

# BHUTAN'S STORY:

Valuing the  
contribution of  
the environment  
to Gross National  
Happiness

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## Development Progress



# Valuing the contribution of the environment to Gross National Happiness

## Key messages

1. The Government of Bhutan has placed environmental conservation at the core of its development strategy. Understanding how environmental progress has been made must take into account the country's historical context and its overarching approach to development, as captured in the concept of Gross National Happiness (GNH).
2. Today, 38% of the country's land is designated as national protected areas and 75% is covered in forest. The development of hydroelectricity has been an important element in the preservation of natural resources, and has resulted in one of the lowest rates of fossil fuel use in the world.
3. Bhutan's story of progress highlights the importance of cultural and spiritual heritage in shaping how a nation manages its natural environment. Its religious background in Buddhism has been an important factor in encouraging strong environmental stewardship. The quality of national leadership and ownership has also ensured successful environmental conservation.

“Bhutan provides important lessons on how to mainstream environment into national development planning, and how to balance the demands of globalisation with natural heritage and the environment”

## Summary

Unlike many developing countries in which the environment has remained a low priority for public investment and policy formation, the Government of Bhutan has placed environmental conservation at the core of its development strategy. All major development initiatives are evaluated in relation to their environmental impact. Bhutan therefore provides important lessons for the international community on how to mainstream environment into national development planning, and how to balance the demands of globalisation with the importance of maintaining natural heritage and the environment.

This story of progress describes how a country committed to cultural and religious preservation has developed a successful approach to sustainable development and environmental conservation. Understanding how environmental progress has been made needs to take into account Bhutan's historical context and its overarching approach to development, as captured in the concept of Gross National Happiness (GNH).<sup>1</sup>

## What has been achieved?

The monarchy has long promoted sustainability and protection of the environment as top national policy priorities. The country's commitment to sustainability is manifest through its unique development philosophy that looks beyond growth in gross domestic product (GDP) to assess progress, valuing environmental sustainability as an integral component of GNH. Bhutan's commitment to environmental sustainability can be observed through the following key indicators of progress.

### Increasing proportion of land under protected area status

Bhutan created a system of national protected areas in the 1960s, which covered the majority of the northern and southern regions of the country. The system was reviewed several times between 1983 and 1991 with the help of the World Wildlife Fund's Bhutan Programme.<sup>2</sup> Then, in 1995, the protected area system was revised for better ecological representation and realistic management through a national system of nine protected areas. Today, Bhutan has ten formally protected areas which make up over 29%

of the country.<sup>3</sup> The tenth protected area – the Wangchuck Centennial Park – was added by the new Government of Bhutan as a tribute to the unprecedented leadership shown by Bhutanese monarchs towards conservation. An additional 9% of Bhutan has recently been bequeathed as a 'Gift of the Earth from the People of Bhutan', increasing the nation's protected area coverage from 29% to 38% of its total land area. This 'Gift of the Earth' establishes land for wildlife corridors between protected areas and creates conservation landscapes that extend across the country in an effort to avoid habitat fragmentation (Figure 1 overleaf).

### Increasing proportion of land under forest cover

Alongside building up the protected areas system, the Government has also focused on sustainable forest management. In the 1960s, Bhutan sought to develop its forests as a source of revenue by promoting the lumber trade, and this led to a significant increase in timber extraction in the 1980s. The Government then decided to shift its forest policy away from revenue generation toward environmental protection, to be aligned with the country's general development philosophy. The National Forest Policy of 1991 implemented restrictions on tree felling, created new afforestation programmes and declared all non-private forest land to be government-owned forest reserves. In 1995, the National Assembly decreed that 60% of the country would remain under forest cover in perpetuity. Accompanying this decree was an amended 1995 Forest and Nature Conservation Act, which further supported the creation of new protected areas, asserted the protection of certain species and biodiversity conservation, and created provisions for communities to continue to access forest resources and social forestry.<sup>5</sup>

More recently, Bhutan made the bold decision to integrate its environmental ethos into the country's Constitution.<sup>6</sup> Article 5 of the 2008 Constitution of the Kingdom of Bhutan took the 1995 National Assembly decree on forest

1 Gross National Happiness (GNH) is an attempt to measure social progress in more holistic and psychological terms than using only the economic indicator of gross domestic product (GDP). It was first used by Bhutan's King Jigme Singye Wangchuck in 1972.

