

## Table of Contents

INTRODUCTION .....	3
I. HISTORIC EVENTS .....	5
1. SIGNING OF THE CONSTITUTION OF THE KINGDOM OF BHUTAN .....	5
2. CORONATION OF HIS MAJESTY THE FIFTH DRUK GYALPO .....	5
3. CENTENARY CELEBRATIONS .....	6
<b>1 - STRENGTHENING THE FIRST PILLAR OF GNH - EQUITABLE AND SUSTAINABLE SOCIO-ECONOMIC DEVELOPMENT</b> .....	<b>7</b>
1.1 ECONOMIC FRAMEWORK .....	7
1.2 MACROECONOMIC PERFORMANCE .....	7
1.3 MACROECONOMIC DEVELOPMENT POLICY .....	9
1.4 PERFORMANCE OF SOCIOECONOMIC PROGRAMMES AND PROJECTS .....	11
1.4.1 Health .....	11
1.4.2 Education .....	14
1.4.3 Agriculture .....	19
1.4.4 Trade and Industry .....	25
1.4.5 Works & Human Settlements .....	30
1.4.6 Labour and Human Resources .....	33
1.4.7 Information and Communications .....	36
1.4.8 Finance .....	39
<b>2 - REINFORCING THE SECOND PILLAR OF GNH - ENVIRONMENTAL CONSERVATION</b> .....	<b>43</b>
2.1 ENVIRONMENT .....	43
2.2 MANAGEMENT OF NATURAL RESOURCES .....	43
2.3 WASTE MANAGEMENT AND POLLUTION CONTROL .....	47
2.4 GLOBAL WARMING AND CLIMATE CHANGE .....	48
2.5 MANAGEMENT OF THE CANINE POPULATION .....	48
2.6 RISK OF GLACIAL LAKE OUTBURST FLOODS (GLOFs) .....	48
2.7 PREPARING FOR SEISMIC DISASTER .....	49
2.8 RESPONSE TO THE RECENT FLOODS .....	50
<b>3 - REVITALIZING THE THIRD PILLAR OF GNH - PRESERVATION AND PROMOTION OF CULTURE</b> .....	<b>52</b>
3.1 PRESERVATION AND PROMOTION OF CULTURE .....	52
3.2 LANGUAGE .....	54
3.3 PREVENTING SUBSTANCE ABUSE .....	55

<b>3</b>	<b>- CONSOLIDATING THE FOURTH PILLAR OF GNH - GOOD GOVERNANCE</b>	<b>56</b>
4.1	GOOD GOVERNANCE .....	56
4.2	LOCAL GOVERNANCE.....	59
4.3	ENSURING ADMINISTRATIVE EQUITY .....	59
4.4	FREE AND RESPONSIBLE MEDIA.....	61
4.5	CURBING SOCIAL ILLS.....	61
4.6	CIVIL SOCIETY ORGANIZATIONS .....	63
4.7	FOREIGN RELATIONS .....	63
4.8	JUDICIARY.....	66
4.9	LEGISLATIVE PLANS .....	67
<b>III</b>	<b>- STATE OF OUR EMERGING DEMOCRACY</b>	<b>70</b>
5.1	OUR EMERGING DEMOCRACY AND ITS VULNERABILITY.....	70
5.2	PRESERVING AND ELEVATING OUR MONARCHY.....	71
5.3	GUARANTEEING THE SEPARATION OF POWER.....	71
5.4	INDEPENDENT FUNCTIONING OF THE CONSTITUTIONAL BODIES (OVERSIGHT INSTITUTIONS FOR CHECK AND BALANCE).....	71
5.5	COMMITMENT TO THE PROMOTION OF TRANSPARENCY .....	72
5.6	PROMOTING THE GROWTH OF MEDIA.....	72
5.7	ENSURING FUNDAMENTAL RIGHTS AND DUTIES .....	73
5.8	PRESERVING PEACE AND STABILITY .....	74
5.9	TRUE AND FAITHFUL REPRESENTATION IN PARLIAMENT .....	74
5.10	PARTY AS THE BASIS FOR PARLIAMENTARY DEMOCRACY.....	75
5.11	SANCTIFYING THE CONSTITUTION .....	75
<b>CONCLUSION</b>		<b>78</b>

## INTRODUCTION

It is a profound honour and privilege for me to present the first annual report of the Royal Government, upon having completed one year, to the first Parliament of the Democratic Constitutional Monarchy of our country.

I attribute this historic opportunity to His Majesty the King and to the father of our democracy, His Majesty the Drugyal Zhipa.

I am also thankful to the people of my beloved country for the faith with which they have entrusted Druk Phuensum Tshogpa with the great responsibility of leading the nation in its continued journey toward Gross National Happiness. Unwavering in our dedication to the Tsa-Wa-Sum, we have not faltered thus far. With the blessing of our guardian deities, the guidance of our King and the strength of our collective merit, I share with you the confidence of my government to achieve the very best of what democracy has to offer to our country and people.

The purpose of this report to the Parliament and through it to the whole nation is to take stock of what the elected government has achieved within one year and what it intends to undertake in the following year. It is not just a speech. It is a direct submission of accounts to the people of Bhutan. This is good democratic practice. I, therefore, understand that my report needs to be comprehensive and substantive to reflect the numerous and noteworthy achievements of the government. It is an honest submission and aims not only to delight with accounts of success but also to inform the nation of the government's fears and the challenges it has failed to address. It is submitted with the belief that the annual report must evoke feelings of confidence and pride in our nation's accomplishments while giving cause for reflection and contemplation on important issues so that we in government may have the benefit of the people's wisdom and guidance.

I would like to humbly submit that our achievements in the last one year have as much to do with the wise policies and initiatives of the previous government as they have to do with the dedication and hard work of the civil servants, local government leaders and corporate employees. These have further resulted from the guidance of His Majesty the King and the collective efforts and contributions of the Dratsang, the security forces, the private sector, NGOs, the farmers, Constitutional bodies, the judiciary and the Parliament.

Ours is an open government, keen to listen, ready to acknowledge mistakes and fully conscious of the truth that none of us, as law makers and as policy makers, have any experience in the workings of democracy. We are mindful of the need for all of us, as an empowered people, to learn and discover together how we should grow as a humane society served by a caring and competent government within the paradigm of our unique

Constitution. We are also conscious of the reality that in the end, democracy is only as good as the people want it to be and are capable of making.

As I and my colleagues in the Cabinet have always stated, the primary task of the first democratically elected government is to lay down firm foundations for a sustainable and vibrant democracy. Ours must be a democracy that is firmly rooted, irreversible and irreproachable. This is made clear in our pronouncements and in our plans and programmes that aim at empowering our people so that physically, intellectually, socially, economically and politically, they have the capacity to realize the full value of the 'wish fulfilling jewel'. The thrust of our five-year development programme is to ensure that our people are not compelled to compromise their vote because of ignorance or poverty. Above all, we are conscious that our government has the awesome responsibility of setting precedence and establishing democratic tradition with each step we take. We are aware that the future of democracy, to a large extent, will be shaped by the way it functions in its first five years.

Convinced that the main responsibility of the Royal Government is to strengthen the four pillars that enable the pursuit of happiness by its citizens, the main part of my report is structured to present developments in respect of each pillar. This will be preceded by a report on the historic events and followed by an assessment of the state of our emerging democracy. As the objective of establishing the foundations of democracy must remain foremost in our collective mind at this beginning stage, it is the intention of the Lhengye Zhungtshog to include a segment on the status of democracy in all my annual reports.

The six sections of my report are thus, presented as in the following order:

- I. Historic Events
- II. Progress in the pursuit of Gross National Happiness
  1. Strengthening the first pillar of GNH – Ensuring Equitable and Sustainable Socio-Economic Development
  2. Reinforcing the second pillar of GNH – Conservation of our Fragile Environment
  3. Revitalizing the third pillar of GNH – Preservation and Promotion of our Splendorous Culture
  4. Consolidating the fourth pillar of GNH – Promotion of Good Governance
- III. State of our Emerging Democracy

## **I. Historic Events**

### **1. Signing of the Constitution of the Kingdom of Bhutan**

On the 18<sup>th</sup> of July 2008, in a solemn and awe inspiring ceremony, the Constitution of the Kingdom of Bhutan was signed by His Majesty the King, the Prime Minister, Chief Justice, Cabinet Ministers, and the members of the National Assembly and the National Council. This was the most historic and significant event in the history of our nation as the Constitution now forms the basis for all laws by which the country is governed as a Democratic Constitutional Monarchy. As His Majesty the King said in His Royal Address on the occasion, the “Constitution is a source of inspiration to the people as it stands as a testament to the selfless and extraordinary leadership of our great Kings”.

As a tribute to His Majesty Jigme Singye Wangchuck the Fourth Druk Gyalpo, out of whose vision and selfless dedication to the well being of the Bhutanese people the Constitution was born, it was resolved that henceforth His Majesty’s Birthday on 11<sup>th</sup> November would be observed as Constitution Day.

### **2. Coronation of His Majesty the Fifth Druk Gyalpo**

The sacred and revered institution of Monarchy is the keystone of the Bhutanese state, and the fountainhead of all wisdom, justice and the well-being of the Bhutanese people. Thus, the year 2008 will go down in history as one of the most profound and significant years for Bhutan, heralding the start of yet another glorious chapter in our history under the reign of the Fifth Druk Gyalpo, His Majesty Jigme Khesar Namgyel Wangchuck.

Determined to mark the momentous occasion in a way that would reflect its historic significance and showcase the splendid cultural and spiritual legacy of the country, the Royal Government made every effort to facilitate the widest possible participation by the people, and ensure that all the necessary preparations were completed on time. In keeping with the wishes of His Majesty the King and the Fourth Druk Gyalpo not to fritter away valuable resources on the celebrations, capital expenditures were incurred only if it provided long term benefits for the people. For the same reason the festivities were deliberately kept at a modest level, and foreign invitees to the Coronation were, for the most part, confined to the ambassadorial level. However, in recognition of the unique and special relationship that Bhutan enjoys with India, Her Excellency the President of India Pratibha Patel was invited as the Guest of Honor. The gesture was greatly appreciated and will undoubtedly contribute to further cementing the ties of friendship and fraternal relations between our two countries.

The Coronation of His Majesty the Fifth Druk Gyalpo was held on the 8<sup>th</sup> Day of the 9<sup>th</sup> Month of the Earth Male Rat Year, corresponding to 6<sup>th</sup> November 2008. Thousands of people from all walks of life came to Punakha and Thimphu and stood in line for days to felicitate and offer *Tashi Khadar* to His Majesty the King. His Majesty in turn graciously

reciprocated their gesture in a manner that would not be possible in any other society-mingling freely with all those who had come to felicitate Him.

The Coronation was an occasion for the people not only to rejoice in the enthronement of His Majesty, but also an occasion for them to express their gratitude for the great strides that had been made under the reigns of our successive Kings, and to pay homage to the revered institution of the Monarchy. The Coronation ceremonies, as well as the public celebrations were conducted in a dignified and befitting manner, showcasing the depth and richness of Bhutan's cultural heritage. The numerous foreign representatives, including 126 media persons from 59 international media organizations, were genuinely impressed by the manner in which the event was conducted, and there is no doubt that it greatly enhanced Bhutan's image as a sovereign, stable and progressive emerging democracy with a rich cultural heritage and living traditions.

### **3. Centenary Celebrations**

The year 2008 was also significant as it was the Centenary Year of the institution of Monarchy. To celebrate and commemorate the Centenary of the Monarchy, various events including inaugurations, dedications, book launches, and sporting and entertainment events were organized throughout the year, by both the Government as well as private citizens. These occasions provided valuable opportunities for the people to express their gratitude and veneration for the sacred institution of the Monarchy. Again, in keeping with the wishes of His Majesty the King and the Fourth Gyalpo, utmost care was taken to avoid extravagance, and only those expenditures that were unavoidable were incurred.

Some of the important structures that were inaugurated to commemorate the institution of the Monarchy include the Tower of Trongsa Museum in the Trongsa Ta-Dzong, the Tendril-Thang at the Tashichhodzong, the Changlimithang Stadium, the renovated Memorial Chorten, the Centenary Farmers Market and the Coronation Park. All these structures and facilities are meant for long term public use, and none was built or established for the specific purpose of the Centenary celebrations. In addition, an area of 4,914 square kilometers extending all the way from Lunana in the west to Trashiyangtse in the east, and covering parts of five Dzongkhags was designated as the Wangchuck Centennial Park.

The celebrations were appropriately culminated with the celebration of our National Day on 17 December 2008, the day on which Bhutan elected the first hereditary King, with an address to the nation by His Majesty the King. Members of the Royal Family, the Prime Minister, and other government leaders joined the people in celebrating the occasion in all the twenty Dzongkhags.

## II. Progress in the Pursuit of Gross National Happiness

### 1 - Strengthening the First Pillar of GNH - Equitable and Sustainable Socio-Economic Development

#### 1.1 Economic Framework

Despite the impressive socio-economic achievements that have been made so far, the fundamentals of the Bhutanese economy continue to remain weak and vulnerable. Although mainly owing to our small population, the living conditions of most of the people in Bhutan may not appear as dire as that of the poor people in other third world countries, there is little doubt that Bhutan still remains among the least developed countries. A majority of our people still depend on subsistence farming for their livelihoods and the modern sectors of the economy remain fragile and underdeveloped.

Reflecting the narrow revenue base, in 2008/09 tax revenues accounted for just 42% of total domestic revenues which itself is just sufficient to cover recurrent costs. Therefore, the Royal Government's ability to take up any new capital investments is almost wholly dependent on the availability of external resources. At the same time, because the Royal Government has been so deeply involved in all aspects of the development efforts, the people have developed a culture of depending on the Government - the "*Kidu culture*", to provide even their basic requirements.

The Royal Government is firmly committed to accelerating the rate of economic growth by creating an environment that promotes and facilitates entrepreneurship, enhances domestic revenues, generates employment and encourages the people to become more self-reliant.

#### 1.2 Macroeconomic Performance

The following provides a brief overview of the important macro-economic developments during the past year:

##### (i) Growth

During the 2008/09 fiscal year, Bhutan's economy is estimated to have grown by 8.1%. The highest growth was recorded by the services sector which is estimated to have grown by 12.1%, followed by the industrial sector with an estimated growth of 7.5%. On the other hand, the growth of the agriculture sector is estimated at just 1.7%.

##### (ii) Inflation

Because of the pegged exchange rate with the Indian rupee, the scope for monetary policy is limited and given Bhutan high dependence on imports from India for most items,

the rate of inflation largely mirrors that in India. After reaching a peak of 9.3 percent in the third quarter of 2008, inflation as measured by the Consumer Price Index had declined to 7.21% by the first quarter of 2009.

### *(iii) Balance of Payments*

The balances on both the trade and current accounts for the year 2008/09 are expected to show significant deficits of around Nu.9.8 billion and Nu.5.9 billion respectively. However, due to continued inflows of grants and concessionary loans, the overall balance of payments is projected to remain positive with gross international reserves growing by around US\$ 38 million, or 6% during the year.

### *(iv) International Reserves*

As at the end of April 2009, Bhutan's gross international reserves, comprising both convertible currencies and Indian rupees amounted to US\$ 663.2 million. As against the Constitutional requirement of one year of essential imports, this is estimated to cover about seven months of total projected imports. In terms of the actual value of imports during the previous year, the present level of reserves is equivalent to more than 16 months of import.

### *(v) Public Sector Corporations*

In the last one and a half years since the establishment of Druk Holdings and Investments (DHI), the financial performance of the 12 public sector companies that are under its charge have seen significant improvements. As a whole, the DHI's share of pre-tax profits from its companies increased by 8.03% from Nu. 4.8 billion to Nu. 5.1 billion. As a result of the emphasis given to improving corporate governance and creating a performance based corporate culture, many of the companies have made considerable improvements in their operations.

As the investment arm of the Royal Government, DHI has taken over the implementation of the Dagachu Hydro-Power project and the Dungsum Cement project from the Ministry of Economic Affairs. DHI is also working closely with the Royal Government in developing new projects such as the IT Park, the establishment of data centres, the development of special economic zones, the Toorsa land reclamation project, and looking at various ways to raise funding for these projects, in both the domestic and the international markets.

### *(vi) The Global Economic Crisis*

The developed economies are today in the worst economic recession since the last 60 years, the fallout of which is being felt by almost all countries. The effect on the developing countries is mainly through a drying up of foreign private capital flows, falling commodity prices and reduced demand for their exports in the developed countries.



So far, the most significant impact of the economic downturn on Bhutan has been in the tourism sector which saw a decline of 31.5% in tourist arrivals in the first quarter of 2009, as compared to the corresponding period in 2008. However, when compared against the average number of tourist arrivals over the last three years, it is still higher. The bigger risk for Bhutan would be a reduction in official development assistance as the recession is yet to hit the bottom and the extent of its impact on the developed economies is still uncertain. So far none of our donors have indicated a reduction in their commitments to the 10<sup>th</sup> FYP.

### **1.3 Macroeconomic Development Policy**

The Royal Government is now in the final stages of approving an Economic Development Policy (EDP). The draft EDP is aimed towards creating conducive conditions for business by undertaking sector-wise reforms of the national regulatory framework, identifying economic opportunities, and providing incentive schemes. While recognizing the various constraints that Bhutan faces, the policy also identifies some of the clear competitive advantages that it enjoys. Based on these advantages, it aims to develop the country's Unique Selling Point (USP) and establish what will become Brand Bhutan. The EDP will set the agenda and the general direction for the sectors with the highest potential.

Recognizing the importance of a strong and dynamic private sector for the long term growth of the economy, the Private Sector Development Committee (PSDC), which had remained in abeyance for a number of years, has now been re-established with representation from various trade associations. Demonstrating the Royal Government's sincerity in its policy of working in close partnership with, and facilitating the growth of the private sector, the PSDC which is a policy and strategy recommending body, now comprises of more members from the private sector than the government, and the Secretary of the Bhutan Chamber of Commerce & Industry (BCCI) will serve as its Secretary.

In order to accelerate socio-economic development, the Royal Government has adopted the following strategies:

- (a) Maximize hydropower generation to more than 10,000 MW by 2020 to enhance domestic revenues;
- (b) Develop and promote Bhutan as a regional services hub for world-class educational, medical and financial service industries,
- (c) Promote Bhutan as a high end tourism destination for cultural, wellness, spiritual, and eco-tourism, and as a business centre for Meetings, Incentives, Conferences and Exhibitions (MICE);
- (d) Promote Bhutan as a destination for investments in the ICT and ICT enabled service industries;
- (e) Create Special Economic Zones (SEZ) in selected sites along the southern border; and

(f) Develop and establish Bhutan as an organic brand.

*(i) Addressing Poverty*

While recognizing the need to accelerate the rate of economic growth, the Royal Government has serious concerns about growing income disparities. It is estimated that 23.3% of our population are living below the poverty line and that the rural poverty rate is 30.9% as compared to an urban poverty rate of just 1.7%.

