies and policies by suggesting sustainable and feasible pathways to overcome constraints to successful implementation. The challenges we collectively face are wide-ranging, from a mismatch between labour demand and supply, to difficulties faced by women entrepreneurs in starting small businesses.

We have a great opportunity to address youth unemployment. Strong political will exists in the country, as well as a multi-sectoral coordination mechanism under the leadership of the Prime Minister.

The UN stands ready to provide further technical and financial support to implement Bhutan's MAF Action Plan in a spirit of partnership. Together, we can do more.

Pema Wangda
Secretary, Ministry of Labour and Human Resources

Christina Carlson
UN Resident Coordinator/UNDP Resident Representative

Acknowledgements

The preparation of this report would not have been possible without the support and valuable contribution of a large number of individuals and organizations.

The MDG Acceleration Framework (MAF) on youth employment was developed under the leadership of the Royal Government of Bhutan, Ministry of Labour and Human Resources, Gross National Happiness Commission, Ministry of Economic Affairs, Ministry of Education, Ministry of Health, Ministry of Home and Cultural Affairs, Ministry of Agriculture and Forests, Ministry of Works and Human Settlement, National Statistics Bureau, Royal University of Bhutan, Royal Institute of Management and Tourism Council of Bhutan.

The Royal Government of Bhutan and UNDP wish to express our appreciation to colleagues and all who worked in various ways to develop this MDG Acceleration Framework report and the background papers that informed the report. Special credit goes to:

Pema Wangda, Secretary, Ministry of Labour and Human Resources; Jamyang Galey, Director, Department of Employment; Rinchen Wangdi, Chief Programme Officer, GNHC; Tandin Wangmo, Senior Program Coordinator; GNHC; Alessandra Casazza, Policy Advisor, UNDP; Chhewang Rinzin, Consultant; Sanjeev Mehta, Consultant; Bishwa Nath Tiwari, Programme Specialist, UNDP; Fumie Arimizu, Programme Officer, UNDP; Claudia Vinay, Policy Specialist, UNDP; Gonzalo Pizarro, MDG Advisor, UNDP; Renata Rubian, Policy Specialist, UNDP; Flora Trouilloud, Intern, UNDP; Hankyoreh Lee, Intern, UNDP; Tandin Wangchuk, Intern, UNDP; Karma Tsering, Child Protection Officer, UNICEF; and Kinley Penjor, Programme Officer, UNICEF.

In addition, this report could not have been developed without inputs from civil society organizations and the private sector, including the Youth Development Fund, Loden Foundation, Tarayana Foundation, Royal Society for Protection of Nature, Bhutan Chamber of Commerce and Industry, and Bhutan Innovation and Technology Centre.

We also would like to thank Kay Dorji for editing the report.

Finally, the team is grateful for the overall leadership and vision of Claire Van der Vaeren, former UN Resident Coordinator/UNDP Resident Representative; Christina Carlson, UN Resident Coordinator/ UNDP Resident Representative; Hideko Hadzialic, Deputy Resident Representative, UNDP; Taimur Khilji, Policy Specialist, UNDP; Lyonpo Dorji Choden, former Head of the Poverty and MDG Unit, UNDP; Jigme Dorji, Programme Analyst, UNDP; and Shantanu Mukherjee, Team Leader, MDGs.

List of Abbreviations

1.	Asian Development Bank	(ADB)
2.	Association of Bhutanese Tour Operators	(ABTO)
3.	Asia-Pacific Regional Center	(APRC)
4.	Agency for Promotion of Indigenous Crafts	(APIC)
5.	Bhutan Broadcasting Services	(BBS)
6.	Bhutan Association of Women Entrepreneurs	(BAOWE)
7.	Bhutan Development Bank Ltd.	(BDBL)
8.	Bhutan National Legal Institute	(BNLI)
9.	Bhutan Livings Standards Survey	(BLSS)
10.	Bhutan Chamber of Commerce and Industry	(BCCI)
11.	Bhutan Nuns Foundation	(BNF)
12.	Center for Bhutan Studies	(CBS)
13.	Construction Development Corporation Ltd.	(CDCL)
14.	Contraceptive Prevalence Rate	(CPR)
15.	Civil Society Organization	(CSO)
16.	Cottage, Small and Medium Industry	(CSMI)
17.	Country Action Plan	(CAP)
18.	Department of Adult and Higher Education	(DAHE)
19.	Druk Green Power Corporation	(DGPC)
20.	Druk Holding and Investments	(DHI)
21.	Department. of Cottage and Small Industries	(DCSI)
22.	Diagnostic Trade Integration Study	(DTIS)
23.	Department of Youth and Sports	(DYS)
24.	Department of Public Health	(DoPH)
25.	Election Commission of Bhutan	(ECB)
26.	Economic Development Policy	(EDP)
27.	Economist Intelligence Unit	(EIU)
28.	Foreign Direct Investments	(FDIs)
29.	Gross National Happiness Commission	(GNHC)
30.	Guide Association of Bhutan	(GAB)
31.	Gross Domestic Product	(GDP)
32.	Hotel Association of Bhutan	(HAB)
33.	Information and Communications Technology	(ICT)
34.	Japan International Cooperation Agency	(JICA)
35.	Labour Force Survey	(LFS)
36.	Motion Picture Association of Bhutan	(MPAB)
37.	Micro Finance Institutions	(MFIs)
38.	Micro, Small and Medium Enterprises	(MSME)
39.	Ministry of Economic Affairs	(MoEA)
40.	Ministry of Education	(MoE)

41. Ministry of Agriculture and Forestry (MoAF)
42. Ministry of Health (MoH)
43. Ministry of Home and Culture Affairs (MoHCA)
44. Ministry of Labour and Human Resources (MoLHR)
45. Ministry of Information and Communication (MoIC)
46. Millennium Development Goals (MDGs)
47. MDG Acceleration Framework (MAF)
48. Micro, Small, and Medium-Sized Enterprise Sector Development Programme (MSMESDP)
49. National Assembly of Bhutan (NAB)
50. National Commission for Women and Children (NCWC)
51. National Environment Commission (NEC)
52. National Land Commission (NLC)
53. National Employment Policy (NEP)
54. National Statistics Bureau (NSB)
55. Non-Formal Education (NFE)
56. Policy and Planning Division (PPD)
57. Private Sector Development Committee (PSDC)
58. Public-Private Partnership (PPP)
59. Royal Society for the Protection of Nature (RSPN)
60. Royal Civil Service Commission (RCSC)
61. Royal Monetary Authority (RMA)
62. Royal University of Bhutan (RUB)
63. Rigsum Institute of Management (RIM)
64. Royal Government of Bhutan (RGoB)
65. Special Economic Zones (SEZs)
66. South Asia Free Trade Agreement (SAFTA)
67. Training of Trainers (ToTs)
68. Technical Training Institutes (TTIs)
69. Tourism Council of Bhutan (TCB)
70. Technical and Vocational Education Training (TVET)
71. United Nations Country Team (UNCT)
72. United Nations Development Assistance Framework (UNDAF)
73. United Nations Development Programme (UNDP)
74. United Nations Population Fund (UNFPA)
75. United Nations Industrial Development Organization (UNIDO)
76. United Nations Conference on Trade and Development (UNCTAD)
77. United Nations Educational Scientific and Cultural Organization (UNESCO)
78. United Nations Resident Coordinator Office. (UNRCO)
79. Vocational and Technical Training Institutes (VTTI)
80. Youth Development Fund (YDF)

CHAPTER 1:
Introduction

Bhutan has already achieved several of the global Millennium Development Goals (MDGs) and is on track to achieving most targets by 2015. The country has (i) witnessed strong and sustained growth, averaging more than 8 percent between 2008 and 2012;[1] (ii) Reduced Poverty significantly, from 36.3 percent in 2000 to 12 percent in 2012;[2] and tempered the overall level of official unemployment, from 4 percent in 2009 to 2.1 percent in 2012. Moreover, according to the World Bank,[3] Gross Domestic Product (GDP)per capita in Bhutan has tripled since 2000, from US$780 in 2000 to US$2,400 in 2012. Between 2007 and 2012 alone, the Net Enrolment Ratio in primary education increased from 84 percent to 91.5 percent while maintaining gender parity.

In addition, Bhutan's MDG health indicators reflect steady progress, unlike those of most countries in the Asia-Pacific region. The Infant Mortality Rate (IMR) has almost halved, from 90 per 1,000 live births in 1990 to 47 per 1,000 live births in 2010. Over the same period, the Under-5 Mortality Rate (U5MR) has fallen 44 percent, from 123 per 1,000 live births to 69 per 1,000 live births. The immunization of children has remained above 90 percent since 1990. In terms of the Maternal Mortality Ratio (MMR), the decline also has been sharp, from 560 per 100,000 live births in 1990 to 155 per 100,000 live births in 2011.[4] While the number of reported HIV cases has increased to 321 in 2013, after the first case was reported in 1993, these account for just 0.01 percent of the total population. Lastly, the Contraceptive Prevalence Rate (CPR) has more than doubled, from 31 percent in 2000 to 65.6 percent in 2010. These national trends indicate Bhutan being well on track to achieve several of the MDG health targets by 2015 as well.

However, progress continues to lag in some Goal areas, including employment, especially among youth, and sanitation. Under MDG1b, in 2012 the employment-to-population ratio stood at 44.8 percent, while the proportion of workers living below the national poverty line, defined as Nu. 1,704.84 per month, was 14.5 percent.[5] Moreover, the share of women in wage employment in the non-agricultural sector is just 25.2 percent, significantly less than the global average of 40 percent.[6] In terms sanitation (MDG7c), 42 percent of Bhutan's population lacked proper sanitation facilities in 2012.

While the overall official unemployment rate of 2.1 percent remains low by any standard, concern has been growing among policy makers and the public alike with regard to youth employment. The rate of unemployment among the youth (ages 15-24 years) is considerably higher than the overall rate of unemployment; among male youth, unemployment stands at 9.5 percent, and among female youth, at 11.6 percent. These rates are much more pronounced among youth in urban areas compared to rural areas, rising sharply to 20.2 percent and 29.5 percent for male and female youth respectively. Therefore, creating gainful employment for urban youth, with a focus

---

[1] *Gross National Happiness Commission, RGOB. Eleventh Five Year Plan (1 July 2013-30 June 2018).Thimphu,2013.*

[2] *Ibid.*

[3] *World Development Indicators. 2013.*

[4] *Ministry of Health, RGOB.Annual Health Report2011.Thimphu, 2011.*

[5] *This is slightly above the official national poverty rate of– 12 percent. The explanation for this deviation lies in the fact that poverty is based on consumption expenditure, which is also financed through informal transfer payments and borrowings from relatives and members of community.*

[6] *United Nations. Secretary-General's Global MDG Report 2013. New York, 2013.*

on quality of employment, has become a key priority for the Royal Government of Bhutan (RGOB), as reflected in planning and strategy documents including the Eleventh Five Year Plan (2013-2018). In the 11th Plan, reducing youth unemployment from its current level to 2.5 percent is one of 16 key results.

Given this evidence, youth employment as a whole has gained prominence over the years as a central development issue facing Bhutan. MDG progress reports issued in 2005 and 2008 both highlighted youth unemployment as an emerging issue requiring Government attention. More recently, in early 2012, the UN Country Team (UNCT) carried out the Common Country Assessment (CCA) as part of the United Nations Development Assistance Framework (UNDAF) formulation process, in which sustainable livelihood and unemployment was highlighted as a key development challenge. Considering the importance attached to employment, particularly youth employment, the UNCT and the RGOB agreed to adopt the MDG Acceleration Framework (MAF) as a means to accelerate progress on MDG1, target 2a: A*chieve full and productive employment and decent work for all, including women and young people*, and MDG8, target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In the case of Bhutan, MDG 8, target 16 was deemed most applicable.

1. 1. The MDG Acceleration Framework

The MAF helps countries to analyze why they are lagging on specific MDGs, prioritize the bottlenecks and constraints impeding progress, and identify collaborative solutions involving government and all relevant development stakeholders. In the case of Bhutan's unemployment issue, the critical target group is the youth, especially the female youth.

In addition, the MAF can help to address new challenges related to meeting the MDGs in a particular country context. It can integrate new evidence such as the strategic importance of technology and the centrality of gender equality and women's empowerment, in relation to specific MDG targets and indicators, as well as to innovations in national and sub-national efforts to accelerate and sustain progress toward the Goals. As a result of the MAF, a focused, agreed-upon Action Plan addressing specific MDGs that rallies the efforts of government and partners, including civil society and the private sector, is expected.

The UNCT, in close collaboration with the Government and other partners, applied the MAF to MDG-1, target 2a, and MDG8, target 16. In particular, a collective effort on the part of Government, the private sector, youth groups, and development partners was put into studying the impediments causing persistent youth unemployment, especially in urban areas, and paying particular attention to cross-sectoral and crosscutting issues.

In addition, a workshop led by the RGOB and supported by the UNCT, involving stakeholders and partners (UN specialized Agencies, the private sector, and non-Government organizations including those representing youth and women), was organized in May 2012 in Paro. Subsequently, several meetings were held with Government counterparts and relevant stakeholders to refine and validate both bottlenecks and solutions. In November 2012, the country's first National Employment Forum, with a focus on youth unemployment, was held in Thimphu. This national forum brought together several Government Ministries, youth representatives, the private sector and development partners to ensure a diverse set of views were reflected when tackling this issue. To ensure that the MAF is in line with the vision on youth employment espoused by the new

Government elected in July 2013, the process of MAF completion was delayed. Thus, a final consultation and validation workshop was held in November 2013 to achieve consensus on solutions to be implemented as part of an MAF Action Plan that was developed. Critically, the Action Plan, built on existing knowledge and experience as well as in-country policy and planning processes, is tailored to Bhutan's unique context.

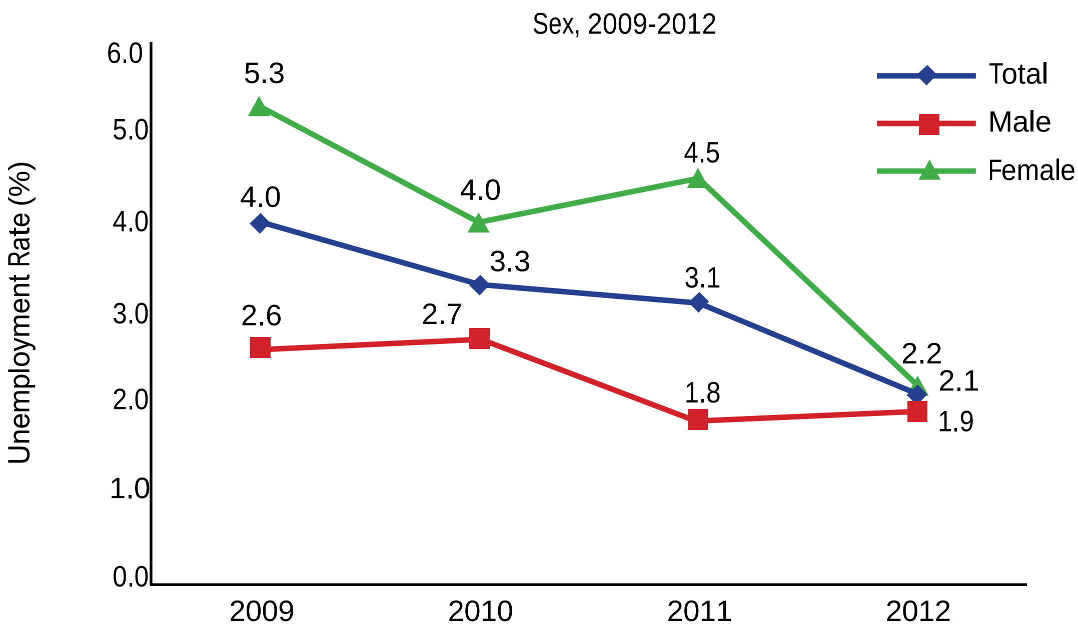
The following report summarizes the work of the UNCT and Government using the MAF methodology. The first chapter updates the status and trends regarding unemployment in Bhutan, paying particular attention to youth employment. Following this, the second chapter analyzes policy documents and Government development plans as they pertain to strategic interventions toward boosting youth employment. Chapter 3 discusses the bottlenecks and constraints faced in boosting youth unemployment; these were identified through a consultative process led by the Ministry of Labour and Human Resources (MoLHR), while also relying on expert judgment. The fourth chapter presents proposed solutions to the prioritized bottlenecks; these also emerged through a consultative process led by MoLHR and involving relevant stakeholders. Finally, Chapter 5 puts forth the Country Action Plan for Bhutan, with the aim of boosting youth employment during the period of the Eleventh Five Year Plan (2013-18). As such, the MAF complements and builds on current and proposed policies and activities pertaining to youth employment, including those in the 11th Plan.

CHAPTER 2:
Unemployment in Bhutan[7]

2. 1. Status and Trends: Unemployment Among Youth Is a Critical Concern

Unemployment rates have fallen overall in Bhutan in recent years, but disaggregation by age and sex highlight areas of concern (Figure 2.1). The RGOB Labour Force Survey (LFS) 2012 estimates Bhutan's population at 734,851,[8] of which 552,367 are age 15 years and older. The labour force comprises a large share of the population (45.8 percent, or 336,391 persons);of these, 97.9 per cent (329,487 persons) are employed and 2.1 per cent (6,904 persons) unemployed.[9]

Figure 2.1 Unemployment Trends in Bhutan: Total and by Sex, 2009 - 2012



As the figure above illustrates, at the aggregate national level, the female unemployment rate is higher than that of males, but the gap between the two has been narrowing. In 2009, the rate of unemployment for females was almost twice as high as for males(5.3 percent vs. 2.6 percent), but the most recent figures (LFS 2012) show a much smaller gap, between the total of 2.2 percent for females versus 1.9 percent for males.

