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## INTRODUCTION

This is the Annual Report on the State of the Nation for the fiscal year 2009-10 in accordance with Section 10 of Article 10 of the Constitution of the Kingdom of Bhutan.

I am pleased to report that two years after our historic transition to a Democratic Constitutional Monarchy, the state of our nation remains sound and resilient. Due to the blessings of our guardian deities, the wise and judicious counsel of His Majesty the King, and our own steadfast dedication to the Tsa-Wa-Sum, our country has continued to make steady progress on its journey towards Gross National Happiness.

The past year has been a remarkable and challenging one. Even as we continued to our progress towards our national development goals, on 21 September 2009, our country was shaken by the strongest and most devastating earthquake to strike our country in recent memory. This resulted in the loss of precious lives and caused widespread damage and destruction throughout the eastern Dzongkhags. The disaster not only brought great grief and distress to those who lost loved ones, homes and property, but to every Bhutanese.

Despite resource constraints and the lack of past experience in dealing with such large scale destruction, the response to the tragedy was a model for disaster recovery. On the command of His Majesty the King, personnel of the security forces were immediately deployed to the affected areas to provide immediate assistance and support to the affected people. I myself was able to visit all the affected areas immediately after the earthquake to console and comfort the victims and to get a first hand view of the extent of the damage.

On behalf of the people and the Royal Government of Bhutan I would like to place on record our sincere appreciation to all those countries, organizations and individuals from both within and outside the country, who came forward with offers of support and assistance. I would like to acknowledge the support of our

development partners who not only provide emergency relief materials, but also assisted us in carrying out the joint rapid assessment of the damages. In particular, I would like to thank the Government of India for its generous contribution towards the rehabilitation and reconstruction of the earthquake damages.

After having spent much of the first year on efforts to mobilize the necessary external resources for the 10<sup>th</sup> Plan, the implementation of many of the programs and projects could be only be started during the year. With a mere three years to implement the largest and most ambitious Five Year Plan so far, the Royal Government is acutely conscious of the fact that we still have a long way to go, and a lot of hard work to do. However, I can say in all sincerity that I and my colleagues in the cabinet are making every effort to fulfill the commitments that we had made to the people in 2008, and to achieve the objectives that they had mandated us to pursue.

As with my first report last year, this report is once again broadly structured along the lines of the four pillars of Gross National Happiness. As such, the report comprises of three parts as follows:

Part I. Significant Events

Part II. Progress in the Pursuit of Gross National Happiness

Equitable and Sustainable Socio-economic Development

Environmental Conservation

Preservation and Promotion of Culture

Good Governance

On behalf of the Lhengye Zhungtshog, I am pleased to submit the Annual Report to the Hon'ble Members of Parliament and to the people of Bhutan.

## I. SIGNIFICANT EVENTS

### **State Visit to India by His Majesty the King**

At the invitation of the President of India, His Majesty the King undertook a historic six day state visit to India from 21-26 December 2009. During the visit His Majesty met with and held talks with President Pratibha Patil, Prime Minister Dr. Manmohan Singh, Chairperson of the ruling United Progressive Alliance Mrs. Sonia Gandhi, and other senior Indian officials and political leaders.

His Majesty also delivered the prestigious Madhavrao Scindia Memorial lecture. Speaking on the theme “Changing World, Timeless Values” His Majesty spoke of the increasing need for values, and how these values can help to guide us through the great problems of the world and foster well being, security and happiness of all people.

During His Majesty's visit, the government of India agreed to provide a grant of Rs 2.05 billion for a comprehensive ICT capacity building project in Bhutan. The project, which was subsequently launched jointly by the Prime Ministers of Bhutan and India during the SAARC Summit I Thimphu in April 2010, will significantly advance Bhutan towards its goal of becoming an ICT enabled knowledge society. In addition, the government of India also agreed to provide Rs 250 million as assistance for rehabilitation and reconstruction works in the earthquake affected areas of eastern Bhutan.

As the first visit to a foreign country by His Majesty the King since his formal coronation on the 6th of November 2008, as well as after Bhutan became a Democratic Constitutional Monarchy in July 2008, the visit was of special significance and an important milestone in further promoting goodwill, understanding and mutually beneficial cooperation between Bhutan and India.

### **16<sup>th</sup> SAARC Summit**

The 16<sup>th</sup> SAARC Summit was held in Thimphu from 28-29 April, 2010. The summit was of special significance for Bhutan as it was the first time that we were fulfilling one of our responsibilities as a founding member of SAARC, and also an opportunity to demonstrate our confidence on the international stage.

The meticulous arrangements made for the summit was widely appreciated by all the delegates. We earned acclaim from all quarters, including the leaders, delegates and the large contingent of international media persons, not only for the way in which the events were conducted, but also for the results that were achieved. The intimate ambience that was deliberately created allowed the SAARC leaders and delegates to mingle and interact at a more personal level, and this made the Thimphu summit a special and unique one in the 25 year old journey of SAARC.

The summit also gave us an opportunity to showcase our ethos and culture as well as our unique development philosophy of GNH to our neighbors and the wider world. The outstanding success in hosting the summit has greatly enhanced our country's status as an independent, sovereign and responsible member of the comity of nations. Bhutan also assumed the Chairmanship of SAARC until the convening of the 17<sup>th</sup> Summit in the Maldives in 2011.

### **Regional Conference on Deepening and Sustaining Democracy in Asia**

As the world's youngest democracy, the Royal Government of Bhutan in partnership with the UNDP, hosted the first Regional Conference on Deepening and Sustaining Democracy in Asia, in Paro from 12-14 October 2009. Government officials, parliamentarians, academics, civil society and media representatives from fourteen Asian countries, including all the SAARC members, participated in the conference.

The Conference marked the smooth and peaceful democratic transition in Bhutan and the completion of democratic election processes in the whole of South Asia. It also provided a platform to share lessons and experiences among countries in the

region as well as with other Asian neighbors to help strengthen, deepen and sustain the democratic culture and values in Asia.

The conference was fitting tribute to the vision of His Majesty the Drukgyal Zhipa of a democratic Bhutan where people are at the centre of decision-making, and a reflection of the Royal Government's determination and resolve to pursue His Majesty the King's noble vision.

The Maldives, which was represented by the Vice-President, offered to host the next conference.

## II: PROGRESS IN THE PURSUIT OF GROSS NATIONAL HAPPINESS

### SUSTAINABLE AND EQUITABLE SOCIO- ECONOMIC DEVELOPMENT

#### **Economic Policy initiatives**

In keeping with its commitment to the people to review and revise existing policies and adopt new policies to address emerging issues, the Royal Government finalized and started implementation of the following important new economic initiatives during the year:

#### *(a) Economic Development Policy*

After extensive consultations with all stakeholders, including the private sector, the Royal Government finalized and released the eagerly awaited Economic Development Policy in March 2010.

The purpose of the EDP is to create a conducive and transparent business and investment environment and stimulate economic activity through various measures including the reform of the regulatory framework and the introduction of fiscal and other incentives. It departs from the usual sector/agency based approach and sets the general direction for the development of those sectors with the highest potential. It aims to create a clear, stable and transparent policy framework and reflects the Royal Government's deep commitment to fostering the growth of the private sector. The underlying premise is that private sector growth is essential for creating opportunities for growth, employment creation and generating the additional revenues needed to address broader social and equity concerns and thereby improve the standard of living of all citizens.

However, while the primary objective of the EDP is to enable businesses to thrive and grow, it is at the same time designed in consonance with the principles of GNH in terms of sustainability, environmental conservation and the preservation and promotion of our values and cultural heritage.

#### *(b) Accelerating Bhutan's Socio-Economic Development*



Within the broad parameters of its overall economic development strategy, Royal Government felt that it was necessary to identify a few priority areas which could act as catalysts to accelerate the rate of economic growth and thereby fast track the achievement of economic self-reliance by 2020. With this objective, the Royal Government, with the guidance of McKinsey and Company, one of the foremost management consultancy firms, identified nine areas of socio-economic importance whose performance could be significantly enhanced by following more contemporary management practices. Through a process of consultations, clear and quantifiable targets covering critical areas have been agreed with each sector, and an accountability regime established through a system of signing of “compacts” between the various players. The compacts serve to articulate comprehensively the way forward, along with strategies and timelines so as to improve the overall quality and efficiency of services. It is projected that the entire cost of the consultancy will be more than offset by potential savings that will arise during the 10<sup>th</sup> FYP because of enhancements in efficiency.