The Royal Government is convinced that given our small population, poverty in Bhutan can and must be eradicated altogether. Furthermore, it recognizes that the eradication of poverty is the cornerstone for attaining the social and economic empowerment of the rural population, which will enable them to participate fully in the political and socio-economic development of the country. Therefore it is with this conviction and towards this objective, that the entire programmes and projects of the 10<sup>th</sup> FYP have been geared towards poverty alleviation and preventing any further widening of the gap between the rich and the poor.

Under the newly introduced Resource Allocation Mechanism for allocating central resources, the level of poverty in a Dzongkhag has been incorporated as an important factor in determining the amount of resources that it will receive. The National Statistical Bureau (NSB) is currently developing Gewog Poverty indicators to further strengthen the resource allocation framework by developing poverty indicators at the Gewog level.

Under the Rural Economy Advancement Programme (REAP) the focus will be on reducing extreme poverty by targeting the poorest Gewogs and villages in the country. The overall objective of the programme is to identify interventions which will enable the poor to secure sustainable livelihoods, thereby contributing to an accelerated reduction of poverty. Based on field surveys in the 10 pilot villages, the Gross National Happiness Commission (GNHC) is currently developing a strategic framework for the implementation of REAP and preparing participatory planning guidelines on the approach to be adopted for all the villages that will be targeted under REAP.

*(ii) Resource Mobilization*

With a total outlay of Nu.148 billion, the 10<sup>th</sup> FYP is more than twice the size of the 9<sup>th</sup> FYP. Therefore, mobilizing the necessary resources, especially at a time when many of the donor countries and agencies are feeling the effects of the global economic downturn, is a major challenge. Even before the onset of the global economic downturn, some of the donors had indicated their intention to phase out their assistance to Bhutan after the 9<sup>th</sup> FYP as they felt that Bhutan had achieved a level of development where it no longer required their support. In addition, given the scarcity of Overseas Development Assistance (ODA), they felt that their resources were more urgently needed by some of the poorer developing countries. However, as a result of persistent efforts of the Royal Government, and considering the judicious and effective utilization of aid over the past

plans, our development partners have committed to continue their assistance in the 10<sup>th</sup> FYP. In the next one year, the Royal Government plans to undertake visits to the donor countries to further sensitize and strengthen their support and commitments.

Against the projected financing requirement of Nu.75.43 billion, external resources of Nu. 57.09 billion has been committed and programme for allocation to local governments for infrastructure and capacity building projects, and at the centre for projects in strategic infrastructure, social sector, RNR, HRD, culture, environment and targeted intervention programmes.

- (a) The Government of India (GoI), which is our largest development partner, has committed Nu. 34 billion, constituting 60% of the resources mobilized so far, as compared to Nu. 17.3 billion in the previous plan. In addition to its commitment for the 10<sup>th</sup> FYP, additional commitments by the GoI amount to Nu. 227.9 billion, out of which 214.9 billion will be for the hydropower projects;
- (b) The commitments by other bilateral and multilateral development partners are estimated at Nu. 12.92 billion;
- (c) Assistance from the international financial institutions amounts to Nu. 10.2 billion out of which 39% is in the form of grants and the balance in the form of soft term loans.

## **1.4 Performance of Socioeconomic Programmes and Projects**

This section provides an overview of the various programmes, projects and activities that were undertaken in the socio-economic sectors.

### **1.4.1 Health**

Bhutan's constitutional requirement to provide free basic health care is a concrete expression of its commitment to enable its citizens to pursue the national goal of Gross National Happiness. Despite formidable challenges in maintaining the free health care system, both in terms of resources and capacity, the Royal Government is fully committed to providing universal free access to basic health services for all its citizens.

#### ***(i) Safe Drinking Water***

Easy access to clean and safe drinking water is one of the main preconditions for a healthy population. In recent years, the combination of expanding agriculture, population growth and climate change have impacted adversely on water resources, if not on the entire hydrology, and are reversing our past achievements to make life increasingly challenging for large sections of our population. Therefore, the Royal Government has accorded one of the highest priorities to providing universal access to safe drinking water.

While earlier statistics showed that 85% of the communities had access to safe drinking water, in reality this is no longer the case as many of the drinking water supply schemes which had been established earlier are now defunct due to lack of maintenance, drying up of water sources, or due to deliberate vandalism resulting from lack of satisfactory sharing arrangements for the scarce resource. Therefore, the following remedial measures have been initiated:

- (a) A nationwide survey was carried out to inventorize and determine the functional status of the Rural Water Supply Scheme (RWSS), which revealed that presently, only about 69% of the RWSS schemes are still functioning;
- (b) On the basis of the findings of the survey, detailed reports have been prepared and instructions issued to respective Dzongkhags for the speedy rehabilitation and augmentation of the water supply schemes;
- (c) In order to facilitate this, the responsibility for procurement of RWSS materials was fully decentralized to the Dzongkhags; and
- (d) Design, estimate and drawings for the following were completed along with strengthening local capacity for their maintenance as stated below:
  - ✓ 166 new water supply schemes;
  - ✓ 139 rehabilitation schemes;
  - ✓ 31 spring protection schemes;
  - ✓ 19 school water supply schemes;
  - ✓ 277 water caretakers were trained in basic operation and maintenance of water supply facilities; and
  - ✓ 55 community planning and management workshops aimed at building a sense of commitment and ownership of the water supply schemes were conducted.

#### *(ii) Improving Health Care Services*

Various measures, both for the short term as well as the long term, have been taken to improve the quality of public health care. Short and medium term measures include the following:

- (a) Recruitment of specialist doctors from Myanmar to mitigate the present shortage of doctors in the country. So far, 22 specialists from Myanmar in various categories have arrived and are working in various health centres, with some more due to arrive soon;
- (b) A scheme to recruit retired health workers such as health assistants and nurses on contract has been initiated and so far, a total of 18 ex-medicos have been employed;

- (c) Recruitment of Class 12 passed students as nursing assistants to carry out non-clinical services so that the nurses can focus on their primary role as clinical care providers. After completing a two-month crash course, the first batch of 97 nursing assistants have already been posted in various hospitals;
- (d) Steps are also being taken to obtain the services of volunteers in specific areas such as orthopedics, physical therapy, and nurse anesthetists on a continuing basis from organizations such as Health Volunteers Overseas and the UN Volunteers programmes; and
- (e) To meet the persistent shortage of nurses, an Accelerated Training Programme for Nurses has been launched. The programme is expected to produce about 1,400 nurses by 2013 against the projected requirement of 1,534.

Long term measures include the following:

- (a) The GoI has generously agreed to finance the establishment of a medical college as a separate project outside of its assistance to the 10thFYP. The proposed medical college will be established in Thimphu, and the Jigme Dorji Wangchuck National Referral Hospital (JDWNRH) will function as the teaching hospital. It is expected that in the coming years, up to 50 doctors will graduate from the medical college every year;
- (b) Agreement has been reached with the Government of Sri Lanka to increase the number of slots for Bhutanese medical students in that country from 25 to 30 per year, as well as five additional slots for the bachelors programme in dental surgery. Similarly the slot for B.Sc. Nursing was also increased from two to 10 per year. Requests have also been made to the governments of Bangladesh and Thailand for admission of Bhutanese students in their medical institutes;
- (c) Institutional ties have been established with the Post Graduate Institute of Medical Education and Research in Chandigarh, the All India Institute of Medical Science in New Delhi, and the Christian Medical College in Vellore for admission of Bhutanese doctors to undergo different post graduate specialization courses; and
- (d) In addition to those medical students on government scholarships, many Bhutanese students are pursuing MBBS courses in the SAARC countries and Thailand as private students. In order to ensure that such students return to serve their country, the Royal Government approved a partial scholarship scheme for such students up to a maximum ceiling of Nu.300,000 per year, as a much needed financial support to them. However, stringent eligibility criteria have been drawn up in order to ensure that only deserving students in recognized medical institutes benefit from the scheme.

### *(iii) Local Delivery of Health Services*

The following developments and actions are expected to improve the delivery capacity of the health system:

- (a) Opening of the new 350 bed JDWNRH complex in Thimphu;
- (b) Opening of the 150 bed Mongar hospital;
- (c) Opening of the 20 bed Dagapela hospital in Dagana Dzongkhag;
- (d) Requirement for the doctors in the Dzongkhag hospitals to visit health centres such as Basic Health Units (BHUs) and Outreach Clinics (ORCs) at least once every month;
- (e) Establishment of a telemedicine programme at the JDWNRH. BHUs in various Dzongkhags have been identified for rural telemedicine project for linking to telemedicine sites at the JDWNRH and abroad; and
- (f) In order to improve the people's accessibility to medical facilities, efforts are being made to provide a minimum of two ambulances to every district hospital. So far commitments have been obtained from various donors for 17 ambulances, a few of which have already been received. On its part, the Royal Government has earmarked a sum of Nu.15 million for the procurement of six ambulances.

### *(iv) Preventive, Promotive and Rehabilitative Services*

Concerned about the emergence and re-emergence of diseases including lifestyle related diseases, continued efforts are being made to strengthen advocacy and education on preventive measures. One of the serious challenges facing the country is the growing number of HIV/AIDS cases. Therefore, a National Strategic Plan for the prevention and control of STI and HIV/AIDS has been launched.

### *(v) Drug Regulatory Authority (DRA)*

In line with its mandate, the DRA has carried out tests of some drugs for both human and animal use and action was taken against the suppliers of substandard drugs. The DRA will also take action against those who are not technically qualified or authorized to dispense, distribute and store medical products for both human and animal use.

For the first time, the DRA conducted in-country testing of anti-malarial drugs and antibiotics in Gelephu.

## **1.4.2 Education**

Education remains amongst the highest priorities of the Royal Government with an allocation of over Nu. 9.5 billion during the 10<sup>th</sup> FYP. The formal school education system

today includes over 161,000 students enrolled in 541 primary and secondary schools, including 26 private institutions. The net primary enrolment ratio (NER) today stands at 91.5% as compared to 88% during the last academic year, and the gross primary enrolment ratio (GER) at 114% as compared to 112% in the previous year.

*(i) Improving the Quality of Education*

In recent times, the quality of education had increasingly become a subject of public discussion. Therefore, improving the quality of education is a critical challenge which the Royal Government is committed to address within the 10<sup>th</sup> FYP. Towards this, the following steps have been taken:

- (a) The recommendations of the Education Review Commission that had been set up earlier, have been generally incorporated into the education sector's 10<sup>th</sup> FYP;
- (b) The Ministry of Education is presently preparing policy documents on school and tertiary education to guide all actions related to education at all levels. The Tertiary Education Policy is in the final stage of endorsement by the Royal Government while the draft School Education Policy has been recently completed;
- (c) With the aim of developing an index of quality criteria for school education, the Royal Education Council (REC) undertook a study to assess the quality of school education, identify the strengths and weaknesses in schools, and to recommend a plan of action to bridge the capacity gaps towards creating a high performing school system;
- (d) The MoE in collaboration with the REC is in the process of setting up "Beacon Schools". These will be high performing schools that incorporate international best practices, and act as model schools so that they have a cascading effect on other schools.

*(ii) Curriculum Reforms*

Efforts are being made to reform and upgrade the school education curriculum to make it more relevant to the changing times. The following reforms are in progress:

- (a) The reform of the Maths and Dzongkha curriculum for classes PP to III will be completed soon;
- (b) Social Studies and Science education curriculum will also be reformed. A needs analysis for science education has been completed;
- (c) Following the development of a Values Education Framework, the incorporation of values in every area of school activity such as teaching, co-curricular activities, etc. and in the personal behaviour of teachers and students is being piloted in selected schools as a "Whole School Approach" to teaching values education;

- (d) Fine Arts and IT education have also been incorporated into the curriculum.

### *(iii) Bringing Schools Closer to Communities*

In order to spare a significant number of primary school children from having to endure the physical hardship of walking long distances and to put them on a more equitable learning level with other students, the following actions have been taken:

- (a) 13 schools which had been closed in the past for security reasons have been reopened;
- (b) 33 Extended Classrooms (ECRs) have been opened;
- (c) Three new secondary schools have been established and six primary and secondary schools upgraded;
- (d) 13 new community schools were established in 12 Dzongkhags; and
- (e) Two pilot projects are being established in Thimphu and Paro to provide school bus services for students who have to walk long distances to school. Based on the results of the pilot projects, the programme will be expanded across the country, wherever feasible.

### *(iv) Supporting our Teachers*

Teaching is often a difficult but unrecognized profession, especially given the increasing expectations placed on them by parents and administrators. Therefore, in order to gain an understanding of their work environment and morale, as well as to assess their professional training needs, the REC was commissioned to carry out a study. The findings of the study, in which over 2,000 teachers teaching classes PP-III were assessed jointly by the Ministry of Education and the REC. This is expected to facilitate the development of policies and strategies, particularly in regard to teachers' career ladder, teacher recruitment and retention, and improvement of service conditions, including salary restructuring and merit pay increments, where appropriate.

The following measures aimed to inspire and motivate teachers were taken during the year:

- (a) Over and above the general pay revision for civil servants, special allowances such as teaching and scarcity allowances have been granted to teachers. Furthermore, in order to compensate teachers serving in remote and difficult areas, additional allowances for high altitude and remoteness were also introduced;
- (b) To facilitate the career advancement of teachers, the authority to grant promotion to teachers up to the P2 level has been decentralized to the respective Dzongkhags;



- (c) In collaboration with the Bank of Bhutan, a scheme has been launched to enable teachers to procure laptops and desk computers for their personal use;
- (d) In order to relieve teachers from some of the additional responsibilities and thereby allow them to focus on their core teaching responsibilities, support staff such as laboratory assistants, assistant librarians and storekeepers were recruited and placed in schools in all the Dzongkhags.

*(v) Addressing the Shortage of Teachers*

A major challenge to improving the quality of instruction in the schools has been the shortage of teachers. In order to address this constraint, a programme titled “*Light Druk Yu!*” was initiated to recruit retired teachers and new graduates on short term contracts. Since June last year, the following achievements were made:

- (a) A total of 572 teachers have been recruited under the programme;
- (b) 52 mathematics and science teachers have been recruited from India to ease the shortage of teachers for these subjects;
- (c) Under an agreement with the Bhutan-Canada Foundation, up to 100 volunteer teachers from Canada will be recruited every year to teach in schools across Bhutan; and
- (d) A programme called “*My Village, My Responsibility*” was launched under which civil servants can volunteer to go on secondment as teachers in schools in their home villages.

*(vi) Helping Students Attain their Full Potential*

In order to address the concern about the lack of guidance and encouragement outside the classroom for students in boarding schools, a programme of assigning care-givers in the boarding schools to look after the students, especially the younger ones has been initiated. The care-givers function as proxy parents within the school, taking care of the students and helping them with their homework and other activities and ensuring that the students get adequate care and attention.

*(vii) Promoting Computer Education in Schools*

As computer literacy is crucial to achieving our goal of a knowledge based society, the Royal Government is in the process of finalizing a project called “Total Solutions” with the National Institute of Information Technology (NIIT) in India. Under the project, it is envisaged to develop an IT education curriculum, establish 168 computer laboratories and train over 4,000 teachers over the next five years. Meanwhile, steps are being taken to provide lease line connections to the higher secondary schools, wherever feasible.

Upon the request of the Royal Government, the International Telecommunications Union (ITU) has agreed to supply 200 or more laptop computers, each costing USD 100 to support the “*One Laptop Per Child*” project. These are small computers mainly for students in remote areas who do not have access to computer facilities.

#### *(viii) Non-Formal and Continuing Education*

Non-formal education (NFE) centres have contributed greatly to increasing the basic literacy rate of our population. However, despite the successes in this area, Bhutan’s literacy level is still low by international and regional standards. Therefore, the Royal Government has set an ambitious target of increasing the adult literacy rate from the current 59.5% to 70% by 2013. Towards this, the following measures have been taken:

- (a) An impact study of the NFE programme was conducted, and action on some of the important recommendations that emanated from the study, such as the incorporation of English and Mathematics in the NFE curriculum have already been initiated;
- (b) In 2008 there were a total of 747 NFE centres with 13,829 learners. Recognizing the important role that the NFE instructors are playing, the Royal Government increased their salary from Nu.4,500 to Nu.6,000 per month; and
- (c) The continuing education programme offers adults who could not complete their school education with the opportunity to upgrade their qualification up to the level of a secondary school education. In order to enable more people to use the opportunity, the programme was extended to Paro and Chukha Dzongkhags besides Thimphu. Consequently, the number of people enrolled in the programme has increased to 577 in 2008 from just 293 in 2007.

#### *(ix) Sports Education*

Education must aim not only at the mental development of the child, but also his or her moral and physical development. Unfortunately, until now children’s physical development needs have been given less priority. As a first step towards redressing this, the following steps have been taken:

- (a) 50 sports instructors who were trained by the Department of Youth and Sports, have been assigned in the lower secondary and primary schools in all the Dzongkhags; and
- (b) The Ministry of Education is in the process of drafting a National Sports Policy. This will be finalized through stake-holder consultations and submitted for approval soon.

#### (x) *Promoting Bhutan as a Centre of Excellence for School Education*

In 2008 there were 7,444 students studying in 24 private schools in Bhutan. In addition, thousands of Bhutanese students are studying privately in schools and colleges in India, Thailand and elsewhere. This clearly indicates the value that Bhutanese people place on education, and given the option, they would prefer to have their children study in superior private schools within Bhutan even if it costs more. The Royal Government, therefore, proposes to facilitate private investors in the establishment of several world class schools in the country through foreign direct investment. This is in line with its policy to promote Bhutan as a centre for excellence in education. Given the peace, political stability, pristine environment, and conducive cultural setting, Bhutan offers an ideal location for such schools, and a few indications of interest have already been received. A proposal has been received which envisages the establishment of a *Knowledge City* that would consist of a cluster of a world-class institutions of higher professional education set in a green and self-sufficient campus in which post high school students can pursue world-class education.

The Ministry of Education is currently reviewing and revising its policy guidelines and discussing with other government agencies to facilitate such investments.

#### 1.4.3 **Agriculture**

Although the relative contribution of the agriculture sector to overall GDP has been declining over the years, it continues to remain the primary source of livelihood for a majority of our people. Therefore, measures to increase agriculture productivity and develop and promote sound and improved agricultural practices to enhance rural livelihoods are critical to the achievement of our 10<sup>th</sup> FYP goal of poverty reduction.

The broad approach of the agriculture sector's 10 FYP programmes is based on the concept of "*One Gewog Three Products*". While the approach emphasis the identification and development of local products based on availability and marketability, the broader objective of the programme is to harmonize local RNR plans with national policies and align with central resource allocations.