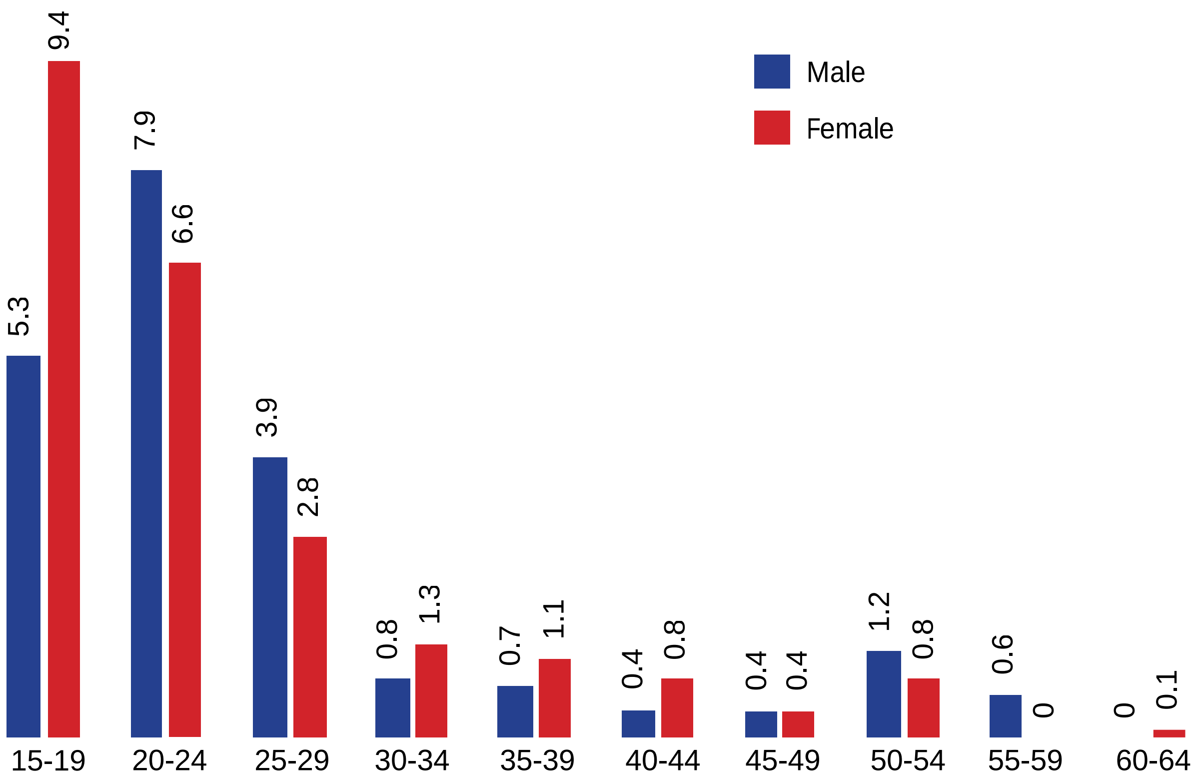
---

[7] All data are from the Bhutan Labour Force Survey 2012 unless otherwise stated.

[8] The population figure of 739,851 was relied upon for the purposes of this paper, since it is the latest figure available (LFS 2012). It is worth noting that the National Bureau of Statistics has a projected population figure of 720,679 for 2012.

[9] However, the Bhutan Livings Standards Survey Report 2012 estimates the unemployment rate to be 2.7 percent (RGoB 2012e).

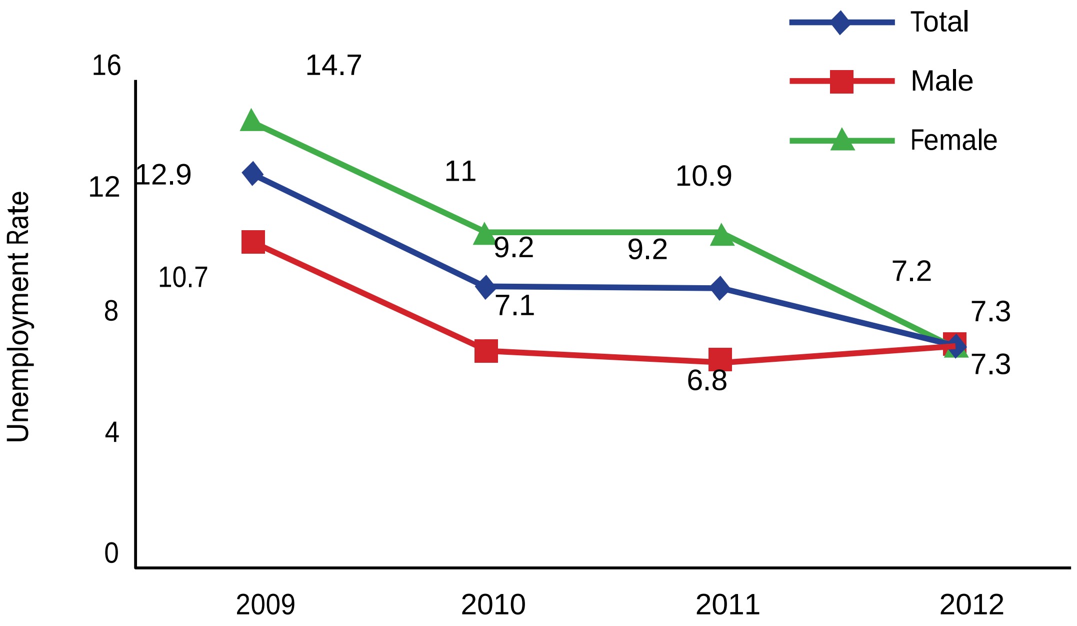
Figure 2.2: Bhutan Unemployment Rate by Sex and Age Groups, 2012



Age-specific data as well as data by sex (Figure 2.2) shows that the unemployment rate is higher in the under-30 age bracket (15-29 years) and decreases with age. Furthermore, the unemployment rate among youth (15-24 years) is the highest compared to other age brackets. Female youth unemployment is higher than that of males among those aged 15-19 years, but the reverse is observed among those aged 20-24 years.

Overall, a relatively high level of unemployment exists among females aged 15-19, at 9.4 percent. Among males aged 20-24 years, unemployment stands at 7.9 percent. The unemployment rates of these two age groups thus push the overall youth unemployment rate to 7.3 percent – more than three times the average unemployment rate for the country as a whole.

Figure 2.3: Youth Unemployment Trends in Bhutan, 2012 (%)



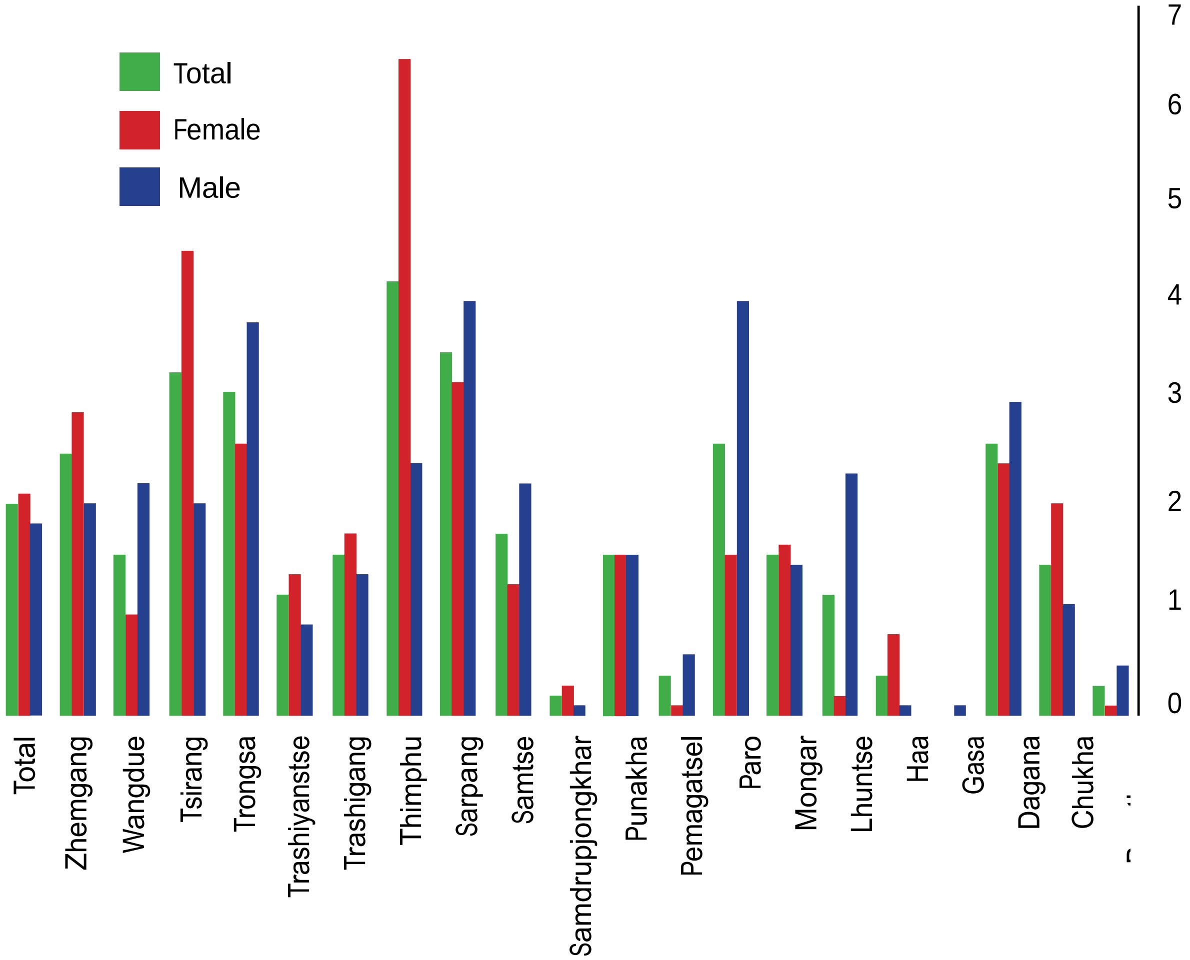
At the same time, the youth unemployment data need to be considered in context. First, trends show a steady decrease in unemployment among youth (Figure 2.3), decreasing from 12.9 percent to 7.3 percent between 2009 and 2012. Particularly noteworthy is the sharper decrease in female youth unemployment, which fell from a high of 14.7 percent in 2009 to 7.2 percent in 2012. Over the same period, unemployment among male youth also has fallen, from a high of 10.7 percent in 2009 to 6.8 percent in 2011. However, it rose again in 2012, to 7.3 percent.

At the same time, the most recent data on youth employment from the Bhutan Living Standards Survey (BLSS) 2012 reports a significantly higher rate of unemployment among youth than the LFS 2012. The BLSS estimates 11.6 percent unemployment among female youth and 9.5 percent among male youth (RGOB 2012e).

2. 1. 1. Urban Unemployment levels are high

At an aggregate level, high unemployment is more of an urban issue than a rural one. According to the LFS 2012, urban unemployment stands at 3.5 percent, while rural unemployment is 1.5 percent. However, much of urban unemployment is accounted for in Thimphu and partly in Paro. The rest of Bhutan presents a more complex picture, where rates tend to vary significantly from one *dzongkhag* to another (Figure 2.4). Across *dzongkhags*,[10] unemployment rates range between 0 (Gasa) and 4.3 percent (Thimphu). Female unemployment is of particular concern in Thimphu and Tsirang, standing at 6.5 percent and 4.6 percent respectively. Male unemployment is highest in Paro (4.1 percent), followed by Sarpang and Trongsa. Outside of Thimphu, *Dzongkhags* where the overall unemployment rate is above the national average include Dagana, Paro, Sarpang, Tsirang, Trongsa and Zhemgang. Interestingly, however, most *dzongkhags* record unemployment rates below the national average, indicating that high unemployment is concentrated in a few areas of relatively higher population density.

Figure 2.4: Unemployment Rate by Dzongkhag in Bhutan, 2012 (%)

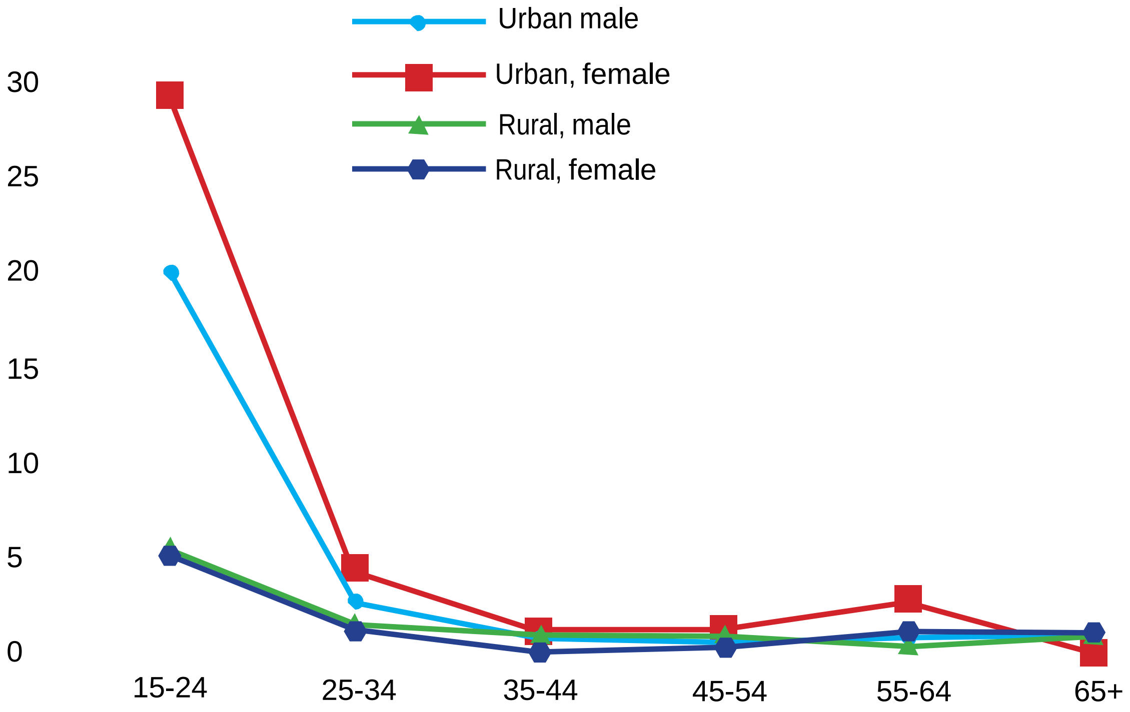


It should be noted that, typically, 2 to 3 percent unemployment is considered a usual phenomenon among economists, as at any given moment in time there are always persons looking for employment and/or between jobs. This is often referred to as the natural rate of unemployment.[11]

The overall higher rate of youth unemployment found in the BLSS 2012 versus the LFS 2012 carries over to urban youth unemployment specifically. The BLSS 2012 estimates unemployment among urban youth to be as high as 20.2 percent for males and 29.5 percent for females, which is considerably higher than overall youth unemployment and several times the national average unemployment rate (Figure 2.5). In fact, urban youth unemployment is almost five times higher than in rural areas, according to the BLSS 2012. These worrisome rates highlight the potential for an acute social problem as well, and addressing it has become one of the highest priorities of the Government (RGOB 2012e).

---

[10] *A dzongkhag is an administrative and judicial district*
[11] *See Friedman (1977) and Phelps (1968).*



Source: BLSS 2012 (RGoB 2012e)

2. 1. 2. Underemployment in Bhutan

Underemployment refers to a lack of adequate work while being employed. Generally, extremely low wages, or menial, part-time and seasonal work, are used as examples of underemployment. In addition, underemployment is characterized by a lack of productive work (ILO 2012c).

In Bhutan, underemployment is noticeable. A significant portion of the labour force is self-employed and works in the rural economy, especially the agricultural sector, which tends to be a seasonal occupation. With low productivity in subsistence conditions, income generated on an annual basis likewise tends to be low. Drawing on recent and past labour force surveys, Table 2.1 provides data for the proportion of employed people working fewer than 40 hours a week, from 2006 to 2012. This proportion has steadily risen, from 5.5 percent in 2006 to 14.6 percent in 2012, even as a decrease has been recorded between 2011 and 2012.In addition, underemployment tends to be higher among females than males, but with the ratio of females to males being higher among those working fewer than 30 hours a week compared to those working under 40 hours a week. Therefore, serious underemployment (under 30 hours a week) is more of a concern among females.

Table 2.1: Proportion of Employed Working less than 40 Hours/week, Bhutan, 2006-2012

Sex	2006		2009		2011		2012	
	<30	30-39	<30	30-39	<30	30-39	<30	30-39
Male	2.7	1.6	4.2	3.6	7.1	6	2.2	2.7
Female	5.0	2.0	11.7	6.3	11.5	9.6	6.8	2.9
Total	**3.7**	**1.8**	**7.8**	**4.9**	**9.2**	**7.8**	**8.9**	**5.6**

Sources: RGoB 2006b; RGoB 2009b; RGoB 2011d; and RGoB 2012b.

Table 2.2 further details the nature of underemployment. Among the underemployed, agriculture accounts for a significant proportion of working hours. The latest figures (RGOB 2012b) estimate that among those faced with higher underemployment (working less than 30 hours a week), almost 76 percent of this time is devoted to agricultural activities.[12] Moreover, among the 16 activities in which the underemployed are found to work, time spent in agricultural activities has been steadily increasing. Simply put, among the underemployed, agriculture not only is the dominant area of work, but also time spent in agriculture has incrementally gone up. This suggests that either (i) agriculture, on average, generates more income or (ii) it is relatively easier to be employed in agriculture, given that it generally requires low or unskilled labour compared to manufacturing and services.

The answer is likely to be the latter; if agriculture did provide a source of greater income, then barriers to entry would be higher. In addition, the underemployed comprise low or unskilled labour and generally have low levels of education. At the same time, it is known that poverty in Bhutan is concentrated in rural areas and that most of the poor and working poor are either self-employed or work in the agricultural sector.[13]

Table 2.2: Hours Worked in Agriculture among Underemployed People, Bhutan, 2006-2012

	2006		2009		2011		2012	
	<30	30-39	<30	30-39	<30	30-39	<30	30-39
Hours in Agriculture	4400	2200	14500	11100	20900	15000	22286	11507
Total Hours	8200	3900	24500	15200	29700	25100	29411	18642
Per cent in Agriculture	57.3	56.4	59.2	73.0	70.4	59.8	75.8	61.7

Sources: RGoB 2006b; RGoB 2009b; RGoB 2011d; and RGoB 2012b

[12] *At the same time, it is interesting to note that most of those that work 80plus hours are part of the agricultural sector. While it would be worth exploring the division of labour in the agricultural sector, such an analysis is beyond the scope of this paper.*

[13] *This is true of the poor in general, across countries and regions, and there is little reason to believe that it would be different in Bhutan.*

2. 1. 3. Section Highlights

- While the unemployment rate in Bhutan is relatively low, at 2.1 percent, the youth unemployment rate is much higher, at 7.3 per cent. According to the BLSS 2012, the unemployment rate is 9.5 percent for male youth and 11.6 percent for female youth. This is higher than the LFS estimation.

- Unemployment varies by location and is high in selected dzongkhags. Further, it is higher in urban areas (3.5 percent) as compared to rural areas (1.5 percent).[14]

- Youth unemployment, especially in urban areas, is of particular concern given its significance compared to the rate in rural areas, where it stands at 5 percent. The BLSS 2012 estimates the unemployment rate among urban youth to be 20.2 percent for males and 29.5 percent for females. Unemployment rates among urban youth are thus also considerably higher than the national unemployment rate.

- The gap between female and male employment rates has narrowed over time.

- Underemployment requires special attention. Although it slightly declined between 2011 and 2012, overall there has been a sharp increase since 2006. The underemployed as a proportion of the total working population have more than doubled, increasing from 5.5 percent in 2006 to 14.6 per cent in 2012. Moreover, among the underemployed, most work less than 30 hours, which is not in line with the ILO's Forty-Hour Week Convention that was ratified in 1957.

