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Poverty, Vulnerability and Social Justice: Land, Livelihoods and Economic Justice in Bhutan

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Executive summary

Bhutan's economy retains its rural characteristics despite government's emphasis on capital investment. Agriculture is the main occupation of the rural people. With 69% of the total land area covered by forests, land available for agriculture is limited.

According to National Statistics Bureau of Bhutan (NSB) 62.2 % of total population lived in rural areas in 2017. However, rural livelihoods, mainly agriculture, are vulnerable given government's deprioritization of agriculture. In the FY 2025-26, 51% of the budget was allocated to capital investment, whereas renewable natural resources, including agriculture, received only 5%.

GDP growth rate of the country stood at 8.76% in 2025, backed by revenues from hydropower sector. Given the government's prioritization of hydropower sector at the cost of rural livelihoods, including agriculture, there remains debt crisis concern though Bhutan is maintaining debt sustainability. Hydropower related debt constitutes the largest share of the public debt, accounting for 61.4% of the external debt and 56.5% of the GDP estimate.

Despite excellent economic growth, youth unemployment, rural-urban migration and emigration are in rising trend because the strong macroeconomic performance is not translated into decent job opportunities. Vulnerability of rural livelihoods and lack of decent jobs and career growth opportunities are the causes of youth unemployment and out migration. Youth unemployment rate stands at 18 %.

Bhutan's development approach is technocratic rather than rights based. As a result, land rights, local food system and food sovereignty are undermined. State has ultimate authority over land. Pursuant to the existing legal provisions, government sometimes undermines people's land rights and tenure security. Government has initiated Gelephu Mindfulness City (GMC) project by occupying inhabited private lands and houses without people's consent. Further, this project uses the land of the evicted refugees who are awaiting repatriation from the camps in Nepal.

Dispossessed people, who are stripped of their citizenship and property, remain chronically deprived. Landless, small land holders and rural poor are deprived of economic benefits. The benefits are concentrated in the urban areas.

To sum up, Bhutan's economy is growing and is expected to grow. Yet youth unemployment, agricultural and rural livelihood vulnerability, emigration and rural- urban migration are increasing, creating a wider gap between the rich and poor.

Bhutan needs to rebalance public spending towards social and rural livelihoods, including agriculture sectors so as to ensure overall-sustainable development and economic justice.

1 Background

Bhutan is a tiny Himalayan country widely recognized for its development philosophy of "Gross National Happiness", yet paradoxically it has also evicted approximately 20% of its population, resulting in demographic challenges associated with small and declining population. It is also known for strong environmental protection and its claim of carbon negative status. It has achieved significant progress in poverty reduction, human development and access to basic services. Multidimensional poverty reduced from 5.8% in 2017 to 2.1% in 2022 (National Statistics Bureau of Bhutan (NSB) & Oxford Poverty and Human Development Initiative (OPHI), 2023, p. x). This level of poverty reduction is considered a significant achievement towards achieving sustainable development goal (SDG). However, structural challenges, including critically high youth unemployment and rising youth out migration, remain.

Despite the vehement scale of poverty reduction, rural poverty poses a great challenge. Poverty remains concentrated in rural areas and varies significantly across regions. Based on *Poverty Analysis Report 2022*, 17.5 percent of rural people were poor, while only 4.2 percent of urban population lived in poverty. The report states that only 0.4 percent of total population was subsistence poor, which means an insignificant minority of people could not meet minimum food and non-food requirement. In aggregate, an estimated 12.4 percent of total population was considered poor (NSB, 2022, Executive Summary, p. viii).

Bhutan is predominantly an agrarian country. Unfortunately, only about 7 % of the total land area is arable (National Land Commission Secretariat (NLCS), 2023, p. iii). Similarly, *Land Use Land Cover Assessment of Bhutan 2020*, *Technical Report* shows that the agricultural land of Bhutan is only 2.96 percent. According to the report, forest covers 69 percent of the total land area (NLCS, 2020, section 13, Results and Analysis, p. 17).

It is noteworthy that Bhutan has the constitutional policy mandate to maintain at least 60 % forest cover. Bhutan retains conventional farming and animal rearing by virtue of technological backwardness and unfavorable terrain. Besides, Bhutan's agriculture is vulnerable due to its subsistence nature and climate sensitiveness.

Bhutan is prone to climate risks, including floods, landslides and glacial lake outburst floods. Further, climate change triggers these calamities to a great extent. Draught, erratic rain, floods and landslides adversely affect the productivity of agriculture.

Agriculture is obviously neglected, and the farmers are in the margin of national economy. The economy is rather vehemently dependent on hydropower and public investment. This, in turn, has raised concerns about sustainability and debt.

In other words, contradiction lies in the fact that the majority of the population is engaged in agriculture, while the economy is based on public investment. Consequently, agriculture is incapable of yielding enough revenue. The recent NSB data cites that agriculture, forestry and fisheries jointly contribute about 15 % of Bhutan's GDP (NSB, 2020, Table 3, p. 39).

Moreover, educated, skilled and semi-skilled youths are increasingly becoming reluctant to work on agricultural farms. They are rather attracted towards services. So, the village youths tend to migrate to urban areas. This rural-urban migration trend has contributed to the vulnerability of the village centered agriculture.

Nevertheless, not all those who abstain themselves from agriculture are employed. This indeed is deteriorating employment situation in the country. Bhutan's overall unemployment rate was 3.4% in 2025. Youth unemployment was estimated at 18.0% (NSB, 2025, Executive Summary, p. xiv).

On the one hand, the conventional-feudal characteristics of agriculture constrain agricultural output, resulting in insufficient food supply. On the other hand, economic benefits are unevenly distributed. Job opportunities are mostly centered in urban areas, leaving the country folks dependent on subsistence and semi commercial farming. According to NSB (2018, p. 140), about 62.2 % of the population lived in rural areas, and 37.8 % lived in urban areas in 2017. This shows a few facts. First, Bhutan's urbanization is increasing. Second, rural population is still higher than the urban population. Third, Majority of the Bhutanese live in disadvantaged areas of the country.