##### (i) *Improving Access*

Based on past experiences, consultations with the GNHC and other stakeholders, the guidelines for farm road construction were revised to suit local conditions. During the year, 292 km of farm roads and power tiller tracks were constructed and a pilot programme for outsourcing professional services, such as survey and design, geo-technical and environmental studies, and construction and supervision of farm road construction was initiated in six Dzongkhags.

Under the second phase of the project for improvement of machinery and equipment for construction of rural agricultural roads, machineries worth US\$ 5 million is expected to be

received from the Government of Japan. The Royal Government is also negotiating the inclusion of rural bridges under the Government of Japan's grant assistance.

### *(ii) Reducing the Drudgery of Farm Labour*

In order to make farming less strenuous and more cost effective, the priority of the Royal Government is to provide farm machinery and equipment with rural based support servicing, and supplement this with village training for youth in technical business skills for farm based enterprises. During the last year, 141sets of power tillers with a total value of Yen 210 million was received from the Government of Japan under the KR II programme and are being distributed to the farmers.

In order to better target agriculture production and labour shortages, the farm machinery distribution and sales policies have been revised. Furthermore, a project on strengthening farm mechanization through the establishment of farm machinery support centres based on the concept of Gewog hubs *and One Stop Service Centres* has been initiated. Under the project, 185 agricultural machinery enterprises have been set up, and there are now more than 6,000 such enterprises in the country.

### *(iii) Horticulture Development*

As many farming families are entirely dependent on cash crops for their income, a programme to revitalize horticultural development in the country was initiated during the year as stated below:

- (a) Measures have been initiated to revive the abandoned and neglected citrus orchards in the country through various regulatory and management options;
- (b) Horticultural development plans for the six eastern Dzongkhags have been finalized as a step towards the development of a national master plan for horticultural development. Plans for the remaining Dzongkhags are currently being developed;
- (c) In order to harness emerging opportunities, the Royal Government has signed a memorandum of understanding with Mountain Hazelnut Venture Ltd. of USA for the cultivation and production of hazelnuts on degraded lands. When the project is implemented, it will not only have far reaching benefits for many farmers, but will also generate substantial foreign exchange revenue for the country; and
- (d) In view of its income generation potential for the farmers, an initiative to establish coffee plantations in southern Bhutan is being facilitated.

### *(iv) Livestock Development*

To improve the delivery of veterinary services, the following initiatives are being undertaken:

- (a) Regional Livestock Development Centres (RLDC) have been established at different strategic locations to act as one-stop-centre at the regional level. This will provide technical backstopping for all livestock related services in their respective Dzongkhags;
- (b) A Public Private Partnership (PPP) Programme for restocking of different river systems with native fish species is being undertaken;
- (c) A dairy sales counter cum Yoghurt Plant has been established in Thimphu and yoghurt is now made available in selected outlets in the town;
- (d) A project for diversification of products from the Sha Gogona Milk Processing Unit has been established. In addition to the traditional products like butter and cheese, the unit now produces Swiss hard cheese and soft cheese. The Sha Gogona model for milk processing, improved pasture development, group formation and group savings are being replicated in Sengor under Mongar Dzongkhag;
- (e) Four milk processing units have been constructed in Tsirang, Bumthang and Mongar;
- (f) A state of the art National Poultry Breeding Centre has been established in Sarpang; and
- (g) 140 backyard piggery farms, 90 backyard and 45 semi-commercial poultry farms have been established across the country.

*(v) Nationwide RNR Census*

After a gap of eight years, the second nationwide RNR Census, 2009 is underway. The main objective of the census is to obtain updated statistical information on RNR activities at the national, Dzongkhag and Gewog levels for efficient and effective monitoring, planning and policy making. The census will provide baseline data for monitoring of the MDGs, particularly on poverty and food security situations. The RNR Census will be finalized and published before the end of 2009.

*(vi) Targeted Food Security Interventions*

In order to address food insecurity and poverty issues in vulnerable areas, the following targeted intervention programmes are being undertaken:

- (a) The Bhutan National Food Security Strategy has been developed;
- (b) Fertile agriculture lands are being demarcated and placed under a protection scheme to enhance domestic food production;

- (c) A programme for home/nutritional gardens has been developed in Trongsa, Chukha, Wangduephodrang and Haa Dzongkhags and will benefit about 800 households;
- (d) A project titled *“Initiative on Soaring Food Prices”* was developed to support the immediate needs of farmers who suffer crop losses due to natural calamities such as in the case of the farmers in Mongar who lost their crops to the recent windstorm;
- (e) Piloting of mechanized rice production has been initiated in Sarpang and demonstrations on rice double cropping was carried out in Samtse and Sarpang Dzongkhags;
- (f) In order to reduce the import of onions which at present is wholly imported, the commercial productions of onion have been initiated in Chukha and Samtse Dzongkhags.

*(vii) Agriculture Marketing*

The Royal Government attaches high importance to creating and expanding markets for agricultural produces both within and outside the country. Following achievements were made:

- (a) The Sunday vegetable market in Thimphu has been redeveloped as the Centenary Farmers’ Market and accommodates more than 750 vendors and farmers, eight restaurants, one green house and other recreational and office spaces;
- (b) Trial marketing of early chilly from Tashiyangtse, organic potato from Gasa and rice from Tsirang and Sarpang has been initiated. These produces have been positively received by the domestic consumers;
- (c) The year saw a record export of 27,400 metric tons (MT) of Mandarin orange, 3,885 MT of apples, 20,974 MT of potatoes and about 4 MT of mushrooms. All together, the total value of these exports amounted to Nu. 622.5 million as against Nu. 595 million of 2007;
- (d) The legalization of cordyceps collection has brought immense benefits to the people living in the higher altitudes who otherwise have very limited economic opportunities. In 2008, the first National Stakeholders Workshop on sustainable management and marketing of cordyceps was held and over 685 kilograms of cordyceps worth Nu.95 million was auctioned during the year;
- (e) To safeguard the potato farmers from possible drop in prices and to streamline/facilitate auction procedures, the Royal Government has taken the following measures:

- ✓ Identification of new markets;
- ✓ Development of an Auction Manual;
- ✓ Standardization of 50 Kg potato bags; and
- ✓ The vacant land adjacent to the Food Corporation of Bhutan (FCB), Phuentsholing has been allotted to the FCB for construction of auction infrastructure and facilities.

#### *(viii) Farming Cooperatives and Associations*

After the responsibility for implementation of the Cooperatives Act was transferred to the Ministry of Agriculture from the Ministry of Home and Cultural Affairs, work has been started on formulating the RNR strategy for development of farmers' groups and cooperatives, and revising the rules and regulations of the Cooperatives Act. It is expected that both the works would be completed by June 2009.

#### *(ix) Organic Farming*

Bhutan is positioned in a rapidly prospering neighborhood. Demand for organic food is projected to take off on a high trajectory with the rich in particular, becoming more and more health conscious. This gives the Bhutanese farmer an ideal opportunity to overcome the disadvantages of competing against farm produces from larger countries in terms of volume. Therefore, the Royal Government intends to create a niche market for our products and benefit the farmers through the higher prices for organic products in the international market.

The Royal Government intends to gradually phase out the use of chemical fertilizers and pesticides, and promote Bhutan as a purely organic brand. Towards this goal, various activities were taken up under the National Organic Programme (NOP) to promote the organic farming:

- (a) Demonstrations of organic technology such as composting, raised beds, liquid manures and organic plant protection preparation methods have been carried out at the organic demonstration farm at the RNR-RC in Yusipang;
- (b) A series of field visits, workshops and training on organic agriculture were conducted for farmer groups in Bumthang, Gasa, Paro, Samtse, Sarpang and Thimphu Dzongkhags among others;
- (c) A book on organic farming titled "*A Guide to Organic Agriculture in Bhutan*" has been published and is being distributed;
- (d) Work has been started on preparing a National Organic Standard and Regulation system in collaboration with BAFRA; and

- (e) Some of the on-going organic farming activities include the Organic Medicinal Aromatic and Dye Plants (MADP) projects in Langthel in Trongsa, and Nangkhor and Trong in Zhemgang. Organic ginger and turmeric in powdered form, produced by women's groups in Zhemgang and Sarpang are being marketed in Thimphu by Bio-Bhutan which is also marketing certified lemon grass oil from Mongar. Organic farmers groups in Bumthang are marketing their organically produced rice, potatoes and vegetables directly to the hotels.

*(x) Measures to Prevent Losses to Wildlife*

A comprehensive national Human Wildlife Conflict Management Strategy has been developed and published. The following actions are being pursued:

- (a) Based on the above mentioned strategy, specific proposals for management of wild boar, elephants and other wild animals have been prepared, and funding is being sought;
- (b) The National Plant Protection Centre has initiated a Plant Protection Research and Extension protocol with the Dzongkhag Agriculture Extension Officers, on the basis of which a wild boar management proposal is being prepared;
- (c) Human-Wildlife conflict management in protected areas is being implemented at Thrumsengla National Park;
- (d) An indigenous repellent has been developed and was successfully tried against wild boar, elephants, bears, deer and other wild animals at trial sites in various Dzongkhags.

*(xi) Bio-security*

Given the increasing numbers of global outbreaks such as the avian influenza, swine flu and other diseases, the appropriate management of national bio-security has become critically important. Therefore, the Bio-security Policy has been adopted with clear policy objectives, strategies and mechanism to monitor and manage bio-security threats. The Royal Government has instituted the following measures:

- (a) National awareness campaigns conducted;
- (b) Implementation of Sero and clinical investigations in the farms;
- (c) The import of poultry and poultry products from avian flu affected areas in India was banned and permitted only from those farms which have been subjected to bio-security assessment;
- (d) Regular disinfection of vehicles and people entering Bhutan across the southern border and regular border patrolling to check illegal movements of vehicles and people;



- (e) Surveillance and monitoring of local commercial poultry farms to ensure that adequate bio-security measures are put in place; and
- (f) After the World Health Organization declared the Swine Flu (H1N1) as pandemic, all task forces and committees have been activated, response teams kept on standby and health care facilities prepared.

#### 1.4.4 Trade and Industry

The main focus of the Royal Government's endeavours in the trade and industries sector is to create an enabling environment through the development of the necessary legal framework and create infrastructure and institutions to facilitate the growth of the private sector.

##### *(i) Industry*

The following activities were undertaken during the year:

- a) To provide focused intervention to the development of small and cottage industries, the implementation of a micro, small and medium enterprise project is being implemented. In order to facilitate the availability of capital, the Royal Government has agreed to provide an amount of USD 5 million out of a grant from the Asian Development Bank to the Bhutan Development Finance Corporation as a soft loan on the condition that this is used to provide a window for loans for micro, cottage and small projects;
- b) Five studies, including an investment opportunity study and feasibility studies for mineral water, electrical accessories, calcium carbonate and ferro-silicon were made public to interested private sector promoters. Another three studies viz, schools supplies, hospital supplies and construction materials have been initiated and are expected to be completed by mid 2009;
- c) Feasibility study for lemon grass oil production has also been carried out by testing different methods to access the most suitable and economical way for its production;
- d) In order to simplify licensing procedures for small and cottage scale industries, the requirement for location clearance has been exempted for 31 activities, and the Regional Trade and Industries offices have been delegated the authority to approve such proposals. In addition to the 45 small and cottage scale activities that are already exempted from the requirement of environmental clearance, a proposal to exempt 14 additional activities is currently under review by the National Environment Commission;

- e) During the year, 51 industrial projects including five FDI projects were processed and approved. The five FDI projects in the manufacturing and services sectors are as follows:
- ✓ Met Trade (Bhutan) Ltd;
  - ✓ East West Company Pvt Ltd;
  - ✓ SKW – Tashi Metals and Alloys Pvt. Ltd;
  - ✓ Bhutan Eco-Ventures (Uma Resorts); and
  - ✓ Heaven Resorts Pvt. Ltd.

*(ii) Trade*

The following are some of the major developments and activities being undertaken in the trade sector:

- a) In order to provide a clear legal framework for trade, the drafting of a Trade Development Bill has been initiated;
- b) The bilateral trade agreement with Bangladesh which had expired in May 2008 has been renegotiated and will be signed soon. Tamabil has been agreed as an additional trade route and the number of items for preferential access has been increased from 74 to 91. Trade Talks are also being initiated with Nepal;
- c) The construction of a POL laboratory and the installation of equipment have been completed. The laboratory will not only help in ensuring the quality of fuel but also facilitate the control of vehicular air pollution;
- d) A marketing mission for spice exporters to Thailand, Singapore and Bangladesh was successful in establishing contacts with importers in these countries. Considerable interest was shown in our cardamom, turmeric and ginger;
- e) To ensure the availability of LPG in all parts of the country, the distribution of the LPG quota to different regions has been streamlined through quota allocations;
- f) The relocation of the site for the dry port from Phuentsholing to Pasakha has been approved in principle by the Royal Government so that it can serve the transportation needs of the industries located there;
- g) In order to establish quality standards for the handicraft products and to benchmark them with international quality standards, a Seal of Quality and a Seal of Excellence has been designed and the website launched.

### *(iii) Energy*

Bhutan's enormous hydropower potential presents a huge opportunity to our domestic revenues and increase our economic development trajectory. Thus, soon after assuming office, the Royal Government doubled the earlier target of developing 5000 MW of hydropower capacity to 10,000 MW by 2020. Following discussions between the two Prime Ministers on various occasions, a cooperation framework with the Government of India was agreed upon to implement the development of 10,000 MW of hydropower capacity by 2020. Since then, the two governments have agreed to implement the following 10 projects with a total capacity of 11,636 MW:

- ✓ Punatsangchhu I – 1200 MW
- ✓ Mangdechhu – 720 MW
- ✓ Punatsangchhu II – 1000 MW
- ✓ Sunkosh Reservoir – 4060 MW
- ✓ Kuri-Gongri – 1800 MW
- ✓ Amochhu Reservoir – 620 MW
- ✓ Kholongchhu – 486 MW
- ✓ Chamkharchhu I – 670 MW
- ✓ Wangchhu Reservoir – 900 MW
- ✓ Bunakha Reservoir – 180 MW

Of these, six projects will be implemented under the inter-governmental mode (9,400 MW), and four projects under the joint venture mode (2,236 MW). The preconstruction activities for Punatsangchhu I is well under way, while the detailed project report for Mangdechhu has been approved by the Royal Government and that for Puntsangchhu II is expected to be submitted for approval by June 2009. Meanwhile, the Dagachhu hydropower project, which will be the first project under the Clean Development Mechanism (CDM), is scheduled to be commissioned by the end of 2013.

In order to build human and institutional capacities to manage the projects and provide employment to Bhutanese citizens, it has been agreed to establish training institutes to train our people in the construction, operation and maintenance of hydro-power projects. The number of jobs for the construction of the hydropower projects which have been started so far is projected at about 3,000 of which a significant number will be for Bhutanese.

The Royal Government has adopted the Hydropower Development Policy in 2008 to provide clear policy objectives, strategies and mechanism to harnessing the hydropower potential of the country.

#### *(iv) Rural Electrification (RE)*

In order to achieve the goal of 'Electricity for All' by 2013, it will be necessary to provide electrification to the remaining 43,951 households in the country, either through grid extension or through off- grid means such as micro-hydels or solar photovoltaic systems.

The following activities have been undertaken:

- (a) In accordance with the directives of the Lhengye Zhungtshog, a multi-sectoral committee consisting of members from all the relevant sectors has been constituted to expedite the clearances required for the Rural Electrification (RE);
- (b) The Bhutan Power Corporation (BPC) has floated the tender for civil works worth Nu. 474.6 million for the first phase of the RE which will be implemented from October 2009 to October 2010, and is in the process of finalizing the tenders for the procurement of RE materials worth Nu. 2.045 billion for the electrification of 24,479 households. In addition, it has also completed the survey for the electrification of the remaining 8,959 households which will be taken up under the accelerated RE project;
- (c) In order to enhance the capacity of local contractors, BPC has trained 77 employees of the contractors involved in the RE programme;
- (d) BPC will soon be taking up the training of village electricians to ensure proper wiring of village houses in order that villagers will have access to cheap and convenient local capability for installation and maintenance of electrical supply.

#### *(v) Power System Expansion*

In order to ensure the supply of adequate and reliable power to all the Dzongkhags and thereby enable them to accelerate socio-economic development, concerted efforts have been made to expand the reach of the national electricity grid as follows:

- (a) The construction of the Dewathang – Rangia (132 kV) transmission line was completed in May 2008 to provide an alternative power evacuation corridor for the Kurichhu project;
- (b) With the commissioning of the Rurichhu – Tsirang (220 kV) and the Tingtibi – Trongsa (132 kV) transmission lines Bumthang, Dagana, Tsirang and Trongsa Dzongkhags are being supplied power through the grid;
- (c) In order to interconnect Tala and Chukha plants for reliable domestic supply, improved reliability for export of excess Chuka/Tala power, and to make power available to the Pasakha Industrial estate, the 400/220/66 kV Malbase substation and four circuits of 66 kV transmission line from Malbase to Pasakha Industrial estate have been commissioned;

- (d) Construction of Dagana-Tsirang - Jigmeling-Lodarai 220 kV double circuit transmission line and associated sub-stations are being initiated. This link will interconnect eastern and western grids to enhance energy security of the nation.

*(vi) Geology and Mines*

Recognizing the importance and hazards of mining, and bearing in mind that it is a national resource to be shared equitably, the Royal Government has initiated the following actions:

- (a) Drafting of a mineral development policy to facilitate the sustainable and responsible exploitation of our mineral resources;
- (b) In order to ensure that construction materials such as stones and sand are available in sufficient quantities to meet the needs of the construction industry and the mega projects, the Royal Government has removed the restrictions on leasing of more than two quarries to government corporations and agencies;
- (c) The long standing problem of the mining and quarrying sector due to the dual control over stone and sand quarries by the Department of Geology and Mines (DGM) as well as the Department of Forests was resolved. It was decided that in keeping with the provisions of the Mines and Minerals Management Act 1995, control over all quarries and mines under the Department of Forests would be transferred to DGM. However, in view of the DGM's limited capacity to manage all the collection sites it was decided that control over surface collection of minerals, stones and sand would remain with the Department of Forests. Clarity of the roles and responsibilities of the two agencies is expected to greatly facilitate the development of the sector, and ensure the availability of raw materials at reasonable prices and with minimal impact on the environment.

*(vii) Tourism*

The Royal Government continued to pursue policies aimed to increase tourist numbers while remaining faithful to the policy of low volume high quality tourism.