2. 2. Labour Supply Factors

Labour supply changes are influenced by several factors. Key factors include: (i) demography (i.e., population structure and population growth); (ii) migration and labour mobility policies; (iii) labour force participation decisions; (iv) education and training (including human capital decisions, years of schooling and age of entry into the labour force); (v) quality and skills mismatch for a changing economy in a dynamic region; (vi) individual labour supply decisions, including overtime and moonlighting; and (vii) public policy that influences labour supply, such as age of retirement, incentives and disincentives, and effects of unemployment insurance policies. Each of these factors individually, as well as their collective effects, have a bearing on the overall supply of labour as discussed below in the context of Bhutan.

2. 2. 1. Demography: Expected increase in the working age population

The first Population and Housing Census, conducted in May 2005, estimated Bhutan's population at that time to be 634,982 persons. Using a growth rate of 1.3 percent per annum, the National Statistics Bureau (NSB) thus has projected population growth up to 2030 (Table 2.3).

---

[14] *Figure taken from the LFS 2012 (RGOB 2012b).*

Table 2.3: Projected Population by Age Group 2010-2030

Age Group	2010		2012		2020		2030	
	Total	%	Total	%	Total	%	Total	%
0 -14	213,072	30.6	216,972	30.1	237,251	29.3	202,363	22.8
15 - 64	449,531	64.6	469,450	65.1	530,276	65.5	626,050	70.6
65 +	33,219	4.8	34,257	4.8	41,870	5.2	58,110	6.6
Total	**695,822**	**100.0**	**734,851***	**100.0**	**809,397**	**100.0**	**886,523**	**100.0**

Source: RGoB 2011e.

**Note: This figure is taken from the 2012 national Labour Force Survey and is not a projection, but an actual estimation.*

The total population estimated for 2012 is 734,850, of which 51.1 percent is female (RGOB 2012b). Between 2012 and 2030, the working-age population (ages 15-64) is expected to increase and will account for as much as 70.6 percent of the total population. It is worth pointing out that presently the 0-14 cohort accounts for 30.1 percent, and nearly half of the total population is younger than age 25 (RGOB 2012e). The 2012 share of youth in the total population (ages 15-24) is estimated to be 21.8 percent (RGOB 2012b), indicating a significant share of young persons.[15]

Although figures of population growth vary according to the source used, all sources have projected a reduction in the population growth rate.[16] Moreover, while the number of persons aged 65+ is expected to increase, it will be at a slower rate. The 0-14 age group also is expected decrease its share in total population, from an estimated 30.1 percent in 2012 to 22.8 percent in 2030. Together, this will lead to a lesser dependency ratio.

Between 2012 and 2030, the current 0-14 age group (30.1 percent) will enter the working-age population; at the same time, the current youth will still be part of this population. Thus, Bhutan will experience a “bulge” in the size of its working-age population, in effect increasing the overall supply of labour.

Crucially, Bhutan can potentially benefit from this demographic shift, as the ratio of economically active population to those who need care (children and elderly) is projected to increase. At the same time, more jobs will be needed as the working population expands. Much will therefore depend on the structure of the economy and its ability to absorb labour, as well as on an institutional framework responsive to the changes (RGOB 2012a).

2. 2. 2. Migration and labour mobility

International as well as domestic migration has a direct bearing on the labour supply. Labour migration between Bhutan and the rest of the world comprises (i) Bhutanese going abroad; and (ii) foreign workers and expatriates coming to work in Bhutan. While the outward migration is relatively low and steady, there has been a significant influx of foreign workers, mainly Indian

[15] *These projected estimates are very close to the Labour Force Survey estimates. The LFS 2012 estimated the country's population at 734,850, including 359,379 males and 375,471 females. The percentage of population aged 0-14, 15-64 an 65+ were estimated at 30.5 percent, 64.1 percent and 5.4 percent respectively.*

[16] *The World Bank estimates a decrease from 2.9 percent per annum in 2000 to 1.5 percent in 2009 (World Bank 2010).*

migrants engaged in construction. This inflow of foreign workers tends to fluctuate year to year; estimates vary between 18,220 foreign workers in 2006 (RGOB 2007a) to 51,616 in early 2012 (RGOB 2012d).

Table 2.4: Changing Relative Share (%) of Rural and Urban Population, Bhutan, 2001-12

	2001	2003	2004	2006	2009	2010	2011	2012
Rural	69.7	73.6	73.1	72.6	75.5	69.2	68.4	69.5
Urban	30.3	26.4	26.9	27.4	24.5	30.8	31.5	30.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Sources: RGoB 2011d; and RGoB 2012b.

At the same time, internal rural-urban migration is expected to rise. Although the share of urban population as a proportion of total population initially decreased, from 30.3 percent in 2001 to 24.5 percent in 2009, it later rose again, to 30.5 per cent in 2012 (Table 2.4). NSB projections indicate that the share of urban population will reach 38.9 percent by 2015. Overall, the NSB estimates that the urban population is growing at an annual rate of 4.2 percent between 2005 and 2015, while the rural population expands at less than 1 percent per year over the same period (RGOB 2011e). This trajectory is common as a country develops: A structural shift away from rural areas and the agricultural sector to urban areas and the modern sector (services and industry) is in line with conventional development patterns. However, the increased supply of domestic migrants has several implications. Not only are jobs needed for these additional migrants, but urban physical infrastructure and provision of services need to be upgraded to accommodate the influx if economic growth is to be inclusive and sustainable.

2. 2. 3. High and increasing labour force participation

Bhutan's labour force participation rate is high compared to its South Asian counterparts. The participation rate also has steadily increased over time, demonstrating another channel for an increase in the supply of labour. The female participation rate has particularly increased significantly, from 38.4 percent in 2001 to 63.2 percent in 2012. As a consequence, overall labour force participation rose from 56.5 percent in 2001 to 64.4 percent in 2012 (Table 2.5).

The increased participation of females in the labour force is a healthy sign, to the extent that the labour force is more gender-balanced and a greater proportion of the female population contributes to the overall inclusiveness in the growth of the economy. Looking ahead, women are likely to take on even more prominent roles, and it will be important to engage new entrants in decent and productive employment. Private sector entities, especially small and medium enterprises in growth- and employment-intensive sectors, are likely to be critical in ensuring productive employment, in collaboration with the Government. This implies that in the formal sector, as well as the rural sector, working conditions must be gender-friendly (e.g., separate toilets), alongside provisions that are gender-specific (e.g., maternity leave).

Table 2.5: Labour Force Participation Rate (%): Total and by Sex, 2001 - 2012

	2001	2003	2004	2006	2009	2010	2011	2012
Male	75.2	72.6	67.5	69.8	72.8	73.6	72.3	65.7
Female	38.4	53.6	42.7	53.9	64.6	63.9	67.4	63.2
Total	**56.5**	**62.9**	**54.4**	**61.8**	**68.5**	**68.6**	**67.4**	**64.4**

Source: RGoB 2011d.RGoB 2012b

Rural areas have witnessed an increase in labour force participation as well, from 51.7 percent in 2001 to 66.6 percent in 2012. This rise is due to the largely subsistence nature of the agriculture sector, where there is little option but to work. However, over the same period the urban participation rate dropped more than 7 percentage points (Table 2.6). This drop can be attributed to several factors, including higher incomes in urban areas allowing for the support of dependents, as well as greater educational opportunities that encourage people to study longer (RGOB 2011d).

Table 2.6: Labour Force Participation Rate (%) by Rural-Urban Areas, Bhutan 2001-2012

	2001	2003	2004	2006	2009	2010	2011	2012
Rural	51.7	66.5	56	63.5	71.9	69.3	70.1	66.6
Urban	66.4	52.3	49.7	57.2	63.2	67	61.2	59.2
Total	**56.5**	**62.9**	**54.4**	**61.8**	**68.5**	**68.6**	**67.4**	**64.4**

Source: RGoB 2011d.RGoB 2012b.

2. 2. 4. Limitations in general and non-formal education

Education and training are critical components in preparing potential labour market entrants and the working-age population to become productive members of society through obtaining knowledge, skills and qualifications. This has a key bearing on the quality of labour supply, productivity and remunerative work.[17]

The national education system has three main components: general education, monastic education, and non-formal and continuing education.[18]As expected, general education is dominant, under which the school-based education structure starts with 11 years of free basic education from pre-primary to Class X. This includes seven years of primary education (pre-primary to Class VI), two years of lower secondary (Classes VII and VIII) and another two years of middle secondary education (Classes IX and X). Following this, students can continue their general

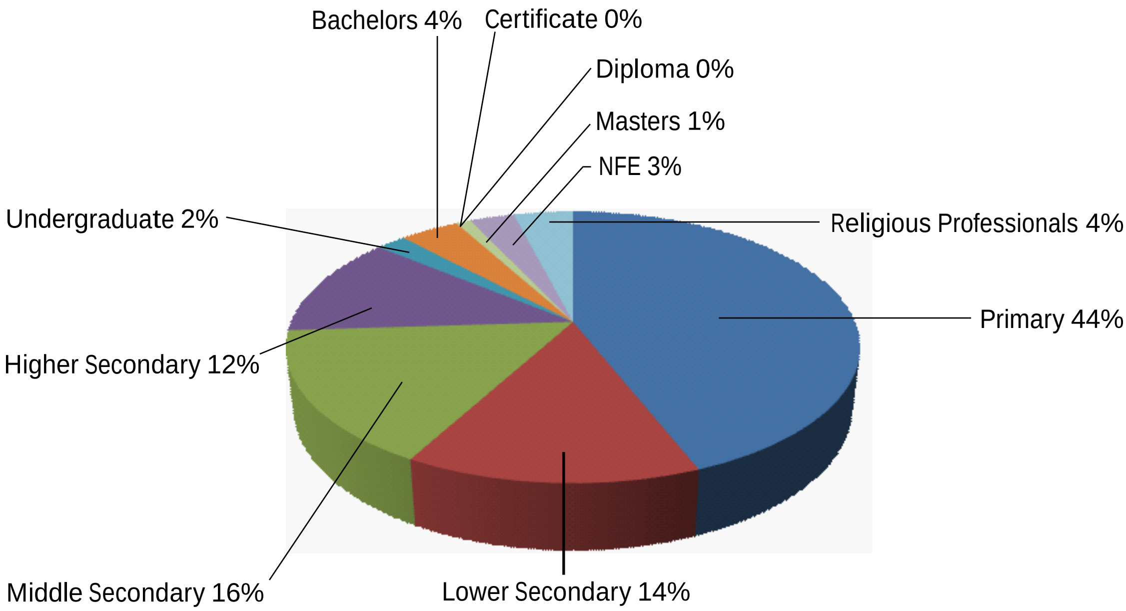
[17] *Apart from basic and technical skills, other variables such as manual skills and abilities, behavioral and entrepreneurial skills shape labour supply. Attitudes affect labour supply through the willingness of people to engage in the spectrum of employment types. Social conditions such as the ability of women and persons with disabilities to join the labour force and seek employment likewise affect the supply of labour.*

[18] *Deloitte 2012.*

education in Classes XI and XII in higher secondary schools, join technical/vocational training institutes, or enter the labour market, based on their performance in national board examinations (Bhutan Certificate for Secondary Education) at the end of Class X. Alternatively, students who do not qualify for Government-funded education can attend private higher secondary schools in Bhutan or abroad and vocational courses organized by private training institutes.

Among the total population in 2012, 59.5 percent are literate (RGoB 2011a), with the remainder comprising those who are illiterate or who are young children. Of the total literate population, 56 percent have secondary and higher level of education, or have functional literacy, and/or studied in religious institutions (Figure 2.6). These population groups, with the exception of those living a monastic life, can potentially be thought to form the labour supply.

Figure 2.6: Population by Educational Status in Bhutan, 2012 (%)



Steady growth has been recorded in both primary and secondary school enrolments in the general education system. Total enrolment in schools increased from 122,832 in 2002 to 173,947 in 2011. Annual enrollment figures up to the higher secondary level from 2006 to 2010 are shown in Table 2.7; during this period, enrolments for primary through higher secondary rose by 16.3 percent.

Because around 40 percent of the population remains illiterate (RGOB 2011a), there exists scope for an expansion of education services. Given that enrolment rates are on the rise (Table 2.7), and that youth literacy rates are above 80 percent, the target population for such educational services would be adults, especially women. It is a welcome sign that there appears to be an increasing demand, especially among women, for non-formal education.

All this is crucial because significant gender inequality persists in terms of literacy levels. In 2012, the male literacy rate stood at 65 percent, compared to the female literacy rate of just 38.7 percent. Even among the youth, the male literacy level is higher than that for females, with the male youth recording a rate of 87 percent compared to 80 per cent among female youth (RGOB 2012a).

Table 2.7: Trends in School Enrolment by Grade, Bhutan, 2006 – 2010

Grade	2006	2007	2008	2009	2010
Primary	102,225	104,467	106,100	107,700	110,369
Lower Secondary	20,482	22,104	23,247	24,297	24,904
Middle Secondary	15,715	16,807	17,608	19,308	21,818
Higher Secondary	8,102	8,816	10,157	11,815	13,314
Total	**146,524**	**152,194**	**157,112**	**163,120**	**170,405**
Per cent increase in Total		**3.9**	**3.2**	**3.8**	**4.5**

Source: RGoB 2011f.

Unlike neighbouring countries, such as Nepal, in Bhutan the promotion rate – the proportion of students that pass their respective grade level each year – is significantly higher, especially at middle secondary level (Table 2.8). With promotion rates averaging more than 80 percent for primary through middle secondary, as well as increasing enrolments and the provision of a minimum working age of 18 years, all this suggests an increase in the number of persons entering the labour force in the foreseeable future.

Table 2.8: Number of Students Enrolled, Proportion Promoted, Repeaters and Dropouts by Schools, Bhutan, 2010

Grade	Enrolled (Number)	Promoters (%)	Repeaters (%)	Leavers (%)
Primary	110,369.0	91.6	6.4	2.0
Lower Secondary	24,904.0	91.8	5.0	3.2
Middle Secondary	21,818.0	76.3	3.3	NA
Total	**157,091.0**	**89.7**	**5.8**	**1.8**

Source: RGoB 2011f.

A person aged 13-17 is allowed to undertake work only in certain categories and in specified workplaces (RGOB 2007a:42).[19] However, for all intents and purposes formal employment begins at age 18, even though the Labour Force Survey considers age 15 as the lower boundary of the labour force/working population. This means that a person securing employment can do so after a maximum of 12 years of education, assuming that a child typically enters primary school at age 6. However, some begin employment before completing 12 years of formal education, provided they are 18 years of age. For families who lack the resources to support their child's post-secondary

[19] *For a more detailed discussion on this issue, please refer to the Annex of this paper.*

education, options remain limited. The choice is either to enter the job market or pursue vocational training, but without pre-job training, even with 12 years of schooling, it is difficult to perform well in the formal sector.

The quality of education particularly matters in securing and retaining employment (Box 1). This has been recognized by the RGOB and is something Bhutan is increasingly addressing, having already achieved the MDG targets for primary completion and gender equality in education. The perception among many employers appears to be that the education system could do much more in developing norms, values, and life/coping skills (in addition to technical skills) that are critical for the job market. Moreover, employers in the service sector require specific skills, such as competence with computers and proficiency in English. There exists scope to further mainstream these skills as part of the school curriculum.

BOX 1

The Korean Experience:

Overcoming a Skills Mismatch Through Education Policy

The Republic of Korea well illustrates how deliberate planning on the part of a government can transform the labour force to meet the demands of a rapidly modernizing economy. In 1961, the Republic of Korea was one of the poorest countries in Asia – yet by the late 1990s, it achieved a per-capita income of more than US$10,000. Education played a central role in this transformation. It is important to see how educational policies were aligned with other economic and social agendas.

Four policy tracks that underpinned the Korean experience are:
1. A strong human capital approach, which stressed the centrality of education and skills in all aspects of development
2. A close relationship between planning targets for education and those for job creation
3. The recognition of education as a key mechanism for economic and social mobility
4. The acknowledged role of education in creating a strong national identity, cementing national determination to succeed and legitimizing the State.

Institutional Development for Policy Coherence: An emphasis on education and skills formation was underlined by how education was built into the planning activities of important Government research and policy institutes. Several specialized institutes were set up in the area of education, training and skills formation and in related areas of science and technology. One of the key functions of such planning and coordination organizations was to ensure that when new jobs were created, there were sufficient numbers of workers with the right level and mix of skills and that schools and universities did not produce large numbers of graduates in fields in which employment was limited. Thus, a concerted attempt was made to match supply and demand, to ensure the optimal sequencing of economic development and skills formation and to avoid a large pool of qualified but unemployed graduates.

Right Mix of Policy and Programme Interventions: Toward this end, budgets, course sizes, and mixes of the schools and universities were monitored. Korea also expanded the range of vocational training, including a large programme in agricultural training and extension. Adult literacy programmes rose sharply as well, and by 1970 adult literacy had reached 88 percent, compared with 22 percent in 1945. A strong focus was given to the quality of education. For example, in higher education, staff salary increases, foreign study opportunities, research grants and curriculum reforms were instituted (Jongchol, 2000).

Forging the Link between Education and Development: One of the slogans for the 1960s was "education for economic development," and care was taken to keep the two closely synchronized (Adams and Gottlieb, 1993). Park Chung Hee, the then-President, took a personal interest in this planning process and ensured that the private sector was closely involved.

Investing in Education, with a Focus on Overcoming Gender Inequality: In terms of total investment, Korea quickly moved ahead of other developing countries in terms of both educational outlays as a percentage of GDP, and outlays per pupil. Between 1970 and 1985, real expenditures per student rose by 355 percent in the country, compared with 13 percent in Pakistan. Funds were particularly directed to the removal of the gender gap in enrolments. Universal primary education was achieved by 1965, and by 1985 secondary education had been extended to 88 percent of the population. The extension of education to females had far-reaching and very positive effects for the development process; this is one key area in which East Asia has been well ahead of other developing countries with similar per-capita income (World Bank, 1993).

2. 2. 5. Quality and skills mismatch for a changing economy in a dynamic region

Asia's growth story is well established. However, Bhutan can do more to leverage the fact that it is nestled between two of the fastest-growing economies in Asia. While education is free, youth literacy high and enrolments on the rise, there appears to be a mismatch between the skills required by a structurally changing economy and the skills available at the moment. The RGOB has recognized this and is strongly trying to orient the skills of its labour force to match those required for a modern economy. For instance, the Government recognizes that as it restructures its economy, the quality of education, along with access, level, and extent of technical/vocational education, becomes a very important factor (RGOB 2008b). Fortunately, Bhutan can draw lessons from some countries in Asia that made a successful transition when confronted with a similar set of issues. As Box 1 above notes, the Republic of Korea's development transition is especially relevant given the emphasis it placed on reorienting the education and training offered to meet the demands of a growing and changing economy. Much of this emphasis was on tertiary education and on developing skills to feed into the manufacturing and services sectors.

Currently, most youth who enter the labour market do so with a mid-secondary-level education. While they are literate and numerate, they do not possess the necessary jobskills, business knowledge or work experience; this is being addressed by the RGOB as a priority through education reforms and through expanding skills base of youth via technical and vocational education and training (TVET).