Bhutan's economy is dependent mainly on India. Country's major export is electricity which goes to India. Bhutan, on the other hand, depends heavily on Indian imports for vehicles, fuel, food, medicines, machinery and other consumer goods. This creates economic vulnerability because the economic stability and growth depend heavily on electricity prices and India's favour.

2 Land Rights and Food Sovereignty

Land rights in Bhutan are shaped both by traditional land tenure system and legal provisions. Bhutan considers land as a national resource, but regulated private land ownership too exists. The constitution of Bhutan (2008), The Land Act of Bhutan (2007) and regulations issued by the national land commission govern the land rights in Bhutan.

With 69% of total land area covered by forest, 4.11% by shrubs, 8.89% by Alpine scrubs and 4.52% by rocky outcrops, only 2.96% of the land is available for agriculture (NLCS, 2020, p. 7). This fact serves as a limitation and vulnerability of Bhutan in land use, productivity and food sovereignty. Further, constitutional provision of maintaining at least 60% forested land has overemphasized environmental protection over agricultural productivity.

2.1 Current Situation

Rural Population of Bhutan depends principally on agricultural yields. Unfortunately, rural agriculture is subsistence and semi commercial. Moreover, job opportunities and industries are centered in urban areas. This has contributed to widening rural-urban disparity.

Living standard in rural areas is much lower than in urban areas. According to *Bhutan Multidimensional Poverty Index 2022*, urban poverty rate and rural poverty rate were 8.2% and 23.9% respectively, and 61.4% poor lived in rural areas (NSB & OPHI, 2023, p.viii). The rural urban disparity remains a challenge in 2025. *Annual Macroeconomic Performance and Outlook Report 2025* projects rural poverty to remain more than 12% points higher than urban poverty throughout the projection period from 2024-2028 (Ministry of Finance, 2025, p. 68).

Food production in Bhutan follows a gradual structural shift rather than a comprehensive transformation. The recent productivity shows a mixed performance in cereals, vegetables, fruits and livestock. Principal staples, rice and maize, production has declined in the cropped areas, although yields remain all but stable. According to United Nations' Food and Agriculture Organization (FAO), overall cereal production of Bhutan in 2025 was estimated to be 73000 tones. This was slightly below the long-term average of 6-7% (FAO, 2025). FAO notes that reduced cultivated area, farmers' choice of cash crops as better options, and infrastructure expansion are

the main causes of the decline. This trend of slow decline in staple grain self-reliance also means growing reliance on food imports.

According to a press release issued by department of agriculture, *Integrated Agriculture and Livestock Census (IALC) of Bhutan 2025* concluded that vegetable production was increased. Fruits and niche crops production was also in rising trend, and the whole horticulture was shifting towards cash crops and export-oriented cultivation. The DoA press release (2025), drawing on the *IALC* report, notes that livestock production trend showed a steady growth in dairy output, increase in honey, fish, eggs and wool production. Likewise, poultry and pig population increased, while cattle and goat population decreased in 2024.To sum up, the live stock production witnessed a "modest growth" in 2024, with some exceptions (Department of Agriculture {DoA}, 2025).

2.2 Impact on People (Small Farmers, Women and Rural Poor)

2.2.1. What Matters for Rural People?

Small farmers are those with very small landholdings and/or without. They are subsistence farmers. Landless farmers work in landlords' lands, retaining feudal remnants like half sharecropping, farm labour, herding labour system and so on.

Confiscation of assets of the alleged agitators in the aftermath of the 1990 peaceful movement turned thousands of farmers into landless and homeless farm workers, herding labourers, sharecroppers, internally displaced persons and refugees. This is true especially in case of Southern Bhutan.

Obviously, subsistence farmers endure hardships to meet basic needs including minimum food requirement. To make matters worse, the landless households who have been stripped of their land, housing and citizenship, live in extreme poverty. This chronic deprivation has resulted in severe food insecurity among affected households.

Although Bhutan has initiated the restoration of citizenship in the recent time, the procedure is not without constraints and conditions. Virtual interview respondents, on conditions of anonymity, reported that the dispossessed households are being pressured to enroll 'Desuung', a militia-like national volunteer force as a condition to regain their citizenship. Compounding this issue, the respondents reported that the citizenship restoration procedure is lingering, the remuneration

provided to the 'Desuup' corps is nominal, and the restoration of the asset rights and the compensation of the chronic deprivation remains excluded from the policy framework.

In practical structural sense, women are at the margin of land rights and food sovereignty question. Land ownership or land rights in Bhutan are not strictly based on gender role. But then, women, mostly confined in the domestic four walls, do not enjoy full rights in practical sense. Rural women play vital role in agriculture. It indeed is male dominance, especially in southern and eastern Bhutan, in decisive roles that pushes women to the margin. Men have control over loan and income utilization and marketing of the products.

Citing the findings of the *Gender Study in Bhutan* (Gross National Happiness Commission {GNHC}, 2011), Moktan et al. (2024) reported that sons and daughters in Bhutan inherit equal land rights under statutory laws, but under customary laws, land rights are often governed by lineage-based rules and traditions (p. 64). Drawing on the same GNHC (2011) findings, Moktan et. al. (2024) noted that despite equal access to land, women have little and/or no control over it (p. 64). This finding suggests that de jure equality in land access does not necessarily result in de facto control over it, as social norms, household power dynamics and decision-making practices can limit their authority over its use, management and benefits. As a result, women's limited control over land constrains their ability to make decisions on production, invest in agriculture and contribute fully to household food security and food sovereignty.

2.3 Policy Framework

2.3.1 Agriculture and Land policies

Bhutan has a state-controlled land system. Citizens can own and inherit land, but ultimate regulatory authority remains with the state. The constitution of kingdom of Bhutan allows citizens to own land. Article 7 (9) of the constitution protects citizens' property rights while restricting ownership and transfer of land to non-citizens, thereby defining citizenship status as an eligibility for land ownership. While article 7(14) safeguards property rights, it also indicates that the state acquisition of private property, including land, in the name of public purpose, is constitutionally grounded (constitution of Kingdom of Bhutan, 2008, Art. 7 (9), (14). The restriction on land ownership by non-citizens, under Article 7 (9), has significant implications for individuals and

households whose citizenship status remains unresolved for a prolonged period, potentially restricting their property rights, including land ownership.