The following measures have been taken:

- (i) In response to the global economic downturn, the decision to raise the daily tariff rate to US \$250 was deferred, and the Hotel Association of Bhutan agreed to refrain from increasing room tariffs in 2009;
- (ii) In order to encourage tourists to increase the length of their stay in the country, it was decided to give a discount of US\$20 during the peak months, and US\$15 during other times on the daily tariff from the 9<sup>th</sup> night onwards;

- (iii) The Tourism Council of Bhutan has undertaken a number of measures to spread the benefits of tourism to places beyond the traditional places of tourist interest such as opening up new areas and introducing new trekking routes so that the local communities can earn income by providing food, transport and porter services as well as through farm stays;
- (iv) A project for the development of tourism in Zhemgang Dzongkhag, including a Dzongkhag tourism development plan, a tourism product development strategy, and pilot heritage village has been formulated;
- (v) A survey of Merak-Sakten was carried out to obtain baseline socio-economic data and the views of the people on the introduction of tourism in the area. On the basis of the survey a comprehensive proposal has been developed for implementation. The opening of Merak-Sakten, which has been approved in principle by the Royal Government, and the approval for entry/exit of tourists through Samdrup Jongkhar are expected to facilitate the development of tourism in the eastern parts of the country;
- (vi) A survey of Haa Dzongkhag was also undertaken to identify potential tourism sites and trekking and day-hike routes. A Dzongkhag tourism plan for Haa is being prepared;
- (vii) A system for the classification and standardization of hotels and restaurants, as well as tourism product development guidelines, are currently under formulation. A major effort was launched under the aegis of the Coronation Committee to upgrade the quality of the hotels in all categories through a series of trainings.
- (viii) In order to create a pool of professionals for the hospitality industry, a model hotel to be known as the Hotel and Tourism Management Training Institute (HTMTI) is being established in Thimphu. Beginning from February 2010, the institute will provide training to school and college graduates so that they will have the necessary skills and capabilities to secure positions in the entire service industry; and
- (ix) Five generic product development areas have been identified, and guidelines for meditation centres are being developed.

#### **1.4.5 Works & Human Settlements**

##### *(i) Highways and Bridges*

Roads have a special value from both economic and social points of view. Therefore, in order to delineate ownership and roles of the various agencies involved in planning and budgeting, implementation and maintenance of the national road network there is a need for a comprehensive system for classification of roads. This will help to establish a clear understanding and definition of various road classes, clarify the roles of stakeholders and

agencies in the development of roads; and increase transparency in decision-making. In view of this, a road classification system has been drawn up and approved by the Royal Government.

Major activities and progress under the road sector are as follows:

- (a) Gyalpoishing-Nganglam highway, Gomphu-Panbang highway, Samtse-Phuentsholing highway and Nangar-Ura highway with a total length of 216 km are under construction. Formation cutting work of 51 km on the Samtse-Phuentsholing highway has been completed and the road is motorable up to Tading village;
- (b) Double laning of 38 km of the highway between Babesa and Paro Airport has been completed;
- (c) Double laning of the 80 km highway between Chukha and Rinchending is in good progress;
- (d) Double laning of the 180 km highway between Samdrup Jongkhar and Trashigang is in progress;
- (e) Improvement of the 174 km of the Gelephu-Trongsang highway is in progress;
- (f) 16 km of road realignment between Tingtibi and Wangdigang is in progress;
- (g) Improvement of the 155 km of the Gelephu-Wangduephodrang highway has started;
- (h) Construction of 15 nos. of motorable bridges have been completed;
- (i) Construction of 201 km of feeder roads is ongoing in Samtse, Dagana, Wangduephodrang, Pemagatshel, Chukha, Lhuentse, Mongar, Trashigang and Gasa Dzongkhags; and
- (j) Feasibility studies for 183 km of new highways have been completed in the Chukha, Samdrup Jongkhar and Pemagatshel Dzongkhags.

#### *(ii) Construction of Roads to Gewog Centres*

Despite the formidable challenges in terms of resources and capacity constraints, a major objective of the Royal Government is to provide road connections to every Gewog centre within the 10<sup>th</sup> FYP. Towards this goal, a comprehensive road connectivity strategy is being prepared by the GNH Commission in coordination with the Department of Roads and the Agriculture Ministry. Presently, out of the 205 Gewogs, 66 are not connected by motorable roads. The draft strategy has tentatively categorized the 66 Gewogs into those where it would be immediately feasible to provide road connectivity within the 10<sup>th</sup> FYP; those which would require the completion of other roads to provide starting points for the connecting road to the Gewogs; and those where it will not be

possible to provide road connectivity due to demographic, environmental, security reasons or extremely high costs.

### *(iii) Urban Development*

The primary mandate of the Department of Urban Development and Engineering Services is to prepare a national urban development policy, standards and strategy, improve the quality of urban services and facilitate the balanced and sustainable development of human settlements.

While the Royal Government approved the Land Pooling Rules which is aimed towards streamlining and facilitating the preparation of local area plans, the actual implementation of the local area plans under the Thimphu Structure Plan have been impeded by stringent requirements of the funding agency, as well as certain internal administrative complications arising from the Land Act. The Royal Government is nevertheless, making every effort to resolve these issues and the implementation of the 10 local area plans under the Thimphu Structure Plan are at various stages of execution.

The overall shortage of affordable housing in some of the major urban centres has led to many people taking recourse to sharing of units and seeking accommodation in the attics of buildings. In the past, such attics had not been permitted primarily for aesthetic reasons, and as many had not been designed for human habitation. However, considering the prevalence of attics in a large number of the existing buildings, the shortage of land in the urban areas for housing development, the need to optimize the use of available spaces and investments, and the socio-economic circumstances of the people living in the attics, the Royal Government approved the Attic Rules. The rules prescribe the minimum standards for the existing and new attics, with the aim to improve the quality of accommodation for those families dwelling in attics while also enabling building owners to regularize the attics in their buildings.

Some of the major achievements during the year are:

- (a) Completion of the Changlimithang stadium, the Coronation Park and the Royal Banquet Hall in time for the Coronation celebrations in the capital;
- (b) Mini-sewer systems for Trashigang, Damphu and Gyelposhing;
- (c) Water treatment plant in Gelephu;
- (d) Water supply schemes for Samtse, Gyelposhing and Damphu;
- (e) Solid waste disposal schemes for Trashigang, Gyelposhing, Samtse, Damphu and Gelephu;



- (f) Seven trail bridges have been completed in Zhemgang, Chhukha, Samtse, Wangdue, Thimphu, Tashiyangtse and Samdrupjongkhar during the first year of the 10<sup>th</sup> FYP; and
- (g) Technical support was provided in carrying out the survey and design of 30 trail bridges located in various Dzongkhags. This includes the survey and design of the super structure for construction of a pedestrian cum power tiller bridge over Maokhola which has been completed.

#### *(iv) Housing*

The rapid growth of population and the corresponding shortage of affordable housing has affected many people not only in the main urban centres, but also in smaller settlements of the Dzongkhags. With a view to provide safe and affordable housing, the National Housing Development Corporation (NHDC) had completed 306 units of housing in seven priority Dzongkhags under the Dzongkhag Housing project for low income groups and has so far provided more than 1,000 new residential units, in urban centres that were facing acute housing shortages. Subject to the availability of resources, the NHDC has further plans to develop a number of additional housing units for the low income groups during the 10<sup>th</sup> FYP. The Royal Government is presently discussing various options for the construction of adequate affordable housing for the large number of citizens who are compelled to live across the border in Jaigaon. A public – private partnership scheme is most likely to be the outcome.

#### **1.4.6 Labour and Human Resources**

Unemployment among the youth is of great concern and a very important area of focus of the Royal Government, with more than 93,000 job seekers projected to join the labour market within the 10<sup>th</sup> FYP.

#### *(i) Employment*

- a) A total of 4,586 job seekers were registered with the Ministry during the year of whom 1,340 were placed in jobs, and around 2,005 were referred to various companies in corporate and private sectors for employment;
- b) Weekly skills development workshops for around 2,000 job seekers were initiated. Further, out of more than 3,900 job seekers who visited the Ministry to seek general information, 1,295 were given employment counseling;
- c) The first Basic Entrepreneurship Course has been commenced under the Ministry of Labour and Human Resources after taking over the Entrepreneurship Programme from the Ministry of Economic Affairs. An Income Generation Support Programme has been developed for implementation in the targeted Dzongkhags with high incidence of poverty;

- d) Around 900 employment and training opportunities were displayed during the National Job Fair held in Thimphu in April 2008. 24 job seekers were placed in various companies through on-the-spot recruitment. The first ever regional job fairs were held in Mongar and Phuentsholing in May 2009, during which another 30 job seekers were placed on-the-spot in private companies against the total of 233 vacancies displayed;
- e) Under the *Apprenticeship Training Programme*, 278 class X and XII passed youth were attached with various industries and organizations;
- f) Under the *Pre- Employment Engagement Programme*, 1,363 class X and XII youth are being managed by the Ministry until they can find gainful employment or appropriate training;
- g) The establishment census of 2008 and the job prospecting exercise in the existing industries identified over 16,000 potential jobs in 119 business establishments over the next five years. A Labour Force survey has also been carried out in 2009;
- h) In accordance with the directives of the Lhengye Zhungtshog the Ministry has supported the development and operation of four private Business Process Outsourcing (BPO) companies and has inducted around 400 class XII passed students into these companies; and
- i) 50 class XII passed students are presently undergoing hospitality service training at Leonia Resort in Hyderabad. Many such possible collaborations in the region for training of our youth in the tourism and construction sectors are being explored;

*(ii) Human Resource Development*

- a) A National Human Resource Development policy has been completed and policy guidelines for both the private and public sectors is been prepared to enable agencies to project their future labour requirements. Similarly, a series of programmes for private sector human resource development have been undertaken;
- b) The Construction Service Centre was established for graduates of Vocational Training Institutes (VTI). Presently there are 80 VTI graduates carrying out contract works for both the government and private sectors;
- c) Efforts were made to strengthen the six VTIs and two Zorig Chusum Institutes by improving curriculum and the facilities. The capacity of the instructors was enhanced by sending organizing trainings for them at polytechnic institutes in the region. The trainings included development of instructional materials and training of trainers;

- d) Rural skills Development training was conducted for 512 Farmers in Haa and Trashigang, Special Skills Development training for 615 farmers in Bumthang, Tsirang and Zhemgang in house electrification, hair cutting, masonry and carpentry;
- e) Introduced Zorig skills in 3 Dratshangs and one nunnery (Dechen phodrang, Trongsa and Trashy Yangtse and Kunga Rubten nunnery);
- f) The construction of three new VTIs in Sarpang, Pemagatshel and Zhemgang and one IZC in Tsirang are being planned; and
- g) To promote employment of Zorig graduates internship programmes have been introduced in the Zorig Chusum Institutes.

### *(iii) Labour*

Under the Labour and Employment Act 2007, 12 Regulations have been developed dealing with child labour; sexual harassment; workers compensation and entitlements and penalties, workers association, etc.

- a) Consultation and promotional workshops have been conducted in all the Dzongkhags on the Labour and Employment Act 2007 and the draft Regulations;
- b) Regional Labour and Employment offices was established in Gelephu, and establishment of another two offices in Samdrup Jongkha and Trashigang are underway;
- c) A National Minimum Wage Committee to study and propose a Minimum Wage Structure for the private and corporate sectors has been formed; and
- d) Streamlining of management and administration of foreign workers through appointment of additional Foreign Workers Recruitment Agents has been initiated.

### *(iv) Occupational Standards*

- a) The development of six occupational skills standards has been completed and a series of consultation workshops were organized;
- b) A manual to guide the development process of occupational skills standards has been developed; and
- c) Over 150 graduates from private training institutes in various certificate courses in IT and commercial accountancy were certified and 52 RBA trainees have been assessed in plumbing, carpentry, house wiring, tailoring and traditional wood painting and certified.

## 1.4.7 Information and Communications

### (i) Transport Services

As a landlocked and mountainous country, Bhutan will have to continue depending on surface transportation for the bulk of its transportation requirements for the movement of people and goods. Therefore, with a view to expand and improve services, the following measures have been taken:

(a) Introduction of new bus routes:

- ✓ Dagana - Gelephu,
- ✓ Druggeygang – Thimphu,
- ✓ Chanchey - Tshirangtoe,
- ✓ Dagana - Phuentsholing via Thimphu,
- ✓ Paro - Samtse,
- ✓ Thimphu - Sarpang ,
- ✓ Tsirang - Phuentsholing,
- ✓ Wangduephodrang - Trashigang,
- ✓ Damphu - Pathaley,
- ✓ Kamichu - Phuentsholing
- ✓ Thimphu - Sipsu,
- ✓ Bumthang - Phuentsholing, and
- ✓ Trongsa - Phuentsholing.

(b) For the comfort and safety of passengers, Toyota Coaster buses have been introduced on the following routes:

- ✓ Thimphu - Zhemgang,
- ✓ Gelephu - Trongsa,
- ✓ Thimphu - Lhuentse,
- ✓ Dagana - Phuentsholing, and
- ✓ Tsirang – Phuentsholing.

(c) To promote the use of public transport in urban areas with a view to reduce traffic congestion as well as air pollution, 12 Toyota buses that were procured for Coronation celebration were inducted into the Thimphu City Corporation's bus fleet, and bus services extended to the peripheral areas of the city;

(d) Local bus services were introduced in Bumthang and Gelephu; and

(e) Electric and other forms of urban transportation systems are being explored. So far, three electric cars have been procured on trial.

### *(ii) Taxi Services*

With the growing number of taxis and their users, meter based taxi fares had long been a contentious issue. Therefore, in order to resolve the matter, the requirement for taxi meters was done away with and replaced by fare charts determined by the Road Safety and Transport Authority. For the convenience of people travelling with luggage, it was decided to permit the operation of double cabin pick-up van as taxis.

Many taxi operators had previously purchased Maruti vans for use as taxis. When the use of this particular model as taxis was disallowed for safety reasons, the owners, many of whom had taken loans to procure the vehicle, often lost their only means of livelihood. Therefore, in consideration of their difficulties, the Royal Government decided to allow the continued use of the vans as taxis for the time being. However, given the serious safety concerns about the suitability of this model as taxis, the Royal Government will review the matter in future. The age limit for taxi drivers to operate taxis has been increased from 55 years to 60 years, subject to medical certification annually.

### *(iii) Air Transport*

The Royal Government has decided to promote regional air connectivity, given the inherent limitations of road transport. With this aim, the feasibility study and Master Plan for potential airport sites at Bartsham & Yongphula, Bathpalathang, and Phuentsholing have been completed. An additional airport site at Bumthang (Chokortoe) was studied by the Department of Civil Aviation. Accordingly, demarcation of 840 acres of land at Gelephu was undertaken in April this year. In order to avoid having to incur huge expenditures, the proposed facilities will basically be landing strips that can handle fixed wing aircraft with smaller capacities. Private sector participation is invited to establish domestic air service.

The service delivery at Paro International Airport is being continuously improved through various initiatives. As a result of continuous efforts, Paro International Airport was rated as 2<sup>nd</sup> best airport in the world in terms of customer satisfaction.

### *(iv) Railway Connection*

The nearest seaport of Kolkata in West Bengal is located some 750 km away from Phuentsholing. Given the rising volume of goods being imported as well as exported, there has been a growing need for a cheaper and more efficient means of transport to facilitate Bhutan's external trade. Taking this factor into consideration, the Gol has agreed to fund the establishment of a railway link between Phuentsholing/Pasakha and Hashimara, which is roughly 18 km. The Railway Link will be called the Golden Jubilee Railway Line in commemoration of the historic meeting between Pandit Jawaharlal Nehru and His Majesty the Third Druk Gyalpo in 1958. The works on the project are expected to commence soon. Similarly, railway links from India to Samtse, Samdrupjongkhar, Nganglam and Gelephu will be taken up in the near future, depending on economic feasibility and availability of funding support from Gol.

## *(v) Telecommunications*

An efficient and cost-effective communications network is one of the most important requirements to achieve our development goals as a landlocked country. In order to meet this objective, policy directives have been issued to Bhutan Telecom and Tashi InfoComm to connect all the rural areas in the country to achieve universal connectivity by June 2010. Fund amounting to a total of Nu. 188.385 million has been given to the two mobile operators to implement the project.

### *a) Information Technology*

During the annual retreat of the Executive Council of the National Association of Software and Service (NASSCOM) of India held in Thimphu, government officials and young entrepreneurs interacted closely with the CEOs and top executives of the largest IT firms which operate globally. Following were some of the direct outcomes and other developments initiated by the Royal Government as a result of this retreat:

- Many of them were convinced of Bhutan's potential as an ideal location for 'out-locating' their BPOs, business continuity planning centres and data centres, given the availability of clean and low cost energy and the country's pristine environment;
- Infosys, a leading Indian ICT firm offered to train 100 Bhutanese graduates in IT infrastructure services and BPO operations, at its own cost;
- A memorandum of understanding (MoU) was signed between the government and GenPact, another leading BPO company in India, to employ 200 Bhutanese graduates every year to work in operation centres in India. A training of trainers (ToT) programme will also be established to train Bhutanese candidates, who would be responsible for training within the country. IT curriculum will be introduced in schools and colleges and operations centre will be set up in the country by 2011;
- The Ministry of Information and Communications organized 'road-shows' in India, Singapore and Dubai during which government officials, representatives of Bhutanese BPOs and the IT and telecom industry met with leading industry CEOs, associations, trade bodies, telecom companies, venture capitalists and angel funding companies.

### *b) Broadband*

Fixed Broadband and mobile broadband services have been introduced since 2008 covering 16 Dzongkhags of Thimphu, Paro, Haa, Chukha, Sarpang, Samtse, Tsirang, Punakha, Samdrupjongkhar, Wangduephodrang, Trongsa, Trashigang, Bumthang, Mongar, Tashiyangtse and Pemagatshel. The number of subscribers has risen steadily to around 1,908 and 382 respectively in 2009.

The Royal Government is actively pursuing with the major telecom players in India to transit Bhutan's telecom traffic at rates that are competitive in the region. A national broadband network master plan has been prepared and MoIC is working closely with Bhutan Power Corporation to speed up the laying of optical power ground wire and optic fiber cables to connect all 20 Dzongkhags by June 2011 so that the national connectivity charges can be lowered and made globally competitive. Completion of the Broadband link, particularly between Tsirang and Gelephu is critical for ICT development in the country.

#### **1.4.8 Finance**

##### *(i) Revenue Enhancement and Tax Payer Services*

The Royal Government did not take any steps to increase tax rates or introduce new taxes during the year. However, as tax payer services is directly related to revenue enhancement, some of the important initiatives in this regard are highlighted below:

- (a) To facilitate the filing of tax returns by taxpayers in the central region who previously had to travel to Gelephu for the purpose and provide more convenient services, a regional Revenue and Customs office was established in Bumthang.
- (b) With the growing number of taxpayers, especially the Personal Income Tax payers, and with easier access to the internet, the option of e-filing of PIT by the taxpayers was introduced from the assessment year 2009. The option was given as part of the taxpayer service and also to make it more convenient and time saving.
- (c) In order to give a fair hearing and be transparent in dealing with the tax payers, a Tax Appeal Board has been established with members from the Ministry of Economic Affairs, BCCI, Ministry of Finance and one ad hoc member as an expert.