TVET institutes target persons with a minimum of 10 years of schooling. However, these institutes are not operating at full capacity due to a shortfall in enrolments -- even though the programme is free of charge. Students enrolling in vocational institutes are often those who do not qualify for higher secondary education (RGOB 2009a). Among the eight vocational and technical training institutes in the country, the total enrolment for academic 2011-2012 stood at 1,238 out of 1,504 slots (i.e., 266 places were vacant). Gender differences also exist in enrolment: In 2010, out of 804 students enrolled in vocational training institutes, 543 were boys (UNESCO 2011). The reasons given by many youth for their limited interest in enrolling in vocational training relate to the bleak employment prospects in the public and corporate sectors, along with perceived negative social status attached to blue-collar work and relatively low wages. Nonetheless, the demand for vocational/entrepreneurship training is increasing gradually. Between 2009 and 2010, 440 people completed vocational training provided by MoLHR, and 94 of them started their own businesses.[20] The RGOB aims for 6,000 trainees per year.

2. 2. 6. Public policy effects on labour supply

The Government's efforts to offer free education and health services are commendable given the South Asian context, where progress on health and education MDGs leaves much to be desired. At the same time, while civil servants, military personnel, and corporate and private sector employees are covered by some form of benefits, the country lacks a formal comprehensive social protection system outside of formal employment. Consequently, most Bhutanese rely on traditional systems of inter-household transfers (cash and kind), family support, migration and borrowing (Köhler et al. 2009).

Overall, labour supply is sensitive to public policy and policy decisions. Setting norms and standards, including labour laws, codes and provisions, can shape the structure of the labour force. As such, employment policy, along with rules and provisions regarding employment for public and private sector jobs, has a direct bearing on the labour supply. The Government has given considerable effort into preparing a new employment policy. According to Labour Act of Bhutan (RGOB 2007a), the labour market entry threshold of age 18 is applied to Government jobs, while the private sector has some flexibility in terms of employing persons younger than 18. Nonetheless, given the prominence and the extent to which the Government is an employer, options available to persons aged 15-17 are relatively constrained.

Critically, the private sector in Bhutan, although growing, is yet to fully develop. While a regulatory framework in place, Bhutan would benefit from the experience of countries such as India, Thailand, the Republic of Korea and Japan, all of which have more experience in regulatory issues vis-à-vis the private sector. Government jobs and the well-defined benefits that accompany them (including job security) continue to be perceived as prized employment compared to private sector jobs.

[20] *Although the success rate of those starting their own business is low, this differs little from outcomes in other countries.*

2. 2. 7. Section Highlights

- The labour supply is on the rise.
- Population growth has contributed to a high proportion of working-age population in Bhutan. With the fertility rate projected to reach replacement levels by 2030, the proportion of young people will continue to grow for the next couple of decades.
- Labour force participation has increased due to an increased number of youth and female entrants in the labour market, as well as to rural-urban migration.
- An expansion in school enrolment is enabling large numbers of young people to enter the labour force.
- Some of the employed are working for longer hours, both adding to labour supply and potentially limiting opportunities for other labour market entrants. Longer working hours could be due to low wages, implying possible deficits in remunerative work.
- There exists a strong preference for working in the public sector or Government offices rather than in technical or vocational occupations requiring physical labour.
- The supply of labour needs to be reoriented so that it is equipped with skills suitable for the private sector.

2. 3. Labour Demand Factors

Demand for labour is influenced principally by (i) the extent and nature of economic growth; (ii) the changing structure of Bhutan's economy; (iii) the relatively capital-intensive nature of growth; (iv) changing skill requirements in times of economic transition; (v) small domestic markets and limited external engagement; (vi) attention to opportunities in agriculture; (vii) leveraging of employment potential in travel and tourism; (viii) local employment in the energy sector; and (ix) labour demand in the private sector.

2. 3. 1. High but fluctuating economic growth influences labour demand

Labor demand is driven by growth and the structure of the economy and influenced by the development of the private sector. While Bhutan has experienced a sustained and high level of growth that has, on average, hovered around 8 percent, this rate also has fluctuated quite significantly in recent years. In 2007, for example, it was as high as 17.9 percent, plunging to 4.7 percent in 2008, picking up again to 11.8 percent in 2010, and then falling again in 2011, to 5.4 percent (RGOB 2011b and RGOB 2010a). Such wide fluctuations in economic growth from year to year reflect the precarious nature of growth; this uncertainty invariably filters into the labour demand market as well.

Over the past several years, the main driver of growth has been the hydropower sector, recorded officially under "electricity and water" (Table 2.9). The share of "electricity and water" in overall GDP has increased from 12.4 percent in 2006 to close to 20 percent in 2009-2010. At the same time, agriculture's share in total GDP has declined from around 24 percent in 2006 to 19 percent in

2010. The contribution of the services sector to GDP has oscillated, but generally stayed around 35 percent. Within services, the tourism sector has experienced significant growth in the last few years; this area of the economy warrants closer inspection, since it is a key driver of labour demand (RGOB 2010c).

Table 2.9: Percentage Share of GDP by Sector, Bhutan, 2001-2010

Sector	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agri, livestock, forestry & mining	28.2	27.8	26.8	25.7	24.1	23.7	20.5	20.7	20.5	19.0
Manufacturing	8.1	7.4	7.2	7.3	7.0	7.1	8.2	8.4	8.2	8.7
Electricity and water	10.0	10.1	11.4	9.5	10.0	12.4	20.4	21.1	19.3	17.6
Construction	16.7	17.8	17.1	17.8	17.0	14.5	13.7	11.4	12.2	14.2
Services	34.7	33.7	33.8	35.3	37.5	38.0	34.2	35.4	37.1	36.5
(+) indirect taxes (-)subsidies	2.4	3.3	3.6	4.3	4.5	4.3	2.9	2.9	2.8	4.0
Gross Domestic Product	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Sources: RGoB 2007c; and RGoB 2011f.

2. 3. 2. Changing structure of Bhutan's economy

To an extent, sectoral growth has influenced the sectoral distribution of employment (Table 2.10). For example, agriculture's diminishing role as the mainstay of Bhutan's GDP has also been mirrored by the declining share in total employment over the past decade – from almost 75 percent in 1999 to just above 60 percent in 2011(Table 2.10). However, the agricultural sector remains the main employer, accounting for almost two-thirds of the total share of employment, while its contribution to total GDP has shrunk to under 20 percent (Table 2.9). Meanwhile, the share of manufacturing in GDP over the last decade has remained more or less the same since 2001, while the construction sector's share has declined over same period (Table 2.9).

Table 2.10: Changing Sectoral Distribution of Employment, Bhutan, 1998 to 2011

Sector	1998	1999	2003	2004	2011
Agriculture	76.0	74.9	75.5	63.2	60.2
Industry	5.9	4.8	4.0	9.8	9.2
Services	18.1	20.3	20.5	27.0	40.0

Sources: Osmani et al. 2007; and RGoB 2011f.

The services sector's relatively stagnant share in GDP over time is a cause for concern. It accounted for 34.7 percent of total GDP in 2001, peaked at 38 percent in 2006, and eventually came down to 36.5 percent in 2010 (Table 2.9); however, over the same period it was responsible for absorbing the most labour among the sectors (Table 2.10). Among the employed population, only 20.3 percent worked in services in 1999, but by 2011 the proportion in services had reached 40 percent (Table 2.10). Further investigation is required into the reasons for the minimal change in the contribution services has made to GDP despite it absorbing additional labour needs. Tentatively, these reasons could include: (i) the additional labour has added relatively low economic value, and (ii) the overall productivity and competitiveness of the services sector has decreased.

In addition, as noted above, agrarian skills are not easily transferable across sectors; farmers cannot simply switch from agriculture to the services sector if relative labour demand increases for services, unless they have the opportunities to equip themselves with new marketskills. So while the demand for labour may have increased in the services sector, the figures reflect that the additional labour may have contributed little in way of economic value over time – suggesting that the labour absorbed lacked the skills to expand growth in services. This underscores the much-discussed mismatch between the skills required by a modernizing economy and the skills currently on offer in the labour market.

On balance, Bhutan seems to be following the standard development trajectory, barring the above mentioned anomaly vis-à-vis the services sector. As the country develops, the importance of the secondary and tertiary sectors (industry and services) is expected to increase, while that of agriculture is likely to diminish further.

2. 3. 3. The relatively capital-intensive nature of growth

Bhutan's high economic growth rate of close to 8 percent on average during the past couple of decades should typically be enough to absorb the increased labour force. However, with the changing structure of the economy, growth has been relatively capital-intensive rather than labour-absorbing. That is, for each percentage-point increase in the growth rate, the relative increase in employment (or reduction in unemployment) is less when growth is capital-intensive as compared with growth that is labour-intensive. At the same time, construction, infrastructure building and hydropower projects have tended to rely on foreign labour rather than local labour. In addition, agriculture, which is traditionally seen as labour-intensive, has witnessed both reduced growth and an overall decline in its share of total GDP. Thus, it has not absorbed labour to the extent one would have expected.

2. 3. 4. Changing skills requirements in times of economic transition

There are a few issues to be wary of during the transition phase – from relying on the primary sector of the economy to being more dependent on the secondary and tertiary sectors – that have direct implications for labour demand. It is important to note again that skills are generally non-transferable across sectors. This has implications in the context of Bhutan: With the change in the structure of the economy, there is a commensurate shift in the type of labour demanded, from relatively unskilled to skilled.

Given the development experience of East Asian economies, it generally takes the labour market longer to adjust to meet the specific demands of the changing economy; that is, on most occasions the labour market takes time to adjust unless it anticipates the pace and sequence of the changing structure of the economy to plan accordingly. Therefore, while agriculture remains an important sector and a major employer, it is important that there is a continued effort and focus on skills development to meet the demand of the changing economy (see Box 1 for the example of the Korean case). This seems to be the path pursued by the RGOB as laid out in its New Economic Development Policy (2010); however, to make the transition smoother, more extensive planning, prioritization and coordination will be useful.

2. 3. 5. Exploring opportunities despite a narrow economic base

Limited employment choices also arise due to the small size of the economy. Given Bhutan's narrow economic base, small land area and geographical constraints of being landlocked, and the small domestic market, opportunities for profitable enterprises are limited. So, on the one hand, Bhutan remains relatively isolated, with few foreign embassies/offices in Thimphu; few flights occur in and out of the country, and all trade passes through India.

Having said this, it is worth noting the positive steps the RGoB has taken in recent years to try to position the economy as attractive to foreign investment. As highlighted in an UNCTAD investment guide to Bhutan, "The legal framework was completely revised in 2010, and the Government continues to push for economic diversification, regulatory reform and administrative simplification."[21] Steps to liberalize include (i) full foreign ownership in certain sectors; and (ii) private investment and public-private partnerships in a range of sectors, including infrastructure, tourism, information and communications technology (ICT), education, and agriculture.

Foreign Direct Investment (FDI) levels in the country have been quite low historically. However, they have risen sharply in the past few years. In 2000, FDI stocks stood at just US$4 million but had soared to US$160 million in 2010. FDI inflows averaged about US$1 million per year between 1995 and 2004; by 2009, they had reached US$15 million. FDI is not only increasing in quantity, but also, more notably, in diversity: More investors are pursing interests in manufacturing, industrial processing and non-tourism services (UNCTAD 2012).

Given that many of these changes are ongoing, the true impact on the broader economy is likely to be felt only in the medium term. There is scope for Bhutan to align its domestic economy to pursue trade opportunities within the sub-region through SAARC's South Asia Free Trade Agreement (SAFTA), under which most products should be traded with zero customs duties by the end of 2016. Bhutan can only benefit from greater external engagement, given again that the size of the domestic market is quite small. In addition, beyond trade in goods and electricity, Bhutan should position itself to tap into job opportunities beyond its borders, especially among its fast-growing neighbours.

2. 3. 6. Little attention to opportunities in agriculture

In the more developed economies, agriculture tends to become more productive over time. However, in Bhutan public expenditure on agricultural development as a percentage of total expenditures has been gradually in decline from the Fifth Plan (1981-86) onward. This figure stood at 9 percent of total expenditures in the Fifth Plan, and had decreased to 3.1 percent during the Eighth Plan (1997–2002). The share increased to 6.5 percent in the Ninth Plan (2002-2007), but experienced a slight decrease, to 5.5 percent, in the 10th Plan (2008-2013). Agricultural growth has fallen almost continuously since 2001, from 5 percent, reaching 0.4 percent in 2007 (Kakra and Bhattacharjee 2009: 75).

A need exists for smart investments in agriculture to make the sector a more productive enterprise. Both the Government and the private sector could play a role in this endeavour, including through adopting new technologies. At the same time, scope exists for improved marketing, including branding of a wider spectrum of produce for export. This will require an organized effort, including

[21] *UNCTAD 2012, p. 2.*

the reassessment of entire value chains.

Currently, agriculture is marked by limited cultivable area, fragmented land,[22] low infrastructure, low market accessibility, negative trade balance, and low productivity due to various external factors.[23] The 10th Plan has made headway in overcoming some of these constraints, and the 11th Plan will continue to pursue these efforts. Although Bhutan has the potential to leverage its geographical advantage to produce off-season vegetables for the Indian market, the inefficiency across the value chain makes agriculture a low-yielding business for the farmer (Kakra and Bhattacharjee 2009: 75).

An important policy objective for the RGOB is food self-sufficiency through increased focus on high-value products for export; at the same time, it expects to import low-value cereals from neighbouring countries (i.e., India). While this policy may seem ideal in principle, it loses on equity grounds by failing to provide adequate food security to the poor and vulnerable groups across Bhutan.

2. 3. 7. Limited leveraging of employment potential in travel and tourism

Tourism and travel-related services can be a growing source of employment. In 2010, a conservative estimate by Tourism Council of Bhutan (TCB) for total sector revenues was US$89.69 million. With annual real GDP of US$1.483 billion that year, tourism therefore represents a large proportion of total GDP.[24] Nearly 90 percent of tourists are cultural tourists, visiting mainly the western part of the country, which is more accessible. Tourism has historically been seasonal, although recent efforts by the Government indicate a push to pursue year-round tourism. The sector tends to be employment-rich and has considerable scope for expansion.

According to the TCB, the country received 65,746 "high-end" tourists in 2011, its highest-ever number, representing a year-on-year increase of about 57 percent. Bhutan also welcomed 35,077 other tourists who travelled by land into the country and stayed in relatively less expensive tourist accommodations. Visitors from European countries no longer dominate Bhutanese tourism; during 2011, visitors from the Asia-Pacific region were the leading group, comprising 40.4 percent of arrivals, followed by visitors from Europe (37.1 percent) and North America (20.3 percent).

The record inflows of tourists in 2011 also came despite the fact that the Government raised tourism tariffs during the year. The daily tariff was raised from US$200 to US$250 for the peak season in January 2012, while in July 2011 the daily rate for the rest of the year had already been raised from US$165 to US$200. The TCB hopes to raise the number of high-end tourists visiting Bhutan in 2012 still further, to 100,000.

To increase the sector's contribution not only to GDP (US$215 million in 2012) but also to employment potential, the RGOB may wish to consider other options like diversified services and increase in the length of stay of tourists (EIU 2011). In addition, apart from the sector's contribution

---

[22] The Inheritance Act allows this fragmentation, which is seen as a main cause of the inability to develop farmland productively.

[23] A major problem in almost all 20 dzongkhags arises from crop damage by wildlife.

[24] However, the DTIS (2012) report states that calculating the real contribution of tourism to GDP is complex and challenging in any country. The TCB is looking into improving this calculation method by capturing both total income from the sector and benefits to the wider economy (RGOB 2012a).

to GDP, policies for the sector should be encouraged to aim to maximize linkages with other sectors for spread effects for employment. Further developing the tourism sector to absorb unmet tourism demand, as well as exploring and expanding to other parts of the country with proper capital investment, will improve the scope for employment. For example, entrepreneurship and private enterprise can be encouraged for high-value-added niche services with strong direct and indirect employment and self-employment effects.

2. 3. 8. Local employment low in the energy sector

While the contribution of "electricity and water" to GDP has increased from 10 percent in 2001 to 17.6 percent in 2010 (Table 2.10), this sector accounted for just 2 percent of total employment in 2011/2012, suggesting that sectoral growth has mainly been driven either by (i) hiring of foreign labour or (ii) by being relatively capital- intensive compared to other sectors. The lack of local employment demand in the sector also could be due to a mix of these two main drivers[25]. The Government's objective of developing new hydropower projects to increase capacity sevenfold by the year 2020 could also be viewed as an opportunity to increase local labour demand in the sector by ensuring that local workers develop the skills and knowledge to manage and operate projects. Moreover, there exists considerable scope to pursue both backward and forward linkages with the hydropower sector, including in transportation. In addition, electricity is a resource necessary for manufacturing, and also for certain forms of agricultural production. Therefore, the Government may wish to further explore positive spinoffs vis-à-vis local economic activity.

Overall, as noted above, there are a significant number of foreign workers in Bhutan. According to a 2007 RGOB report (2007b) 18,220 foreign workers were employed in the country that year; by2009, this increased further to 26,082 (RGOB 2009c). Even more recently, in February 2012, the Task Force Report on Balance of Payments with India and the Rupee Shortage noted 51,616 Indian workers in Bhutan, out of which 30,249 worked in hydropower projects; others were mainly construction workers (RGOB 2012d). These figures far exceed the current number of unemployed in the country, which is given as 6,904 (RGOB 2012b).

[25] *While most high-skilled jobs in the country are not ordinarily open to foreign workers, there is a considerable presence of workers from India in the construction and hydropower and electricity sectors.*

Table 2.11: Number of Employees by Major Occupation and Nationality, and Their Status in Private and Corporate Sectors, 2008

Major Occupation	Bhutanese			Foreigner			total
	Regular[26]	Casual[27]	Contract[28]	Regular	Casual	Contract	
Legislators, Sr. Officials & Managers	7,992	86	38	517	48	200	8,881
Professionals	1,984	25	49	169	25	117	2,369
Technicians & Associate Professionals	2,690	116	57	152	25	69	3,125
Clerks	1,899	30	5	75	41	64	2,088
Service Workers & Shop and Market Sales Workers	3,875	147	74	762	15	70	5,336
Skilled Agricultural & Fishery Workers	5	0	0	2	408	0	7
Craft & Related Trade Workers	2,127	109	136	551	0	199	3,517
Plant & Machine Operators & Assemblers	2,429	153	42	187	395	152	3,023
Elementary Occupations	3,562	1,835	294	549	2,705	775	9,720
Total	**26,563**	**2,501**	**695**	**2,964**	**3,697**	**1,646**	**38,066**

Source: RGoB 2008a.

As Table 2.11 shows, foreign workers as mapped by major occupations were employed as skilled labourers. In 2008, the total number of foreign workers employed (in major occupations) stood at 8,307.However, it should be noted that this does not cover all occupations in which foreign workers may be employed. Therefore, the number of foreign workers would be higher than 8,307 if other sectors are considered.