2 Rinzin, C. et al. (2009) 'Nature Conservation and Human Well-being in Bhutan: An Assessment of Local Community Perceptions', *Journal of Environment & Development* 18: 177.

3 Royal Government of Bhutan, National Environment Commission (2008) *Bhutan Environment Outlook*.

4 Bhutan Trust Fund (2011) <http://www.bhutantrustfund.bt/parks-of-bhutan>

5 Uddin, S.N., Taplin, R. and Yu, X. (2007) 'Energy, Environment and Development in Bhutan', *Renewable and Sustainable Energy Reviews* 11: 2083-2103. Personal communication with Dr. Lam Dorji, Royal Society for the Protection of Nature (August 2010).

6 Royal Government of Bhutan (2008) 'Constitution of the Royal Government of Bhutan' [http://www.constitution.bt/TsaThrim%20Eng%20\(A5\).pdf](http://www.constitution.bt/TsaThrim%20Eng%20(A5).pdf)



protection one step further and constitutionally stipulated that a minimum of 60% of land must be maintained under forest cover in perpetuity. Today, over 75% of Bhutan is covered in forests. Not only has a healthy forest cover been maintained over time, but according to the Food and Agriculture Organisation's Forest Resource Assessment, forest cover is increasing due to reforestation initiatives.

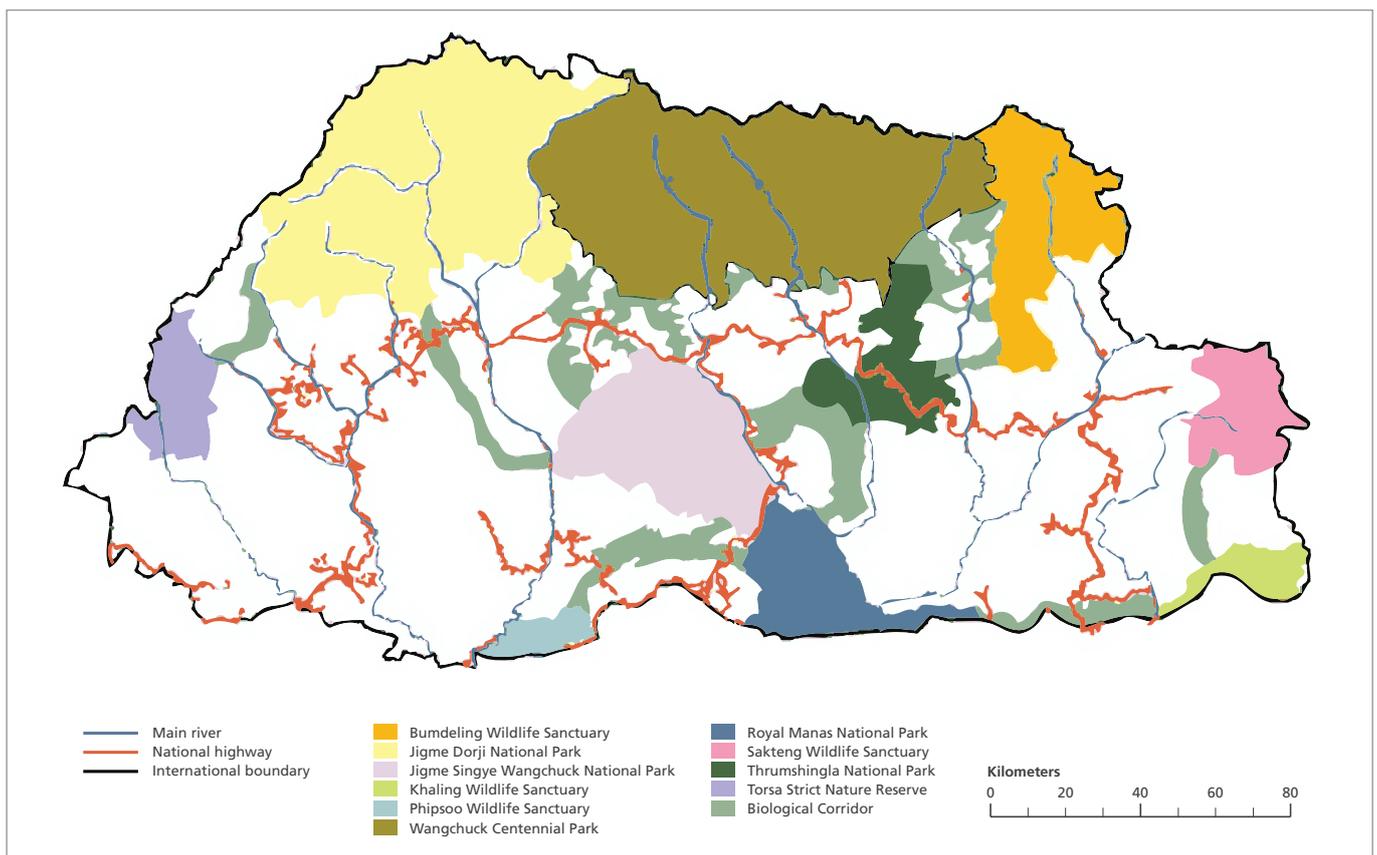
#### Creation of sustainable conservation finance