During the first comprehensive review of the programme by the Lhengye Zhungtshog and the Committee of Secretaries on 19 May 2010, it was found that while it was still too early to see tangible results, the programme was well on track in all the sectors.

### **Progress and Achievements**

This section presents a broad assessment of the progress achieved by the social and economic sectors during the year.

#### **Health**

The health sector continues to receive the highest priority of the Royal Government as improvements in the quality and efficiency in the delivery of public health care is seen to be of crucial importance in achieving the 10<sup>th</sup> Five Year Plan's overall national objective of poverty reduction. As a result of concerted efforts in the past, Bhutan today has a functional health care system based on the principles of Primary Health Care. Two of the health related Millennium

Development Goals (MDGs) have already been achieved and we are well on track to achieve the rest.

The major health outputs generated during the last fiscal year are as follows:

*(a) Human Resources Development*

One of the biggest constraints to the Royal Government's efforts to provide quality health care services is the dearth of human resources. Some of the recent initiatives aimed at addressing this problem include the following:

- Twenty one doctors (including 6 specialists), 1 Laboratory Technologist and 4 Pharmacists were inducted during the year. Additionally, 41 Nurses and 56 technicians who passed out from the RIHS and have joined the health workforce. Of over 34 doctors currently pursuing Masters' degrees/Specialist courses in various disciplines, 15 of them were sent in 2009-10 FY;
- The Accelerated Nursing Programme was initiated to supplement the nursing services wherein 100 fresh Class XII candidates were trained in 2008-09 and deployed in hospitals across the country. This group of nurses is now in India, pursuing Certificate and P.G Diploma in various nursing profession for a period of 2 to 3.5 years respectively. In 2009-10, the Ministry recruited 134 class XII students who, upon completion of the four month hands-on training, have already been posted in the various district hospitals;
- Establishment of a Medical College (BIMS) in Thimphu is expected to be completed by July 2011. This was realized through a Memorandum of Understanding (MoU) between Bhutan and India that was signed during the state visit of His Majesty the King to India in December 2009. The foundation stone for establishment of BIMS was formally laid by the Hon'ble Prime Ministers of Bhutan and India on 30<sup>th</sup> April 2010. The BIMS Bill has been submitted to the Cabinet;

- With decentralization policy, there is an increasing need to strengthen and provide quality healthcare service focusing on Dzongkhags and Geogs. Therefore, MoH in collaboration with WHO, launched the BPH programme on 13th April 2010 with the enrollment of 26 in-service health workers at RIHS.

*(b) National Health Policy*

The Ministry of Health has been working for the last one and half year on formulating a comprehensive national health policy which will provide direction to the health sector in the years to come. The draft policy document which has gone through numerous consultations with experts and relevant stakeholders is currently being reviewed by the GNHC Secretariat.

*(c) Improving operational efficiency*

Increasing literacy and awareness, has been resulted in growing public expectations for faster and quality health care services. In the face of such expectations the Ministry of Health with the support of consultants has carried out a diagnostic study to find possible ways to enhance operational efficiencies. Currently numerous initiatives in this regard are being piloted at the JDWNRH. An example of one such initiative is to introduce measures to reduce the waiting time for outpatients at the hospital from the current 1 hour 11 minutes to about 45 minutes.

*(d) Off-Hour clinic services*

The Royal Government approved a proposal to introduce “off-hours clinic services” at JDWNRH on a trial basis. Under the initiative, non-emergency clinical services, basic investigations and minor OPD procedures using the available facilities in the hospital will be available after normal working hours to patients who are willing to pay for such services. The aim of the initiative is to provide a choice to the public and to decongest the OPD during normal hours and thereby improving the quality of service. However, normal emergency services will continue to be provided free of cost.

*(e) Streamlining the medical procurement system*

Recognizing the persistent problems related to the procurement of drugs and medical devices, the Ministry of Health has been given outmost priority to improving the procurement system for procurement of drugs and medical equipment. The improved procedures which will enhance transparency and accountability is expected to yield substantial savings.

*(f) Introduction of HPV Vaccine*

Facility based data has shown that cervical cancer is the most common malignancy among Bhutanese women, with anywhere from 33 to 42 new cases occurring every year. Since almost all cervical cancers are caused by the human papilloma virus (HPV), an immunization programme for girls will go a long way in greatly reducing the risk of this disease. Therefore, an immunization programme for girls within the age range of 12-18 years is being undertaken in collaboration with the Australian Cancer (?).

*(g) Ambulance Services*

During the year, 23 new ambulances were received and distributed to various hospitals. Ten ambulance drivers were trained in basic life saving procedures. Currently there are 72 ambulances distributed across the country ensuring at least two functional ambulances for every Dzongkhag. Doctors and nurses received numerous trainings in emergency medical services.

*(h) Health Infrastructure*

The 6.3 magnitude earth quake that struck eastern Bhutan on 21<sup>st</sup> September 2009 damaged 45 health facilities causing losses estimated at over Nu.68 million. Wherever health facilities have been severely damaged the Ministry of Health, in collaboration with the respective Dzongkhag Administrations, has constructed temporary facilities to ensure uninterrupted provision of health care services. The guidelines for construction of Basic Health Units and Outreach Clinics have been

revised, and new designs have been developed incorporating seismic-resistant features.

*(i) Safe Drinking Water*

Safe drinking water is a major concern as many water sources are drying up. As such, alternate sources such as rainwater harvesting are being actively explored and the construction of a pilot rainwater harvesting system in Gonpasingma Lower Secondary school under Pemagatshel Dzongkhag has been completed. The feasibility of supplying water through the use of water pumps is being studied.

The following water supply works were completed during the year:

- 238 new water supply schemes;
- 51 rehabilitation schemes;
- 29 spring protection schemes;
- 32 school water supply schemes (including new and rehabilitation schemes)

*(j) IT enabled healthcare solutions*

As part of an initiative to improve quality and enhance access to health services, preparatory work on the institution of a Health Help Center has been completed. This service is expected to enable citizens, even in rural areas, to get access to health professionals within one hour through IT enabled solution.

*(k) Bhutan Health Trust Fund*

As of 30<sup>th</sup> June 2009, the BHT Fund position stood at USD 23.7 million. The Thirteenth Board Meeting held in 2009 identified immediate need to accelerate fund mobilization to achieve the initial target of USD 24 million by the end of 2009-2010 fiscal year. Through various initiatives this target has now been achieved.

*(l) Drug Regulatory Authority*

To effectively run and supervise the Drug Regulatory Authority (DRA) and ensure effective monitoring of the medicinal products in terms of safety, efficacy and quality, a Drug Controller was appointed through open competition in March 2010 by RCSC.

A sensitization workshop was conducted to the proprietors and competent person of pharmacy shops to familiarize them with the Bhutan Medicines Rules and Regulations.

Apart from that, to reinforce and regulate store management and Pharmacovigilance, a workshop was conducted for the pharmacy technicians.

DRA has registered 979 medicinal products and has initiated the regulation of the named patient medicines which are procured on need basis.

Regular monitoring of drugs in private pharmacy shops are carried out.

#### **Education**

During the past one year, the Education Sector saw continued progress, including several new and positive developments, such as the “Educating for GNH” initiative, and the signing of the Performance Compact between the Prime Minister and the Ministry of Education under the Accelerating Bhutan’s Socio-Economic Development initiative.

The following are some of the achievements in the education sector during the past year:

#### *(a) Educating for Gross National Happiness (GNH)*

In December 2009, under a project entitled “Educating for GNH”, an international conference on GNH was held in Thimphu to discuss how GNH can be effectively infused into the education system. This first workshop was followed by several national level workshops for Principals, District Education Officers and Assistant District Education Officers in which strategies for practically implementing GNH

at the school level was discussed. The theme for these workshops was “Green Schools for Green Bhutan” and all the participating Principals pledged to implement this theme in their respective schools.