2. 3. 9. Low but growing labour demand in the private sector vis-à-vis the public sector

Until two decades ago, the Government was the main, and virtually only, employer in Bhutan. Since then, the private sector has increasingly emerged as a small but growing employer. Although most demand for labour remains generated by the Government, the private sector requires increased attention since the number of jobs advertised by the Government is decreasing and those in the private sector are consistently increasing. This signifies a steady growth of the private sector relative to the Government sector. While recent data on labour demand are not available, figures from 2008 (Table 2.12) reveal that over the period 2002-2007, a total of 9,313 jobs were advertised by the Government and private sector

[26] *Regular workers are those who work in the establishment regularly or permanently for pay or profit.*
[27] *Casual workers are those who work off and on, with no fixed period.*
[28] *Contract workers are those who work only for a specified period of time.*

Table 2.12: Trends in Job Advertisements by Sector, Bhutan, 2002-03 to 2006-07

Job Provider	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total
Government	1,177	1,408	1,036	278	141	**4,040**
Corporation	316	236	113	560	311	**1,536**
Private	96	201	320	1,765	1,300	**3,682**
NGOs	6	20	16	13	0	**55**

Note: The private sector refers to all businesses undertaken with a valid license and registered under the Companies Act of the Kingdom of Bhutan. The corporate sector means: a) all corporations partially/fully owned by the Government and listed as a corporation with the Ministry of Finance; b) all Druk Holdings Investment-owned and -linked companies; c) autonomous body; d) Public Benefit Organizations registered under the Civil Society Organization (CSO) Act; and e) employees of Mutual Benefit Organizations registered under the CSO Act.

A supportive regulatory framework developed through public sector collaboration, along with a strong set of standards, will be required for the full private sector employment potential to be harnessed. Currently, norms or standards for employment in the private sector remain underdeveloped or inadequately enforced.

To boost the private sector, the Government has already taken measures including increasing access to finance, reducing taxes, cutting red tape, and facilitating overall trade. The country's achievements are illustrated in the World Bank's Doing Business Report 2012, which shows that Bhutan has moved steadily upward in ranking, from 176th out of 183 countries in 2010 to 146th in 2011 and 142nd in 2012. However, Bhutan's results still lag behind better performers in South Asia such as Maldives and Bangladesh; these countries have undertaken more extensive reforms in opening up the economy. However, this also has occurred over a relatively longer timeframe, and these countries are also relatively better situated geographically. Nonetheless, relative performance matters in an increasingly globalized and integrated world (RGOB 2012a: 78-79).

2. 3. 10. Section Highlights

- Bhutan's overall GDP growth rate has been high at about 8 per cent in the recent decades. However, the sources of growth (infrastructure - including hydro power) have not been employment-intensive; labour intensive sectors such as agriculture have seen relatively slower growth.

- Agriculture was the source of employment of almost 75 per cent of labour in 1999 which decreased to just over 60 per cent in 2011. The share of agriculture in Bhutan's GDP decreased from over 28 per cent in 2001 to 19 per cent in 2010 indicating its low remunerativeness and inability to attract labour.

- The private sector in Bhutan faces structural bottlenecks like a small domestic economy and landlockedness; it also faces policy constraints like an inadequate pro-private-sector policy environment.

- The public sector was the main source of labour demand until very recently; the private sector has started to emerge now; new employment generated in the private sector has been higher than the public sector in recent years.

- There is demand for high skilled labour and technical and vocational workers; however education and training facilities have not kept pace with changing labour market demand.

CHAPTER 3:
Strategic Interventions[29]

3. 1. Intervention 1:
Enhance the education and training system in a way that is cognizant of demands in the job market

As highlighted in various Government documents, the quality of schooling and TVET remains a cause of concern in Bhutan,[30] both with regard to labour supply as well as to labour demand. This affects both the employability of youth in the labour market and the quality of life as a whole, as individuals fail to find decent employment in the job market.

While several policies and activities are in place to improve the quality of education and training programmes, implementation of these activities requires further strengthening. The National Youth Policy (Department of Youth and Sports, Ministry of Education, RGOB 2010) outlined several areas of concern, including youth employment, and as such proposed interventions under 24 strategic objectives, several of which were directed at increasing youth employment through improving the education and training system. These include:

- Integrate vocational education into the school curriculum from Class IX onward
- Offer non-formal education at flexible times to accommodate out-of-school young people
- Provide young people with accurate information about possible choices, needs and constraints that they may face when making choices in life and in the workplace
- Strengthen and expand a work experience/shadowing programme for all students in Class X
- Develop internship programmes for students in tertiary education

The National Youth Policy also included specific objectives on improving the quality and relevance of the educational experience (RGOB 2010e). Policies recommended toward this end were:

- Revisit the existing curriculum to improve the overall quality of education
- Attract high-performing tertiary and Class XII graduates into the teaching profession
- Provide ongoing teacher professional development
- Through non-formal education initiatives, increase the access of all young people not in formal education to further education

The Tertiary Education Policy, meanwhile, seeks to produce graduates with core life skills, including leadership abilities, underpinned by the values espoused by the development philosophy of Gross National Happiness (GNH). It also aims to provide a more uniform approach to school performance management and self-assessment (RGOB, 2010d). Some of these strategies are coherent with those recommended by the National Youth Policy. Others, however, seemed to have been developed independently. Interventions deemed relevant toward "enhancing the education and training system in a way that is cognizant of demands in the job market" were:

---

[29] *Interventions in bold indicate the interventions selected through a consultative process.*
[30] *Education without compromise: Education Sector Review Commission Report 2008, RGoB.*

- Allow lateral entry into tertiary education, linking it to vocational training and secondary education, and provide seamless tracks for students to transition
- Institute loans and scholarships to expand the scope of participation in tertiary education
- Provide continuing and lifelong learning opportunities for all adults for their meaningful participation in the society
- Build a framework for private participation, outlining criteria and processes for registration, licensing, accreditation, regulations and incentives

The Technical, Vocational Education and Training Policy (RGOB 2011g) aims to ensure access to high-quality and broad-based TVET services for all Bhutanese, with a focus on preparing youth to transition from students to workers. Anticipating the increased supply of youth entrants into the labour market, TVET-based institutes will expand their capacities and operations in the years to come. Relevant steps taken include:

- New programmes and courses will be launched in labour-intensive growth sectors with attractive employment opportunities
- Young candidates for vocational education and training, as well as their parents and teachers in schools, will have access to career guidance, counseling and job information
- MoLHR will encourage training providers to offer shorter courses, or a series of short courses, to provide upgrading, updating, specialization and retraining opportunities
- Certificates of occupational competence will be issued in an increasing array of occupations, starting with those deemed economically important
- Staff of training institutes and of consulting firms will be invited to become experts in the development of realistic occupational profiles

The National Human Resource Development Policy (RGOB 2010b) broadly covers several areas, including tertiary education, TVET, and human capacity development; it is guided by the MoLHR. Among other objectives, it seeks to improve and develop vocational education in line with the labour market demand, and to create greater awareness among students about the importance of vocational education through advocacy, counseling and career guidance in high schools. The policy also stresses the need to strengthen human resource capacity in the Technical Training Institutes/Colleges and to foster a Public-Private Partnership (PPP) approach to providing quality vocational training. For the youth:

- An alternate mode of training is to be conducted for school leavers. The cohort of students who cannot get admission to Technical Training Institutes for formal training will be selected.
- Technical and vocational training programmes will be introduced in schools to promote and improve both attitudes toward and skills for vocational education among students.
- Flexible career pathways that enable individuals to move smoothly between the general education and vocational training sectors will be created.

Table 3.1: Priority activities for Intervention 1

Intervention 1	Enhance the education and training system in a way that is cognizant of demands in the job market
Activity 1.1	Under TVET, new programmes and courses to be launched in labour-intensive growth sectors with attractive employment opportunities
Activity 1.2	Institute scholarships to expand the scope of participation in tertiary education and develop internship programmes for promising students in tertiary education
Activity 1.3	Introduce technical and vocational training programmes in schools and allow lateral entry into tertiary education, linking it to vocational training and secondary education and providing seamless tracks for students to transition

3. 2. Intervention 2: Accelerate CSMI/MSME and private sector development for job creation, especially for women and youth employment

As far back as the Eighth Plan (1996-2000), the private sector was perceived as the engine that would drive growth and boost development, making Bhutan competitive in the 21stCentury. Nearly 20 years on, Bhutan's private sector, while promising, has not developed to the degree expected, as outlined above. It has thus not yet emerged as a driver of balanced socioeconomic growth and development. Several initiatives have been undertaken toward private sector development, but a need for stronger implementation and follow- up remain fundamental concerns.

The RGOB's two main roles regarding private sector development are (i) to develop a regulatory framework and (ii) to create an enabling environment for the development of micro, small and medium enterprises (MSMEs) and, more generally, the private sector. Therefore, the Government facilitates and regulates while expecting that all commercial activities be taken up by the private sector. Already, MSMEs comprise more than 98 per cent of all enterprises in Bhutan and therefore play an important role in creating employment, especially in the rural sector (i.e., agriculture and farming). Their contribution to national revenue also has steadily increased, from just 1.9 percent in 2006 to 5.1 percent in 2010.

In terms of the Government's facilitation and regulatory role, the RGOB has established the Bhutan Chamber of Commerce and Industry, led infrastructure development, simplified registration and licensing procedures, and attempted to reduce administrative burdens. It also has provided access to credit and capital, human resource development support, and measures to protect intellectual property rights.

Development partners including the Asian Development Bank (ADB)[31] have been active in this space (ADB 2011). Similarly, UNDP has worked with the RGOB and cottage and small industries to help brand Bhutanese goods and make them more competitive internationally.

The draft MSME Policy was developed into the Cottage, Small and Medium Industry (CSMI) Policy and subsequently formed the basis for the Cottage and MSME Development Strategy (2012-2020) and Action Plan (2012-14). The CSMI Policy covers six broad intervention areas deemed necessary for creating a thriving CSMI sector, which not only aim to generate jobs but also to drive growth and development. These six main intervention areas are:

- Strengthening the policy environment and institutional framework
- Strengthening the legislative framework and enterprise environment
- Facilitating access to finance and incentives
- Enhancing competition and innovation
- Improving access to markets
- Enhancing employment and developing a culture of entrepreneurship

Under each of these six areas, several interventions are listed in the policy. Those deemed critical toward accelerating CSMI/MSME and private sector development included:

- Build on the activities of the Private Sector Development Committee (PSDC) to ensure regular, proactive, two-way public-private dialogue between the CSMI sector and the RGOB
- Improve access to commercial bank finance for CSMIs through awareness raising and capacity building on alternative credit appraisal methodologies, thus introducing advanced lending practices and innovative financial products
- Develop incentives for the CSMI sector to engage in research and development/ innovative/ green industry activities via Business Development Services (BDS)/competitiveness/innovation vouchers and similar initiatives, in collaboration with the Royal University of Bhutan.
- Stimulate the development of business clusters and/or value chains with the potential to increase the competitiveness of CSMI products and services, guided by Ministry of Economic Affairs (MoEA) competitiveness studies
- Promote CSMI products through "Brand Bhutan," starting with a focus on indigenous arts and crafts, and strategically position goods and services produced by CSMI in high-value market niches using Bhutan's Seals of Excellence and Quality, the Seal of Origin, the Bhutan Organic Logo and green labeling.
- Embed "entrepreneurship/green business culture" awareness and skills at all levels of the education system. Promote innovation among students through the provision of financial and technical resources for research and development
- Stimulate the participation of CSMIs in school/TVETboards/academic boards, generating greater linkages between the human capital demanded by the private sector and the skills supplied by the education system
- Promote women's entrepreneurship in CSMIs to maximize the economic contribution of both genders
- Raise the relevance and quality of TVET skills through closer links between TTIs and industries

---

[31] *For example, ADB, through its Micro, Small and Medium-Sized Enterprise Sector Development Programme (MSMESDP), tried to stimulate growth of the MSME sector. The objectives of the MSMESDP included (i) undertaking policy reforms for establishing an integrated policy, strategy, and institutional framework for MSME development; (ii) modifying laws and regulations so as to facilitate MSME expansion; (iii) increasing access to market-based finance; and (iv) strengthening the country's business support infrastructure.*

[32] *UNDP support to the Government has supported formulation of the Brand Bhutan Strategy to promote and enhance the quality of local craft products and services.*
For information: http://www.undp.org/content/bhutan/en/home/operations/projects/poverty_reduction/UN-support-msmes-employment.html

- Stimulate the absorption of new technologies, including clean technologies, and innovation through the development of research-CSMI linkages
- Implement effective Micro Finance Institutions (MFIs), consistent with the RGOB's Financial Inclusion Policy, especially with a focus on economic development, gender equality and poverty reduction in rural areas
- Provide incentives for the development of the CSMI sector in line with the Economic Development Policy (2010). Priority could be given to sustainable, green and service industries
- RGOB to reduce regulatory hurdles and time delays in starting a new business
- RGOB to concentrate on actions that improve access to finance for MSMEs, including for women-owned MSMEs
- RGOB to utilize the mass media and other tools to create a general culture of enterprise and to improve public perception of entrepreneurship and women's participation in enterprise, both generally and specifically as a career choice.
- RGoB to improve labour market supply and demand forecasting to ensure that skills mismatches are reduced and increase the prospects of new labour market entrants, especially women, finding sustainable employment

In addition, the National Employment Policy (NEP) is quite clear in terms of development of MSMEs and growth of the private sector. Several of the listed objectives are primarily geared toward achieving these ends. The key objectives listed under MSME development also correspond in scope to those listed in the CSMI Policy document. Under private sector growth and development, the key objectives to be achieved are,

- Increase employment-based growth of the private sector: Access to infrastructure, markets, finance and skills will be enhanced for the private sector to ensure growth that will increase employment opportunities, particularly in sectors such as tourism and ICT, which have been identified as having significant employment potential, according to the Economic Development Policy
- Encourage the formation and empowerment of sector associations: Industry representation will be enhanced in policy formulation, programme implementation and monitoring, through the formation and empowerment of industry bodies and associations under the guidance of the Private Sector Development Committee.
- Facilitate access and usage of modern production technologies and techniques: The RGOB shall promote the adoption of emerging technologies and best practices from foreign multinationals by enabling better access to such innovations. Specific incentives shall be provided to industries to adopt and deploy modern technologies and production techniques, while ensuring that additional employment opportunities are not compromised.
- Enhance skills and productivity of the local workforce and improve perception of private sector employment: A focused communication and advocacy campaign shall be initiated across the nation by the Government to alter the current perception of the private sector as a less favoured choice of employment, especially among the youth.
- Enable a supportive and coordinated regulatory environment for private sector growth: Expand consultations with the private sector to understand its concerns regarding the regulatory environment and to create a conductive investment climate and business environment for private sector enterprises. In addition, introduce single-window clearances of new investment and business proposals.

Finally, the Economic Development Policy (EDP), the apex relevant policy, recognizes that sustainable economic development is a major challenge, since it is largely financed by external aid and is further constrained by a small domestic market, inadequate infrastructure, high transportation costs, difficult access to finance, a need for strengthened and coordinated policies, lack of management skills, shortage of professionals, and low productivity of labour. This policy's aim is to remove such constraints and create an enabling environment for investment for private sector entities, young entrepreneurs and potential foreign investors. Within this framework, a plan exists to take stock of resources specific to each region and accordingly identify opportunities for Cottage and Small Industry development in different parts of the country. The southern region has already been identified as a future economic hub for trade, transport, storage and manufacturing through the creation of industrial estates, dry ports and Special Economic Zones (SEZs).

Despite these policy measures, Bhutan's private sector development remains at a nascent stage. Some of the major bottlenecks and constraints to private sector and MSME development will be identified next.

Table 3.2: Priority Activities for Intervention 2

Intervention 2	Accelerate CSMI/MSME and private sector development for job creation, especially for women and youth employment
Activity 2.1	Create an enabling environment for SME promotion and private sector growth. (Expand consultations with the private sector to understand its concerns; also introduce single-window clearance of new investment and business proposals.)
Activity 2.2	The RGOB will concentrate on actions that improve access to credit and finance for MSMEs, including for women-owned MSMEs.
Activity 2.3	Increase employment-based growth of private sector and women-owned enterprises through improved access to infrastructure, markets, finance and skills to ensure growth, particularly in sectors such as tourism and ICT (sectors that have been identified as having significant employment potential in the EDP 2010).

CHAPTER 4: Bottleneck Analysis

The identification and prioritization of interventions and associated activities as well as the bottlenecks that impede the successful implementation of these interventions and activities was initially carried out at a bottleneck analysis workshop in Paro on 23-24 May 2012.[33] Subsequent meetings and consultations with the Government, experts and relevant stakeholders further helped narrow the scope of prioritized interventions, associated activities, and bottlenecks such that it cleared the way to develop specific solutions that were most likely to be effective in addressing urban youth unemployment in the short term.

Following the MAF methodology, bottlenecks that impede the implementation of interventions and associated activities were first identified. This was done in consultation with Government personnel responsible for implementing policies, experts, development partners and relevant stakeholders, including youth groups, entrepreneurs and the private sector. By observing the various steps required to properly implement a specific intervention/activity, existing and potential bottlenecks thus were pinpointed.

Based on wide consultations over time, and using good practices and evaluation documents, the list of bottlenecks was further refined. Bottlenecks were kept on the list on the basis of whether they were (i) feasible to be overcome (a solution exists in the short term) and whether doing so (ii) would have a positive impact (contribute toward youth employment during the course of the 11thPlan). Both the degree of feasibility in overcoming the bottleneck in the short term, along with the degree of impact it would have if the particular bottleneck were overcome, assisted in prioritizing the bottlenecks.

Given that the elections of July 2013 ushered in a new government, it was crucial that the previously agreed bottlenecks be put up for further discussion and validation. This exercise helped refine most bottlenecks, including revision or replacement if needed. The rationale for revising a bottleneck was either (i) the particular bottleneck was no longer valid, since it had been resolved, or that (ii) there were current interventions/policies underway that aimed to tackle it. Therefore, such bottlenecks were dropped by consensus.

In addition, evidence from policy and good-practices documents, as well as expert judgment, were used in the prioritization of bottlenecks. For prioritized Interventions 1 and 2 and their associated activities, the identified and prioritized bottlenecks appear in Tables 4.1 and 4.2.

---

[33] *The list of participants can be found in the Annex.*

4.1 Bottlenecks to Intervention 1

Intervention 1, *Enhance the education and training system in a way that is cognizant of demands in the job market*, has three activities associated with it, as noted above. All three activities pertain to improving the vocational and educational system in a way that helps boost employment, particularly for the youth.

With regard to Activity 1.1*(Under TVET, new programmes and courses to be launched in labour-intensive growth sectors with attractive employment opportunities)*, several bottlenecks were identified. In order of priority, the five bottlenecks deemed critical to address were:

1. Quality, knowledge and expertise of teachers in relevant areas are lacking. Most stakeholders agreed that the TVETs were inadequately equipped in terms of expertise, especially in growth areas of the economy. In addition, quality varies significantly across TVETs, with most falling below international standards.