Bhutan's legal framework and institutional practices provide the state with extensive authority over land administration, registration, acquisition and classification. Within these legal and institutional arrangements, concerns have emerged regarding land lost by farmers through processes such as omission from registration, failure to regularise claims, state acquisition, and historical land related actions during periods of political unrest. Under the Land Act of Bhutan 2007, omitted land may be reclaimed through registration within five years; failure to register such land within the prescribed period results in its classification as government land or government reserved forest land (Land Act of Bhutan 2007, 2007, ss. 107, 223).

Pursuant to the aforementioned provision, extensive tracts of land in Southern and Eastern Bhutan, vacated following evictions during early and mid-1990s, legally came under state control. Nevertheless, the vacant stretches of land were practically under state control prior to the Land Act. Further, historical processes of land administration, including No Objection Certificate (NOC) requirements and other administrative and legal mechanisms affected land registration and transfer. Consequently, thousands of farmers, including the evicted citizens and those who remain stateless within the country, lost ownership rights over land. Given the prolonged registration limbo and unresolved refugee situation, the five-year reclaiming provision has had limited practical and political relevance for thousands of affected farmers.

Consistent with the aforementioned legal provisions, government resettled people from Eastern and Northern Bhutan on the lands previously owned by the refugees, but some of the arable lands and other stretches of peripheral land remain barren and/or overgrown by vegetation.

With Limited land available for agriculture, Bhutan lags behind in agricultural productivity, partly due to policy constraints. The reduced prioritisation of renewable natural resources, including agriculture, is reflected in budget allocations over the years. Overall, the preceding discussion points to the marginalization of peasants in Bhutan.

2.4 Policy Gaps

Bhutan emphasizes organic and sustainable food production. However, it lacks rights-based land governance framework.

Bhutan doesn't acknowledge the gap officially. However, independent studies indicate gap in tenure security, land rights and food system governance. A research titled *How property rights influence equity, efficiency and sustainability of high altitude rangeland management in Bhutan* analyses inequitable land use rights, tenure insecurity, implementation delay of Land Act 2007 and lack of management rights and incomplete property rights to the range land users (Tenzing et al., 2021).

Bhutan emphasizes on land and food policies, but gap is in insufficient market access infrastructures. Poor road connectivity, limited storage facilities and backwardness in commercialisation are major shortcomings in the Bhutanese land and food policy framework.

Second National Stock take Report on Food Systems in Bhutan 2025 notes multiple structural challenges that "limit a full transition to a resilient food system." The report further states, "38% of land remains fallow due to labour shortages, wildlife pressure, weak irrigation and limited mechanisation in challenging terrain." The report notes similar structural constraints like insufficient vaccines, inadequate farm level biosecurity, rising feed costs etc. in livestock farming (United Nations Food System Hub, p. 14, 2025). The structural challenges identified by the report align with the aforementioned constitutional, legal and institutional constraints, collectively contributing to underutilization of limited agricultural land. These constraints undermine food sovereignty and increases reliance on food imports.

Mere access to land ownership can't ensure food sovereignty in Bhutan. People can themselves ensure food security when they can fully participate in production, distribution and economic exchange. Infrastructural and policy constraints in economic activities reduce purchasing power and bargaining power of people. This in turn results in vulnerability of food sovereignty.

Climate adaptation policy gap in Bhutan is in the weakness of integration of climate resilience, secure land rights and food sovereignty. Bhutan is ambitious in climate resilience and environmental policy framework. With supportive legal arrangement for forest and environment conservation, Bhutan is recognized for its strong environment protection. But then, the implementation aspect is often viewed as inadequate. Wangdi et al. (2013, p. 16) noted that several government institutions and non-government organizations address biodiversity and climate change issues separately, resulting in weak coordination among stakeholders. This indicates a gap

in integration and coordination of climate adaptation policy. Besides, Bhutan undermines community participation and local knowledge integration in climate adaptation policies. Mazal (2017, abstract) observed that Bhutan's climate related policies require stronger translation into coordinated local adaptation actions, with greater emphasis on participatory planning and community knowledge. Despite very strong legal and policy framework in environment protection, the collective efforts of Bhutanese people remain compromised.

Taken together, studies have identified persistent shortcomings in Bhutan's land tenure framework, while climate policy analyses have highlighted implementation challenges and need for stronger local participation in adaptation planning.

2.5 People's Experiences

This report presents findings from a case study on policy gaps on land rights and food sovereignty in Bhutan. The findings reveal that individual and community land rights and cultural food system are disregarded in Bhutan.

Multiple interlocutors, on conditions of anonymity, expressed dissatisfaction over state-controlled approach on land. At the same time, they were concerned about the poor road connectivity, lack of storage facilities and technological backwardness in agriculture. Some women raised concerns of land rights and practical structural barriers that prevent them from getting maximum possible economic benefits. Women, being actively involved in rural agriculture production, are burdened with kitchen chores and household affairs. Further, they are undermined in terms of utilisation of income.

This case study shows that in Bhutan, the state has absolute authority over land. Many respondents responded, with agony, about the ongoing "Gelephu Mindfulness City (GMC) project" of government of Bhutan.

The GMC occupies 2600 sq KM in Southern Bhutan, along the Indian border. In the name of weaving nature, technology and economic development together, government has initiated the project in the inhabited area without considering people's consent. The respondents have grievances on how the farmlands are cleared, betel nut, coconut and mango trees are cut down and how the residents of Gelephu area are accommodated in the hotels for uncertainty. People's ancestral mandarin and lemon orchards, paddy fields and dry lands, and their houses are

confiscated without compensation. People seem to be in anxiety of displacement and frustration of losing their ancestral lands.

While the citizens of GMC are accommodated in the hotels, the stateless households, who were stripped of citizenship in 1990s, are displaced from their original homesteads. The displaced households have moved northward from the GMC area.

Further, human-wild life conflict has escalated following the diminished human activities in the fields near jungles. Many respondents complained about Elephant attacks and crop damage caused by Monkeys, Golden langurs and wild boars in and around GMC.