The outcome of these workshops has been a deeper and mutual understanding among our school leaders and district education officers of what GNH means and how it can be practically infused into the education system. The workshops came up with ideas and strategies for infusing GNH into the education system, not as part of the curriculum, but as an approach or way of being at various levels and situations in our schools. The workshops have led to the development of guidelines for “Advancing GNH in Schools”

*(b) Policy Development*

The Ministry of Education is presently in the process of drafting policies on School Education, Tertiary Education, Youth, and Special Needs Education. The policies are at various stages of completion. While the Tertiary Education Policy was completed and endorsed by the Royal Government in February 2010, the first draft of the School Education Policy has just been completed. The draft of the National Youth Policy which is aimed at providing a broad framework for youth development that will ensure that all young men and women are provided with support and access to meaningful opportunities to reach their full potential is in its final draft. To help guide the development of special needs education in the country, a policy on special needs education has also been drafted.

In February 2010, the Ministry of Education signed a ‘*Performance Compact*’ with the Prime Minister aimed at bringing about improvements in the entire education system. Articulated in the form of 10 Charters, the Performance Compact identifies overarching goals that cover critical areas of education such as quality, access, teacher processes and policies, and curriculum. The Performance Compact provides a comprehensive strategy with time bound activities and outputs, aimed at bringing about overall improvements in the quality and efficiency of the education system.

*(c) Raising morale and motivating our Teachers*

The most significant steps taken during the year to motivate teachers and raise their morale include:

- The awarding of “*National Order of Merit*” by His Majesty the King to one District Education Officer and three teachers during the National Day Celebrations, in recognition of their achievements and contribution towards improving the quality of education in the country.
- Under the project entitled *Empowering our Teachers*, about 3,000 teachers have procured laptops and personal computers. This is expected to greatly enhance their efficiency and effectiveness in carrying out their responsibilities.
- Coinciding with the Teachers Day on May 2, 2010, a telephone helpline for teachers called ‘*Lopen Link*’ was launched. This initiative is aimed at providing professional support to all the teachers, and especially to those who are located in the remote and far flung areas. Teachers will be able to get professional advice from experts on curriculum issues and share best practices with each other through this helpline which is toll free.

*(d) Expansion of Access*

To ensure access to school within one hour’s walking distance, support is being provided for the establishment of extended classrooms (ECRs), new community primary schools and secondary schools, as well as the provision of boarding facilities, where necessary.

Since April 2009, 24 ECRs and 4 CPS have been opened. One new middle secondary school was established in 2010, while 14 schools were upgraded as follows:

- 2 CPS/PS upgraded to LSS;
- 4 CPS/PS upgraded to MSS;
- 5 LSS upgraded to MSS;



- 3 MSS upgraded to HSS.

As of April 2010, there are 608 schools and ECRs in the country as follows:

- Higher Secondary Schools 41
- Middle Secondary Schools 52
- Lower Secondary Schools 88
- Primary Schools 95
- Community Primary Schools 276
- Extended Classrooms 58

With the objective of helping those students who have to walk long distances to school, bussing services are being provided on a pilot basis for school children in Thimphu and Paro Dzongkhags. In Paro the service is being provided by a private firm, while in Thimphu it is being provided by the Dzongkhag Administration.

*(e) Improving the quality and relevance of school curriculum*

To improve the relevance of school curriculum to the changing needs and priorities of the country, the following curriculum reforms are in progress:

- Dzongkha Curriculum for Classes PP-III has been reformed and is being implemented in schools;
- A total of 36 English Readers have been refined and revised with appropriate illustrations;
- Mathematics syllabus for Classes 11-12 have also been reviewed and revised;
- A series of consultative workshops have been conducted involving Science teachers to initiate the process towards revising the Science Curriculum;
- Economics, Commerce, Accountancy, Geography and History/Civics textbooks have been improved and updated with the most recent information, wherever applicable;
- An ICT Literacy Handbook for teachers has been developed and distributed to schools;

- In order to introduce Arts education in schools, Workbooks and Teachers' Guides for Arts Education in classes PP-II have been developed;
- An impact study on multi-grade teaching has been completed and the findings are being evaluated for implementation.

*(f) Enhancing Non-Formal and Continuing Education*

The NFE programme continues to receive high priority because of its contribution towards increasing the literacy rate of our population. Following are the key achievements during the last one year:

- In 2009, there were a total of 688 NFE centers with over 13,000 learners.
- The NFE curriculum for both the Basic Literacy Course (BLC) and Post Literacy Course (PLC) has been revised to incorporate new contents on Maths, Geography, Media Literacy, Values Education, and Grammar. Reading materials for the PLC have been developed covering various topics such as Citizenship and Rights, Democracy and Election Process, Awareness on Corruption, Waste Management, and Disaster Management.
- In order to enhance the management of data on NFE, *the Non-Formal Education Management Information System* (NFE-MIS) has been developed and is currently being implemented in 3 Dzongkhags (viz. Wangdue, Mongar and Samtse).
- To enable in-service candidates who could not complete school education to upgrade their qualifications, the Ministry of Education has opened 16 new Continuing Education Centres. Out of these, 10 are based in government higher secondary schools while 6 are based in private higher secondary schools

*(g) Other Initiatives*

*Light Druk Yul:* In order to address teacher shortage, a project called 'Light Druk Yul' was initiated to recruit new graduates, graduates from shedras and retired teachers and on a two-year contract. Since its inception in June 2008, a total of 545 teachers have been recruited including 115 general and shedra graduates in 2010.

*(h) Volunteer teachers under the Bhutan-Canada Foundation*

The Foundation helps the Ministry to recruit volunteer teachers from Canada annually to be placed in schools across Bhutan. Through this foundation, eight native English speaking volunteer teachers have been recruited and placed in Bhutanese schools. Further, the Bhutan-Canada Foundation signed an MoU with the Ministry to increase the number to 100 volunteer teachers annually.

*(i) Professional Development of Teachers*

As part of continuous development of teachers, in-service teachers have been sent for training outside Bhutan in the last one year as follows:

- |                                 |   |     |
|---------------------------------|---|-----|
| • PhD.                          | - | 3   |
| • Master's programmes           | - | 60  |
| • Diploma & Certificate courses | - | 14  |
| • Short Courses                 | - | 138 |

In addition, the following trainings have been implemented in-country:

- |                                      |   |     |
|--------------------------------------|---|-----|
| • M.Ed                               | - | 22  |
| • B.Ed (Dzongkha)                    | - | 70  |
| • B.Ed (Primary)                     | - | 91  |
| • Diploma & Certificate courses      | - | 101 |
| • National based in-service workshop | - | 750 |

*(j) Bhutan Year of Science and Technology*

The Ministry of Education has declared 2009 and 2010 as the “Bhutan Year of Science and Technology”, with the theme “Exploring and Engaging Science”. Schools have been carrying out science activities on a continuous basis since the launching of the programme on 22<sup>nd</sup> July 2009. There will be a Science Fair cum Competition during the mid-term break in July 2010 at the regional level followed by a national level science fair at Thimphu on 10<sup>th</sup> November coinciding with the World Science Day.

*(k) School Resource Management Information System (SRMIS)*

One of the challenges that the Ministry of Education faces has always been in ensuring the efficiency of the procurement and delivery of school supplies. Therefore, towards improving the management of school resources, especially in terms of planning and requisitioning school supplies such as textbooks, the SRMIS has been developed and Dzongkhag personnel trained in its use. This new system is expected to ensure:

- Proper inventory and record keeping of stock through an automated inventory system;
- Accurate projection of books required by school;
- Accurate budgeting for school resources;
- Effective coordination of requisition and supply of textbooks and other supplies;
- Facilitate the effective decentralization of school management.

*(l) Initiative to Improve Human Resource Management and Development*

Teachers play a critical role in determining the quality of education. It is therefore most appropriate that the recruitment, deployment, professional development, and career ladder of teachers be given adequate attention, so as to get the best out of our teachers, both present and future. Towards this, and as part of the Performance Compact, the MoE has developed an *HR Policy, and the Teacher Professional Development Policy*. The Ministry has also started work on the improvement of current teacher recruitment and deployment processes, including strategies for ensuring that only committed and competent teachers enter the system.