Along with the strong national policy decrees and legislation, the Bhutan Trust Fund for Environmental Conservation (BT FEC), founded in 1991, has played an important role in supporting forest conservation and management. The Trust Fund was the world's first environmental trust fund, established as a collaborative

venture between the Royal Government of Bhutan, the United Nations Development Program and WWF with an original endowment of \$20 million to finance conservation programmes. Additional funding has since come from the Global Environment Facility, the governments of Denmark, Finland, the Netherlands, Norway and Switzerland. In May 1996, the Trust Fund was legally incorporated in Bhutan under Royal Charter.

The Trust Fund has created an organisation that provides grants for long-term conservation, supporting environmental programmes of the Royal Government and a local non-governmental organisation, the Royal Society for the Protection of Nature. The grants aim to build local capacity to manage forests and protected areas, improve awareness and public support for conservation, and integrate

**Figure 1. Bhutan's national protected areas and biological corridors<sup>4</sup>**



“Bhutan has one of the most ambitious conservation plans the world has ever seen”<sup>16</sup>

economic development with environmental conservation to ensure a sustainable future for Bhutan.<sup>7</sup> Since 1992, the Fund has spent over \$11 million to build institutional and human capacity in the country's national parks.

### Progress towards mainstreaming environmental concerns into development

As Bhutan's overall development ideology focuses on sustainable development and the interconnectedness of poverty reduction, health, development and the environment, there has been a significant push to ensure environmental concerns are mainstreamed into all national plans and policies. The Environmental Assessment Act was passed in 2000 to establish procedures for the assessment of potential effects of development plans, programmes, policies and projects on the environment. This was followed in 2002 with the Strategic Environmental Assessment (SEA) regulation.<sup>8</sup> This regulation requires that any agency that creates, modifies or implements a policy (including the national Five-Year Development Plans) must perform an SEA before the proposal is adopted by Government.

### Reliance on hydro-electricity as a main driver of economic growth

Another indicator of progress is Bhutan's use of renewable natural resources for its energy base. Almost all of the electricity in Bhutan is generated by hydropower, resulting in one of the lowest rates of fossil fuel use of any country in the world.<sup>9</sup> The importance of hydro-electricity provides a clear link to environmental conservation and management. This indicator of progress can be framed more generally in terms of Bhutan's reliance on its natural resources as its base for economic growth as opposed to a more industrial-based economy. Approximately 43% of the contribution to Bhutan's GDP can be directly attributed to sectors dependent on natural resources,<sup>10</sup> in contrast to a global average of 26% for low-income countries.<sup>11</sup> Therefore Bhutan's natural resources are not viewed as something merely to preserve and protect, but as an important asset for development and poverty reduction.