2. Limited linkages between TVETs and employment-intensive industries to fully capture market demand. Although TVETs are meant to offer alternative pathways to the job market by providing training in specialized professions, especially those for which there is constant demand (electricians, plumbers), the linkages between TVETs and the job market remain weak. There appears to be a need for strengthened information exchange between TVETs and the private and corporate sectors.

3. New and emerging areas, including those that are gender-friendly, such as media, fashion, hospitality and culinary arts, are not adequately reflected in the existing curriculum of TVETs. On average, the TVETs tend to highlight male-dominated professions. In addition, there seem to be few or no offerings in terms of trainings in several emerging and lucrative areas such as fashion, culinary arts and media. These areas are also ones for which young women show a strong preference.

4. Need for strengthened monitoring and evaluation in terms of TVET performance. In the absence of robust monitoring and evaluation (M&E) tools and performance measures, it becomes difficult for comparisons across TVETs. It also is not clear how Bhutanese TVETs compare with those of other countries.

5. Need for strengthened policy coordination among major stakeholders (MOE, MOEA, BCCI and MOLHR) in developing relevant and quality vocational education curriculum that is standardized and upgraded regularly to ensure a match with labour market demand. This crosscutting bottleneck was raised on several occasions in relation to other activities as well. Given that the issue of youth employment cuts across several Ministries and stakeholders, there appears to be a need for strengthened overall policy coherence and clarity in terms of the roles and responsibilities of different stakeholders.

With regard to Activity 1.2 *(Institute scholarships to expand the scope of participation in tertiary education and develop internship programmes for promising students in tertiary education)*, five bottlenecks again were arrived at through consensus. In order of priority, they are:

1. Duration of internship is too short in most cases, causing incumbents to fall short of gaining relevant experience for full-time positions. Most full-time employment positions require at least one year of relevant experience. Because internships are only offered up to a maximum of six months, many youth are unable to secure more secure and full-time employment, even after gaining valuable experience through an internship.

2. Roles and responsibilities are not clearly established for internship programmes. Many students and youth interns stated they felt there was a lack of clarity in terms of their roles and responsibilities as interns. Employers are perceived to provide insufficient guidance regarding on-the-job expectations.

3. Skills and educational backgrounds of interns do not always match skills and educational backgrounds required by respective employers. While there are usually gaps between what is demanded by the employer and the skills set of the respective intern, the mismatch in large part is one that can be overcome through improved placement of interns.

4. Current funding of interns is mostly covered by MOLHR, creating potentially adverse incentives. By funding and placing interns, respective employers essentially benefit from receiving free labour. The current practice puts the financial burden of funding internships on MOLHR, in effect creating adverse incentives for employers.

With regard to Activity 1.3 *(Introduce technical and vocational training programmes in schools and allow lateral entry into tertiary education, linking it to vocational training and secondary education and providing seamless tracks for students to transition)*, there were two main bottlenecks. These are:

1. Demand for vocational vs. tertiary track is not clearly established. Currently, there exists a lack of evidence reflecting a preference among youth for pursuing a vocational versus a tertiary track. It is believed that, if given the choice, more youth would opt for the tertiary track given that it is more established, standardized and recognized, compared to vocational training.

2. Difficulty on the part of TVET graduates to cope with the tertiary education curriculum. Vocational training graduates face difficulty adapting to the tertiary education curriculum, creating difficulties for persons to shift tracks and update their skills. No courses are currently offered that bridge the gap between the vocational and tertiary curricula.

4.2 Bottlenecks to Intervention 2

Intervention 2, *Accelerating CSMI/MSME and private sector development for job creation, especially for women and youth employment*, has three activities associated with it. Activity 2.1 is focused on improving the regulatory environment for the private sector in a manner that facilitates its expansion. The other two activities aim to boost employment growth through promoting CSMI/ MSME and private sector growth.

With regard to Activity 2.1 *(Create an enabling environment for SME promotion and private sector growth. [Expand consultations with the private sector to understand its concerns; also introduce single-window clearance of new investment and business proposals])*, two bottlenecks were agreed upon. In order of priority, they are:

1. Lengthy bureaucratic procedures still persist for medium- to large-size businesses. While significant progress has been made in fast-tracking processes and procedures for establishing micro and small-scale businesses, bureaucratic challenges remain for setting up medium- and large-sized businesses. As a result, Bhutan still ranks 141st out of 189 countries in terms of ease of doing business (World Bank 2013).

2. Significant delays exist in implementation of single-window clearance for new investment and business proposals. There has been a significant lag time in implementing the single-window clearance system for new investment and business proposals. The Government recognizes this discourages entrepreneurship and private sector development and is taking steps to address the issue. Nonetheless, this was identified as a major obstacle to creating an enabling environment for SME promotion and private sector growth.

Under Activity 2.2 *(The RGoB will concentrate on actions that improve access to credit and finance for MSMEs, including for women-owned MSMEs)*, two critical bottlenecks were identified and prioritized. They are,

1. In rural areas, backward and forward linkages with agriculture are weak, making it difficult to develop a thriving MSME sector. Agricultural sector growth has slowed significantly in the past decade, giving cause for serious concern among the Government. Sluggish growth, along with underemployment in the agricultural sector, is identified as the main driver of rural-urban migration, especially among the youth. One bottleneck to making agriculture a more lucrative enterprise is the lack of related businesses based around the sector.

2. Current terms and conditions, including a collateral requirement are a barrier to entry for CSMIs and entrepreneurs. The current collateral requirement for loans is seen as a major bottleneck to promoting entrepreneurship and the development of the CSMI/MSME sector. Micro and small businesses find it extremely difficult to sustain and grow given current requirements.

Under Activity 2.3 *(Increase employment-based growth of private sector and women-owned enterprises through access to infrastructure, markets, finance and skills to ensure growth, particularly in sectors such as tourism and ICT [sectors that have been identified as having significant employment potential in the EDP 2010*],four bottlenecks were agreed upon as being critical. In order of priority, they are:

1. Master plans for tourism and IT sectors require development. Both these sectors are expected to grow in the future and be a source of further employment. However, master plans outlining future initiatives in the sectors have not yet been drawn up. Stakeholders expressed their concern regarding the delay, given the importance of these sectors in terms of their contributions to growth and employment.

2. Small existing market size, and poor infrastructure connecting rural and urban areas, limit market access. Given Bhutan's small population and the fact that it is a landlocked country, market access is limited. Moreover, poor physical infrastructure connecting rural to urban areas, and even rural to rural, is a significant impediment in transporting goods within the country, in effect placing limits on domestic market access as well.

3. Working conditions and wage rates are not favourable for gainful employment generation. The general perception among experts and stakeholders, including youth, is that current wage rates are low, even though the minimum wage has been increased since the July 2013 elections. In addition, working conditions in the private sector vary considerably, and in some cases (i.e., construction), safety conditions are poor. Both these factors – low wage rates and unfavourable working conditions – weaken the demand for seeking private sector employment.

4. Perceptions of youth toward private sector employment are not entirely understood, since hard evidence is lacking. There exists a paucity of evidence in terms how youth perceive the private sector, given an absence of surveys or studies on the issue. Therefore, statements made about private sector employment are often not grounded in empirics. There exists a need to better understand youths' perceptions vis-à-vis private sector employment in order to devise customized policies and strategies.

Table 4.1: Intervention 1 and associated Bottlenecks

Intervention 1 Enhance the education and training system in a way that is cognizant of demands in the job market.	
Activities	Bottlenecks
Activity 1.1 Under TVET, new programmes and courses launched in labour intensive growth sectors with attractive employment opportunities.	1. Quality, knowledge and expertise of teachers in relevant areas lacking.
	2. There are limited linkages between TVETs and employment intensive industries to fully capture market demand.
	3. New and emerging areas, including those that are gender friendly, such as media, fashion, hospitality and culinary arts, are not adequately reflected in the existing curriculum of TVETs.
	4. Lack of monitoring and evaluation in terms of TVETs performance.
	5. Lack of policy coordination among major stakeholders- MoE, MoEA, BCCI and MoLHR- in developing relevant and quality vocational education curriculum that is standardized, upgraded regularly to ensure a match with labour market demand.
Activity 1.2 Institute scholarships to expand the scope of participation in tertiary education and develop internship programmes for promising students in tertiary education.	1. Duration of internship in too short in most cases falling short of gaining relevant experience for full time positions.
	2. Roles and responsibilities are not clearly established for internship programmes.
	3. Skills and education background of intern do not always match skills and educational background required by respective employer.
	4. Current funding of interns mostly covered by MoLHR, creating potentially adverse incentives such as lack of recognition of interns.
Activity 1.3 Introduce technical and vocational training programmes in schools and allow lateral entry into tertiary education linking it to vocational training and secondary education, providing seamless tracks for students to transition.	1. Demand for vocational vs. tertiary track not clearly established.
	2. Difficultly on part TVET graduates to cope with tertiary education curriculum.

Table 4.2: Intervention 2 and associated Bottlenecks

Intervention 2.Accelerating CSMI/MSME and Private Sector Development forjob creation, especially for women and youth employment.	
Activities	**Bottlenecks**
Activity 2.1 Create an enabling environment for SMEs promotion and private sector growth. (Expand consultations with the private sector to understand their concerns. Also introduce single-window clearances of new investment and business proposals).	1. Lengthy bureaucratic procedures still persistent for medium to large size businesses
	2. Significant delay in implementation of single window clearance for new investment and business proposals
Activity 2.2 RGoB will concentrate on actions that improve access to credit and finance for MSMEs, including to women-owned MSMEs.	1. In rural areas, back and forth linkages with agriculture are weak, therefore making it difficult to develop a thriving MSME sector
	2. Current terms and conditions including the collateral requirement is a barrier to entry for cottage, micro, and small enterprises and entrepreneurs.
Activity 2.3 Increase employment-based growth of private sector and women enterprises through access to infrastructure, markets, finance and skills to ensure growth, particularly in sectors such as tourism and ICT (sectors which have been identified to have significant employment potential in the EDP 2010).	1. Master plans for Tourism and IT sectors are absent.
	2. Small existing market size, and poor infrastructure connecting rural and urban areas, limits market access.
	3. Working conditions and wage rates are not favorable for gainful employment generation.
	4. Perceptions of youth toward private sector employment not entirely understood, as there is a lack of hard evidence.

CHAPTER 5: Accelerating MDG progress: Identifying Solutions

Solutions to prioritized bottlenecks were arrived at through a consultative process and proposed on the basis of their feasibility (sustainability, financing, and capacity to implement the solution), as well as their potential impact in the short term.For the purposes of the MAF for Bhutan, the timeframe over which a solution's impact is to be realized is bound by the Government's 11thPlan. In addition, certain other factors were considered in identifying solutions, including whether the solutions are sustainable from an environmental standpoint and to what extent existing and new technologies can be employed in their implementation.

The consultative process also led to a consensus that the solutions should be viewed in aggregate terms – how they complement one another and make a potentially greater contribution when taken as a whole. In other words, the solutions proposed for each bottlenecks to particular activities under an intervention area were viewed in terms of their aggregate impact/contribution toward the achievement of the corresponding intervention. Thus conceived, a solution's value to overcoming a particular bottleneck was also judged on the basis of its potentially indirect positive contribution to facilitating the achievement of other solutions. Discussions therefore also touched upon the sequencing of solutions as well.

5.1 Solutions to bottlenecks to Intervention 1

Each of the 13 solutions proposed to overcoming 11 identified bottlenecks are very specific and geared toward ensuring that the education and training system works to align with the needs of the economy. At the same time, stakeholders realized that it is not enough that the education and training system just be responsive to economic needs; it should also shape and guide these needs. In concrete terms, what is expected is that the education and training system not only place graduates in jobs, but also create demand for new types of jobs.

As such, solutions were proposed that emphasized the need for better, higher-quality training at TVETs by offering monetary and non-monetary incentives to attract a higher calibre of trainers/ teachers, both from within and outside the country. In addition, because in some cases the private sector is able to perform certain tasks more efficiently than the Government, innovative public-private partnerships (PPPs) were encouraged to execute certain TVET functions. To obtain a better grasp of the needs of the labour market, more open and regular consultations among key players (BCCI, MoLHR, MoE) was proposed.

New and emerging areas that have latent potential for growth and job creation were recommended as part of the TVET curriculum. For example, programmes in industries such and fashion, media and culinary arts should be developed and closely integrated with the respective industry.

Consensus was widespread that TVETs be subject to standardized performance indicators that are internationally recognized. This would not only allow for Bhutan's TVETs to be compared to TVETs in other countries, but also for tracking of progress domestically.

A point made repeatedly during this discussion – and one that applies more broadly as a bottleneck – was with regard to the need for strengthened coordination and policy coherence across Government Ministries and other stakeholders. In the case of TVET curriculum development, not only greater coordination within Government was deemed necessary, but also between Government and the private sector, youth groups and civil society organizations (CSOs). The aim is to ensure that the TVET curriculum not only addresses the diverse demands of the labour market, but also anticipates growth areas and sectors in the economy.

Several bottlenecks were identified to the implementation of scholarships and internships for youth. A solution that intended to address several of these bottlenecks was to develop and legislate an Internship Act that clearly states the terms and conditions of internship programmes. The expected duration of the Act would be for two years; however, in its absence there remain no clear rules and regulations pertaining to internships.

Because most internships are paid for and financed by MOLHR, a fully funded Government internship placement programme seems to have created adverse incentives by supplying labour "free of cost" to employers. In turn, many employers are believed to have shown neglect toward interns and do not provide clear terms of reference for the work to be undertaken. Therefore, it was proposed that internships be co-financed in most instances, especially if a company accepting an intern is able to finance part of the salary.

Lastly, successfully integrating vocational training into the secondary-level education curriculum and providing students with a dual track post-secondary (vocational and tertiary) faced two main bottlenecks. The first was that the demand for vocational training among secondary-level students is not clear; it appeared most students, if given the choice, would opt for the core curriculum followed by tertiary education. Therefore, it was proposed and agreed that a quick assessment to determine the demand of vocational vs. tertiary education be undertaken. Such an assessment also would help to assess the capacity needed to ensure quality programmes along both tracks.

The second bottleneck highlighted the fact that students pursuing vocational training are generally ill-equipped for tertiary-level education. The agreed solution was to offer bridging courses that ensure a smoother transition; it was determined that the Bhutan Qualification Framework which is being developed will address this issue.

5.2 Solutions to bottlenecks to Interventions 2

Boosting private sector development with a focus on the CSMI/MSME sector has been high on the national agenda for some time. The private sector is seen both as a potential engine of employment generation and economic growth. However, for various reasons it has not been able to deliver on its promised role. The bottlenecks to the activities under Intervention 2, although specific, span a wide range, and as such, the solutions also address various aspects of private sector and CSMI/ MSME development.

Agricultural growth in general is seen as a longer-term solution to addressing rural-urban migration – and thus youth employment in urban areas – and some solutions aimed to strengthen linkages with the agricultural sector. The CSMI sector in particular has a key role to play in terms of facilitating and supporting agribusiness. Therefore, the solution proposed to strengthen backward and forward linkages with agriculture is to forge a stronger link between national-level policies on MSMEs and local development plans. At the same time, it was proposed that post-harvest/agricultural activities (i.e. processing, quality control, packaging and branding) be actively supported and promoted. The Government is also carrying out a value-chain analysis of agro-products to identify how best to support the industry in making it internationally competitive.

The main bottleneck to private sector growth, also discussed in Chapter 4, is the current regulatory/ facilitating environment. Given Bhutan's comparatively low ranking in terms of ease of doing business, despite improvements, points to a need to actively relax current requirements for investing and setting up businesses. Protecting or preserving the environment came up as a key reason for the high level of scrutiny that medium- to large-sized business may face. Nonetheless, the Government is keen to facilitate private sector development and growth, and a high-level committee chaired by MoEA/PSDC has been set up specifically to address current constraints or bottlenecks to ease of doing business.

Bottlenecks to access to finance for MSMEs, including the need for high collateral for loans, are to be addressed through several measures. First, the Department of Cottage and Small Industriesis to introduce a new innovative voucher scheme. Second, the Government will work closely with financial institutions to promote factoring and financial leasing services and to introduce other forms of collateral, including future assets. The paucity of MFIs in Bhutan was perceived as a general weakness. Given the mixed review of MFIs globally, it was proposed that creation of MFIs to support micro and small enterprises be carried out based on international best practices. Finally, it also was agreed that the Government would incentivize priority sector lending through lending institutions (i.e., 20 percent of all loans will go to MSMEs).

The tourism and IT sectors are increasingly seen as relevant for Bhutan's current and future development. Their attractiveness also stems from the fact that they are growth sectors, with potential for significant employment generation. While the tourism industry in Bhutan has matured over time, now focusing on “high-end” tourists, the IT industry is relatively small and still in its infancy. In tourism, a need exists for other parts of the economy to form better linkages with the hospitality industry, which is a particular area of growth.

Regarding IT, India's IT boom provides an example of how a specific sector can make a sizable contribution to national GDP and also to job creation over a short period of time. In Bhutan, both mobile phone and Internet penetration have increased exponentially in the past decade.

According to the World Bank, Internet users have increased from 0.4 per 100 people in 2000 to 21 per 100 people in 2010, while mobile phone users per 100 people has risen sharply from 0 to 66 over the same period.

However, the Government recognizes that better planning is needed to steer both these sectors toward further growth. As such, it is committed to work closely with the IT and tourism industries to develop their respective sectoral master plans, with a focus on facilitating their expansion and growth.

The belief is prevalent that the Bhutanese private sector is not the preferred employer among the youth. During the consultations, several factors were brought up as to why this may be the case, including poor working conditions, unfavourable contractual conditions, and low wages. Most evidence presented was anecdotal or based on hearsay, however, and not on surveys or a comprehensive sector assessment. Therefore, it was recommended that a survey targeted at the urban youth be conducted to better understand their perceptions toward private sector employment.

In turn, such an approach would help in better understanding specific concerns of the youth, and therefore allow the Government and private sector to work together to overcome these concerns and capitalize on potential opportunities. At the same time, consultations between the Government and private sector have become more frequent, thus creating a platform to address issues such as working conditions, contractual agreements and worker safety concerns.

Intervention 1. Enhance the education and training system in a way that is cognizant of demands in the job market.		
Activities	Bottlenecks	Solutions
Activity 1.1 Under TVET, new programmes and courses launched in labour intensive growth sectors with attractive employment opportunities.	1. Quality, knowledge and expertise of teachers in relevant areas lacking.	Better incentives, both monetary and non-monetary, for TVET trainers to attract better talent.
		Expand opportunities for professional development—train instructions/trainers for delivering quality TVET training (ToT-training of trainers).
		Privatize part of TVET system / promote Public Private Partnerships, especially in terms of attracting expert trainers.
	2. There are limited linkages between TVETs and employment intensive industries to fully capture market demand.	Strengthen existing information exchange between labour market, training institutions and students through regular (bi-annual) meetings between BCCI MoLHR, and MoE with strong follow up mechanism to be instituted.
	3. New and emerging areas, including those that are gender friendly, such as media, fashion, hospitality and culinary arts, are not adequately reflected in the existing curriculum of TVETs.	Expand programmes but closely integrate them to existing industry/ sectors in the country.
	4. Lack of monitoring and evaluation in terms of TVETs performance.	Establish performance indicators and benchmarking in line with international best practices and also establish an integrated monitoring and evaluation system.
	5. Lack of policy coordination among major stakeholders- MoE, MoEA, BCCI and MoLHR- in developing relevant and quality vocational education curriculum that is standardized, upgraded regularly to ensure a match with labour market demand.	Development, standardization and upgrading of the curriculum undertaken jointly by relevant stakeholders.