*(m) Weaving ICT Resource into Education (WIRED)*

This project which strives to make teaching learning more effective, with the help of ICT and multi-media, is currently being piloted in 5 schools. To support the project, one ICT specialist from the Singapore has also been placed with the Department of School Education.

*(n) Youth Issues*

With a large youth population, youth issues are emerging as a major concern. To address this issue, the Ministry of Education offers services such as youth programme, counseling services, information and communication services, recreational facilities etc. through a network of Youth Centres. The most recent youth centre to be opened was in Trashigang on May 4, 2010.

To ensure the development of Youth Centres in a systematic and sustainable manner as well as the creation and delivery of programmes which are relevant and responsive to the needs of Bhutanese youth, a “Long Term Strategic Plan and Manual of Operations for Youth Centres” has been developed.

The Ministry has secured funds amounting to Nu. 2.30 million from the Boys Scouts of America for the first phase of the construction of a National Scout Centre at Paro. The construction will begin by May 2010.

In 2009, the Ministry of Education carried out a study to identify the risks and vulnerabilities of Bhutanese adolescents and to recommend interventions to address these issues. As part of the recommendations of the study, Nazhoen Helpline (214) was launched on May 2, 2010 to provide counseling support to all the youth who require such services.

*(o) Community Scouting*

In order to provide the opportunity to pursue scouting as a lifelong education, promote volunteerism and allow scouts to continue scouting after leaving the school system, community scouting has been introduced. Aimed at out of school youth, community members and scouts who are in different occupational services, it also serves as a final step to help young adults and other members of the community discover their leadership quality and their potential to play vital roles in society through social service. Three Community Scouting Troops have been established in Thimphu so far. These Troops have initiated Blood Donation Drives, Cleaning Campaigns and Community Greening Programmes.

*(p) Royal University of Bhutan*

As a part of the accelerated economic development initiative, the Royal University of Bhutan has developed and signed the University Transformation Plan involving all ten Colleges and covering the period from 2010 to 2013. The essence of the University Transformation Plan is to set the direction in forging a unique character of the university in keeping with the country's development philosophy of Gross National Happiness.

- The University will now operate and function as an autonomous organization;
- It will increase its annual student intake from 1900 students in 2009 to 3000 students in 2013;
- The total number of programs offered will increase from 43 in 2009 to 84 in 2013, including one or two PhDs and 14 Masters level programmes.

The overall capacity of University only increased from 4,780 in 2008 to 4926 in 2009. However, when the ongoing expansion works in all the nine colleges and the new campus of the Institute of Language and Culture (ILCS) in Taktshu in Trongsa are completed by 2013, the total capacity of the university will be increased to 9000. The first phase of the ILCS is scheduled to be shifted to Taktshu Campus by July 2011, with the rest to follow the following year.

The University has approved a number of programmes and pathways to cater to the rising demand for continuing education for in-service personnel. The College of Natural Resources' three bachelor's programmes are approved solely to upgrade Extension Workers of the Ministry of Agriculture and Forests. Similarly, civil engineers with diploma qualifications can now enroll for fulltime degree programmes at the College of Science and Technology. The Bachelors in Language and Culture programme at ILCS will provide opportunity for people to gain a degree through mixed mode study.

Another significant development in the Royal University of Bhutan has been the establishment of the Centre for Rural Development Studies (CRDS) at the College of Natural Resources. The Centre will coordinate cross-disciplinary research in rural development, help establish linkages amongst relevant stakeholders and organizing seminars and discussions to raise awareness and debates on critical issues on rural development, and publish and disseminate research results and outcomes.

### **Agriculture**

The past year was a challenging one for the RNR sector. Even as the communities in the eastern Dzongkhags were still recovering from the effects of the windstorm and Cyclone Aila, they were struck by a devastating earthquake which resulted in the loss of a dozen lives and left a trail of damaged homes and infrastructure. The RNR sector was particularly hit hard by the damage and destruction of service centers, farm roads and irrigation channels which severely affected the livelihoods of the rural communities. The latter part of the year also saw the emergence of bird-flu in Bhutan for the first time.

However, despite these challenges the RNR sector not only continued to execute and implement its planned projects and programs, but also to venture into new areas.

#### *(a) Improving Access*

During the year, 103.8 kms of farm road have been completed and 654.7 kms is under construction. The completion of these roads is expected to benefit a total of 7, 920 households. In addition, 23.1 km of power tiller tracks were also constructed. The road machineries housed with the Central Machinery Unit were heavily engaged in the construction and maintenance of farm roads and river bank protection.

#### *(b) Reducing the drudgery of farm work*

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 service and supplement this with village training for youth in technical business skills for farm based enterprises. 141 numbers of power tillers under the KRII 2007 grant have been distributed. 114 rice mill sets were supplied and installed with farm machine operation and maintenance courses were imparted to 386 farmers/youths.

The research and development of power threshers, gravity ropeway, reciprocating milk churner, power milk churner, micro-sprinkler, silo-aeration, apple harvester and power corn roaster are some of activities that were carried out as under agriculture machinery research and promotion program.

Promotion of mechanized farming has been one of the thrust areas under the farm mechanization program. During the year, a total of 350 acres of farm land was brought under full and partial mechanization with over 400 households participating in this program.

Under the Chuzargang rice commercialization program, 30 acres has been bought under full mechanization and 312 acres under partial mechanization. A rice mill with a milling capacity of 1.5 MT of paddy per hour has been installed. The mill is inclusive of machines ranging from huller to packaging of end products.

*(c) Enhancing the wealth of farmers*

The programme to revitalize horticultural development in the country which had been initiated in the previous year was continued strongly as detailed below:

- Farmers training, promotion of new varieties and demonstration of new technologies were the major activities under fruits and nuts development. A total of 192 farmers were trained on various aspects of fruit crop management with specific training on pruning imparted to 123 farmers from Thimphu and Chukha.
- A total of 11,255 seedlings and graft woods (?) of important temperate as well as subtropical fruit crops were supplied to farmers and private nursery



growers. It is planned to supply another 16,800 seedlings of subtropical fruit trees during the coming season.

- Major interventions in the rehabilitation of citrus crops consisted of the production of disease free grafted planting materials, as well as rehabilitation programmes. The establishment of citrus nurseries at Tsirang and at the National Seed Centre with facilities for multiplication and a laboratory are being planned.
- Cultivation of non-conventional high value crops such as coffee, hazelnuts and green tea are being promoted. Coffee and hazelnuts are being taken up on the public-private partnership (PPP) model.
- Large scale commercial cultivation of vegetables including off-season and winter vegetables was promoted in Nahi, in Wangdue Dzongkhag to cater to the Punatsangchu Hydro Electric Project (HEP) market. Hybrid onion production in Trong, Zhemgang; and commercial vegetable farming in P/Gatshel and Bumthang.
- Support was provided to 703 households for the cultivation of shitake mushrooms. Canning of mushrooms by the Ura group which received very good consumer feedback during last SAARC trade fair. Besides, collection and documentation of wild mushrooms for evaluation of existing strains of oyster mushroom is also being carried out.
- Domestication trials for five medicinal and aromatic plants viz. honglen; goji berry; pangpoi; chupoi; and ginseng, have been initiated and are ongoing.
- With support from the European Union funded Medicinal Plants Project, many farmers have taken up the cultivation of the endangered medicinal aromatic plant species *Sassurea lappa*.
- Product development of six herbal products viz. shampoo, conditioner, and body oil, is being supported in collaboration with the National Womens' Association of Bhutan and farmers groups in Tsamang in Mongar.

*(d) Livestock Development*

Livestock development is being actively pursued under the One Gewog Three Products concept. Key interventions in livestock development include improving the delivery of veterinary services and product development as detailed below:

- Up-scaling of mobile artificial insemination services. Initiatives are underway to start embryo transfer technology, fodder supplements, feed block, promotion of mini-feed mills and laboratory capacity for health services.
- In order to enhance domestic production of poultry, a total of nine poultry groups have been formed covering seven Dzongkhags. To meet the demand for the day-old-chicks, a hatchery unit at Sarpang has been established.
- Interventions are being planned to promote private sector to operate 'Pork Processing Plants'. This would enhance value addition on the products (ham, sausage, bacon etc.) and propel pig farming.
- In order to augment the production of table fish under the OGTP, nine fishery groups have been formed involving 117 households.
- A new horse breeding farm has been established at Nasphel in Bumthang for selective breeding of local horse breeds.
- Existing dairy farmers groups are being up-scaled and the formation of new dairy groups is being promoted in Gewogs which have dairy potential. Although in limited quantities, these dairy groups are now able to supply fresh milk in 15 Dzongkhags and in 18 towns.
- In order to further enhance dairy development to take it to the level of an industry, private sector involvement in the establishment of dairy processing plants is being encouraged. In this regard, there is a proposal to set up of a dairy plant at Wangchutaba in Thimphu as a joint venture between Druk Holding Investments and Shin Nippon Ltd. of Japan.