##### *(ii) Providing Fiscal Incentives for Economic Growth*

To further private sector development and boost economic growth and create employment opportunities, a package of fiscal incentives has been finalized and incorporated into the draft Economic Development Policy. Meanwhile, a tax incentive scheme was approved for the proposed IT Park in Thimphu.

##### *(iii) Improving the Procedures for Procurement of Goods and Services*

With a view to streamline and rationalize the procedure for government procurement of goods and services, the Procurement Rules and Regulations have been thoroughly revised, in consultation with all relevant stakeholders, including the private sector. Furthermore, a Public Procurement Policy Division was established to focus on public procurement policies. With the establishment of this new division it is hoped that the

procurement system will be become more professional and transparent to meet international standards.

*(iv) Revision of Property Valuation and Compensation Rates*

The valuation of property for determining fair compensation rates has long been an issue of concern to both the public and the government. With a view to promote a fair and transparent system, a Property Assessment and Valuation Agency (PAVA) was established in the Ministry of Finance. Based on the recommendations of PAVA, the compensation rates for various categories of land and crops were approved by the Government. While the new rates will have significant financial implications for the government exchequer, the Royal Government nevertheless considered it necessary to provide fair compensation to affected citizens.

*(v) Rural Life Insurance Premium and Compensation Rates*

The Rural Life Insurance scheme that was initiated by His Majesty the 4<sup>th</sup> Druk Gyalpo has been of immense benefit to the rural people during times of death. In order to further enhance the benefits, the Royal Government carried out a review of the scheme.

Although the public of some Dzongkhags had requested for a doubling of the existing compensation amount, given that even the present system cost the Royal Government around Nu.14 million every year, it was only possible to consider an increase only in respect of those people living in some of the poorer rural areas who were having difficulties in paying even the existing premium. This was aggravated by having to pay premiums for all the family members, irrespective of their place of residence. After considering all the options, it was decided to increase the annual premium collection to Nu. 45 per person and the compensation amount to Nu. 15,000. This has been made effective from May 2009. At the same time, it was also decided that rural families would no longer have to pay the premiums in respect of family members who are not residing with them.

*(vi) Resource Mobilization during FY 2008-09*

Grants from donor countries and agencies received during the period July 2008-June 9, 2009 for various projects of the 10<sup>th</sup> FYP amounted to Nu.3.71 billion. In addition to the grant assistance mobilized during the year, the following resources from international financial institutions have also been finalized:

- (a) A general budget support of US\$ 20.22 million was negotiated with the World Bank as a Development Policy Financing (DPF). The World Bank considered the DPF based on our achieving certain policy reforms and initiatives in the areas of strengthening governance, fostering employment generation and expanding access to infrastructure such as roads and electricity. As it is a budgetary support, the fund will help to reduce the budget deficit and support priority activities during the new financial year;



- (b) The Asian Development Bank (ADB) approved a grant of US\$ 25.26 million for the rural electrification project (RE IV) which will electrify more than 8,767 rural households. The ADB also agreed to allocate US\$ 23.28 million for rural electrification project (RE V) from its allocation for FY 2010-11. In addition, the Japan International Cooperation Association (JICA) also agreed to extend concessionary loans for rural electrification. Therefore, the necessary resources for achieving electricity for all have been mobilized;
- (c) In line with the accelerated hydropower development policy, loans of USD 80 million from the ADB, and USD 55 million from Austria (OeKB) for the Dagachhu hydropower project have been negotiated. With these, the project is on track for implementation;
- (d) In order to achieve the goal of connecting every Gewog by motorable roads by 2013, the following measures have been taken:
- ✓ The ADB has committed USD 30 million for the construction of 183 Km of roads;
  - ✓ International Fund for Agriculture Development (IFAD), has committed USD 2 million for construction of 75 Km of farm roads in the east;
  - ✓ In addition, efforts are underway to identify and obtain additional funding from other sources such as the Japan Fund for Poverty Reduction (JFPR), the ORIO Grant Facility from the Netherlands, and the Danish Mixed Credit Secretariat.

*(vii) Strengthening and Liberalizing the Financial Sector*

The financial sector's contribution to the economy depends on the quality of its services, and the efficiency with which it provides them. The pace of development of the financial sector has wide ranging effects on the development of the other sectors of the economy. The Royal Government is, therefore, committed to strengthening the financial system in the country so that the savings and investment rates can be enhanced. Towards this, the following measures have been initiated:

- (a) In order to enhance the degree of competition and improve the efficiency in the provision of financial services, in-principle approvals have been given for the establishment of two new private commercial banks, including one joint venture with a major Indian bank, and one private insurance company. It is expected that the new banks would be established before the end of the year;
- (b) The modernization and expansion of the payments and settlements system and the establishment of a credit information bureau have been completed;

- (c) The Ministry of Finance and the Royal Monetary Authority are working towards developing a system for the issuance of short-term treasury bills, which will not only help to deepen the financial sector, but also address the problem of excess liquidity in the banking sector; and
- (d) While our financial sector remains largely insulated against the effects of the global financial crisis, it is nevertheless incumbent on us to remain vigilant, to sharpen our regulatory oversight and to work with banks to identify any potential problems early and deal with them decisively. With this objective, following a comprehensive review of the Financial Institutions Act of 1992, a new Financial Services Act has been drafted and will be submitted to the next session of Parliament. In the meantime, a revised RMA Act has been drafted and will be submitted to the Parliament in this session.

## 2 - Reinforcing the Second Pillar of GNH - Environmental Conservation

### 2.1 Environment

Bhutan today has a green cover of 72.5%, abundant but dwindling fresh water resources and a rich biodiversity. The Constitution of Bhutan mandates 60% forest cover to be maintained for all times to come. Given the extremely fragile mountain eco-system and the importance of maintaining harmony between man and nature, it is imperative that we continue to raise the standards of our conservation practices rather than yield to the pressures arising from urbanization, industrialization and population growth. The Royal Government's development efforts will continue to be guided by the strictest environmental ethics foregoing short-term gains while ensuring long term sustainability.

### 2.2 Management of Natural Resources

#### (i) *Responsible Exploitation of Mineral Resources*

With far reaching effects that can damage land, air and water in addition to plants, animals and people, mining and quarrying activities can have serious implications for the environment - especially in a fragile ecosystem like ours. Therefore, the Royal Government attaches a very high priority to the sustainable and responsible exploitation of our mineral resources so that meeting our society's requirements for minerals does not come at the cost of our environment, biodiversity and community interests. Some of the steps taken are:

- (a) A Mine Technical Committee has been established to scrutinize and process mining leases in line with the guidelines and provisions of the Mines and Minerals Management Regulations, 2002. In addition, the Department of Geology and Mines (DGM) also formulated a document titled '*Policies, Plans and Programmes-towards solving the problems of mining and quarrying*' which will be used as a guide for better management of mining and quarrying activities;
- (b) A comprehensive monitoring of all the mines in the country was undertaken between March and May 2009, and the findings and recommendations of the compliance monitoring discussed with the managers of the mines and industries. Any noncompliance or violation of the Acts and Regulations are being penalized and notification issued for rectification within a specified timeframe; and
- (c) From April 2008 till May 2009, the National Environment Commission (NEC) has received a total of 216 project proposals and issued 154 clearances. The NEC has imposed fines amounting Nu.2.42 million for noncompliance of environmental laws and regulations.

*(ii) Sustainable Management of Forest Resources*

Following are some of the major activities undertaken by the Royal Government towards ensuring sustainable management of our forests over the past one year:

- (a) The National Forest Policy of 1974 has been reviewed through regional consultations and will be finalized during a national consultation workshop. A technical study on rural timber supply and marketing is being arranged to provide vital inputs for the policy;
- (b) Forest and Nature Conservation Rules, 2006 has been reviewed and revised to provide a legal framework for sustainable management of non-wood forest products, and streamlining of rules for various purposes such as allotment and leasing of public forest land, removal of forest produce from private lands, etc;
- (c) A Forest Fire Volunteers' Programme to recruit volunteers in forest fire management and to create awareness about forest fire prevention has been established. The number of forest fire incidences in 2008 reduced drastically to 30 as compared to about 45 in 2007 and 80 in 2001;
- (d) A nationwide exercise to update the inventory of available forest resources and forest coverage was carried out. The last such exercise had been carried out 14 years ago in 1994;
- (e) Management plans for the Forest Management Units in Lingmethang in Mongar, Malaya in Zhemgang and Chamina in Thimphu were prepared and approved;
- (f) The National Stakeholder Workshop on sustainable management of cordyceps resolved to allow every household member in eligible villages to collect cordyceps within a timeframe prescribed by the Ministry of Agriculture;
- (g) 61 community forests (CF) covering 7,890 hectares involving 3,173 households has been established. Of these, five CFs are exclusively for community user groups to ensure sustainable utilization of non-wood forest products;
- (h) About 824.16 hectares of degraded and critical watershed areas were afforested for soil protection, land stabilization and water infiltration;
- (i) National strategies for community forestry, plantations, and development of non-wood forest products are presently being developed;
- (j) The Ugyen Wangchuck Institute for Conservation and Environment at Lamegompa, Bumthang was operationalized in June, 2008. The institute would focus on specialized thematic studies and research collaborations of practical relevance while College of Natural Resources, Lobesa would continue with their regular forestry courses; and

- (k) The SAARC Forestry Centre was established in Taba, Thimphu in June, 2008 as a centre of excellence for all forestry issues and to serve as the member states with high quality research data, test new approaches to management of forest resources, and to act as a nodal point for information on forests and related topics. The centre would also provide a platform for regional networking and sharing of experiences in forestry among the member states.

*(iii) Sustainable Exploitation of Water Resources*

As a result of climate change, water resources are diminishing rapidly, while at the same time, because of rapid socio-economic development and competing demands from different users, the pressure on water resources is mounting every day. Consequently, a growing number of places in the country are confronted with localized and seasonal water shortages.

The Royal Government is fully committed to the conservation, development and management of this increasingly scarce, but vital resource. Towards this end, the following activities have been undertaken:

- (a) The drafting of the Water Bill is being pursued in earnest by the NEC in conjunction with the relevant stakeholders;
- (b) A Watershed Management Programme has been initiated with the objective of mainstreaming the management of watersheds into area-based planning processes and programmes;
- (c) A separate Watershed Management Division has been established within the Department of Forests to improve collaboration, coordination, and monitoring of watershed management activities in the country. The division will have a high-level functional mandate to deal with critical issues of the watershed management, and provide policy support to the government; and
- (d) Monitoring and assessment of water quality is being carried out twice a year in the four major river basins of Wangchhu, Punatsangchhu, Amochhu and Dangmechhu. Analysis of the river water quality is conducted at several sampling locations on the river basins including numerous tributaries and facilities such as wastewater treatment plants and industries. For a more comprehensive study of the water quality trend across the country, the number of sampling locations has been increased from 69 to 85. The preliminary data collected from these locations indicate that overall, the state of Bhutan's water resources remains quite good as compared to the neighboring regions.

However, if timely and proper measures are not taken, these pristine rivers could also fall prey to the ill effects of the rapid pace of socio-economic development and urbanization. It is already apparent that if not controlled, with the influx of people in some of the major towns, organic loading, direct discharge of domestic wastes,

spillage of septic tanks, washing of cars and laundry could seriously affect our pristine river eco-systems.

#### *(iv) Maintaining Biodiversity*

The Royal Government is firmly committed to maintaining our precious biodiversity which has been bequeathed to us by our forefathers, and preserved under the guidance of our visionary Kings. Therefore, in order to protect and further enhance Bhutan's profile as a biodiversity hotspot and safeguard the invaluable floral and faunal resources of the country, the Royal Government has initiated the following:

##### *(a) Wangchuck Centennial National Park*

As a tribute to the farsighted policies of our successive Kings who have ensured Bhutan's pristine environment and ecosystems, an area covering about 4,914 sq. km which also serves as head water source for four major rivers in Bhutan, was designated as the Wangchuck Centennial National Park. With the establishment of this park, about 40% of the country is now under strict protection, which is unparalleled in the region. Based on bio-diversity and socio-economic studies that was carried out, a five year management plan for the park has been prepared and approved. The Bhutan Trust Fund for Environmental Conservation (BT FEC) has committed a sum of USD 100,000 for the implementation of the plan.

##### *(b) Phibsoo Wildlife Sanctuary*

The Phibsoo Wildlife Sanctuary forms an important conservation link between the sub-tropical and the alpine ecosystems. However, since its designation in 1995, the park had remained inoperative. The park has now been made operational and a biodiversity and socio-economic survey conducted in collaboration with the World Wildlife Programme.

##### *(c) Biological Corridors*

The national biological corridor programme to connect crucial conservation links between the protected areas was reactivated under a Programme Coordinator based in the Nature Conservation Division. The responsibility for management of the corridors has been entrusted to the respective Territorial Divisional Forest Offices.

##### *(d) Wildlife Rescue and Rehabilitation Unit*

A wildlife rescue and rehabilitation centre has been established in Thimphu to rescue and treat captured and injured animals for ultimate release back into the forest. Since the establishment of the unit, a total of 85 wild animals including sambar, barking deer, Himalayan black bear, birds, wild cats, and monkeys, have been treated and released back into the wild.

## 2.3 Waste Management and Pollution Control

Waste management is becoming an increasingly serious problem, both in the urban and rural areas, and directly undermines our efforts in environmental conservation. According to the National Solid Waste Survey of 2007/08, it is estimated that about 43,697 tons of municipal solid wastes are being generated by the urban centres of Bhutan every year, with Thimphu generating about 50 metric tons, and Phuentsholing about 14 metric tons every day.

Furthermore, with the growing number of industries and motor vehicles, air pollution has also become a matter of concern. Therefore, in order to address these growing menaces, the Royal Government has taken a number of initiatives:

- (a) The Waste Prevention and Management Bill which was submitted to the National Assembly at its last session has been endorsed, and is awaiting review by the National Council during its current session;
- (b) Options for addressing the mounting problems of landfills, including the installation of a green incineration plant are being studied. Actual implementation has been delayed due to conflicting opinions on its merits and demerits, from both within and outside Bhutan;
- (c) The ban on plastic carry bags, doma wrappers and ice cream pouches is being reinforced by a public notification issued through the media. The ban will be implemented in a two step process. The first step of enforcement currently being implemented, will target retailers and wholesalers, and the second step, which will be implemented in 2010 will target the general public;
- (d) Following firm government directives, the NEC started strict enforcement of the revised industrial emission standards and improved its system of industrial emission monitoring. Due to these, the industries are now making efforts towards meeting the emission standards as would have been evident from clearer skies and less smog during last winter in places such as Thimphu;
- (e) The ambient air quality monitoring activities were strengthened. Currently, there are two permanent stations in Thimphu, which conducts daily air quality sampling for suspended particulate matters (SPM) in town and twelve passive sampling stations that samples average monthly gaseous pollutants across the country. The NEC is also closely monitoring the trans-boundary air pollution issue by its Bhur station in Gelephu. With increased network of ambient air quality monitoring stations and its data, the NEC is progressing well with development of data bank for air quality in the country.

## **2.4 Global Warming and Climate Change**

With increasing global warming and decreasing species and their habitats, the chances for ecosystems to adapt naturally are diminishing. Furthermore, there is increasing scientific evidence that climate change is human induced. And many people now agree that climate change may be the biggest threat to the planet.

Bhutan's obligation under the Montreal Protocol on Substances that Deplete the Ozone Layer to phase-out 85% of the ozone depleting substance CFC (chlorofluorocarbons) by 2008 has been successfully achieved and total phase out by January 2010 is well on track.

As a member party to the United Nations Framework Convention on Climate Change, Bhutan is obligated to submit periodic reports on sources and sinks of green house gases in Bhutan along with the vulnerability adaptation and mitigation plan. The NEC in collaboration with all stakeholders is working on the report titled "Second National Communications of Bhutan", which is expected to be completed by 2010.

## **2.5 Management of the Canine Population**

The Royal Government is committed to finding a humane and durable solution to the problem of the growing stray dog population.

- (a) The impounding of stray dogs that was used as an interim measure is now being followed up with a vigorous project for sterilizing the stray dogs in cooperation with the Humane Society International. A two month pilot project for sterilizing and vaccinating the stray dog population in Thimphu was launched in February 2009, and aims to cover 70% of the street dog population in keeping with the World Health Organization's requirements;
- (b) Till date, a total of 2,100 dogs have been caught, neutered, vaccinated and released to the same location from where they had been caught; and
- (c) A long term project with an estimated cost of Nu. 46 million is expected to start from July 2009. The project is envisaged to cover 48,000 stray dogs of the entire country.

## **2.6 Risk of Glacial Lake Outburst Floods (GLOFs)**

Due to the effects of global warming, many of our glacial lakes are in danger of causing glacial lake outburst floods (GLOFs), which pose a tremendous threat to human lives, infrastructure, livelihoods and the economy as a whole. Therefore, the mitigation of the threat posed by GLOFs is a priority of the Royal Government.



In order to provide better focus and coordinate activities to mitigate the risks posed by GLOFs and other possible threats including earthquakes, epidemics, fire, wind etc, following actions have been taken:

- (a) The Disaster Management Division has been upgraded to the status of a separate department under the Ministry of Home and Cultural Affairs (MoHCA). Its principle function is to establish a national mechanism to ensure preparedness for disasters and rapid reaction to such calamities at all times. All agencies of the Royal Government at all jurisdictional levels, including local governments and the security forces are an integral part of the mechanism. While department is a part of the MoHCA, the mechanism falls under the direct command and control of the Prime Minister (Chairman) with the Home Minister as the vice Chairman;
- (b) The Royal Government has approved the creation of a separate Division of Glaciology within the Department of Geology and Mines to monitor the impact of climate change on glaciers and to take mitigation measures;
- (c) An adaptation project is currently under implementation to mitigate GLOFs by artificially lowering the water levels of glacier lakes, installing early warning systems and strengthening the disaster risk management capacity of affected communities. With assistance of the Global Environment Facility (GEF), UNDP, the Austrian Government and World Wildlife Fund work on artificial lowering of the Thorthormi Lake was recently commenced;
- (d) A programme for creating awareness of the early warning system was conducted for 17 vulnerable communities in the four Dzongkhags of Punakha, Wangduephodrang, Tsirang and Dagana, and mobile phones distributed to 20 focal persons for effective communication and coordination;
- (e) The department has completed the hazard zoning for areas from Thanza to Lhamoizingkha and is currently working towards developing disaster management plans for individual Dzongkhags and Gewogs; and
- (f) A multi-sectoral team had been fielded to Lunana from August to October 2008 to carry out an assessment and prepare engineering and safety plans for the mitigation work to be implemented from 2009 for three years. In March 2009, the findings of reassessment study had been approved by the Government. The work on the mitigation will commence in July, 2009.

## **2.7 Preparing for Seismic Disaster**

Since Bhutan lies in one of the most seismically active zones, the likelihood of a major earthquake in the region is very high. Therefore, the Royal Government is deeply concerned and is taking measures to ensure that in such an eventuality, the loss of lives and properties is minimal. To this end, the disaster management mechanism includes

the enhancement of building standards and codes to reinforce them against earthquakes.