### Bhutan's tourism policy

Bhutan's tourism development policy maintains a deliberately cautious approach, and is guided by the belief that uncontrolled tourism will overburden the country's limited facilities and threaten its culture, values and environment. As a result, the Government has adopted a policy of 'controlled tourism' and focuses on 'high value, low impact' tourism as a guiding principle. Several policies, including the \$200 fee per head per day for cultural and trekking tourists and restricted access to certain areas, are all designed to restrict accessibility to tourism while ensuring quality services.<sup>12</sup> While there is no specific quota or limit to the number of tourists allowed into Bhutan, the volume is limited by the high costs for entry as well as capacity constraints of the tourism infrastructure.

### What has driven change?

Bhutan's unique development philosophy, stable governance and national leadership have created a strong sense of ownership over national development, evidenced in the clear and determined path to reach the national development vision as exemplified by the concept of Gross National Happiness.<sup>13</sup> This development thinking has been influenced by Bhutan's religious background in Buddhism, which has been an important factor in encouraging strong environmental stewardship.<sup>14</sup>

Bhutan's success in environmental conservation is also due to the quality of national leadership and ownership.<sup>15</sup> While the national leadership could have oriented the economy towards quick profit-seeking activities and viewed forests as an immediate source of foreign currency, they foresaw the value of the forests in terms of their ecosystem services and

7 [www.bhutantrustfund.bt](http://www.bhutantrustfund.bt)

8 Royal Government of Bhutan (2002) *Regulation on Strategic Environmental Assessment 2002*.

9 Earth Day (2010) 'Earth Day 2010 Action Center: Kingdom of Bhutan' <http://www.earthday.org/countries/kingdom-bhutan>

10 Gross National Happiness Commission (2010) 'Background Document for the Poverty Mainstreaming Review Workshop, 10- 12 March' <http://www.unpei.org/PDF/bhutan-PEILessonLearning-backgroundreview-march2010.pdf>

11 World Bank (2005) *Where is the Wealth of Nations? Measuring Capital for the 21st Century*, conference edition. <http://siteresources.worldbank.org/INTEEI/Home/20666132/WealthofNationsconferenceFINAL.pdf>

12 Scheyvens, R. (1999) 'Ecotourism and the Empowerment of Local Communities', *Tourism Management* 20: 245-249.

13 EuropeAid (2009) *Rural Development and Food Security*, 'Renewable Natural Resource Sector Policy Support Programme: Bhutan, Identification Mission: Volume 2 – Annexes'.

14 Personal communication with Bruce Bunting, The Bhutan Foundation (August 2010).

15 Personal communication with Lam Dorji (2010), Bruce Bunting (2010) and Karma Tshering, Secretary for the Gross National Happiness Commission (August 2010).

16 Crossette, B. (2007) 'Bhutan: When Environment Drives Public Health Policies', *Disease Control Priorities Project*.



in the preservation of national culture. In particular, Bhutan's King Jigme Singye Wangchuck was instrumental in directing national priorities towards environmental conservation. The development philosophy led by the King assigned a high value to environmental preservation.

Additionally, reliance on hydroelectricity as a major economic driver has been an important element in the preservation of natural resources, as it simultaneously necessitates a sustained natural resource base and has avoided more polluting energy sources.

### Lessons learnt

Bhutan's story of progress highlights the importance of cultural and spiritual heritage in shaping how a nation governs its natural environment, and more broadly how it approaches development. Through strong leadership and learning from other countries' mistakes in natural resource management, Bhutan is set on a sustainable path towards development which relies on its natural resource base as an irreplaceable asset. Bhutan's unique approach, which focuses on Gross National Happiness, has broken the mould for how progress can be framed and has thereby highlighted the value of environmental services. Such services are often overlooked and undervalued in more conventional/neoliberal approaches to development. Bhutan therefore offers an important lesson in how it has been able to open its borders and engage with the international community, while still maintaining its rich natural heritage and pristine environment.

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