*(e) Enhancing Food Security*

In order to enhance food security, focus has been geared towards improving policy interventions, research and generation of targeted approaches as specified below:

- A Food and Nutrition Security Policy is being drafted. The policy outlines the direction and institutional coordination mechanisms to advance food and nutrition security.
- To enhance food security through the appropriate use of agricultural land, a strategy on Protected Agricultural Land for Food Security has been drafted. The strategy aims at identifying and declaring Protected Agricultural Areas.
- Over a 100 MT of improved varieties of rice and maize were distributed to framers and a special rice commercialization program was started in Chuzergang and Umling in Sarpang Dzongkhags.
- With the support from FAO, 127.48 kms of irrigation channel were rehabilitated with a total command area of 3440.5 acres of rice fields benefiting 1863 households. Another seven irrigation channel schemes in five Dzongkhags was taken up.
- Cool ambient household level maize storage technology has been promoted and 134 maize silos were distributed to vulnerable households.

During 2009-10, a number of crop varieties were introduced and their performance evaluated for local adaptability as follows:

- Over 300 elite lines and varieties of rice from International Rice Research Institute and elsewhere were assessed;
- A total of 19 high yielding wheat varieties from north India were procured and are currently being assessed in the field;
- In grain legumes, efforts have been made to link up with the Indian Institute of Pulses Research in India through a SAARC project and exchange of genetic materials and technical information is underway;
- New crops like lentils (yellow dal) and chickpea (chana dal) are also being introduced.

*(f) Agriculture Marketing*

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

- The responsibility for the management of the Centenary Farmer's Market in Thimphu was transferred from the Thimphu City Corporation to the Bhutan Agriculture and Food Regulatory Authority. Considerable improvements in the organization and sanitation have been brought about thereby ensuring food hygiene and safety of the consumers;
- In order to facilitate rural markets Sales Counters were constructed at Trashiyangtse, Chamgang, Dagapela, Lhuntse, Nobding, Gyelposhing, Genekha, Bumthang, Deothang and Gongola. The construction of 20 roadside market stalls, 5 vegetable markets, 20 collection points, one cold storage are in the pipeline;
- A draft Agriculture Marketing Master Plan has been prepared. A preliminary market survey was conducted at Guwahati, Siliguri, Kolkata, and Delhi to assess the feasibility and potential of marketing Bhutanese agriculture products;
- Trial marketing of Radhi rice from Trashigang; Khamti Rice from Samdrup Jongkhar and marketing of Chuzergang Rice were carried out in Thimphu and other urban centers;
- On the export front, following quantities of the agriculture and non-wood forest products were exported during 2009-2010:

<i>Commodity</i>	<i>Qty (MT)</i>	<i>Value (Million Nu.)</i>
Apple	2461.74	55.49
Mandarin	22,622.30	565.56
Mushroom	2.21	4.60
Cordyceps	0.59	77.79
Potato	30,998.56	490.94

*(g) Organic Farming*

The following activities were carried out during the year to promote organic farming:

- A series of field visits, workshops and training on organic agriculture for existing and newly instituted farmer groups of Bumthang, Gasa, Paro, Samtse, Sarpang and Thimphu is being carried out;
- Specific trainings on composting and organic pest/disease management was conducted for farmers of Samtse and Chukha as well as for selected schools of Thimphu at the demonstration organic farm located at the Research & Development Centre in Yusipang;
- Continued emphasis and effort on the on-going organic farming activities under the Organic Medicinal Aromatic and Dye Plants (MADP) projects in Langthel in Trongsa and Nangkhon and Trong in Zhemgang are being pursued.

Further in support to organic farming following initiatives are being undertaken:

- Efficacy of bio-pesticides trials;
- Pesticide Management is being reviewed;
- Work underway to come up with a National Organic Standard and Regulation System with BAFRA.

*(h) Measures to Prevent Losses to Wildlife*

Under the comprehensive National Human Wildlife Conflict Management Strategy, the following activities were carried out during the year:

- Solar powered wild animal repellent technologies have been successfully tested and a total of 100 sets of electric a powered wild animal repellent have been supplied to four Dzongkhags;
- 100 sets of alarm fencing have been installed at various sites;
- 4.5 km of electric fencing has been installed in Singye in Sarpang;

- Pilot livestock insurance scheme was initiated in Dangchu in Wangdue;
- Elephant management program is being carried out in Chukha Dzongkhag;
- 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.

*(i) Keeping disease at bay:*

In order to guard against the increasing threats of disease outbreaks such as the avian influenza, swine flu and rabies, the following measures have been undertaken:

- A Bio-security strategy has been drafted detailing out specific roles and coordination mechanisms in undertaking bio-security related activities;
- Following the outbreak of Highly Pathogenic Avian Influenza (HPAI), H5N1 at Rinchening in Chukha Dzongkhag, surveillance was conducted in all the areas where the outbreak was reported, and out-break containment operations were carried out through 3-D, viz. depopulation, decontamination and disposal;
- The Satellite Veterinary Laboratory in Phuentsholing was activated for controlling the outbreak of the Avian Influenza.

In order to curb the problem of overpopulation of free-roaming dogs which heightens the prevalence rabies, sterilization campaigns in collaboration with the Human Society International were carried out in Bumthang and Thimphu with 60% coverage in Paro and Punakha and Sarpang. This will be followed by sterilization programs in the other Dzongkhags.

**Trade, Industry, Energy & Geology and Mines**

The main focus of the Royal Government's endeavors in the trade, industries, energy and geology and minerals sectors has been to create an enabling environment through the development of the necessary legal framework and the

establishment of infrastructure and institutions to facilitate private sector growth and to accelerate economic growth through development of hydropower projects.

Some of the notable achievements in these sectors during the year are highlighted in the following sub-sections:

### ***Industry***

#### *(a) Enabling industrial development*

On April 2, 2010 the Royal Government formally announced the adoption of the Economic Development Policy (EDP), and the framework for Private Participation in Infrastructure (PPI). The EDP sets the agenda and the general direction for the development of the economy and encompasses major economic reforms, thereby creating the necessary enabling environment for businesses to grow. These are further complemented by a package of incentives for promoting investments and boosting growth in areas accorded priority by the Royal Government and also through the identification of broad range of economic opportunities in the policy.

The PPI framework is intended to support the EDP's objective of allowing public private partnership in infrastructure projects. The PPI framework will provide security for private sector investments and ensure transparency, competition and regulation in awarding such projects.

#### *(b) Building industrial infrastructure*

The completion of the Barsa Bridge in February 2010 is expected to greatly benefit the industries in Pasakha, as also the construction of an alternative water supply network which is well on track and expected to be completed by June. Meanwhile work on the waste treatment plant at the Pasakha industrial estate is underway with the completion of technical formalities of the Solid Waste Management Facility and a waste management plan.

#### *(c) Attracting foreign direct investment*

Recognizing the potential benefits of foreign direct investment in addressing the constraints facing the private sector in terms of finance, technology, market,

entrepreneurial skills and higher transaction costs, the Royal Government initiated a revision of the FDI Policy of 2002. The revised policy which was approved by the Lhengye Zhungtshog on 18<sup>th</sup> May, 2010 is in line with the Economic Development Policy and the principles of GNH and broadens the scope for foreign investment by moving from a positive list to a negative list approach.

During the year, 30 industrial projects including six FDI projects were processed and approved. The six FDI projects in the manufacturing and service sectors are as follows:

- Thimphu Techpark
- Zimdra food pvt. Ltd.
- Druk PNB Bank Ltd.
- Naksel Boutique Hotel & Spa,
- Druk Presidency pvt. Ltd.
- Himalayan Safaris lodges pvt. Ltd.