<table>
<tr><td rowspan="5">Activity 1.2 Institute scholarships to expand the scope of participation in tertiary education and develop internship programmes for promising students in tertiary education.</td><td>1. Duration of internship in too short in most cases falling short of gaining relevant experience for full time positions.</td><td rowspan="3">Develop and legislate an Internship Act outlining (i) roles and responsibilities of key stakeholders, (ii) duration of internship, (iii) job matching and (iv) clear criteria and guidelines on other aspects of internships.</td></tr>
<tr><td>2. Roles and responsibilities are not clearly established for internship programmes.</td></tr>
<tr><td>3. Skills and education background of intern do not always match skills and educational background required by respective employer.</td></tr>
<tr><td rowspan="2">4. Current funding of interns mostly covered by MoLHR creating potentially adverse incentives such as lack of recognition of interns.</td><td>Internships should be partly financed by employer to incentivize ownership. To sustain such a programme there is a need to broaden the pool of contributors. Create 'Youth internship endowment fund' with the support from all key players. This should also support school dropouts.</td></tr>
<tr><td>Recognition and awards for companies/entities providing effective internship programmes.</td></tr>
<tr><td rowspan="3">Activity 1.3Introduce technical and vocational training programmes in schools and allow lateral entry into tertiary education linking it to vocational training and secondary education, providing seamless tracks for students to transition.</td><td>1. Demand for vocational vs. tertiary track not clearly established.</td><td>Quick assessment needed on annual basis to establish demand for both tracks so as to build adequate capacity to ensure quality in both tertiary and vocational tracks.</td></tr>
<tr><td rowspan="2">2. Difficultly on part TVET graduates to cope with tertiary education curriculum.</td><td>Develop a bridge course TVET graduates going on to tertiary education.</td></tr>
<tr><td>The Bhutan Qualification Framework being developed is to address this issue.</td></tr>
</table>

<table>
<tr><th colspan="3">Intervention 2. Accelerating CSMI/MSME and Private Sector Development forjob creation, especially for women and youth employment.</th></tr>
<tr><th>Activities</th><th>Bottlenecks</th><th>Solutions</th></tr>
<tr><td rowspan="2">Activity 2.1 Create an enabling environment for SMEs promotion and private sector growth. (Expand consultations with the private sector to understand their concerns. Also introduce single-window clearances of new investment and business proposals).</td><td>1. Lengthy bureaucratic procedures still persistent for medium to large size businesses</td><td rowspan="2">Work with existing high-level committee chaired by MoEA/PSDC to delegate specific tasks and responsibilities such that processes are streamlined, automated, and license provision is fast tracked.</td></tr>
<tr><td>2. Significant delay in implementation of single window clearance for new investment and business proposals.</td></tr>
<tr><td rowspan="7">Activity 2.2 RGoB will concentrate on actions that improve access to credit and finance for MSMEs, including to women-owned MSMEs.</td><td rowspan="2">1. In rural areas, back and forth linkages with agriculture are weak, therefore making it difficult to develop a thriving MSME sector.</td><td>Strengthen the linkage between national level policy on MSMEs and local development plans to ensure livelihoods.</td></tr>
<tr><td>Support and promote post harvesting /agricultural activities—processing, quality control, packaging and branding for domestic and international markets.</td></tr>
<tr><td rowspan="5">2. Current terms and conditions including the collateral requirement is a barrier to entry for cottage, micro, and small enterprises and entrepreneurs.</td><td>Dept. of CSI to introduce innovative voucher scheme.</td></tr>
<tr><td>Financial institutions to promote factoring and financial leasing services.</td></tr>
<tr><td>Introduce other forms of collateral including future assets.</td></tr>
<tr><td>Creation of MFIs based on international best practice to support micro and small enterprises.</td></tr>
<tr><td>Government to incentivize priority sector lending through lending institutions (i.e. 20 per cent of all loans to go to MSMEs).</td></tr>
</table>

Activity 2.3 Increase employment-based growth of private sector and women enterprises through access to infrastructure, markets, finance and skills to ensure growth, particularly in sectors such as tourism and ICT (sectors which have been identified to have significant employment potential in the EDP 2010).	1. Master plans for Tourism and IT sectors have not been developed.	Develop respective master plans for IT and Tourism sectors in close collaboration with relevant stakeholders to ensure that employment considerations are taken up.
	2. Small existing market size, and poor infrastructure connecting rural and urban areas, limits market access.	Identify a few (3-5) products that have export potential and conduct a VCA to see how existing gaps can be overcome.
		Develop linkage between MSMEs and hospitality industry to identify products that captive market potential (i.e source hospitality industry with local suppliers
	3. Working conditions and wage rates are not favorable for gainful employment generation.	Through consultations with private sector address working, safety conditions and wages of employees based on clear criteria.
	4. Perceptions of youth toward private sector employment not entirely understood, as there is a lack of hard evidence.	Conduct a survey, targeted at the urban youth, to better understand perceptions of the youth toward private sector employment.

CHAPTER 6:

MDG acceleration plan: Building a compact

The tables that follow present the Country Action Plan (CAP) to addressing MDG 8, Target 16 *(In cooperation with developing countries, develop and implement strategies for decent and productive work for youth)*.These are the culmination of a Government-led consultative process involving all relevant stakeholders. Because employment in general, and youth employment in particular, is a cross-sectoral issue, the emerging solutions clearly reflect the need for strengthened coordination and collaboration within Government and between Government, relevant stakeholders and development partners. The period over which the CAP is to be implemented is consistent with the Government's 11th Five Year Plan (2013-2018).

While indicators for monitoring progress have been listed, alongside relevant stakeholders, funding sources are not included, nor have solutions been costed. The intention is to present a blueprint as part of this document, and subsequently develop a detailed Implementation Plan that lays out specific roles and responsibilities of each partner/stakeholder, along with the specific funding sources for each solution. The Implementation Plan will be completed by third quarter of 2014.

MDG 8, Target 16. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth

Indicator 45: Unemployment rate of young people aged 15-24 years, each sex and total

Intervention 1. Enhance the education and training system in a way that is cognizant of demands in the job market.

Activities	Bottlenecks	Solutions	M & E Indicators	Partners
Activity 1.1 Under TVET, new programmes and courses launched in labour intensive growth sectors with attractive employment opportunities	1. Quality, knowledge and expertise of teachers in relevant areas lacking	Better incentives, both monetary and non-monetary, for TVET trainers to attract better talent.	Improvement in the share of trainers with higher education background	MoLHR, RCSC, DANIDA, JICA, HELVETAS, BCCI
		Expand opportunities for professional development—train instructions/trainers for delivering quality TVET training (ToT-training of trainers).	No. of trainers trained/ obtained higher degree on emerging areas of	
		Privatize part of TVET system / promote Public Private Partnerships, especially in terms of attracting expert trainers.	Percentage of TVETs privatized/ No. of PPPs	
	2. There are limited linkages between TVETs and employment intensive industries to fully capture market demand.	Strengthen existing information exchange between labour market, training institutions and students through regular (bi-annual) meetings between BCCI MoLHR, and MoE with strong follow up mechanism to be instituted.	No. of meetings held in a year/ review of performance undertaken in next meetings	MoLHR, BCCI, MoE, CSOs, UNDP, ADB, WB, HELVITAS.
	3. New and emerging areas, including those that are gender friendly, such as media, fashion, hospitality and culinary arts, are not adequately reflected in the existing curriculum of TVETs.	Expand programmes but closely integrate them to existing industry/sectors in the country.	No. of new courses launched in emerging areas	Private Sector Asso, Private Training Institutes, HAB, GAB, MoEA, MAB
	4. Lack of monitoring and evaluation in terms of TVETs performance.	Establish performance indicators and benchmarking in line with international best practices and also establish an integrated monitoring and evaluation system.	Performance indicators identified and benchmarked and integrated M&E system is established	GNHC, MoE, MoLHR, MoEA, BCCI, NSO

	5. Lack of policy coordination among major stakeholders - MoE, MoEA, BCCI and MoLHR- in developing relevant and quality vocational education curriculum that is standardized, upgraded regularly to ensure a match with labour market demand.	Development, standardization and upgrading of the curriculum undertaken jointly by relevant stakeholders.	New curriculum developed, standardized, upgraded	MoE, MoLHR, MoEA, BCCI, NSO.
Activity 1.2 Institute scholarships to expand the scope of participation in tertiary education and develop internship programmes for promising students in tertiary education.	1. Duration of internship in too short in most cases falling short of gaining relevant experience for full time positions.	Develop and legislate an Internship Act outlining (i) roles and responsibilities of key stakeholders, (ii) duration of internship, (iii) job matching and (iv) clear criteria and guidelines on other aspects of internships.	Enactment of Internship act	MoLHR, CSOs, BCCI, MoE
	2. Roles and responsibilities are not clearly established for internship programmes			
	3. Skills and education background of intern do not always match skills and educational background required by respective employer.			
	4. Current funding of interns mostly covered by MoLHR, creating potentially adverse incentives such as lack of recognition of interns.	Internships should be partly financed by employer to incentivize ownership. To sustain such a programme there is a need to broaden the pool of contributors. Create 'Youth internship endowment fund' with the support from all key players. This should also support school dropouts.	Creation of the 'Youth Internship Endowment fund'.	Development Partners, RUB, CSOs, MoE, BCCI, MoEA, MoLHR, ATOB, MPAB.
		Recognition and awards for companies/ entities providing effective internship programmes.	Awards instituted and selection committee is formed	

Activity 1.3Introduce technical and vocational training programmes in schools and allow lateral entry into tertiary education linking it to vocational training and secondary education, providing seamless tracks for students to transition.	1. Demand for vocational vs. tertiary track not clearly established.	Quick assessment needed on annual basis to establish demand for both tracks so as to build adequate capacity to ensure quality in both tertiary and vocational tracks.	Annual demand assessment undertaken prior academic year	MoE, MoLHR, GNHC
	2. Difficultly on part TVET graduates to cope with tertiary education curriculum.	Develop a bridge course TVET graduates going on to tertiary education.	Bridge course is developed and launched.	RUB, RIM, UNESCO, Pvt. Training Institutes
		The Bhutan Qualification Framework being developed is to address this issue.	Bhutan Qualification Framework is implemented	

MDG 8, Target 16. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth

Indicator 45: Unemployment rate of young people aged 15-24 years, each sex and total

Intervention 2. Accelerating CSMI/MSME and Private Sector Development for job creation, especially for women and youth employment.

Activities	Bottlenecks	Solutions	M&E Indicators	Partners
Activity 2.1 Create an enabling environment for SMEs promotion and private sector growth. (Expand consultations with the private sector to understand their concerns. Also introduce single-window clearances of new investment and business proposals).	1. Lengthy bureaucratic procedures still persistent for medium to large size businesses	Work with existing high-level committee chaired by MoEA/ PSDC to delegate specific tasks and responsibilities such that processes are streamlined, automated, and license provision is fast tracked.	Improvement in Bhutan's rank on no. of procedures and time of approval indicator used in Doing Business report	MoEA, MoLHR, NEC, BCCI, NLC, MoHCA,
	2. Significant delay in implementation of single window clearance for new investment and business proposals.			
Activity 2.2 RGoB will concentrate on actions that improve access to credit and finance for MSMEs, including to women-owned MSMEs.	1. In rural areas, back and forth linkages with agriculture are weak, therefore making it difficult to develop a thriving MSME sector.	Strengthen the linkage between national level policy on MSMEs and local development plans to ensure livelihoods.	Local development plans have more programs on / support for MSMEs	GHNC, MoAF, MoHCA, Dzongkhag Administration, Exporters' Association, Dev. Partners
		Support and promote post harvesting /agricultural activities—processing, quality control, packaging and branding for domestic and international markets.	Increase in the share of employment in post harvest activities	
	2. Current terms and conditions including the collateral requirement is a barrier to entry for cottage, micro, and small enterprises and entrepreneurs.	Dept. of CSI to introduce innovative voucher scheme.	No. of beneficiaries from innovation voucher scheme	MoA, MoF, MoAF, RMA, MoEA, FIs, ADB, Pvt. Sector Asso.
		Financial institutions to promote factoring and financial leasing services.	Increase in the percentage share of the loans given on this basis	
		Introduce other forms of collateral including future assets.	Increase percentage share of the loans given on this basis.	

		Creation of MFIs based on international best practice to support micro and small enterprises.	MFI are created	
		Government to incentivize priority sector lending through lending institutions (i.e. 20 per cent of all loans to go to MSMEs).	FIs undertake priority lending to MSMEs	
Activity 2.3 Increase employment-based growth of private sector and women enterprises through access to infrastructure, markets, finance and skills to ensure growth, particularly in sectors such as tourism and ICT (sectors which have been identified to have significant employment potential in the EDP 2010).	1. Master plans for Tourism and IT sectors have not been developed	Develop respective master plans for IT and Tourism sectors in close collaboration with relevant stakeholders to ensure that employment considerations are taken up.	Master plans developed	MoIC, ADB, UNDP and TCB
	2. Small existing market size, and poor infrastructure connecting rural and urban areas, limits market access.	Identify a few (3-5) products that have export potential and conduct a VCA to see how existing gaps can be overcome.	Five products with exports potential identified and VCA report is finalized for follow up action	MoAF, MoEA, UNDP, CSOs, MoLHR
		Develop linkage between MSMEs and hospitality industry to identify products that captive market potential (i.e source hospitality industry with local suppliers).	A coordination committee is created, involving DCSI and TCB for exploring and developing linkages	
	3. Working conditions and wage rates are not favorable for gainful employment generation.	Through consultations with private sector address working, safety conditions and wages of employees based on clear criteria.	Improved workers perceptions on working conditions based on survey results	MoLHR, MoEA, BCCI, ILO, UNDP, GOI, WB
	4. Perceptions of youth toward private sector employment not entirely understood, as there is a lack of hard evidence.	Conduct a survey, targeted at the urban youth, to better understand perceptions of the youth toward private sector employment.	Survey report is prepared	MoLHR, UNDP, DYS, CSOs

ANNEX

A.1 Data Sources

The MAF relied on national sources of data.

The Labour Force Surveys (LFS) from various years were used as the main source for labour statistics, unless otherwise specified.

The Bhutan Living Standards Survey 2012 (BLSS 2012), which was published after the LFS 2012has also been used to highlight the differences in labour statistics between BLSS 2012 and LFS 2012.

A.2: List of Workshops and Persons Consulted

Workshop participants for Causality Analysis Workshop RBM Training held in Thimphu, 17-23 April 2012

SL	Name	Agency
1	Chief Program Officer, CDD, DoPH	DopH/MoH
2	Chief Program Officer, Non-Communicable Disease, DoPH	DopH/MoH
3	Chief Planning Officer, PPD	MoH
4	Chief Of Health Promotion Division	DoPH/MoH
5	National Commission for Women and Children	NCWC
6	Sonam Penjor	NCWC
7	Phuntsho Gyelsten	TCB
8	Wangda Dorji, Director	Lhaksam
9	Program Manager	Lhaksam
10	Tshering Dorji, Planning Officer	ECB
11	Sonam Chhoeki, Program Officer	BNF
12	Sonam Tobgay	NAB
13	Namgay Wangchuk	RCSC
14	Karma W. Tashi	PPD/MoHCA
15	Executive Director	RSPN
16	Chief Executive Officer	DHI
17	Nima	BNLI
18	Pelden Tshering	NEC
19	Chime P. Wangdi, Secretary General	Tarayana
20	Kinley Rinchen, Planning Officer	RUB

21	Tashi Choden, Senior Development Coordinator	YDF
22	Tshering Dendup	National Council
23	Ugyen Tshering, Program Coordinator	GNHC
24	Throwa Tenzin	GNHC
25	Tandin Wangmo, Senior Program Coordinator	GNHC
26	Kencho Thinley	Planning Officer, MoAF
27	Dorjee	Principal, Horticulture, MoAF
28	Namgay Thinley	Project Manager, Horticulture, MoAF
29	Phub Dem	Dept. of Agriculture & Marketing, MoAF
30	Yonten Gyemtsho	Ch. Marketing Officer, MoAF
31	Gap Tshering	Employment Officer, MoLHR
32	Jigme Dukpa	Programme Officer, MoLHR
33	Langa Dorji	Prog. Coordinator, MoLHR
34	Jamyang Tshomo	Planning Officer, MoLHR
35	Dawa Zangmo	Trade Officer, MoEA
36	Pema Thinley	Trade Officer, MoEA
37	Tshewang T. Dorji	Trade Officer, MoEA
38	Phub Sangay	Sr. Statistical Officer, National Statistical Bureau
39	Tashi Choden	Sr. Research Officer, Center for Bhutan Studies
40	Jit Tshering	Sr. Lecturer, Royal Institute of Management
41	Phuntsho Wangmo	Sr. Lecturer, Royal Institute of Management
42	Pratima	Programme Officer, Handicraft
43	Sangay Om	Programme Officer, APIC
44	Sonam Yangdon	Industry Officer, MoEA
45	Dorji Tashi/Phub Wangdi	Prog. Coordinator, Loden
46	Thinley Norbu	Prog. Officer, CSO
47	Aum Damchhoe	President, BAOWE
48	Jigme Wangmo	Executive Director, DRAKTSHO
49	Namgay Wangchuk	Off. Chief HRO, RCSC
50	Phuntsho Gyeltshen	Prog. Officer, Tourism Council of Bhutan
51	Phurba Wangchen	Asst. Project Manager, BDFC
52	Sonam Dorji	Secretary General, ABTO
53	Ugyen Lhendup	Env. Officer, RSPN

54	Kinga Wangdi	Prog. Officer, RSPN
55	Dechen Wangmo	Head, Business development, DGPC
56	Tshering Lhamo	Company Secretary, DGPC
57	Pempa Tshering	Bhutan Power Corporation
58	Phuntsho	Manager, Bhutan Telecom
58	Kuenga	Automobile Association of Bhutan
60	Rinzi Dorji	Information Technology Association of Bhutan

