
Critical Essay On The Fourth Five Year Plan

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The Path to Modern Economic Growth

Bhutan is a small landlocked country located in eastern Himalayas sandwiched between India and China. Before 1961, Bhutan was isolated and had little contact with outside world. There were no transportation roads and mainly animals (Yak, horse, donkey, etc.) were used as means of transportation. We had a homogenous society with not much diversity. People had very limited scope for job and business opportunities due to lack of education and skills required. For development, the primary condition is the desire to grow which is achieved through a series of investments undertaken in industrial, commercial and agricultural sector. Bhutan started the planned process of economic development and entered its precondition to takeoff stage under the reign of the third Druk Gyalpo in the year 1961 inspired by the visit of Indian Prime Minister Jawaharlal Nehru in 1958.

Since then transformation of Bhutan has occurred more rapidly. Dawn of development was a blessing for our country as it broke the traditional homogenous society and paved pathway for the people into a new era of peace and prosperity with a lot job and business opportunities with free health and education system. 11 Different plans have different motives and they were given different emphasizes. Some plans were focused on infrastructure development, health and education facilities, tourism, trade and industry while some plans were solely focused on agriculture growth. The 4th FYP started in the year 1976. It was framed with the primary objective of enhancement of overall living standards and economic conditions. These objectives could only be achieved if there was improvement in agriculture, livestock, forests and small Industries. Development of hydro power, mineral resources, tourism, trade and commerce was also given importance while expanding basic facilities like health, education and communications had also remained a priority for almost all FYP's. It was during the time of the fourth five year plan where the estimation of GDP was initiated. Bhutan received both budgetary and man power assistance from India and other donor countries which are the most integral part of the development process. The fourth five year plan mark the transition phase.

The previous three five year plans were planned by donor countries while the fourth five year plan was planned by the newly ordained planning commission under his majesty's reign. Government realized how Bhutanese people were obsessed with perpetual aid syndrome and efforts were being put to achieve self-sufficiency. The format of the fourth five year plan was different where agriculture was given the emphasis, which was allocated 29% of the total budget. Agriculture received the highest budget since not only many of the citizens during that period were heavily dependent on agriculture but also to achieve self-sufficiency. Moreover it also contributed the highest towards the GDP of the country. The size of 4th FYP was nearly double of the previous FYP and a total budget of 101. 6 million \$ was allocated to 4th FYP. Although a right approach to economic development was launched, Bhutan faced challenges which included dual resource gap, low taxable capacity, lack of technical skills, and lack of skilled man power. Similar to the first 3 FYP's, the domestic mobilization of finances was inadequate which became the leading cause of growing deficits. Current account deficit was close to 7% of the GDP. Even the overall budgetary deficit including capital expenditure was in excess of 20% of GDP which was exorbitant. To finance the deficit, aid and assistance from foreign came as a rescue but at a cost. The financial sector was at its infancy and was weak

which led to inefficient allocation of the scarce budget. There was only one commercial bank, the Bank of Bhutan.

People were encouraged to save and invest by providing high interest rates. The lack of decentralization also posed a challenge to accountability and transparency. People have no right to vote and say in the decision making while government officials were not accountable of their working accounts to the people. The entire objective of self-reliance, a primary focus of all FYP, had been at a stake. Despite the agriculture being the largest recipient of the 4th FYP's budget, there was a 25000 metric tons food deficit whereby we had to depend heavily on international support for food and budget. It was an indicator that there were unaccounted inefficiency and leakages which had to be accounted for. These problems were understood and later became the focal point of the 5th FYP. It has been found out that achieving self-sufficiency and vanishing the perpetual aid syndrome in the short run was very ambitious and a difficult task. As it stands today, Bhutan is still not self-sufficient and the dream to be self-reliant still continues. The positive thing is that Bhutan tends to generate more revenue from internal sources and its perpetual aid syndrome is slowly declining which is an important milestone for Bhutan. It has been stated that, by the year 2020 (12th FYP), hopefully Bhutan would be able to achieve the long chased dream of being self-sufficient. Conclusion Kingdom of Bhutan was isolated and had little contact with the outside world. A planned process of economic development has been started with the help of international aids and assistance in the year 1961. Major development plans have been formulated in the area of health care system, road construction, agriculture and education. This has led to perpetual aid syndrome in the early stages of development but however changes in the government expenditure has led to development based on self-reliance.