In addition, certificates of incorporation were issued to 16 companies under the Companies Act. The establishment of FDI companies is expected to help in stimulating the domestic economy through employment generation and technology transfer.

*(d) Special Economic Zones (SEZs) policy and rules & regulations*

Among the various requirements for vitalizing industrial development, the availability of quality infrastructure is seen as being one of the most important. With a view to expedite the establishment of Special Economic Zones (SEZs) the Royal Government is formulating policies, rules and regulations to provide the necessary direction and guidance in the development of the much needed industrial infrastructure. It is also in the process of inviting private developers to undertake the development and management of the proposed industrial estates and SEZs under the PPI framework.

*(e) Supporting Cottage and Small Industries (CSIs)*



Cottage and small scale industries can play a vital role in the country's economy. With relatively low levels of capital investment required, the cottage and small industries sector offers significant employment and income generating opportunities to the low income groups and particularly for the youth. The establishment of the Department of Cottage and Small Industries during the year is expected to provide a significant boost to the growth of the small and cottage industries by setting out the necessary institutional, legal and regulatory framework. A comprehensive CSI development policy and strategy is already in the draft stages and is expected to be completed within the year.

### *Trade*

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

- The SAARC Agreement on Trade in Services (SATIS) was signed during the 16<sup>th</sup> SAARC Summit held in Thimphu from 28-29 April, 2010. The agreement will further deepen the integration of regional economies and is expected to enable the realization of the region's immense potential in service areas such as health, hospitality, communications, computer and information services and air transport and augment intra-regional trade in services.
- The bilateral trade agreement with Bangladesh which had expired in May 2008 was renewed on November 7, 2009. With the renewal of the trade agreement, Tamabil has been opened as an additional trade route for traders in eastern Bhutan. Bangladesh also accorded duty free access to 18 products from Bhutan which are mainly agricultural and mineral products.
- In order to benefit from trade with regional countries, discussions have been ongoing with the government of Nepal on a bilateral trade agreement on the basis of the draft bilateral trade agreement texts exchanged between the two countries. The draft bilateral trade agreement between Bhutan and Nepal is expected to be finalized in the coming year.

- The 9<sup>th</sup> SAARC Trade Fair was hosted by Bhutan for the first time in Thimphu and jointly organized by the Bhutan Chamber of Commerce and Industry and the Ministry of Economic Affairs from 11-14 September, 2009. A total of 191 companies and firms from the SAARC member countries participated in the fair. Such trade fairs have brought the people from the different countries together enhancing people to people contact and helping in bridging cultural gaps and contributing towards the goodwill and relations between the countries.
- The Bhutan SEAL awarding ceremony for the selected handicraft products was held for the first time on 26<sup>th</sup> February, 2010 at BCCI conference hall. A total of 55 craft products were submitted to a panel of 15 national judges and two international judges out of which 22 were awarded the seal of quality and one textile product was awarded the seal of excellence. Bhutan SEAL (Seal of Excellence and Seal of Quality) is aimed at establishing quality standards for the Bhutanese handicraft products and to benchmark the products with international quality standards. It is also aimed at preserving the traditional craft knowledge & skills and making it more relevant & sustainable, while promoting innovations and quality to build the competitiveness of the products.
- Bhutan became an Enhanced Integrated Framework (EIF) beneficiary on September 28, 2009. EIF is an organization established by six partner agencies namely UNCTAD, UNDP, WTO, IMF, ITC and the World Bank. The objectives of EIF are to mainstream trade priorities into the national development goals and to assist in the coordinated delivery of trade related technical assistance in response to the need identified by the Least Developed Country (LDC). The organization is specifically devoted to LDCs on Aid for Trade Initiatives.
- As a landlocked country with considerable transit constraints, the establishment of dry ports is seen as being of critical importance for the expansion and facilitation of trade. The relocation of the site for the proposed dry port from Phuentsholing to Toribari was approved by the

Royal Government in June 2009. As per government directives, the area earmarked for establishment of Dry Port in lower Phuentsholing will be used for the establishment of storage for goods in transit with full customs facilities. Currently the design and modalities of a warehousing and distribution complex is being worked on to be built under a public private partnership model and the modalities are expected to be ready within the next year. The acquisition of land in Toribari for the establishment of Dry Port is also expected to commence by next year when the railway line alignment is finalized.

### ***Energy***

Some of the significant developments towards realizing the Royal Government's target of 10,000 MW by 2020 is given below:

- The second meeting of the Empowered Joint Group (EJG) to fast track the implementation of the hydropower projects was held in Thimphu in August 2009. Among others, agreement was reached on the revised DPR schedule of the ten projects identified under the 10,000 MW programme, deadlines for approval/clearance of the final DPR by the two governments, and start dates for construction of the projects.
- At the third EJG meeting held in Delhi in March 2010, the potential Indian partners for the projects to be taken up under the joint venture model were identified as follows:
  - Kholongchu and Wangchu reservoir - *Satluj Jal Vidyut Nigam Ltd.*
  - Chamkharchhu-I – *National Hydro Power Corporation;*
  - Bunakha reservoir – *Tehri Hydro Development Corporation (THDC);*
  - Work on the construction of Punatsangchhu I commenced during the year and is proceeding well;
  - The timely preparation/updation of Detailed Project Reports (DPRs) for the 10 hydropower projects is crucial towards the realization of 10,000 MW by 2020. Detailed project reports for the Kholongchhu, Kuri-Gongri,

Chamkharchhu-I and Amochhu projects were signed during the State Visit by His Majesty the King to India in December 2009. Preparation/update of these projects along with Wangchhu, Bunakha and Sunkosh Reservoir hydropower projects will be continued during the coming year.

- The agreement to update the DPR for the Sankosh reservoir project was signed between the Department of Energy and THDC on 23<sup>rd</sup> March 2010 in New Delhi.
- Pre-construction agreements for Punatsangchhu II and Mangdechhu were signed on 23<sup>rd</sup> March, 2010. The foundation stones for the two projects were jointly laid by the Prime Ministers of Bhutan and India on 30<sup>th</sup> April 2010 on the sidelines of the 16<sup>th</sup> SAARC Summit and the implementation agreements were signed by the two foreign ministers in their presence.
- Implementation of Punatsangchhu II and Mangdechhu is expected to start within this year. By the end of 2010, construction works on around 2,910 MW would have started out of the 10,000 MW.

Towards the target of achieving Electricity for All by 2013, 16,536 households are scheduled to be connected to the national grid in the fiscal year 2010-11. An additional 935 households in five Dzongkhags of Dagana, Sarpang, Tsirang, Trongsa and Wangdiphodrang will be electrified through off grid means.

The RGoB has started work on the preparation of a National Transmission Master Plan which will provide a comprehensive roadmap for the construction of transmission lines and substations to ensure both internal reliability and the smooth evacuation of surplus power to India with minimum damage to the environment through the transmission corridors. The master plan is expected to be completed by June 2011.

In order to enhance energy security the Bhutan Power Corporation is working on interconnecting the eastern and western power grids through the construction of Dagana-Tsirang-Jigmeling-Lodrai 220kV double circuit transmission line and

associated sub-stations. The works is expected to be completed within 2011. Furthermore, the draft of the Renewable Energy Policy and the Captive Power Policy are in the final stages of discussion and expected to be finalized by 2010. The Renewable Energy policy is intended to contribute towards enhancing energy security by shaping future energy options and reducing dependence on a single source of energy. The Captive Power policy is intended to provide energy options to power intensive industries..

Dagachhu hydroelectric project has been formally registered as a Clean Development Mechanism (CDM) project by the UNFCCC on 22<sup>nd</sup> February 2010. This is the first trans-boundary CDM project and will provide Bhutan with an opportunity of entering into the carbon trading arena while providing additional avenues for revenue generation.

### ***Geology and Mines***

The draft Mineral Development Policy (MDP), which will be a guide to the mining sector in the country, is in the final stages of formulation. It will aim to promote sustainable mining activities to diversify the economy by supporting industries and the construction sector and to allow for a selective and cautious exploitation of minerals for industrial purposes and for managing the non-renewable mineral resources with consideration for inter-generational equity, maximizing of returns, transparency, equitable allocation and access to minerals and prevention of ecological damage.