The GMC project's land acquisition approach reflects a state controlled, technocratic model of development that prioritises state-led planning over the consent of affected landowners.

Multiple farmers from other parts of the country raised serious concern about the subsistence nature of agriculture. Many were concerned about vegetables and staple imports. They seem to feel that their products are devalued.

Some farmers, both men and women, of Chirang (Tsirang) district were worried about the reluctant young generation who shun agriculture and livestock farming. They reported that the vegetables produced in Chirang have high demand in major cities like Thimphu, but the productivity is very low to meet the demand. Some farmers perceive youth migration to urban areas and preference for wage labour and service sector employment among younger generations as contributing factors to low agricultural productivity.

Landless farmers live below the subsistence level. Land ownership is their principal concern. Multiple respondents, whose lands were confiscated by the government during early and mid 1990s, lamented their chronic deprivation.

2.6 Civil Society Demands

Unlike rural farmers, most of the civil society actors were reluctant to respond, seemingly indifferent to the need for change. However, some of them advocated for subsidies, soft loans, equipment, market access and storage facilities for small farmers. Stakeholders raised concerns about food import and advocated that the local food system should be promoted.

Some respondents demanded that the stateless and landless farmers should be accorded citizenship and land ownership rights without constraints.

Respondents also highlighted demands that the government should promote climate resilient agriculture by training and empowering the rural farmers.

3 Economic Justice (Debt, Public Spending, Jobs)

Bhutan is well known for its cost-free education and health care facilities. Despite such a welfare approach in public health and education, economic justice still remains a challenge facing the country. Fair distribution of resources, equal opportunities, decent jobs and living wages remain deprioritised in Bhutanese policy framework.

3.1 Current Situation

3.1.1 Hydropower Led Economy

Bhutan's emphasis on infrastructure development seems to be strong with the allocation of 51% of total expenditure to capital investment in the financial year 2025-26. (Ministry of Finance {MoF}, 2025, p. v). This capital investment rate is comparatively high by international standards. Such a strong development and infrastructure-oriented strategy shows Bhutan's continued reliance on investment in large scale infrastructure, especially in hydropower sector. Official sources do not publish a fixed percentage and/or amount of the national budget allocated exclusively to the hydropower. Nonetheless, hydropower constitutes a major part of public spending within capital investment. Hydropower related debt constitutes the largest share of public debt, accounting for 61.4% of Bhutan's external debt, while non-hydropower debt accounts for 38.6% (MoF, 2025, Public debt situation, p. viii). The high share of hydropower related debt reflects Bhutan’s development model centered on hydropower led growth. Although the sector provides export revenue and ensures economic growth, such a concentration creates vulnerability by limiting debt sustainability to the performance of a single sector. Further, this results in increased debt servicing obligations, thereby limiting public resources for other productive sectors such as agriculture.

As of 31st march 2025, public debt stock of Bhutan was Nu. 298,183.3 million or 99.1% of the FY 2024-25 GDP estimate. External debt was Nu. 277,085.2 million or 92.1% of the GDP, and domestic debt was Nu. 21,098.1 million or 7% of the GDP. Central government debt accounted for 35.8% of total public debt and 35.5% of the estimated GDP, which is regarded to be within threshold as per the debt management policy 2023 (MoF, 2025, Public debt situation, p. viii).

Bhutan's official sources do not publish figures on the contribution of hydropower in GDP and government revenue, but economists assume hydropower to be the main driver of economic growth. With the commissioning of new mega projects like Punasangtchhu-ii, hydropower is

expected to boost GDP, government revenue and export revenue. The World Bank projects Bhutan's real Gross Domestic Product (GDP) growth at 7.1%, expected to be driven by commissioning of Punatshangchhu II hydropower project and ongoing construction of Dorjilung and Khorlochhu hydropower plants (World Bank, 2026, Executive Summary). This projection indicates that the government is expecting increased electricity generation and export earnings from hydropower projects. However, such growth remains highly dependent on a single sector, and vulnerabilities are likely to persist, given the limited economic diversification across other productive sectors. For example, renewable natural resources, including agriculture, which continues to support a significant proportion of the country's population and rural livelihoods, has persistently received limited public investment over the years, resulting in vulnerabilities of rural food system.

3.2 Debt Trends

IMF assessed Bhutan's risk of overall and external debt distress in 2025 as moderate, remaining consistent with the 2024 debt sustainability assessment. At the same time IMF points towards high risk of overall and external debt distress with reference to "mechanical results". IMF asserts that Bhutan doesn't have enough space to absorb additional shocks, particularly export shocks with most of the outstanding public debt linked to hydropower project loans from Government of India (IMF, 2026). It means Bhutan can still service debt under current situation, but even a relatively adverse event can push the country into debt distress. Further, this analysis means that the country relies heavily on earnings from electricity export, and those earnings are used to repay debt. In other words, any disruption to export revenues, caused by unfavourabilities like reduced demand, decline in electricity export, lower rainfall, natural disaster affecting hydropower projects, and delays in hydropower generation or project completion can significantly weaken the country's ability to service its debt.

According to IMF the public debt to GDP ratio was seen increased in the aftermath of Covid-19 pandemic and has declined since FY 2020-21. Public debt increased from 74.8% of GDP in FY 2011-12 to 134.3% of GDP in FY 2020-21. Then after, the public debt to GDP ratio has declined. The domestic debt rose from 4.5% of GDP in FY 2011-12 to over 10.3% of GDP in FY 2024-25 (IMF, 2026, background). As reported by IMF, public and publicly guaranteed debt stood at 118% of GDP at the end of FY 2024-25. External debt accounted for 91% of total debt. Hydropower debt

was the largest part of external debt, comprising 55% of the external debt stock at the end of FY 2024-25 (IMF, 2026, background). Foregoing findings indicate that Bhutan's public debt is reduced in relation to GDP. This reflects a greater debt sustainability or improved ability to repay debt. Bhutan has addressed the debt crisis risk to some extent, backed principally by hydropower sector income. Nonetheless, public and publicly guaranteed debt accounting for 118% of GDP and external debt accounting for 91% of total debt are very high by international standard, which requires careful monitoring. The predominance of external debt highlights Bhutan's reliance on external financing and exposes the economy to foreign exchange and external sector vulnerabilities. Although Ngultrum's peg to Indian rupee mitigates exchange rate volatility with its major economic partner, Bhutan remains vulnerable to external shocks, particularly fluctuations in foreign exchange earnings and adverse changes in global financing conditions due to its high reliance on external debt.