Workshop participants for MDG Acceleration Workshop held in Paro, 23-24 May 2012

SL	Name	Agency	Contact	Email ID
1	Phuntsho Gyeltshen	TCB	17636757	phuntsho_gyeltshen@tourism.gov.bt
2	Gaki Wangmo	RCSC	17119177	gaki@rcsc.gov.bt
3	Dr. Tshering C Dorji	BITC (IT Park)	17113037	tcd@thimphutechpark.com
4	Angali Gulati	BITC (IT Park)	17878828	Anjali.gulati@thimphutechpark.com
5	Sonam Choden	BITC (IT Park)	17809270	sonam.choden@thimphutechpark.com
6	Phub Wangdi	Loden Foundation	17631169	pwangdi@loden.org
7	Jamyang Galey	MoLHR		drukda@hotmail.com
8	Karma Lhazom	DHR/MoLHR	77343175	karmalhazom@yahoo.com
9	Jamyang Tshomo	PPD, MOLHR	17655060	jamyang@molhr.gov.bt
10	Jigme Drukpa	DOE, MOLHR	17614215	jigduk08@yahoo.co.in
11	Langa Dorji	DOE, MOLHR	17562755	langadorji@hotmail.com
12	Tashi Choden	YDF	17140701	tashichoden@bhutanyouth.org
13	Nima Penjor	Y-VIA, YDF	17392514	nimapenjo@yahoo.com
14	Tandin Wangmo	GNHC	77115644	tandinw@gnhc.gov.bt
15	Sonam Chokey	GNHC	17851695	schoki@gnhc.gov.bt
16	Sonam Yarphel	GNHC	17891115	syarphel@gnhc.gov.bt
17	Tashi Wangdi	DOI/MoEA	17919255	tashiwangdi12@gmail.com
18	Dawa Zangmo	DOT/MoEA	17937609	dawazangmo@druknet.bt
19	Sonam Tshering	DAHE, MoE	17607852	somtshering@gmail.com
20	Tshering Samdrup	CCDCL	17401932	samdrup15@gmail.com
21	Kinley Penjor	UNICEF	17638468	kpenjor@unicef.org
22	Dechen Chime	UNFPA	17141242	chime@unfpa.org
23	Yeshi Dorji	UNFPA	17141245	dorji@unfpa.org
24	Karma Tshering	UNFPA	17141248	tshering@unfpa.org

25	Angela	UNRCO		angela.ison@one.un.org
26	Fumie Arimizu	APRC		Fumie.Arimizu@undp.org
27	Taimur Khilji	APRC		taimur.khilji@undp.org
28	Dr. Chhewang Rinzin (national consultant)	UNDP/GNHC	17117920	chhewng_rinzin@yahoo.com
29	Dorji Choden	UNDP	17110104	dorji.choden@undp.org
30	Jigme Dorji	UNDP		jigme.dorji@undp.org
31	Keyzang Dema	UNDP		keyzang.d@gmail.com
32	Tirtha Rana	UNDP		tirtha.rana@undp.com

Workshop participants for MAF Action Plan Meeting at MoLHR, 27 August 2012

	Name	Agency	Email ID
1	Phuntsho Rabten	MOLHR	dzongpon@gmail.com
2	Namgyel Tshering	Helvetas	namgyel.tshering@helvetas.org
3	Jamyang Tshomo	MOLHR	jamyang@molhr.gov.bt
4	Brett Banks	UNDP	brett.banks.james@gmail.com
5	Jamyang Geley	MOLHR	drukda@hotmail.com
6	Tandin Wangmo	GNHC	tandinw@gnch.gov.bt
7	Dawa Zangmo	MOEA	dawazam2002@yahoo.com
8	Karma Lhazom	MOLHR	karmalhazom@yahoo.com
9	Kinley Dorji	MOLHR	kdorji777@gmail.com
10	Damchu Wangdi	MOLHR	damchu.w@gmail.com
11	Langa Dorji	MOLHR	langadorji@hotmail.com
12	Gap Tshering	MOLHR	eship.me@gmail.com
13	Karma Tsering	UNICEF	ktsering@unicef.org
14	Dorji Choden	UNDP	dorji.choden@undp.org
15	Jigme Dorji	UNDP	jigme.dorji@undp.org

Workshop participants for MAF Validation Workshop at Migmar Hotel, 19 November 2013

	Name	Designation	Agency	Contact	Email ID
1	Ugyen Lhamo	Planning Officer	MoHCA	77292650	Eseyang2006@gmail.com
2	Gyem Lhamo	Intern	RUB	17791085	gLhamo82@yahoo.com
3	N.B.Raika	CPO	DAHE,MoE	17727170	nraika-dahe@education.govt.bt
4	Werner Christen	CTA	HELVETAS	17110715	werner.christen@helvetas.org
5	Prem P. Adhikari	Industry Officer	DCSI, MoEA	1619720	adhikari2k3@yahoo.com
6	Sherab wangchuk	Planning Officer	PPD,MoAF	17670404	sherabbt@moaf.govt.bt
7	Genevieve Boyreau	RR	WB	17184535	gboyreau@worldbank.org
8	Naina K Gurung	Specialist, G2C	MoE	17555634	nainakalag@gmail.com
9	Jigme Thinley	Programme Coordinator	YDF	17618588	jigmethinley@bhutanyouth.org
10	Ugyen Pema	Planning Officer	PPD,MoEA	77220307	pemagea@gmail.com
11	Karma Tsering	Child Protection Officer	UNICEF	17518615	ktsering@unicef.org
12	Karma Tenzin	Project Coordinator	UNIDO	17633242	k.tenzin@unido.org
13	Wangmo	Program Officer	Tarayana Foundation	17618467	Wangmoc505@gmail.com
14	Ugyen Lhendup	Assistant Lecturer	RIM	77266399	ugyen.Lhendup@rim.edu.bt
15	Kinga Dema	Sr.Reporter	Kuensel	77250704	kimsodee@gmail.com
16	Pem Zam	Trade Officer	DoT,MoEA	321337	pemzam2000@yahoo.com
17	Pema Yeshi	Reporter	BBS	16910186	ttolley121@Gmail.com
18	Pencho Sherab	Youth	Youth group	17279934	penchosherab@Gmail.com
19	Pema Tshering	Officer	RSPN	17235477	Pematshering52@gmail.com
20	Tandin wangchuk	IT Assistant	Private	77205967	wangchuktandin73@yahoo.com
21	Taimur Khiliji	Policy Specialist	UNDP, APRC		taimur.khilji@undp.org
22	Tshewang Norbu	Student	Unemployed	17899826	TshewangNorbu987@gmail.com
23	Dorji Pema	Youth	Youth group	17907859	dpema21@gmail.com
24	Dorji Kirab	Youth	Youth group	17907859	dorjikirab@gmail.com
25	Kinley Rabgayel	ICT	BCCI	17611821	bcciict@gmail.com

26	Tashi Choden	Sr. Development Coordinator	YDF	17140701	tashichoden@bhutanyouth.org
27	Jamyang Galey	Director, DoE	MoLHR	17939042	jamyanggaley07@gmail.com
28	Jamyang Tshomo	PPD	MoLHR	17655060	Jamyang@molhr.govt.bt
29	Gap Tshering	PPD	MoLHR	77209191	eship.me@gmail.com
30	Tirtha Rana	Programme Assistant	UNDP		tirtha.rana@undp.org
31	Jigme Dorji	Programme Analyst	UNDP		jigme.dorji@undp.org
32	Tandin Wangchuk	Intern	UNDP		tandindwangchuk88@yahoo.com
33	Hideko Hadzialic	DRR	DRR		hideko.hadzialic@undp.org

List of individuals contacted

Name	Designation	
Passang Dorji	Chief Planning Officer	Planning Monitoring and Coordination Division, GNHC, Thimphu
Rinchen Wangdi	Chief Programme Officer	Development Cooperation Division, GNHC, Thimphu
Dr. Pema Chhophel	Executive Director	Bhutan Trust Fund, Thimphu
Dr. Sangay Wangchuk	Forestry Specialist	Ministry of Agriculture and Forestry Services, RgoB, Thimphu
Kuenga Tshering	Director General	National Statistical Bureau, Thimphu
A.K. Adikari	Senior Urban Planner	Department of Urban Development Engineering Services, Ministry of Works and Housing Services, Thimphu
Jamyang Geleg	Director	Department of Employment, Ministry of Labor and Human Resources, Thimphu
Karma Lhazom		Ministry of Labor and Human Resources, Thimphu
Gap Tshering	Planning Officer	Ministry of Labor and Human Resources
Kinley Penjor	Programme Officer	UNICEF, Thimphu
Tashi Choden	Senior Coodinator	Youth Development Fund

Karma C. Neydup	Environmental Specialist	National Environment Commission, Thimphu
Yeshey Dorji	Consultant	Millennium Development Consultancy, Thimphu
Chencho Dorji	Director General	Department of Forestry Services, MoA
Tshewang	District Statistical Officer	Lhuntse Dzongkhag
Karma Dorji	Planning Officer	Lhuntse Dzongkhag
Kingzang Norbu	District Statistical Officer	Bumthang Dzongkhag
Dawa	Communication Officer	NSD, Division of Dzongkhag information and Communication Thimphu
Phub Wangdi		Loden Foundation
Sonam Wangdi	Dy. Chief Accountant	Ministry of Finance, Thimphu
Sonam Tashi Tek B. Chhetri	Head Head	Policy and Planning Division, Ministry of Economic Affairs, Thimphu DANIDA
Yumiko Asakuma	Chief Representative	JICA
Kinley Dorji	Chief Programme Officer	JICA
Thuji Dorji Nadik	Acting Managing Director	Tourism Council of Bhutan
Phuntsho Gyeltshen	Planning Officer	Tourism Council of Bhutan
Karma Tshering	Child Protection Officer	UNICEF, Bhutan
Bishnu Bhakta Mishra	Education Officer	UNICEF, Bhutan
Dechen Wangmo	Chief Planning Officer	PPD, Ministry of Education, Thimphu
Phub Tshering	General Secretary	Bhutan Chamber of Commerce and Industries, Thimphu
Karma Dopchu	Planning Officer	Gross National Happiness Commission, Thimphu
Additional Director		Royal Institute of management Thimphu
Dr. Samdrup	Director	Planning, Royal University of Bhutan

References

1. Adams, D. and E. Gottlieb. 1993. Education and Social Change in Korea. New York: Garland Publishing.

2. ADB. 2011. Gender Equality Results, Case Studies: Bhutan, Asian Development Bank, 2011

3. Bisht, Medha. 2011. 'India-Bhutan Power Cooperation: Between Policy Overtures and Local Debates'. IDSA Issue Brief. New Delhi: Institute for Defense Studies and Analyses.

4. EIU (Economist Intelligence Unit). Country Report Bhutan 4th Quarter 2011.

5. [http://www.marketresearch.com/Economist-Intelligence-Unit-v458/Country-Bhutan-Quarter-6687492/]. Last accessed on 14 November 2012.

6. Deloitte. 2012. 'Formulation of National Employment Policy for Bhutan: Assessment Report'. Report summited to the Ministry of Labour and Human Resources, Royal Government of Bhutan. January 2012.

7. Franz, Jutta and SonamJatso. 2012. 'Technical Review of Vocational Education and Training'. Social Sector Programme Support. Final Report. 5 – 20 March 2012.

8. Friedman, M. 1977. 'Inflation and unemployment'. Journal of Political Economy 85, 451-72.

9. ILO (International Labour Organization). 2012a. Global Employment Trends for Youths 2012. Geneva: International Labour Office.

10. ILO. 2012b. 'Importance and Applications'. [http://www.ilo.org/global/statistics-and-databases/statistics-overview-and-topics/underemployment/importance-and-applications/lang--en/index.htm]. Last accessed on 9 October 2012.

11. ILO. (2012c). Underemployment Statistics. Retrieved November 19, 2012, from International Labour Organization c: http://www.ilo.org/global/statistics-and-databases/statistics-overview-and-topics/underemployment/lang--en/index.htm

12. RGOB. (2013). Eleventh Five Year Plan (1 July 2013 to 30 June 2018). Gross National Happiness Commission, RGOB. RGOB.

13. ILO (International Labour Office). 2011.Key Indicators of the Labour Market. 7th Edition. CD-ROM version. ISBN 978-92-2-020137-4.

14. ILO. n.d. "The Youth Employment Network". [http://www.ilo.org/public/english/employment/yen/index.htm] accessed on 12 October 2012.

15. Jongchol, Kim. 2000. 'Historical development'. In: Weidman, J. and Park Namgi (eds). Higher Education in Korea: Tradition and Adaptation, New York: Falmer Press, 7-54.

16. Kakra, Ajay and NirvanjyotiBhattacharjee. 2009. The Impact of the Global Economic and Financial Crisis in Least Developed Countries' Manufacturing Industry: The Case of the Fruits & Vegetables Sector in Bhutan & Nepal. Least Developed Countries Ministerial Conference. Vienna: United Nation Industrial Development Organization.

17. Köhler, Gabriele, Marta Cali and Mariana Stirbu. 2009. Social Protection in South Asia: A Review. Kathmandu: UNICEF ROSA.

18. National Commission for Women and Children. 2006. 7th CEDAW Periodic Report, Thimpu, Bhutan.

19. National Statistics Bureau. 2011. Bhutan Multiple Indicator Survey 2010. Thimphu: National Statistics Bureau. [http://www.nsb.gov.bt/pub/surveys/bmis/BMIS-Report-2010.pdf]. Last accessed on 14 November 2012.

20. Osmani, S.R., B.B. Bajracharya, Sonam Tenzing, and Tashi Wangyal. 2007. Macroeconomics of Poverty Reduction: The Case Study of Bhutan. 2nd Edition. The Asia-Pacific Regional Programme on Macroeconomics of Poverty Reduction. Colombo: UNDP Regional Centre.

21. Phelps, Edmund S. 1968. "Money-Wage Dynamics and Labor-Market Equilibrium". Journal of Political Economy 76: 678–711.

22. RGoB (Royal Government of Bhutan). 2012a. 'Diagnostic Trade Integration Study'. Thimpu. 19 January 2012. Unpublished.

23. RGoB 2012b. 'Labour Force Survey Report 2012'. Thimphu. Unpublished.

24. RGoB. 2012c. 'MDG Acceleration Framework: Youth Unemployment in Bhutan'. Thimphu. Unpublished.

25. RGoB. 2012d. 'Task Force Report on Balance of Payments with India and the Rupee Shortage'. Thimphu: Royal Government of Bhutan. 2012.

26. RGoB 2012e. 'Bhutan Living Standards Survey 2012 Report', National Statistics Bureau, Bhutan and Asian Development Bank, 2012

27. RGoB 2012f. Cottage, Small & Medium Industry Development Strategy (2012-2020) & Action Plan (2012-14), Ministry of Economic Affairs, RGoB 2012

28. RGoB. 2011a. Annual Education Statistics 2011. Ministry of Education. Thimphu: Royal Government of Bhutan.

29. RGoB. 2011b. Bhutan at a Glance. Royal Government of Bhutan. [http://www.nsb.gov.bt/pub/baag/BAAG%202011.pdf].

30. RGoB. 2011c. Bhutan Multiple Indicator Survey, May 2011. Thimphu, Bhutan: National Statistics Bureau.

31. RGoB. 2011d. Labour Force Survey Report 2011. Thimphu: Royal Government of Bhutan.

32. RGoB. 2011e. Population Projections Bhutan, 2005-2030. National Statistical Bureau. Thimphu: Royal Government of Bhutan.

33. RGoB. 2011f. Statistical Year Book of Bhutan 2011. Thimphu: Royal Government of Bhutan.

34. RGoB 2011g. The Technical, Vocational Education and Training Policy, MoLHR, RGoB, 2011

35. RGoB. 2010a. Bhutan at a Glance. Royal Government of Bhutan. [http://www.nsb.gov.bt/pub/baag/BAAG%202010.pdf].

36. RGoB. 2010b. National Human Resource Development Policy of the Kingdom of Bhutan, 2010. Ministry of Labour and Human Resources. Thimphu: Royal Government of Bhutan.

37. RGoB 2010c. New Economic Development Policy, 2010, Royal Government of Bhutan.

38. RGoB 2010d. Tertiary Education Policy of the Kingdom of Bhutan, 2010, Ministry of Education, RGoB 2010

39. RGoB 2010e. National Youth Policy, 2010, Department of Youth and Sports Ministry of Education, RGoB 2010

40. RGoB 2010f. The proposed Policy Framework for MSME Development, MSME Division, Department of Industry, Ministry of Economic Affairs, RGoB 2010.

41. RGoB 2009a. A Country Report: Higher Education in the Kingdom of Bhutan, Cherishing Dreams and Confronting Challenges. Ministry of Education. Thimphu: Royal Government of Bhutan.

42. RGoB. 2009b. Labour Force Survey Report 2009.Thimpu: Royal Government of Bhutan.

43. RGoB 2009c. Labour Market Information Bulletin, 2007. Royal Government of Bhutan.

44. [http://www.yweo.bt/labour/employment/lmibulleton2009.pdf].

45. RGoB 2008a. Establishment Census Report, 2008. Royal Government of Bhutan. [http://www.molhr.gov.bt/publication/establishment.pdf].

46. RGoB. 2008b. Education without Compromise: Education Sector Review Commission Report 2008. Thimpu: Royal Government of Bhutan.

47. RGoB 2007a. Labour Market Information Bulletin, 2007. Royal Government of Bhutan. [http://www.gnhc.gov.bt/wp-content/uploads/2011/RGOBReports/LMI.pdf].

48. RGoB. 2007b. Statistical Year Book of Bhutan 2011. Thimphu: Royal Government of Bhutan.

49. RGoB. 2006a. Bhutan National Human Development Report 2005: The Challenge of Youth Employment. Thimpu: Royal Government of Bhutan.

50. RGoB. 2006b. Labour Force Survey Report 2006. Thimphu: Royal Government of Bhutan.

51. UNCTAD (United Nations Commission on Trade and Development). 2012, Investment Guide to Bhutan, Geneva, Switzerland, 2012

52. UNDESA (United Nations Department of Economic and Social Affairs). 2011. World Population Prospects: The 2010 Revision. CD-ROM version.

53. UNDP (United Nations Development Programme). 2012. One Planet to Share: – Sustaining Human Progress in a Changing Climate. Asia-Pacific Human Development Report 2012. New Delhi: Routledge.

54. UNDP. 2010. The Real Wealth of Nations: Pathways to Human Development. Human Development Report 2010. New York: Palgrave Macmillan.

55. UNESCO (United Nations Educational, Scientific and Cultural Organization). 2011. World Data on Education 2010/11.

56. Wangchuk, Jigme. 2011. 'National Employment Policy under Discussion'. Bhutan Observer. 16 December. [http://www.bhutanobserver.bt/national-employment-policy-discussion/]. Last accessed on 15 October 2012.

57. World Bank. 2013. Doing Business 2014: Comparing Business Regulations for Domestic Firms across 189 Countries, 11th Edition, 2013

58. World Bank. 2012. World Development Indicators Online. Last updated on 27 September. Washington, DC: World Bank. [http://databank.worldbank.org/ddp/home.do]. Last accessed on 9 October 2012.

59. World Bank. 2011a. 'PovcalNet'. Last updated on 1 November. [http://iresearch.worldbank.org/PovcalNet/ povDuplic.html]. Last accessed on 14 October 2012.

60. World Bank. 2011b. World Development Indicators Online. Washington, DC: World Bank. [http://databank.worldbank.org/ddp/home.do]. Last accessed on 9 October 2012.

61. World Bank. 2010a. World Development Indicators Database. Washington, DC: World Bank.

62. World Bank. 1993. The East Asian Economic Miracle: Economic Growth and Public Policy. Washington, DC: World Bank.