#### *(a) Road Tunnel project feasibility between Yuispang and Nabisa.*

The ongoing feasibility study for the pilot road tunnel project along the Thimphu Wangdue road will be continued by the Royal Government and the Norwegian Geotechnical Institute. If implemented, the road tunnel would shorten the travel distance between Thimphu and Wangdiphodrang by around 37 kilometres. The second stage of the feasibility study will centre on detailed tunnel project engineering geological field investigations.

### *Tourism*

The performance of the Bhutanese tourism industry was greatly impacted by the global recession and the H1N1 pandemic in 2009. International tourist arrivals dropped to 23,480, a decrease of 15% as compared to the previous high of 2008. Likewise, gross earnings from tourism also decreased to \$ US 31.9 million, a decline of 18.0% over 2008. While it should be noted that the surge in arrivals in 2008 was partly due to the Coronation and the Centenary celebrations, the decline nevertheless marked a reversal of the trend of rapid growth in arrivals since 2002. However, the first quarter of 2010 has seen an increase of over 12% in tourist arrivals as compared to the same period in 2009.

The following are some of the important developments in the tourism sector during the year:

- With the approval by the Royal Government of the 'Tourism Track' of the 'Accelerating Bhutan's Socio-Economic Development' initiative, the tourism sector was formally mandated to aspire to reach a goal of 100,000 tourist arrival by the end of 2012. Towards achieving this target, strategies in the following areas have been formulated for implementation:
  - Destination Marketing;
  - Civil Aviation;
  - Supply Creation;
  - Price and Channel Policy;
  - Integrated Destination Infrastructure;
  - Sustainable and Responsible Tourism;
  - Tourism Amenities and infrastructure;
  - Supply Up-gradation;
  - Tourism Governance.
  
- An open town hall meeting was held with all the tourism stakeholders in February 2010. During the meeting important strategies including the Price and Channel Policy, was agreed and finalized with the stakeholders.

- Contacts have been established with over 250 tour operators/travel agents, including a few tour operators who already have tie-ups with national tour operators, to introduce Bhutan. Partnerships have been finalized with Black Tomato (UK), KE Adventures (US, UK), Thomas Cook (India), and Responsible Travel (UK). Partnership agreement with Cox and King (India) is in the final stages while, discussions are on-going with Exodus (UK), Goaway (Canada).
- Many national tour operators and hoteliers participated in the OTM Mumbai, ITB Berlin, COTTM China and the WTM travel fairs.
- Contract with Ogilvy and Mather for destination branding has been completed and the creative concepts of the brand are expected to be presented to the TCB within May 2010.
- One month online banner campaign targeted at high-exclusive segment on Europe and the US launched on BBC.com.
- A comprehensive product calendar has been developed to promote tourism as an all year activity. The calendar includes nature, culture and other tourism attractions to promote tourism across all regions and seasons. The development of promotional brochures on these attractions has been outsourced.
- The visa online system has been completed and will be operational by the end of May 2010.
- The Tourism Council's website is being revamped and the new design template is ready. Additional features will include an aesthetically designed site with good graphics to catch the attention of the viewer, user-friendly page navigation and comprehensive content of products and attractions. Scope of work also includes Search Engine Optimization (SEO). The new site will also be integrated with Media Optimization like Facebook, Twitter, YouTube, Flickr etc.
- The land identification exercise has been carried out in the three identified circuits; east, central and south. More than 250 acres of land has been

identified for creation of tourism superstructure and infrastructure. A report has been prepared.

- Star assessment of hotels has been carried out in east, south and central Bhutan along with few hotels in Paro and Thimphu. More than 80% of hotels have been assessed. The report is being finalized.
- The new organizational chart for TCBS has been drafted and approved for recruitment of new personnel.
- The revised draft proposal on introducing tourism in Merak and Sakteng has been approved by the Government. The implementation details are being worked and the area will be open to tourists in September 2010.

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

##### *(a) Roads and Bridges*

Given that road connectivity is recognized as the main catalyst for socio-economic development, there is great demand from the public to expand the road network in the country. Thus, despite formidable challenges in terms of resources and capacity, one of the main objectives of the roads sector is to provide road connectivity to every Gewog centre within the 10<sup>th</sup> FYP and a comprehensive road connectivity strategy has been prepared for the realization of this goal. At the same time the construction of national highways and roads, especially those which are necessary to facilitate the accelerated development of 10,000 MW hydropower is being continued.

The progress of the major works under the roads sector during the year are as follows:

- A total length of 276 kms of roads comprising of Gyalposhing-Nganglam highway, Gomphu-Panbang highway, Samtse-Phuentsholing highway, Damji-Gasa, Damchu-Chukha bypass and Halhalay-Dorokha stretches are nearing completion. Samtse-Phuentsholing highway is motorable up to Tading village. A major bridge over Amochu is under construction.



- Double laning of the 40 km highway between Chukha and Rinchening is nearing completion;
- Double laning of the 180 km highway between Samdrup Jongkhar and Trashigang is in good progress;
- Improvement of 68 km of Gelephu-Trongsa highway has been completed and the widening works will be started soon;
- 11 km of road realignment between Tingtibi and Wangdigang has been completed and the remaining 5 km is in progress;
- Works on improvement of 155 km of Gelephu-Wangduephodrang highway is being reactivated and progressing well;
- Construction of 5 motorable bridges on national highways/ roads in Mongar, Dagana, Thimphu and Lhuentse dzongkhags have been completed and construction of 22 bridges in various other dzongkhags are in progress;
- Construction of 166 Km of Feeder Roads including Khodakpa-Khar-Tsebar-Yurung road, Drujegang-Balung road, Jangchucholing-Tashidingkha road, Kharungla-Kangpara road, Meritsemo-Bongo road, Garbaktang-Chali road and Autsho-Gumrang road is ongoing. Construction of Tikizam-Bjena road has been completed;
- Feasibility studies for the construction and upgradation of 201 km of new roads in Chukha, Samdrup Jongkhar, Pema Gatshel, Zhemgang, and Dagana Dzongkhags have been completed. Preparation of detailed designs are in progress and implementation of these roads will be started by October 2010;
- For Gewog connectivity, the Department of Roads is providing technical support to the Dzongkhags for carrying out surveys for 49 farm roads prioritized in the 10<sup>th</sup> FYP.

Department of Roads is also providing technical support to the Dzongkhags for survey, design, procurement and construction of bridges on farm roads. Out of 72

bridges, survey of 28 bridges and design of substructures for 14 bridges have been completed.

Against a target of 100 suspension bridges in the 10<sup>th</sup> FYP, so far only 34 bridges have been constructed. Construction of the remaining bridges will depend on the priority of the Gewogs and the availability of the funds.

*(b) Urban Development*

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

Some of the major activities undertaken during the year are:

- The filter media for the slow sand filter has been changed in order to provide clean water supply to Trashigang town;
- Sewerage treatment plant and sewer network has been completed in Gyalposhing town to improve the living conditions of the population in the Municipality;
- The landfill site at Gyalposhing has been constructed. Access road to municipal landfill site has been improved.
- The construction of the eco-line sewerage treatment plant and network has been completed to provide services to the Damphu Municipality;
- Construction of the water treatment plant and water distribution network is ongoing in Tsirang, Damphu;
- New water treatment plant of four million litres per day, 600 cubic meter clear water reservoir and laying of 2.5 km of new pipeline is completed to cater to Gelephu town;
- Monsoon damage restoration works on the solid waste landfill site and sewerage treatment plant at Gelephu has been completed;

- Preparation of urban master plan for Denchi Thromde has been completed. Infrastructure provision and land acquisition for infrastructure are in process;
- Preparation of Local Area Plans for Rinchenthang town (Nganglam) covering an area of about 200 acres is in progress and will be completed by July 2010. Survey of the present town and additional areas measuring about 350 acres has been completed;
- Preparation of urban master plan for Sarpang Thromde has begun and preparation of local area plans for Ranibhagan is in progress;
- Survey of Dagana town and additional areas covering about 500 acres for has been completed for urban planning. Survey of 11 km of water supply line has been completed;
- Construction of the Royal Supreme Court has been started.
- On the command of His Majesty the King the MoWHS successfully completed the reconstruction of the houses affected by the earthquake and fire in the east.
- Fire damage assessments, design and estimates for rehabilitation of the four houses at Haa have been carried out and reports for redevelopment has been submitted to the Office of the Gyalpoi Zimpon;
- The Urban Planning and Development Division of DUDES has initiated drafting of the Spatial Planning Bill and consultations with various stakeholders are under process. In the absence of Spatial Planning Act, process of preparing all urban development plans, which involve private lands becomes illegal. If the Act is in place, structure planning and local area planning including land pooling scheme will be formally legalized.