Bhutan's GDP and economic growth is expected to rise in future with its ambitious Hydropower projects, some commissioned, some under construction and some proposed. With this Bhutan is expected to maintain long term debt sustainability, risk remaining equally pertinent.

3.3 Impact on People

Bhutan's economy is undoubtedly growing. Economic indicators are positive. GDP is high. An official update by the National Statistics Bureau summarizing the *4th quarter 2025 Report on quarterly Gross Domestic Product* notes that Bhutan's GDP growth rate stood at 8.76%, driving provisional annual growth to 8.01% in 2025, which is the highest among South Asian countries (NSB, 2026). Overall unemployment rate is very low. Nevertheless, who is benefiting, who is struggling, and how fair the system feels in real life situations are the principal questions as far as economic justice is concerned.

Economic benefits aren't equally distributed. This in turn has contributed to youth unemployment and youth migration. Youth unemployment, often considered the proxy factor causing youth migration, remains a concern in Bhutan. *First quarter Labour Force Survey Report 2026* shows that the youth unemployment rate stands at 16.5%, while overall unemployment is just 3.4% (NSB, 2026). This critically high youth unemployment hints towards the unavailability of decent jobs that could address the youth unemployment problem.

Persistent youth unemployment and lack of decent jobs have contributed to increased emigration, raising concerns about potential brain drain and the loss of skilled human resources in Bhutan. The World Bank notes that the Royal Government of Bhutan is concerned about the potential for brain drain, as out-migration is largely composed of skilled civil servants from key sectors, which could adversely affect country's development prospects. Drawing on the exit data from Paro International Airport, the World Bank states a sharp increase of monthly departures from less 500 emigrants, on average, before COVID-19 pandemic to more than 5000 a month in early 2023 (Alaref et al., 2025, p. vii). The large scale out- migration of skilled workforce, including civil servants, indicates a lack of decent and gainful employment opportunities in the country.

Studies have found that Bhutanese youths are increasingly opting overseas migration, mainly to Australia, for better career opportunities. World Bank reports, citing the data from economic and social affairs of United Nations, that the stock of Bhutanese migrants in Australia more than doubled from 12424 in 2020 to 25363 in 2024. Further, citing the findings of the report of Australian Bureau of Statistics, the World Bank reports that 10% of NEET (neither in employment, education nor training) youths in Bhutan aspire to migrate abroad (Alaref et al., 2025, p. vii). These data manifest the lived experiences of Bhutanese youths. This indicates that young men are increasingly seeking better opportunities abroad. Youth emigration is obviously caused by wage differentials and limited job opportunities in the country, and perceived career growth prospects abroad.

Male out-migration has resulted in feminization of agriculture, placing a disproportionate burden on women, who must balance unpaid care and household responsibilities alongside agricultural labour.

3.4 Policy Framework

3.4.1 Economic and Fiscal Policies

Hydropower plays pivotal role in Bhutanese economy. Though revised a bit downward from the 2025 growth projection of 8.71%, Bhutan achieved economic growth of 8.01% in the third quarter of 2026 (MoF, may 2026, p. 1). The projection was based on Bhutan's expectation from hydropower projects, which also means that the growth achieved is largely driven by hydropower projects.

Bhutan's economic policy is strongly centered on hydropower, supported by ambitious investment in the sector. The entire hydropower sector is financed through external loans, primarily from India.

Bhutan's ambitious economic growth strategy relies mainly on electricity export revenues. Government of Bhutan utilises the public debt, especially from Government of India, in public spending, especially in hydropower projects.

Beside the export of cash crops, electricity export is the major part of Bhutan's trade, particularly with India. Moreover, Bhutan has policies to promote small scale and cottage industries in rural areas, create jobs to tackle unemployment and youth emigration. Policy sets out a strategy for the empowerment of farmers and modernization of agriculture, while taxation policy outlines strategies to reduce inflation. Even tourism is included in the policy framework which seems challenging in the status quo.

3.5 Policy Gaps

Lack of domestic and international trade diversification are two aspects of Bhutanese economic and fiscal policy gaps. On one hand, government revenue is mainly dependent on hydropower projects, and on the other hand, international trade, especially electricity export is exclusively confined to India.

Bhutan has promising prospects in tourism, agro based industries, forestry, polytechnic education, medical universities etc. Increased public spending, for instance in hydropower sector, will certainly boost economic growth. But then, it alone won't ensure decent jobs to the unemployed youth. It alone won't empower the vulnerable farmers either. Bhutan's economy is growing, and contrarily, youth emigration is increasing. This shows that Bhutan seriously lacks policies to address youth unemployment through job creation and fair wage determination mechanism.

Besides, Bhutan aspires to thrive through tourism, but Bhutanese tourism is largely access constrained. Tourism has substantial growth potential, but it is selectively accessible by virtue of institutional constraints. For instance, exiled Bhutanese, resettled in Europe, America and Australia, face systemic restrictions on entry into the country. With expensive costs, Bhutan adopts profit maximisation policy in tourism, but obviously it is not fully open to international tourists.

Poor road connectivity, lack of domestic tourism promotion and tourism awareness campaigns are some of the issues hindering domestic tourism in Bhutan.

Agriculture is equally promising in Bhutan. The only need is to transform it from conventional to modern mode of farming. Agriculture doesn't exist independently. It must be interwoven with industry. So the policies should link agriculture to industry. Agro-based industries can empower farmers, attract educated youths towards agriculture and agro-based industries thereby alleviating unemployment, increase per capita income or uplift living standard of people, increase government revenue, reduce over dependence on few sectors, ensure diversification, discourage import and encourage export thereby ensuring trade balance and can foster economic growth.