A study, in collaboration with the Norwegian Geotechnical Institute, the Indian Institute of Technology, Roorkee and the Department of Geology and Mines was carried out with the objective of finding out the natural frequencies of the ground materials present in Phuentsholing area and to see what sort of structures could be allowed for durability and safety for the inhabitants. The information gathered from the study will be used by the Standard and Quality Control Authority and the Department of Urban Development and Engineering Services to develop building codes as well as in determining the number of floors to be permitted. The final report will be ready for submission to the Government by July-August, 2009. The exercise was carried out as a pilot project and will be replicated in the other new urban centres that are being planned.

## **2.8 Response to the Recent Floods**

Flooding due to incessant rainfall on May 25 and 26, 2009, precipitated by cyclone Aila in the Bay of Bengal caused substantial damage to life, property and infrastructure across the country. The entire nation was placed on red alert and all measures were taken through the national disaster management mechanism under the direct supervision of the Prime Minister.

The total damages caused by the floods is currently estimated at Nu.719.11 million. While the lives lost are irreparable and the nation mourned their loss, urgent restoration and rehabilitation efforts were undertaken immediately without being constrained by administrative procedures. Orders were given by the Prime Minister to ensure the following:

- (a) All populations vulnerable to floods and landslides were to be evacuated to higher grounds;
- (b) No communities should suffer from the dislocation of drinking water supply schemes;
- (c) Paddy transplantation in any part of the country should not be affected as a result of the damages to the irrigation channels;
- (d) No diseases should break out in the aftermath of the disaster; and
- (e) To make immediate assessments of the damages and the reparation costs throughout the country and reports submitted to the disaster management department on priority basis.

All concerned agencies responded to the best of their capacities and worked efficiently and diligently to evacuate vulnerable people to safer areas and provide shelter and basic necessities to the affected people. The Royal Government is deeply grateful to all the civil servants, the armed forces, local government leaders and volunteers for their

concern and the exemplary work done by them. The one redeeming fact arising from the unfortunate event is that it tested our collective preparedness and has thus given a valuable lesson to face such calamities with greater efficiency and effectiveness in the future.

The following is a summary of the loss of lives and properties:

- (a) Loss of human lives – 12
- (b) Damage to Government buildings – Nu. 16, 981,261.00
- (c) Damage to private buildings – Nu. 6,838,445.00
- (d) Damage to farm and feeder roads – Nu. 46, 233,259.00
- (e) Damage to national highways – Nu. 109,156,000.00
- (f) Damage to bridges – Nu. 53,801,567.00
- (g) Damage to other infrastructures – Nu. 426,130,539.00
- (h) Damage to agricultural properties – Nu. 7,220,053.00
- (i) Damage to drinking and irrigation water supplies – Nu. 44,817,813.00
- (j) Loss of livestock – Nu. 7,932,390.00

This is expected to rise since more details of the damages, in particular those relating to roads are yet to come in. Aside from the bridges and the main roads which sustained heavy damages, numerous culverts, drains and retaining walls have been damaged or require immediate reinforcements to be undertaken. As there is no fund set aside to meet such costs, the Royal Government is now compelled to divert resources from planned projects and programmes. Appeals are now being initiated to mobilize foreign assistance.

In view of the above, the Royal Government is seriously concerned about the achievement of some of the 10<sup>th</sup> FYP targets. It is hoped that our development partners will be forthcoming in assisting us in the restoration and reconstruction of the infrastructure facilities that were destroyed or damaged.

## 3 - Revitalizing the Third Pillar of GNH - Preservation and Promotion of Culture

### 3.1 Preservation and Promotion of Culture

Under the wise and farsighted leadership of our successive Kings, the preservation and promotion of our traditions, values and cultural heritage has always been high on the national agenda. The Royal Government remains unwavering in our pursuit of Gross National Happiness for all our citizens. This is manifest in the way the 10<sup>th</sup> FYP is structured and the final steps being taken to incorporate GNH indicators to ensure that the five-year programme will yield measurable achievements toward enhancing happiness of the individual and the society at large. It would perhaps, be useful to remind ourselves that GNH philosophy is founded on the belief that happiness is a state of being that can be achieved through a conscience endeavour to balance one's material advancement with spiritual development, and that development must lead to greater emotional and psychological well being and not economic growth alone.

#### *(i) Promoting our Culture*

One of Bhutan's defining features as a sovereign independent nation has always been our rich and distinctive culture and the spiritual heritage that has continued uninterrupted for many centuries. These have been the two most important factors in moulding the Bhutanese character and way of life. Thus, it is of the utmost importance for us to continue to preserve and promote the diversity of our cultural and religious heritage. To this end, the Royal Government recognizes culture as the basis for a thriving industry (cultural industry) which for Bhutan, as elsewhere, has the potential for wealth creation and income generation and provide opportunities for employment that are easier to reconcile with family and community obligations leading to community vitalization. We are looking at this sector as a very useful strategy for poverty alleviation. The choice of Bhutan as the host for the "Cultural Observatory" of the BIMSTEC region was therefore of special significance for Bhutan.

The past year witnessed a number of significant events that provided excellent opportunities to show case our country in all its diversity to millions of people in the west. These will undoubtedly contribute greatly towards creating international awareness about Bhutan and enhance our country's image as a unique culture.

- (a) Bhutan was the focus country for the 42<sup>nd</sup> Smithsonian Folk life Festival in Washington DC in 2008. The 141 member Bhutanese delegation led by HRH Prince Jigyel Ugyen Wangchuck successfully displayed every aspect of Bhutanese life to over 1.5 million people who visited the Festival;

- (b) An Exhibition titled “The Peaceful Dragon-Textile Arts from the Kingdom of Bhutan”, which show cases the textile arts of Bhutan was inaugurated Her Majesty Queen Mother Ashi Sangay Choden Wangchuck in Germany; and
- (c) An exhibition titled “The Dragon’s Gift” which was held in the United States was the first of its kind. The exhibition displayed the richness of Bhutan’s cultural and spiritual heritage to the western world. The exhibition was inaugurated by HRH Ashi Sonam Dechan Wangchuck at the Honolulu Academy of Arts and was subsequently taken to the Rubin Museum in New York, and the San Francisco Asian Art Museum.

The Second BIMSTEC Summit in 2008 in New Delhi agreed to establish the BIMSTEC Cultural Industries Observatory (BCIO) and BIMSTEC Cultural Industries Commission (BCIC) in Bhutan. This is a clear reflection of the international community’s recognition of Bhutan’s success in preserving its cultural heritage. With the establishment of BCIO and BCIC in Bhutan, we can now play a key role in promoting the importance of culture in socio-economic development of the countries in the region and the world at large.

#### *(ii) Preserving our Cultural Heritage*

Our Dzongs and Lhakhangs not only continue to serve as vital cultural and administrative centres, but are also monumental testimonies to our rich history and heritage. Therefore, the Royal Government attaches high priority to their preservation and renovation. The following works were carried out during the year:

- (a) Renovation of Semtokha Dzong was completed and it is now established as the Central Institute of Monastic Arts;
- (b) Conservation of many sacred artifacts belonging to the historical figures like Zhabdrung Ngawang Namgyal, Gongsar Ugyen Wangchuck, Jigme Namgyal and some monasteries like Gomphukora and Dechen Phodrang were completed;
- (c) The Department of Culture is also in the process of updating inventory and photography of movable cultural properties in the Dzongkhags;
- (d) The groundwork for conservation of the Wangduephodrang, Paro, Lhuentse and Daga Dzongs have been completed, and actual work will commence soon;
- (e) Renovation and development of Dechenphug Lhakhang complex, Pangrizampa Astrology school, Wangditse Lhakhang Dechenphodrang monastery etc. have been completed;
- (f) The new Tsirang Dzong was completed and inaugurated;

- (g) As a part of the Centenary Celebrations, the Trongsa Ta Dzong was fully renovated and developed as the Tower of Trongsa Museum as a tribute to our Monarchs;
- (h) Besides renovating the old heritage structures and building new religious and cultural structures, the Royal Government has also initiated to undertake archaeological studies of important heritage sites in Bhutan. For a country with little or no written records, these studies will provide invaluable information about our culture and society of the past. To this end, the first ever archaeological project in the country was initiated at the Drapham Dzong in Bumthang; and
- (i) The Royal Government also welcomed and supported construction of religious structures like the construction of 169-foot-tall Shakyamuni Buddha Statue at Kuenselphodrang in Thimphu and 148 feet tall Guru Nangsi Zilnon statue in Lhuentse. Such religious structures will enhance the image of the country to the outside world and will eventually increase the flow of tourists into the country.

### 3.2 Language

Recognizing the importance of developing and promoting the national language, the Royal Government reconstituted the Commission of the Dzongkha Development Commission with appropriate members from relevant organizations with the Prime Minister as the Chairman.

The Royal Government has directed the DDC to develop and promote Dzongkha as a convenient and user-friendly national language. Appropriate and important policies, plans and strategies are being framed for national language simplification, popularization, vocabulary enrichment and standardization.

Some of the notable achievements by the DDC in the past one year are:

- (a) The development of three levels of Dzongkha grammar— beginners, intermediate, and advanced— to enable the students and other Dzongkha learners to acquire Dzongkha competency in progression;
- (b) The launching of a national language spelling reform with a view to simplify its orthography and bring about Dzongkha standardization and consistency. Two dictionaries published in the past have been revised based on the new spelling system;
- (c) The development and launching of a Dzongkha website containing various Dzongkha learning and acquisition tools and materials such as grammar, dictionaries, spellings and terminologies;

- (d) The publication of three books viz. *Achievements of Hundred Years of Monarchy*, *Coronation Chronicle*, and *Centenary Chronicle* to commemorate the hundred years of monarchy in Bhutan and the coronation of the Fifth Druk Gyalpo; and
- (e) In addition, the DDC also organized Dzongkha essay competitions for students, national level Dzongkha book writing competition, and Dzongkha skills competitions— reading, writing, speaking and comprehension at the regional level.

### 3.3 Preventing Substance Abuse

Substance abuse destroys lives and communities, generates crime and affects all sections of society. In particular, drugs destroy the nation's most valuable asset- its youth. With an estimated 59% of Bhutan's population below 24 years of age, the growing trend of substance abuse by the youth is of serious national concern. In 2008, 82% of those arrested on drug related charges were youths below the age of 24 years.

The Bhutan Narcotic Control Agency (BNCA) has formulated various policies and strategies and implemented numerous policy measures aimed to prevent substance abuse. It works in close collaboration with Colombo Plan Drug Advisory Programme and other partners like SAARC Drug Offences Monitoring Desk, UNICEF, UNODC, and the International Narcotic Control Board. A signing of a Memorandum of Understanding (MoU) with the GoI is being pursued so that the BNCA and similar agencies in India can work together to combat the illicit trafficking of drugs across the border.

Recognizing the importance of providing treatment and rehabilitation for the victims of substance abuse, the Royal Government has approved the establishment of a Treatment and Rehabilitation Centre for drug and alcohol dependents. Further, the Government remains firmly committed to intensifying its efforts to reduce and prevent substance abuse among the youth through:

- (a) Greater vigilance;
- (b) Stronger measures such as harsher penalties for dealers;
- (c) More concerted advocacy, individual and group counseling in schools and at large to create greater awareness of problems and dangers associated with substance abuse; and
- (d) The establishment of appropriate treatment facilities for addicts.

### 3 - Consolidating the Fourth Pillar of GNH - Good Governance

#### 4.1 Good Governance

By its very definition, good governance is the exercise of authority in managing a country's political, social, economic and administrative resources in a manner that is transparent, accountable and responsive to people's needs. Thus, good governance is an important prerequisite for strengthening the other three pillars of GNH. Recognizing this, the Royal Government is committed to good governance, and to creating conditions in which the gift of democracy that has been bestowed upon the people by our Kings, is able to spread firm and durable roots.

##### *(i) Raising Civil Service Morale*

Although the Bhutanese civil service is recognized as among the best in the region, in recent years, there had been a deterioration in civil service morale and attracting and retaining young professionals with the right combination of knowledge and skills has become increasingly difficult. While this is partly due to the fact that with greater opportunities in the private sector, many of the advantages traditionally associated with civil service employment is disappearing, a more direct factor has been the government's inability to offer adequate remuneration. Thus, there was an urgent need for a substantial increase in civil service remuneration.

After carrying out an in depth and detailed study, the Pay Commission which had been constituted earlier in keeping with the provisions of the Constitution, submitted its report to the Royal Government recommending a substantial increase in the remuneration levels. While the recommendations were well reasoned and researched, given the uncertainty surrounding the Royal Government's resource situation due to the global economic crisis which was unfolding at the time, the Ministry of Finance (MoF) was directed to further study and analyze the recommendations of the report.

Based on the recommendations of the MoF which was approved by Parliament, an across the board increase in civil service salaries and benefits has been effected. However, the Royal Government recognizes that in the ultimate analysis, raising the efficacy of the civil service by enhancing its morale and commitment has more to do with its culture and management systems, and goes beyond salaries and incentives. Mindful of this, various initiatives are being undertaken to streamline management and the overall functioning of the bureaucracy whereby the sense of trust, participative decision making, delegation of responsibility, accountability, recognition and other means for job satisfaction will be enhanced.



*(ii) Improving the Delivery of Public Services*

A unit known as Improving Public Service Delivery Systems (IPSDS) has been established within the Royal Civil Service Commission Secretariat. With the objective of reducing the administrative burden on the recipients in availing government services as well as reducing the costs to the government in providing such services, the following initiatives have been taken:

- (a) On the basis of a Cabinet directive, each Ministry selected its three most crucial services for review, so that procedures can be rationalized unnecessary steps eliminated. It is expected that the procedures in respect of 30 services will be rationalized within nine to 12 months;
- (b) The RCSC has issued a circular for the development and implementation of service delivery standards by all government agencies including autonomous bodies and Dzongkhags;
- (c) Steps have also been initiated to establish One Stop Shops for multiple services through the one window concept. A few such services will be started on a trial basis by July or August;
- (d) Negotiations are being done with McKinsey & Company, a global management consultancy firm to avail their services in assisting the Royal Government to find ways to accelerate Bhutan's socio-economic growth trajectory by improving the efficiency and effectiveness of public service delivery. The outcome of the project will be faster socio-economic progress with less investment. It is expected that the cost of project will be recovered from the savings that would result from the enhanced efficiencies; and
- (e) A pilot assessment of the administrative burden reduction initiative has shown significant achievements in some areas such as:
  - ✓ A reduction in the period for issuance of driving licenses from one month to one week;
  - ✓ A reduction in the number of steps for obtaining approval for building construction and land transfers;
  - ✓ Simplification of the processes for issuance of business licenses; and
  - ✓ The development of an e-platform to provide easier access to permits for forestry products such as timber for construction, firewood and prayer flag posts etc.

### *(iii) Promoting E-governance*

In order to improve efficiency, effectiveness and convenience of public services, the Royal Government is seeking ways to use information and communication technologies (ICT) for successful delivery of online services. The effective use of ICT will also contribute towards the goal of achieving a small, compact and efficient government. In this regard, the Royal Government has received commitment from NIIT to train 7,000 civil servants including, those in senior positions, in ICT, to enhance their ICT skills for enablement of e-governance.

The Department of Information Technology (DIT), which has been given the responsibility for developing and promoting ICT applications for e-governance, has started a number of initiatives in reducing paper work and wastage (hard copies) and efficient sharing and access to information within government while giving greater public access to electronic information. To this end, it has already launched a few applications and it is also working on a number of other applications with various agencies. Among those that have been undertaken are the following:

- (i) Office Procedure Automation is a simple tool enabling all government offices to transact their business online without having to move physical papers. Apart from saving paper, the application helps to monitor the time taken for each official to act on a particular letter or document. It ensures immediate transmission and receipt of documents, and also has the potential to bring about greater transparency, efficiency and accountability;
- (ii) Inter-governmental WAN link, Agriculture Marketing Information systems have been launched and will help the public in conveniently and easily accessing services and information through the Internet; and
- (iii) 39 Community Information Centres (CIC) have also been set up this year. This will provide internet access to the public for information and government services. These will be scaled up to cover all the Gewogs. All these will help transform governance, and bring services closer to the people.

### *(iv) Outsourcing Services*

Past experience in other countries as well as in Bhutan has shown that in many instances, the private sector is able to provide goods and services much more efficiently and economically than the government. Therefore, the Royal Government holds the firm view that there is a need to redefine the role of the government, so that it can focus its efforts on the core function of policy formulation and implementation. With a view to stem the need for further increases in the size of the civil service, which currently numbers 19,848, while at the same enhancing the role of the private sector, the Royal Government will make every effort to outsource the provision of services. As the first step in the direction, security services in the JDWNRH was recently outsourced to a private company; road survey, planning and implementation under Ministry of Agriculture has

been outsourced as a trial in six Dzongkhags; and the outsourcing of the other services such as arrangements for conferences and meetings, transport services and 'chadi' preparations are being considered.

## **4.2 Local Governance**

The Royal Government has reinstated the Department of Local Governance under the Ministry of Home and Cultural Affairs to ensure that the local governments receive the necessary support from the centre as they assume greater role and responsibilities. The capacities of the local governments are still very weak while the environment in which they work is diverse and vary from Gewog to Gewog. Following are some of their main functions:

- (i) Enable better coordination between the centre, Dzongkhags and Gewogs;
- (ii) Support and facilitate effective implementation of the decentralization policy of the RGoB;
- (iii) Enhance capacities of local governments and their functionaries;
- (iv) Further the democratic processes through fostering direct participation of the people; and
- (v) Enhance efficiency, transparency and accountability of local governments.

The Local Government's Act has been submitted for consideration during the Third Session of the First Parliament.

## **4.3 Ensuring Administrative Equity**

One of the priorities of the Royal Government is to ensure that all citizens receive equal treatment in accessing services and on matters that affect day to day life and facilitates objective and professional redressal and difficulties faced by them. Towards this goal the following measures have been taken.

### ***(i) Addressing Public Grievances***

In order to ensure that the grievances of people are heard and addressed, a Grievance Redressal Unit has been established in the Cabinet Secretariat and reports directly to the Prime Minister. As far as possible, the unit attempts to deal with the grievances informally through frank and informal discussion with the aggrieved persons and the concerned agencies, and only when a solution is not possible at the informal level, the matter is taken up officially. The unit also made a number of field visits to examine and resolve local disputes amicably. If a matter that is brought to the Grievance Unit is not within the scope of responsibility or the authority of the executive branch of government, it is forwarded to the relevant authorities for their consideration.

By the end of May 2009, the unit had received a total of 787 cases. Of these, 436 had been dealt with, and remaining ones are under process.