3.6 People's Experiences (Youth and Informal Workers)

This study included virtual interviews with multiple respondents. A set of questions was asked to a group of Bhutanese youth in Australia. Similarly, three distinct sets of questionnaires were administered to the Bhutanese living in Bhutan. One set was designed for a young individual, and the other two sets were administered to informal workers in Bhutan. All interviews were semi-structured, and every respondent responded on conditions of anonymity.

The Bhutanese respondents in Australia are named as respondent 'A', 'B' and 'C'. Likewise, a youth in Bhutan is named respondent 'A1', and informal workers are named as respondent 'A2' and 'A3'.

Respondent 'A' is an agriculture professional working in Australia. He went to Australia on skilled worker visa. When asked why he chose to migrate, he responded that lack of decent job opportunities and inadequate income back in Bhutan are the root causes. On a different context he said that he is not happy to be far away from his family and homeland. Answering another question, he seemed pessimistic towards the possibilities of reform in Bhutanese employment system and wage determination mechanism. He responded that he would rather remain in Australia for good.

Respondent 'B', a Bhutanese post graduate student, who migrated to Australia on scholarship program, responded that she was attracted to Australia because of better career growth opportunities. She said that she always wanted to be in Bhutan, but she also wanted greater exposure to the world. Answering another question, she responded that she must return back to Bhutan up on expiry of the visa. She however said that she will apply for working visa once she

returns. When asked why she wants to re-migrate to Australia after returning to Bhutan, she explained several reasons and highlighted gender wage gap in Bhutan.

This finding is consistent with previous studies. For example, Wangchuk (2025) found that in Bhutan's private sector women's median monthly salary is 9.3% lower than their male counterparts, and the pay gap widens to 15.6% when mean salaries are compared. Likewise, Alaref et al. (2025) noted that the gender wage gap is significantly narrower in Australia than in Bhutan. These studies indicate that educated and skilled women are facing wage discrimination in Bhutan, contributing to their out-migration.

Respondent 'C' went to Australia on student visa. He responded that every aspect, ranging from education and employment to social security system is better in Australia than in Bhutan. He said it was the very reason for him to migrate to Australia. Answering another question, he said that he really wants to stay in Australia for good. He complained about non-availability of unemployment benefits and old age allowance in Bhutan. Responding to another question, he confessed that he is overstaying in Australia by switching faculty after completing a degree.

Comparably, youths in Bhutan reported similar financial difficulties and employment challenges in Bhutan. Respondent 'A1' is a 'Desuup' who volunteers in 'Desuung', a national volunteer corps. He joined 'Desuung' in 2020, following the government circular that said that the dispossessed households would reacquire citizenship upon enrolling the corps. He responded that authorities say that the restoration of his family's citizenship is in process, but he doesn't know how long it will take for him to be a citizen of his country.

He responded that he has to raise his family of seven, including three children, with his incentive of ngultrum nine thousand per month. It is noteworthy that per capita (consumption) food and non-food requirement of Bhutan are Nu. 2,852 and Nu. 3,352 per person per month respectively (NSB, 2022, Executive summary, p. viii).

The per capita household income of respondent A1's household is Nu. 9,000 divided by 7 (number of family members) or approximately Nu.1,286 per person per month. This is obviously below minimum requirement level. So, his family is subsistence poor although he is a formal sector employee. Responding to a different question, he lamented that he is over burdened with familial responsibilities following his parents' occupational strain because of their old age.

Answering another question, he said that he always wanted to pursue a decent job in foreign country, at least in India, but for host of reasons, including his early school leaving and non-citizen status of his entire family, he is "entangled in a low paying job."

Respondent 'A2' is a widow-informal worker of fifty. She works in a poultry farm and earns only Nu. 4000 per month. Her aging mother-in-law and father-in-law work in landlord's field on a sharecropping basis. She is the only income earner in cash in her family of six with two dependent minors. Excluding the subsistence-non-cash income from the sharecropping, her family's per capita household income amounts to Nu. 667 per person per month, which is pitiably below minimum requirement level.

Respondent 'A3' is a literate informal worker of 43, whose access to formal education was denied due to restrictive government policies, particularly No Objection Certificate (NOC) policy. He was denied an NOC on the pretext that his uncle had been exiled as an "anti-national" because the same designation was extended to his relatives.

He is a casual farm worker. His employment is obviously irregular, with periods of work alternating with periods of unemployment. Responding to a question, he said that he earns Nu 500 per working day and supports his family of six, including his elderly parents and two dependent minors. Responding to another question, he lamented his educational disadvantage.

Per capita household income of his family is obviously below minimum requirement level. Further, intermittent nature of his employment worsens his family's financial situation.

3.7 Civil Society Concerns on Economic Justice

Unlike youth and informal workers, civil society actors were reluctant to respond, seemingly complacent about the need for change. Nevertheless, some of them advocated for a greater economic justice through creation of decent jobs, fair wage determination mechanism and social welfare programs like unemployment benefits and old age allowance.

Stakeholders raised concerns on persistent economic disparities and demanded for inclusive and participatory economic policies.

Respondents highlighted demands for fair public spending, responsible debt management, and equitable distribution of economic benefits.

4 Budget and Economic Analysis

4.1 Government Spending Trends

4.1.1 Agriculture

Budget report for FY 2025-26 states, "to boost the primary sector GDP from Nu. 31 billion in 2023 to Nu. 50 billion by 2029, the ministry of agriculture and livestock is prioritising high value agriculture and livestock production, processing and marketing with a total capital outlay of Nu. 15 billion." (MoF, 2025, Key Sector Milestones, p. vi).

With capital expenditure estimate of Nu. 60,730.1 million, which accounts for 51% of the total expenditure, the FY 2025-26 budget continues the conventional pattern of prioritising capital investment at the expense of rural livelihoods, including agriculture sector.

Government's expenditure trend manifested in the annual national budgets over the last five financial years is shown in the following table:

Table 1: **Government spending trend: Social, Agriculture and Infrastructure.**

S.No.	**FY**	**Sector**	**Allocated share of budget (%)**
1	2021-22	Social Agriculture Infrastructure	30 11 17
2	2022-23	Social Agriculture Infrastructure	29.2 8.6 24.6
3	2023-24	Social Agriculture Infrastructure	28.8 8 18.7
4	2024-25	Social Agriculture Infrastructure	34 10 17
5	2025-26	Social Agriculture Infrastructure	30 5 20

Note: Data from Ministry of Finance (2021, 2022, 2023, 2024, 2025)

(Government spending in infrastructure remain consistently high, highest in the post pandemic period (FY 2022-23), whereas, spending in agriculture, livestock and forestry decreased substantially reaching its lowest i.e. 5% in FY 2025-26).

The above table shows that government's spending remains consistently high in infrastructure sectors, reaching highest (24.6%) in the post pandemic period i.e. FY 2022-23. This shows Bhutan's ambitious, strategic capital spending aimed at boosting economic growth.

Contrarily, government's spending in agriculture, livestock and forestry remains low and diminishing over the last five financial years. The allocated share of budget to agriculture sector was 11% in FY 2021-22. It then diminished almost every year and fell to 5% in FY 2025-26 budget. This trend of low budget allocation to agriculture sector reflects a policy gap given the agrarian structure of rural livelihoods and rural nature of Bhutanese economy. This mismatch between government priorities and rural agro-based nature of economy appears to be the principal contradiction of Bhutanese economy.

A five percent share of the budget allocated to agriculture in an agricultural country is certainly low. It should be assessed in relation to the sector's contribution to GDP, employment and rural livelihoods. In a country like Bhutan where food import is a persistent practice, such a limited share of the budget allocated to agriculture is not likely to ensure food self-sufficiency and food sovereignty.

Likewise, government spending in social sectors, according to budget projections over the last five financial years, remains steadily high. The data in the table above indicates that the allocated mean share of budget to social sectors, comprising of health and education, over the five financial years, stands at 30.4%. This shows Bhutan's continued commitment to social sector development. The substantial size of the budget allocated, every financial year, to social sectors is reasonable given the country's welfare approach to education and public health.

4.2 Debt vs. Social Spending

It is worth repeating that Bhutan has a welfare approach to social sectors, especially to education and public health. However, it also has ambitious and strategic development policy based on public spending. Bhutan finances public spending, especially hydropower funds, through external and domestic debt. Therefore, the country remains vulnerable to growing debt burden.

At the end of March 2025, total public debt of Bhutan was Nu. 298183.3 million, which accounted for 99.1% of the GDP estimate of the FY 2024-25. With external debt stock of Nu. 277085.2 million and domestic debt stock of Nu.21098.1 million, hydropower debt constituted 61.4% of the total external debt and 56.5% of the estimated GDP as of 31st March 2025 (MoF, 2025, Public debt, p. 43). It is crystal clear that the total outstanding debt is almost equal (99.1% of estimated GDP) to the size of the country's estimated annual output. Further, around three-fifths of Bhutan's foreign debt (61.4%) is associated with hydropower projects, which is more than half (56.5% of estimated GDP) of Bhutan's annual gross output. Although hydropower debt is a productive debt burrowed for boosting economic growth through electricity exports, the high concentration of external debt in a single sector may result in economic vulnerability, exposing the economy to revenue shocks. High debt burden, with hydropower related liabilities comprising a large share of external debt, results in rising debt servicing obligations. Consequently, it leaves limited fiscal space for social and agricultural spending. Government becomes incompetent to expand social investment during periods of economic stress.

The following table shows debt servicing vs. social spending trend of Bhutan by years:

Table 2: **Debt servicing vs. social spending trend by years.**

S.No.	**FY**	**Sector**	**Allocation (Nu. in Million)**	**% Share**
01	2021-22	Social Spending	24524.108	30
		Debt servicing	9002.695	11
02	2022-23	Social Spending	23888.53	29.2
		Debt servicing	9323.117	11.4
03	2023-24	Social Spending	24594.245	28.8
		Debt servicing	14536.770	17

04	2024-25	Social Spending	32753.026	34
		Debt servicing	13329.391	14
05	2025-26	Social Spending	40903.3	30
		D. servicing	28333.148	21

Note: Data from Ministry of Finance (2021, 2022, 2023, 2024, 2025).

(Debt servicing vs. social spending trend by years).

The above table (table 2) shows that government spending in social sectors is consistently higher than in debt servicing over the last five financial years. Further, it indicates that the difference between the social spending and debt servicing is narrowing almost every financial year. The table depicts that 19% difference between social spending and debt servicing in FY 2021-22 fluctuates over years and narrows to 9% in the FY 2025-26.

The narrowing gap between debt servicing and social spending suggests that larger share of government resources is being used to repay debt, leaving relatively less room for social programs such as education, public health and social protection. Bhutan's social spending is undoubtedly high, but it is either stagnant or growing slowly because of the rising debt servicing. This trend indicates government's priority in meeting debt commitments over social sector investments. This further indicates increasing debt burden and raises concern about the longterm sustainability of public finances.

4.3 Who Benefits from Public Investment?

Bhutan prioritises urban development, large construction projects and energy sector development, especially ambitious hydropower projects while allocating relatively less budget to agriculture. This sort of over emphasised public investment is advantageous to the minority living in urban areas, while majority of the population, living in rural areas, remains disadvantaged.

The rural population's livelihoods are agro-based, and Bhutanese agriculture is subsistence and semi commercial. Capital investment-based programs and policies and budget allocations cause the agriculture to retain its conventional backwardness. The beneficiaries are urban people,

investors and entrepreneurs, construction companies and contractors, export-oriented sectors like hydropower projects, business and industries etc.

Areas such as irrigation, extension services, rural road connectivity, storage facilities, agricultural research, subsidies etc. remain under funded. Thus, farmers and rural communities are receiving fewer benefits from government spending.

5 Intersection of Vulnerabilities

Bhutanese agriculture is prone to climate shocks and climate change hazards. Crops are often destroyed by landslides, floods, draught, erratic rain etc. Besides, glacial lake outburst is also a risk. These calamities are uncertain and unpredictable. Moreover, farmers and government have almost no plan to mitigate or compensate the loss. Therefore, climate shocks, coupled with agricultural vulnerabilities, exacerbate the problem. Poverty of the farmers is intensified by agricultural loss due to climate shocks.