*(ii) Security Clearance Certificate (SCC)*

The requirement of SCC procedure for all Bhutanese nationals remains necessary in the interest of national security. However, in view of improving service delivery, the procedure has been considerably improved so that it has become client friendly and the time required substantially reduced. Further, streamlining and decentralization of the procedures to make the system even more efficient are under consideration.

*(iii) Census and Civil Registration*

The Department of Civil Registration and Census has completed the computerization of the baseline census records, and copies of the Bhutan Civil Registration system have been distributed to the Gewogs. Furthermore, guidelines and procedures for processing Citizenship Identity Cards and Special Resident Permits have been developed. These measures are expected to streamline and simplify the procedures for obtaining Citizenship Identity Cards. On the directive of the government, a census committee was established in the Ministry of Home and Cultural Affairs to review all census related issues.

*(iv) Promoting Transparency and Accountability*

The key to ensuring that all branches of government are more accountable to the citizens is to provide access to basic information about what government is doing. In this regard, in keeping with its promise, the Royal Government has endeavored to be as open and as easily accessible as possible. Every ministry has been directed to appoint a media focal person, to provide information to the media on its activities and answer to any queries. Often the concerned minister personally responds to inquiries and questions from the media. During the year, two media conferences - the first on the completion of the first one hundred days of the government, and the other on the completion of one year, were convened at which the Prime Minister and all the Cabinet of Ministers were present. The media persons have themselves acknowledged that the government is accessible and open to the media.

Based on a directive from the Lhengye Zhungtshog, two meetings have been held to take stock of activities that were undertaken by the various agencies to enhance their transparency. The last workshop which was held in January 2009 indicated that many of the agencies had well laid plans for enhancing transparency. The next workshop which will be scheduled in July 2009, will review the progress that has been achieved, and it is proposed to conduct similar exercises during each subsequent quarter.

#### 4.4 Free and Responsible Media

With the ultimate objective of creating a citizenry able to make informed decisions about issues that affect their lives, the Royal Government has pursued a policy of encouraging and supporting the development of a free and responsible media. In order to create the necessary environment for a free press to operate, the Royal Government's efforts have been focused on ensuring transparency in government, facilitating the establishment of new media agencies, assisting the media agencies to achieve financial independence, and providing the necessary legislative framework.

While the Bhutanese media industry has made remarkable progress over the last few years, it is still at an early stage of development and needs continued support and understanding. Thus, despite the fact that the media has sometimes carried inaccurate or even wrong news reports, the Royal Government deliberately refrained from reacting to such reports not only in the belief that such mistakes were probably on account of resource constraints, but also because it does not want to discourage or inhibit the budding media.

Some of the concrete steps taken by the Royal Government to support the media industry during the year include:

- (a) The grant of a subsidy of Nu.2 million each for the private newspaper industry and private radio broadcasting industry for capacity development;
- (b) The establishment of the Bhutan Infocom and Media Appellate Authority to resolve issues affecting the media industry;
- (c) Establishment and sponsorship of the National Media Awards with the objective of improving the quality of the national print and broadcast media;
- (d) Sponsorship of the National Film Awards to promote the quality of Bhutanese films and to support the development of this culturally beneficial entertainment industry;
- (e) Sanctioning the use of DTH satellite television systems for the benefit of people in remote and far flung areas which do not have cable TV services
- (f) The drafting of a Right to Information Bill that will be submitted to parliament for enactment during its next session is being initiated.

#### 4.5 Curbing Social Ills

With growing urbanization, many social ills such as alcoholism, prostitution, gambling, etc. have made increasing inroads into our societies. While the Royal Government remains firmly committed to preventing and reducing such ills, it has not been able to take effective measures to address these issues.

- a) There are 6,538 numbers of bar licenses which translate into one bar for every 56 adults. In future the Royal Government will make every caution.
- b) There were 418 arrests made by the Royal Bhutan Police for drug related offence.
- c) While 62 drug traffickers were arrested during the year, the Royal Government was disappointed to note that on an average, they received very light sentences of less than three years despite the prescribed sentence of nine to 15 years in the Bhutan Penal Code.
- d) There were 440 assault, battery and related offence as against 449 cases in 2007. The reduction is due to a strong advocacy and legal protection given by NGO such as Respect Empower Nurture Education Women (RENEW) and the Government.
- e) There were eight cases involving prostitution and related offences, while most remained unreported due to lack of stringent implementation of the rule. The trend is regrettably on the rise.
- f) There were 18 homicide as against 14 cases reported in 2007.
- g) 169 offenses were reported against vandalism and desecration of Lhakhangs (9) and Chortens (160) as compared to a total of 194 in 2007.
- h) Suicides cases are on the increase; 53 cases were reported in 2008 as compared to 50 in 2007. These figures are conflicting with our philosophy of GNH.
- i) Gambling has become increasingly common amongst certain sections of the society despite the strict laws.
- j) In addition, there have been increasing cases of divorces. There has been also a noticeable increase in number of street children and homeless persons.

In these above issues, some of the Civil Society Organizations (CSO) have been rendering invaluable services and the Royal Government would like to take the opportunity to thank them for their initiative and support to address these issues. The Royal Government is deeply alarmed by the above trends revealing that all is not well in our society which is committed to pursuing happiness. The Royal Government intends to take concerted measures in the coming years in collaboration with CSOs while undertaking all possible steps through the education system, law enforcement agencies and various advocacy options.

## 4.6 Civil Society Organizations

The Royal Government views Civil Society Organizations (CSOs) as valuable partners in development, and in promoting democracy and good governance by working directly with the intended beneficiaries in such critical areas as poverty alleviation, education, health etc. Therefore, the question is no longer whether CSOs should play a role in development, but rather how to create the necessary frameworks and conditions in which they can grow and conduct their social services.

A CSO Authority has been established with five representatives; three from government (Ministry of Home & Cultural Affairs, Office of the Attorney General, and Ministry of Finance) and two from NGOs (Royal Society for Protection of Nature and Royal Textile Academy). The Authority has subsequently submitted the staffing and budgetary plans for the secretariat and government approval will be accorded shortly. While the procedural manual for registration of CSOs is presently under preparation, it has already received 28 applications by the end of April affirming the conducive environment created by the government and the existence of a growing civil society or voluntary spirit.

- (i) Despite the absence of a legislative framework for CSOs, many commendable initiatives are already being undertaken by the existing CSOs such as the Tarayana Foundation, the Youth Development Fund (YDF), and the RSPN in close cooperation with the government. The Royal Government will continue to support these CSOs and other new CSOs that may be established.
- (ii) The community forestry groups also act as civil societies. These have already proven to be an effective mechanism not only for poverty alleviation but for deepening decentralization as well. So far, 136 Community Forest Management Groups have been formed. In many instances these groups have become agents of change by voicing their concerns and bringing changes to local governance.
- (iii) Apart from the national programme on alleviation of poverty, GNHC in collaboration with the Gyalpoi Zimpon's Office has selected 20 poorest villages in the country to pilot alleviation of poverty in these communities. This is one of the direct efforts towards empowering communities by lifting them out of the poverty and empowering them with socio-economic achievement.

## 4.7 Foreign Relations

The Royal Government attaches high importance to its relations with the partner countries and in playing an active role in the international arena. Therefore, Bhutan's foreign relations can be characterized as one of active interaction and engagement with the bilateral and multilateral agencies.

The Royal Government continued to maintain close contacts with our development partners on issues related to economic and political developments in the country through

our missions and embassies abroad, annual and periodic consultations, and visits by foreign officials.

During the year, some of the high level visitors to Bhutan included Mr. Richard Boucher, US the Assistant Secretary of State for South Asian and African Affairs, and a 15 member US Congressional delegation led by Senator John McCain, the Republican Presidential candidate during the last US elections, and an eight member delegation from the European Parliament and European Commission led by MP Robert Evans from the UK, Chairperson of the Committee on Relations with South Asia and SAARC.

*(i) Bhutan-India relations*

As a close friend and neighbor, the Royal Government continues to place the highest importance on maintaining and enhancing our traditional ties of friendship and cooperation with India. This is evident from the frequent and high level interactions between the two governments, as well as people to people contact in the social, economic and cultural fields. Some of the significant bilateral visits during the year were the following:

- (a) H.E. Smt. Pratibha D. Patil, President of India visited Bhutan as the Guest of Honour during the Coronation of His Majesty. H.E. Smt. Sonia Gandhi, President of the Congress Party and members of her family, and H.E. Pranab Mukerjee the Minister for External Affairs also attended the Coronation;
- (b) H.E. Dr. Manmohan Singh, the Prime Minister of India paid a State Visit to Bhutan from 16-17 May 2008. The Prime Minister received an audience with His Majesty the King and the Fourth Druk Gyalpo and also addressed a joint session of Parliament. The visit was highly significant as it took place shortly after the formation of the first elected government following the successful parliamentary elections in the country;
- (c) At the invitation of the Prime Minister of India, the Prime Minister paid a state visit to India from 14-17 July 2008. This was the first visit to India by a democratically elected Prime Minister of Bhutan. During the visit, Lyonchhen called on the President, the Prime Minister and other Ministers and Senior Government Officials of India and held discussions on a wide range of issues of mutual interest.

*(ii) 15th SAARC Summit*

Bhutan's participation in the SAARC process continues to be meaningful and fruitful. Bhutan's participation in the Fifteenth SAARC Summit in Colombo, Sri Lanka from 2-3 August 2008 was particularly successful in securing agreement of the member states on the establishment of the SAARC Development Fund (SDF) Secretariat in Bhutan.

Although several countries were keen to host the SDF Secretariat, Bhutan was able to secure the same as other member countries recognized the contribution made by His



Majesty the Fourth Druk Gyalpo to the SAARC process, including his initiative in proposing a South Asian financial institution during the early years of SAARC.

Similarly, Bhutan has also been successful in getting the SAARC Forestry Centre to be established in our Kingdom largely on the strength of the international recognition that our environmental policies and pristine environment has garnered.

On the sidelines of the Summit, the Prime Minister held bilateral meetings with all the member countries.

Bhutan hosted the Third SAARC Technical Committee Meeting on Environment and Forestry 13-14th January 2009 and the Meeting of the Fifth SAARC Working Group on Energy from the 29-30<sup>th</sup> of April 2009.

An important development is that Bhutan will host the Sixteenth SAARC Summit in Thimphu from 28 to 29 April 2010 and will assume the Chair of SAARC for the first time since the regional organization was founded in 1985.

#### *(iii) 2nd BIMSTEC Summit*

The Prime Minister participated in the Second Summit of the Bay of Bengal Initiative for Multi-sectoral Technical Economic Cooperation (BIMSTEC) held in Delhi on 13 November 2008. During the summit, a Memorandum of Understanding for the establishment of the BIMSTEC Cultural Industries Observatory (BCIO) and BIMSTEC Cultural Industries Commission (BCIC) in Bhutan was finalized. These will serve as a useful institutional mechanism to facilitate regional cooperation in the area of culture. It is expected to play a very important role in establishing culture in its various manifestations, as an industry in its own right to serve as a powerful means for poverty alleviation.

#### *(iv) 63rd Session of the United Nations General Assembly*

The United Nations General Assembly (UNGA) occupies a central position as the chief deliberative policymaking and representative organ of the United Nations. Comprising of all 192 members, it provides a unique forum for multilateral discussion of the full spectrum of international issues covered by the Charter. It also plays a significant role in the process of standard setting and codification of international law.

The Prime Minister attended the 63<sup>rd</sup> session of the UNGA from 22<sup>nd</sup> September to 3<sup>rd</sup> October 2008. Against the backdrop of the deepening global financial crisis and the resulting developmental impediments that was unfolding at that time, it provided an excellent opportunity to focus the country statement on Bhutan's development philosophy of Gross National Happiness.

The Prime Minister called on H.E. Ban Ki-Moon, UN Secretary General and also had bilateral meetings with the Prime Ministers of Australia, Netherlands, Nepal and Iceland.

In addition, he met with the heads of the UN agencies based in New York, attended a number of high level meetings and also met with the Bhutanese Community in New York.

*(v) Expansion of Foreign Relations*

- (a) The Royal Government established a Consulate in Kolkata in November 2008. The Consulate has jurisdiction over the Indian States of West Bengal and Assam and will enable the Royal Government to provide lawful assistance and protection to Bhutanese citizens residing in, or travelling through these neighboring states. It will carry out its important mandate of promoting and facilitating trade with India. The Consulate will also contribute towards strengthening of the close ties of friendship and cooperation between the two countries.
- (b) In January 2009 the Royal Government established formal diplomatic relations with Belgium and opened a resident mission in Brussels. The Ambassador to Belgium is accredited to the EU/EC with which Bhutan has had diplomatic relations since 1985. Over the years, the quantum of EU assistance has grown significantly, with its total commitment for the 10<sup>th</sup> FYP amounting to Euro 28 million.
- (c) Kuwait is the only country in the Middle East in which Bhutan has a resident diplomatic mission. Kuwait has always been a strong supporter of Bhutan and has provided much valuable assistance in the past. With a view to further strengthen our ties of friendship and cooperation with Kuwait, the Royal Government approved the proposal of the government of Kuwait to establish a resident mission in Thimphu.

#### **4.8 Judiciary**

Transition to a democratic constitutional monarchy in Bhutan has added more and greater responsibilities for the Judiciary. Therefore, under the Civil and Criminal Procedure Code and the Penal Code of Bhutan, the Judiciary has been continuously striving towards the creation of a reliable, fair and efficient justice system.

The opening of 12 Dungkhag courts in March, 2009 has resulted in taking justice nearer to the people, with clearer delineation of responsibilities between the Executive and the Judiciary, as mandated by the Constitution.

The construction of separate courts in six Dzongkhags and 15 Dungkhags with the assistance of the Governments of India, Denmark, Switzerland and Austria will advance constitutional compliance of the physical separation and independence of the Judiciary from the apex to the lowest courts. The construction of the Supreme Court, with the assistance of the Government of India, is under progress. The Judiciary with the Gross National Happiness Commission is endeavoring to mobilize funds for the construction of the remaining courts.

In obedience to His Majesty's command of 1996 to dispense justice expeditiously, fairly and inexpensively, the Judiciary has prescribed a standing rule to clear all cases within a year. Out of 1,979 cases pending in all the courts, the number of cases which have been pending for more than a year has been reduced to only 50 cases.

The logical and systematic hearing stage to ensure due process and fair trial that was incorporated in the Bench Book in 1991 was updated and printed in November, 2008.

The Judiciary has been conducting continuing legal education through workshops to enhance the capacity of the judicial staff in their work and to contribute to the building of a reliable and efficient legal system. The High Court has conducted eight workshops. Continuing legal education is being institutionalized to embrace the changes with the unfolding Constitution.

#### **4.9 Legislative Plans**

In accordance with Article 1(10) of the Constitution of the Kingdom of Bhutan, in order to further expand and strengthen the rule of law, many important bills were submitted to Parliament for its deliberation and enactment. The following is a list of legislations that were submitted to Parliament during the first two sessions, and their present status:

- (i) Bills and conventions that were submitted to Parliament during the first session and passed/ratified by both houses:
  - (a) Constitution of the Kingdom of Bhutan,
  - (b) Election Act of the Kingdom of Bhutan,
  - (c) Public Election Fund Act of the Kingdom of Bhutan,
  - (d) National Referendum of the Kingdom of Bhutan,
  - (e) National Assembly Act of the Kingdom of Bhutan,
  - (f) Parliamentary Entitlements Act of the Kingdom of Bhutan, and
  - (g) National Council Act of the Kingdom of Bhutan.
  - (h) Ratification of the Agreement on the Establishment of South Asian University,
  - (i) Ratification of the Agreement on establishing the SAARC Food Bank.
  
- (ii) Bills and conventions that were passed/ratified by the National Assembly during the second session and presented to the National Council in accordance with Article 13.5 of the Constitution:
  - a) Waste Management and Prevention Act, 2009;
  - b) Livestock (Amendment) Act, 2009;

- c) Cooperatives (Amendment) Act, 2009;
- d) Zhabto Lemi (Repeal) Act, 2009 ;
- e) Ratification of the Protocol of Accession of Islamic Republic of Afghanistan to the Agreement on South Asian Free Trade Area (SAFTA);
- f) Ratification of the SAARC Fund Charter

While the Protocol of Accession of Afghanistan to SAFTA and the SAARC Fund Charter, were ratified by the National Council, none of the bills have been returned to the National Assembly.

(iii) Bills and conventions that were passed by the National Council and presented to the National Assembly during the second session:

- (a) Royal Bhutan Police Bill, 2009;
- (b) Prison Bill, 2009 ;
- (c) Ratification of the Agreement on the Establishment of South Asian Regional Standards Organization (SARSO);

Both the bills were deliberated by the National Assembly and sent back to the National Council for further consideration of issues on which the National Assembly had reservations. The Agreement on Establishment of SARSO will be presented to the National Assembly for ratification in the third session of Parliament.

(iv) Bills submitted to the third session of Parliament:

- (a) Tobacco Control Bill;
- (b) Local Governments Bill;
- (c) Standards Bill of Kingdom of Bhutan ;
- (d) Royal Monetary Authority of Bhutan Bill;
- (e) Royal Civil Service Bill of the Kingdom of Bhutan;
- (f) Bill on the Service Conditions for the Holders of Constitutional Offices.

(v) Future legislative proposals

In keeping with the provisions of the Constitution of the Kingdom of Bhutan the Royal Government will prepare and submit in the subsequent sessions, the following bills:

- (a) Bills on declaration of National Parks, Wildlife Reserves, Nature Reserves, Protected Forests, Biosphere Reserves, Critical Watershed and other such categories (Article 5, Section 5 of the Constitution);
- (b) Bill on Declaration of Emergency (Article 7, Section 23 of the Constitution);

- (c) Bill on Consolidated Funds (Article 14, Section 2 of the Constitution);
- (d) Bill on Formation, Functions, Ethical standards and Intra-Party organization of Political parties (Article 16, Section 1 of the Constitution) ;
- (e) Administrative Tribunals Bill (Article 21, Section 16 of the Constitution);
- (f) Alternative Dispute Resolution Centres Bill (Article 21, Section 16 of the Constitution);
- (g) Militia Services Bill (Article 28, Section 4 of the Constitution); and
- (h) Impeachment Bill (Article 32, Section 5 of the Constitution).

### III - State of our Emerging Democracy

#### 5.1 Our Emerging Democracy and its Vulnerability

The progenitor of Bhutan's democracy, HM Drugyal Zhipa observed that democracy is succeeding where it began well. For Bhutan, democracy is just beginning. We are an emerging democracy at its budding stage from which many countries have failed to flower. What we have in place are the institutional and legal structures, including the immaculate Constitution which are the prerequisites of democracy. These have been bestowed upon the people as gifts of His Majesty the King and His Majesty Drugyal Zhipa. What our polity now needs to do is to imbibe a democratic culture for the functioning of our society and its governance in ways that it can benefit from the sacrifice and the priceless gifts of our Kings.