Similarly, intersection of rural-urban migration and informal economy reinforce multiple disadvantages overlapping each other. Migrants move for better opportunities. Among host of reasons, poverty is the principal cause of rural-urban migration in a country like Bhutan. Landlessness, climate shocks, limited public investment in agriculture and low rural wages are some of the reasons behind rural- urban migration in Bhutan. Due to lack of skill and education, many migrants cannot access formal jobs in the cities and towns. So, they enter informal economy. They work as servants or maids, porters, transport workers, construction labourers, street vendors etc. Such jobs are often low paid, irregular and unprotected. Thus, the migrants often experience multiple overlapping vulnerabilities rather than a single disadvantage. Following disadvantages intersect, leaving the migrants vulnerable from every angle:

i) Economic vulnerability resulting from low income and unstable job.

ii) Social vulnerability resulting from weak social connection in the city.

iii) Caste, ethnicity or minority related vulnerability.

iv) Housing vulnerability resulting from informal settlement and overcrowding.

v) Health vulnerability resulting from limited access to health care and sanitation.

vi) Gender vulnerability. (Women migrants face wage discrimination).

Likewise, rising debt burden and increasing debt servicing obligations limits social investment. Social investment constraints create social sector vulnerability. This vulnerability intersects with preexisting vulnerabilities like poverty, gender inequality, rural marginalization, informal employment etc.

In the same vein, narrowing gap between debt servicing and social investment has limited government's spending in sectors like education, health care, child care, social protection and so on. This in turn has resulted in the increased unpaid care burden of women. The care burden overlaps with the preexisting vulnerabilities of women like gender inequality, poverty, backwardness etc.

Male out-migration has left women with greater responsibility for farming leading to feminization of rural agriculture. Ministry of agriculture and livestock (2023, p. 3), drawing on the *Population and Housing Census of Bhutan 2017* and the *Commercial Agriculture and Resilient Livelihood Enhancement Programme*, reported that women accounted for 59.3% of agricultural labour force, resulting in feminization of agriculture driven largely by out-migration of young men. However, women often have limited decision-making power, access to credit, extension services, technology and markets. Besides, they face unpaid care and household work alongside agricultural labour. Thus, feminization of agriculture has increased women's vulnerability by expanding their agricultural responsibilities while they continue to shoulder unpaid care and household work.

National Commission for Women and Children (NCWC) notes that 95% of women were engaged in household maintenance and management activities, and they performed 71% of unpaid work, 2.5 times more time (218 minutes) than men (87 minutes). NCWC concludes that women's contribution to unpaid household and care work was at least twice that of men (NCWC, 2019, p. xii). Feminization of agriculture isn't inherently disempowering, but these findings suggest that women are already facing a disproportionate share of unpaid work, and that additional agricultural responsibilities further intensify their workload. Thus, feminization of agriculture has become an added burden to women rather than empowering the women. Women are doubly vulnerable with the intersection of unpaid household and care work and agricultural responsibilities.

6 People's Alternatives

People's alternatives to rural livelihoods, including agriculture, emerge as responses to livelihood and economic vulnerabilities. Low agricultural yield, land fragmentation, landlessness, indebtedness, climate shocks and low public spending in agriculture have compelled Bhutanese rural farmers to diversify their livelihood strategies.

To reduce dependence in agriculture rural people are increasingly engaged in non-farm activities such as wage labour, informal sector works, foreign employment, seasonal migration, small businesses, rural-urban migration, sustainable natural resource management and foreign employment.

Rural farmers choose wage labour as an alternative to low yielding agriculture and rural livelihoods. However, wage labour is not always accessible in the rural areas. As a result, people migrate to urban areas. Yet, wage labour is unsafe and unstable in most of the cases. Mostly, it creates vulnerability, leaving the workers doubly vulnerable.

Most unskilled rural people migrate to urban areas to work in informal sectors. They are compelled to work for very low income. Some people migrate to urban areas during the agricultural lean season and return home during the peak farming season.

In most of these cases, migrants, especially informal sector workers, are underpaid relative to their workload. On the other hand, their families, especially women back at home, are afflicted by increased care burden and household chores.

Some people install small business or entrepreneurship to escape the risks of rural livelihoods. In some cases people migrate to urban areas for the same. In such cases, people run the risks of business failure, loss or bankruptcy in times of market fluctuations, inflation, recession or economic depression.

People in foreign employment contribute by sending remittances. However, increased domestic burden causes inconveniences to the women back at homes.

Moreover, farmers practice reciprocal labour exchange during planting and harvesting seasons, and share seeds, labour and irrigation system as a response to agricultural, economic and livelihood

vulnerabilities. This is a traditional practice, but it is gradually fading following the widespread reluctance towards farming and increasing dependence on alternative sectors like service, wage labour, foreign employment etc.

Some farmers have started livestock raising as a response to conventional livelihoods. Yet, most farmers practice semi-commercial livestock farming. Likewise, niche crops cultivation has become another lucrative option. Livestock farming and niche crops have indeed reduced vulnerabilities of rural livelihoods to some extent.

Further, sustainable natural resource management is one of the people's alternatives to low yielding agriculture and rural livelihoods in Bhutan. Forest resources play vital role in Bhutanese rural livelihoods. People generate income from medicinal herbs, wild nuts, yams, fruits etc. Besides, people collect fuelwood, fodder and harvest broom grass and bast fiber from forest.

Forest, in Bhutan, is strictly regulated by the state. So, there is no question of over-exploitation of forest resources in almost any part of the country. People can cut trees for timber, but rampant cutting of trees is strictly checked. Therefore, utilization of forest resources in Bhutan is perfectly equitable and sustainable. It is one of the best alternatives to reduce the vulnerabilities of rural economy and livelihoods.

7 Policy Recommendations

Based on the findings and analysis presented in this report, the following policy-recommendations are proposed to address structural vulnerabilities and strengthen livelihood resilience:

i. Reform land governance, guarantee land rights, and support small and landless farmers

ii. Invest in food sovereignty and local production

iii. Ensure responsible burrowing and debt transparency

iv. Rebalance public spending towards social sectors and rural livelihoods

v. Create decent jobs and adopt a rational wage determination mechanism

vi. Invest in climate-resilient rural development

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