How a democratic culture is developed and sustained is now an endeavour we must share for our own sake and that of posterity under the rule of our benevolent monarchs. This will not be easy as borne out by numerous examples near and far. It demands conscious internalization of democratic values and practices especially in the next four years of our beginning stage. It demands careful and deliberate nurturing by the individual citizen, family, community and the state. To this end, we need to be humble, introspective and responsibly cautious. We must be mindfully guided in our speech and thoughts by enlightened interests and not be led astray by negative emotions and misguided persuasions. Our collective effort must be to make politics a noble word. My dream is that Bhutan becomes a country where to be a politician is to commit oneself to the highest form of service to the Tsawa Sum - our King, country and people.

The inherent virtues of democracy are realizable in our good society! I know our selfless Kings were not wrong in placing their faith in us. We can, together, create a democracy the future of which is not conditioned by individual leaders or parties but by the constancy of the people's collective wisdom that will guide the conduct of parties and leaders. We must aspire to acquire the ability to elect the most virtuous and capable and hold them responsible and accountable. We must have the capacity to elect governments that will serve, not rule. In turn, ours must be governments that bear the moral courage and responsibility to do what is right and not what is popular but harmful in the long run. Ours must be a culture wherein governments that fail to carry out the mandate of the people will leave gracefully and change of governments will never come through violence.

I shall now submit briefly the endeavours of the government and the challenges it faces in laying the foundations of a democratic culture.

## **5.2 Preserving and Elevating our Monarchy**

Monarchy, as the head of state and the third and highest element of the Parliament, must remain the constant factor and object of our allegiance in our unique Democratic Constitutional Monarchy. My government has strived to preserve and promote the value and purpose of the institution at all times. This was demonstrated in the way the government organized and managed the historic celebrations of the Coronation of His Majesty the King and the Centenary Commemoration of our beloved Monarchy. Every citizen was given the opportunity to express their loyalty and boundless gratitude for the gift of democracy and one hundred years of a golden era of unprecedented peace, stability and progress making our country unique and our people the envy of all nations. The Lhengye Zhungtsog and I have the honour to submit that we greatly admire and are grateful to His Majesty the King for the way in which He has discharged His high constitutional functions with gracious efficacy. We would also like to submit that we keep His Majesty informed of all important public policies and actions of the Royal Government as required by the Constitution.

## **5.3 Guaranteeing the Separation of Power**

None can doubt that the government has, in any way, undermined the independence of the three branches of government from each other. Mindfully, we have set precedence for totally independent functioning of the other two state organs and shall continue our endeavours to this end.

## **5.4 Independent Functioning of the Constitutional Bodies (Oversight Institutions for Check and Balance)**

While the Royal Audit Authority and the Anti Corruption Commission are indispensable to optimize accountability and check and balance in the system, democracy cannot function without a strong Election Commission to ensure a just and fair electoral process. All efforts are made to respect and facilitate the optimal functioning of these independent bodies. At no time or in any way, has the government created obstacles to their functioning as is often the ways of governments that want to relegate such bodies to the margins of government, regardless of what their constitutions may dictate.

Obsessive concern for the independence of constitutional and autonomous bodies of which there are many, and the royal government's support for them has however, raised the important questions we need to ask ourselves. Is consultation and cooperation between such bodies and the executive government not important? Is cooperation not necessary for the greater good of society without compromising the principles and purposes of functioning independently, as among sovereign independent nations in the interdependent world? Many have cautioned that mutual suspicion and obsession with independence at the cost of cooperation, create the possibility of parts of the same machine turning in opposite directions. Such views are expressed with the belief that

ultimately, the government of the day is answerable for all actions of any part of the state machinery including the quality of legislation and access to justice.

## **5.5 Commitment to the Promotion of Transparency**

This government began its term of office with a strong commitment to transparency and promotion of an informed and participative public. While these were already made known through the manifesto of the DPT, it has tried to function as transparently as never before. It continues to sensitize the public on major issues that the royal government is grappling with and on which public opinion and views are important. Except for matters concerning sensitive foreign policy and national security, the Lhengye Zhungtshog has issued directives to the effect that the public have a right to be informed of how government is conducting its business. Likewise, government agencies are required to function in ways that are transparent to each other in order to avoid duplication and conflict while promoting cooperation. As a consequence, all ministries and some of the departments are in varying stages of opening web sites which should make available upto date information on each area of Government activity. My own activities are being reported on the Cabinet web site. These should be clearly evident in the timely and insightful media reports, though often misinterpreted and distorted through selectivity.

It is good and necessary to be critical of the government. Citizens must be informed and be fearless in holding the elected government accountable for their misdoings and failures. But equally, it is important that the elected government is not made the subject of unnecessary suspicion, doubt and demeaning actions or speech. These weaken the resolve of government and make it falter. Remember, a government that is feeble will, as any weak man or animal, be unable to carry heavy burdens of responsibility, much less be daring in action and vision. The load of a government mandated to lead a poor country is heavy, demanding courage, trust and inspiration. The need of the hour for our emerging democracy and a poor country is a strong government that has the strength of purpose and support to overcome greater challenges yet to come. That strength must come from the trust and confidence of the people that it serves.

## **5.6 Promoting the Growth of Media**

As reported under good governance, a vibrant media is growing to play a critical part in the development of a democratic culture. This has been facilitated by the media friendly environment created by a supportive government, in testimony whereof, there is the burgeoning of the media in all its forms including the internet, since the beginning of my government. However, we are mindful of the teething problems faced by our young media and will work with it to ensure its growth and rightful role in our democratic society.

The role of the media must transcend narrow interests of competing for news that sell. It must play a lead role in nurturing a democratic culture and in promoting reasons that give rise to cause for trust and respect between the people and their elected. It must be



socially responsible and avoid selective reporting of information with intentions that depart from good and responsible journalism. Above all, it must protect and promote national interests.

The royal government is doing all it can to project our country as deserving foreign assistance and investment against increasing competition in a troubled world. It is vigorously positioning Bhutan as a regional hub for world class services. Every effort is made to capitalize on our selling points which include our excitingly unique democracy in the making; high reputation for good governance; an improving business climate within a safe and secure environment and our unique and splendid culture. Then there is our development philosophy of Gross National Happiness which offers a sustainable and human centred development paradigm that has captured the imagination of the world.

These are the national interests that the media needs to understand and subscribe to. It needs to report accurately and contribute to helping our people feel good and proud about being Bhutanese and being a part of the epoch-making role that our generation is playing. On the contrary, media reports have often hurt our national image by undermining all these plus points which truly exist in our wonderful society. Impressions are being created that democracy is going wrong; that government is irresponsible and insensitive; that Bhutan is a bad place to do business; that our communities are unsafe, divided and insecure while often making a mockery of our philosophy of GNH.

As I have stated earlier in my report, not all is well with our society, our poor, aid dependent country. That is why we are a developing country. Emphasis on the bad and the ugly at the cost of leaving out the good and the uplifting, because they do not sell, is wrong. If such stories were the only source of information for our donors and potential investors, we would end up abandoned, alone and poorer. Such one-sided stories carry with them the danger of making our people restless and disillusioned with democracy. But like democracy itself, the tradition of a free and independent is just beginning. I have the hope and the confidence that as it grows, it will play a positive and constructive role as it must and as it can in the vast open space that the royal government will always maintain for it.

## **5.7 Ensuring Fundamental Rights and Duties**

Of what good would democracy be without fundamental rights and, likewise, how would society progress and be civilized if rights were enjoyed without fulfilling duties? While our focus has not been on duties, we have ensured that freedom of thought, speech, conscience, movement and all other fundamental rights are fully enjoyed by all. If there were fears that a strong government such as ours might suppress rights, these are unfounded as evidence may suggest. In its effort to prove that it is independent of the government, the media establishment is strong on criticizing the government while the internet is abuzz with expressions of dissatisfaction with the government and what might be construed as character assassination.

I believe the freedom and confidence with which people engage in open criticism of the government without fear and retribution in all forms of media as well as public and private discussions, is in itself a measure of the extent to which our people enjoy their rights and freedom as only a good government can provide. My government welcomes such expressions of people's faith in the government's capacity to tolerate their exercise of freedom. On our part, the royal government will continue with its endeavour to ensure that all freedoms as guaranteed by the Constitution are enjoyed by all the people in the country.

## **5.8 Preserving Peace and Stability**

The biggest fear of the people when democracy became imminent was divisive politics, lawlessness, suppression of the weak by the rich and powerful, and bullying by elected representatives and their 'goons'. This has not happened because of the deliberate measures taken by the government which began even before it was elected. We decided against rallies and marches and broke the world wide practice of victory celebration after the elections. Instead, we campaigned against negative party sentiments and emphasized our dedication to equity and justice regardless of how people may have voted. We take pride in having calmed the turbulent forces of electoral politics that muddied the pacific waters of our society to restore and, indeed, enhance the sense of empowerment, liberty, equality and justice.

Law and order situation is near perfect, giving us the opportunity to be rightly concerned about stray police misdoings of the nature that would be condoned as normal in most democracies. These have happened despite the fact that we have one of the cleanest and dedicated police forces in the world. Peace and security prevail without arbitrary deprivation of fundamental rights. My government guarantees the continuation of such tranquility on the ground that we will allow no reasons to emerge that will give cause for any section of people to feel deprived, suppressed, discriminated or wronged without recourse to justice. Ours is an inclusive government practicing inclusive policy. While committed to the eradication of poverty, we stand firm on the ground of unity. We will act against politics of discord and division which are the causes that destroy peace and stability. But we are not complacent. It is in this regard, that we need to be particularly guarded against outside elements which have been the culprits behind many attempts to sow seeds of conflict and caused several bomb explosions to hurt innocent people.

## **5.9 True and Faithful Representation in Parliament**

For democracy to function well and to serve the electorate well, the elected must remain close to the people. Those who are elevated to positions of power in legislation and governance must not be allowed to abandon the common people. To this end, the MPs of the serving government are required to maintain an intensive and substantive dialogue with the people. This is achieved by requiring the MPs to visit their constituencies at least

twice each year. During such visits, and as when necessary, the MPs are required to fully acquaint themselves with the development challenges and the manner in which local programmes and projects are being implemented.

In addition to other measures, the CDG is introduced as a mechanism that will, while strengthening the capacity of local governments and communities to address unplanned and emergent needs, will compel the MPs to stay in touch with realities in their constituencies. This is what will persuade elected leaders at local and central levels to cooperate among themselves and with the public servants, rather than undermine each other to create an unholy adversarial relationship at the cost of the people. Its rules and procedures are carefully framed to ensure that the grant fully respects the principle of separation of power, deepens decentralization and ensures that the role of the MP is no different from that of the National Assembly that considers and approves the budget of the government at the national level.

### **5.10 Party as the Basis for Parliamentary Democracy**

To create political parties only as an election tool and then to disappear in the comforts of the capital city, is to exploit and betray the people. It is wrong, morally and constitutionally. Yet to subject political parties to the patronage of big businesses for their survival, is unethical and antithetical to the interest of nurturing a democratic culture. The alternative is to be honest and let the parties die their natural death. How then can the representatives in government and opposition claim to be party based? Without the party machinery in operation among the people, there is no structure for grass-root participation in governance. It is for this purpose that the constitution is unequivocally clear.

Yet, because of our narrow interpretation of the sacred document and the unwillingness of my party to be drawn into a constitutional debate on the subject of state financing for parties, the very survival of the two parties is at stake. They are both heavily indebted but struggling to stay afloat. The lack of party presence at the constituency level to listen to the people and give them a sense of closeness to government or opposition is causing the people to believe that they have been used and betrayed. This is giving rise to the fear that the next election may not be about choosing the preferred party and candidate but about selling the vote to the highest bidder. That is how democracy is hijacked by the powerful and greedy in countries which continue to suffer from the tyranny of dictators and the corrupt who rule under the guise of democracy. Our parties need financial support and that is not available from our people who are few in number and short in cash.

### **5.11 Sanctifying the Constitution**

For democracy to succeed and to be irreversibly sustained, our polity must be guided and inspired by the Constitution which was gifted by our Kings and sanctified by the

collective wisdom of our people. My government and party see this document as an expression of our shared vision and the timeless values that must guide our society. It is and must always be the one constant factor, the primordial consensus against all other values and laws that will change. It is the guiding light that must not be eclipsed by the shadows of our dark motives and vagaries of politics. His Majesty the King has expressed the hope that the Constitution will be able to guide our society for at least another 50 to 100 years.

My government is committed to the further sanctification of the Constitution. But this is likely to be thwarted if we liken it to a detailed manual containing prescriptions for every government action. Legitimacy of government actions must be sought and judged against their intended values. In so doing, we need to understand the broader principles of our Constitution. This is what my party and government has sought to do. It is in its liberal and principled interpretation, that we will find inspiration and rationale for all good actions in the larger interest of the Tsa-Wa-Sum.

There is danger in imposing upon ourselves rigid interpretation of the Constitution as is often the route taken by politicians elsewhere bringing about crises and destabilization. When we insist on questioning government actions on the basis of narrow interpretation or the absence of specific provisions in the Constitution, we are in danger of constraining government from acting; of not using the Constitution as a facilitator of good and responsible governance but for casting doubts and suspicions to make government weak and fearful. Weak governments, I will reiterate, cannot act and turning politicians into bureaucrats is not in any one's interest. Indeed, for elected governments to be dictated by manuals and not political will and vision defeats the purpose of electing leaders. Democracy is about giving power to the elected to determine what they think is best in the interest of the country and to be held accountable for what they do.

When the Constitution is unnecessarily invoked and tested, politics will, inevitably, shift from the business of governance and legislation to that of wasteful semantics, confrontational debates and divisive ideological posturing. In the end, we will trample the hallowed grounds that gave rise to the Constitution and question the adequacy of the very document that is the paradigm for the conduct of our society. I have discovered that the foundations of our dzongs are best left untampered each time we undertake restoration, even of the very major kind. Tamper with the constitution once and we will have loosened the very foundation of our society and deprived it of its ultimate anchor and guiding light. We will be left with an ordinary document the validity of which will always be suspect. In so doing, we will open the doors for the kinds of crises that have engulfed many failed and ailing 'democracies'. There the Constitutions of become the excuse for failures of leaders who try to perpetuate their tyranny by replacing them with their own 'manuals'.

Allowing ourselves to be trapped by feelings of suspicion and distrust in the elected government is to dishonour the collective wisdom of the people. Democracy, after all, is

the practice of respecting the will of the majority even if it does not coincide with one's own ("Rang me-tcho, mang tcho" and hence the term 'Mang tcho ring lug'). When disrespect for the choice of majority is articulated in the language of constitutionality and legal proceedings drag on, development will suffer and the people will become victims of a paralysed government that is unable to carry out, in our particular case, their powerful mandate. It will be hard to separate the failure of government from that of democracy. If this were to happen then, we would have to share the moral guilt and regret of having caused the people to lose their faith in democracy and the Constitution itself.

## CONCLUSION

In the interest of good democracy and governance, there is the need for some of us to resist the temptation to be guided by the perception of politicians in government as being typical of those elsewhere whom people have reasons to distrust. In saying so, I realize that such doubts are not without good intentions of the same kind that those in government have. Let the fruit of the government's actions be the basis of our verdict and not the interpretation of its intentions. Absence of trust breeds doubt and suspicion and these feed on themselves. In turn, it leads to mutual contempt which must be avoided in order that we can find the conditions to strive together for common good. Just as those in government must act above party and personal interests, perceptions of government and ministers must not be jaundiced by the shades of preconceived notions. As I have often said, good democracy and good governance have not only to do with taking action by those who must fulfill hopes of the people beyond their own. It has as much to do with staying away from acting. It has to do with resisting the temptation to spread government influence over entities and activities that best function on their own or are meant to do so. It has to do with refraining from excesses and abuse of power. Democracy is at risk when in pursuit of power and privilege, governments mute public opinion and criticism, muzzle the media, control the instruments of check and balance and use the police as a means to intimidate and spread fear. These are what my government has successfully and dutifully avoided. We are proud of our restraint. It is in this respect that our detractors are right when they insist that we have done nothing.

Our task as the first democratically elected government is unique and enormous. We have the twin responsibility of not only fulfilling the high hopes and expectations of a people from their elected government but of building democracy itself. Just as establishing a democratic culture within the short period of five years would appear to be a near impossible task, the accomplishment of the 10th Plan, which, in the observation of most, is overly ambitious, is going to be a test of will and capacity of the Royal Government. The boldness and daring of the Plan comes not from the certainty that it can be done but out of necessity. It is in fact, a minimum programme that is essential to escape perpetual dependence on foreign aid; to raise our rural folk out of poverty and give to them the power to participate and benefit fully from democracy. The possibility of failure for a country that is constrained by financial resource and human capacity is high. But that is what those who are trusted and elected must do. They must aspire for the highest and endeavour to do what is ordinarily not possible. They must be bold, courageous and take risks. The costs are only to the party and its elected but the fruit of such daring is to be shared by all.

It is my hope that in my report today, the learned and wise members of this hallowed house will have been encouraged by our successes despite all the challenges we had to overcome in one year. These include establishing a new system of governance, organizing historic celebrations, framing the 10<sup>th</sup> Plan, mobilizing resources for its financing, reaffirming friendship with our development partners and building confidence and support in the new system among our own people. We will succeed in delivering all that we have committed, and to this end, I am confident that I can count on our Parliament and every honourable member, who I know, will be guided by their love and concern for our people and beloved country.

In the ultimate analysis, democracy has everything to do with how people feel. It is the general feeling of the people that forms the basis for determining whether democracy and good governance are prevalent. If the Bhutanese people have a feeling of freedom, security and confidence in themselves within an environment of peace and stability, then the reason is democracy and good governance. And if they have hope, not despair, with rising expectations from those they have elected, then it is because, despite all their criticism, they have confidence in their government. These, then, are clear indications that democracy is taking root, that there is good governance and that these are serving the Tsa-Wa-Sum.

I wish to pledge that the Lhengye Zhungtshog and I, supported by our dedicated civil service, will continue in our endeavour to serve the people to the best of our ability.

Finally, I wish to take this opportunity to offer the unwavering loyalty of my government to His Majesty the King and express our deep gratitude to His Majesty for his inspiration and guidance. We thank His Holiness the Je Khenpo, the Dratsang and the chhodeys for their prayers and good wishes and our security forces for keeping our country safe and secure. We thank all the public servants, the private sector, the nongovernmental organizations, and all our local governments for their contributions to the success of our first year of democracy. Lastly, I and all the members of governing party, express our deepest appreciation to all the members of Druk Phuensum Tshogpa and all the people for their faith and confidence in the party and for having given to us the privilege and honour to serve the Tsa-Wa-Sum at this defining moment in our great history under the reign of His Majesty the Fifth Druk Gyalpo.

May the reign of His Majesty Jigme Khesar Namgyel Wangchuck be truly glorious.

**TASHI DELEK**