In line with the provisions of the Local Government Act 2009, Local Government Thromde Rules 2009 has been drafted. Consultation with the city corporations and other relevant agencies including MoHCA has been undertaken. These Rules will be put up to the Cabinet for approval.

To promote, improve and streamline the growth and expansion of the construction industry to a level that is capable of producing and delivering high quality construction works, the following activities were initiated.

*(c) Quality Assurance Services*

The Earthquake Risk Reduction and Recovery Preparedness Project (ERR & RPP) is ongoing in Thimphu, Phuentsholing and Samdrup Jongkhar;

Training of zows, carpenters and skilled masons on earthquake safe construction practices has been carried out in Mongar, Trashigang, Lhuentse, Pema Gatshel, Trashiyangtse and Samdrupjongkhar;

The guidelines on *Proper Construction of Non-Engineered Buildings* (Stone masonry) was finalized and published both in Dzongkha as well as in English. The guidelines will be of great benefit in facilitating the reconstruction of the rural houses damaged or destroyed by the recent earthquake

*(d) Improving Construction Industry Services*

Online services for database and industry information CiNET User Training: 4 batches of focal person from 70 procuring agencies were trained on the usage of CiNET.

Improve capacity of contractors, Managers and Engineers in taking up large works, improved contract management, financial management and quality Assurance systems.

Carried out 2nd and 3rd Induction Course at Bumthang and Phuentsholing: A total of 370 new contractors trained on basic construction skill and norms in construction industry;

Monitor construction firms to check fronting/collusion and to ensure that minimum mandatory resources are maintained.

The Ministerial Enclave Project, which began in May 2007 was completed in April 2010 with the buildings fully furnished. An expenditure of Nu. 423.713 million was incurred as of 30<sup>th</sup> June 2009.

Under the Accelerating Bhutan's Socio-Economic Development (ABSD) initiative, the respective departments of MoWHS have signed the compacts with the Project Sponsors on the following initiatives related to the construction sector:

- Leveraging cost-saving opportunities in procurement of materials;
- Point based system for selection of contractors;
- Creation of separate agencies for road works;
- Collaboration with international engineering consulting firms for outsourcing design, supervision and construction;
- Active involvement of MoWHS and industry in vocational training;
- Consolidation of projects;
- Awarding construction and maintenance contracts.

Progress against the milestones and the sub-activities under the initiatives are updated on weekly basis using the PlaMS (Planning and Monitoring System) software and progress of most of the milestones and sub-activities are on-track.

#### **Labour & Human Resources**

With the unemployment rate at 4%, unemployment especially among the youth, is of great concern and a very important area of focus for the Royal Government. It is projected that more than 93,000 job seekers will join the labour market within the 10<sup>th</sup> FYP. Therefore, the primary goal of the labour and human resources sector is to work towards the national vision of providing gainful employment to all its citizens. This vision is being pursued through multi-pronged plans, policies and strategies such as:

- Increasing access to vocational training;
- Improving the quality of vocational training;
- Promoting private sector growth through human resource development;

- Strengthening employment promotion services;
- Strengthening the labour market information base;
- Ensuring adherence by private and corporate sector agencies with the Labour and Employment Act, 2007; and
- Streamlining foreign workers administration and management.

### *Employment*

During the year, 5,299 job seekers were provided with jobs. Of these, 3,143 were direct placements facilitated by the Employment Service Centre, and rest of the placements were done by other public and private agencies. Around 463 were referred to various companies in the corporate and private sectors for employment.

Sixty three aspiring entrepreneurs were trained in entrepreneurial skills development under the *Income Generation Start-up Support Programme*. The programme is aimed at supporting educated unemployed youth in the three highest poverty incidence dzongkhags of Zhemgang, Mongar and Samtse to start small income generating enterprises. Furthermore, 53 potential entrepreneurs were provided start-up capital with assistance from the UNDP.

Around 40 exhibitors from the government, corporations and private companies participated in the 7<sup>th</sup> National Job Fair which was held in Thimphu in October 2009. So far around 50 youth have obtained employment as a result of the Job Fair.

Under the Apprenticeship Training Programme, 397 class X and XII passed youth were attached with various industries and organizations.

Out of 1,034 Class X, XII and university graduates who registered with the Ministry under the *Pre-Employment Engagement Programme*, 622 were engaged with various agencies for a maximum period of 6 months. Further 389 youth got permanent placement during the programme.

The data collection for the Labour Force Survey 2010 has been completed.

Out of the 47 class XII passed students who have completed one year training in hospitality service at Leonia Resort in Hyderabad, 35 have been employed by the Resort and the rest have found employment in hospitality sector in Bhutan.

### ***Human Resource Development***

The National Human Resource Development Policy was approved by the Lhengye Zhungtshog in February 2010. The policy will align the future HR interventions to the long-term economic direction of the country. It will be the guiding document for HR interventions in all sectors - the public, corporate and private sectors.

The Establishment Regulation of Private Training Institutes, 2010 has been developed with the objective to create an enabling environment for establishment of private training institutes in the country. This regulation will direct those who are interested in setting up training institutions to offer market relevant training programmes which will contribute to sustainability of the business venture and also ensure quality and promote competition.

The Registration Regulation of Private Training Providers, 2010 has been developed with the objective of increasing access to quality Technical, Vocational Education and Training (TVET) in both the public and private training provider in the country. Once the training provider registers with the department, the information would be fed in the TVET- MIS which will be accessible to all.

In an effort to develop the HRD of the private and corporate sector the Ministry has initiated the development of the HRD Master Plan for private and corporate sector for the 10<sup>th</sup> FYP. While this has been developed in consultation with the two sectors, it will facilitate planning and development of the human resources in the private and corporate sectors during the 10<sup>th</sup> FYP.

The Ministry processed 72 ad-hoc training offers from various donor agencies out of which 19 were long term training. As a part of the in-country training programme, 12 auto mechanics from private auto workshops were trained in Auto Electricals/ Electronics and Auto mechanics at the Thimphu Institute for

Automobile Engineering. Another 65 in-service employees from private and corporate sector were trained in various in-country training programmes such as Marketing Strategy for Enterprise, Launching and Management of Enterprise, etc.

Towards strengthening the capacity of the TVET instructors, 22 VTI instructors were sent for two-week long training in Fuel Injection and Industrial Welding in Malaysia and four Institute for Zorig Chusum (IZC) instructors sent for two-week long training in Thailand in traditional arts and crafts. Towards upgrading the qualification of the instructors who are mostly certificate holders, 10 instructors from the VTIs underwent diploma in Technical Instruction in Training Institute for Technical Instruction (TITI) in Nepal.

Rural Skills Development training in modern construction trades conducted for 144 villagers from Trashigang Dzongkhag. Similarly, Village Skills Development training for 38 farmers in Zhemgang in house wiring completed.

Under the Special Skills Development Programme, 50 monks from Tashiyangtse Rabdey and Dechenphodrang Shedra underwent training in Lhadri and Tshemzo. In addition, 99 armed force personnel completed training in basic construction trades and tailoring.

Special Training Program conducted for 190 class X and XII school leavers in Information Technology Enabled Services (ITES). Further, a total of 10 candidates from under-privileged background were also trained in the area of Arts and Crafts in the private training institute.

### ***Labour***

The 14 Regulations supporting Labour and Employment Act 2007 endorsed and launched in November 2009 for its implementation. The 14 Regulations are on acceptable forms of child labour, sexual harassment, leave, minimum wage, workers' compensation, gratuity, provident fund, hours of work, foreign workers recruitment agent, workers' association, internal service rules, labour inspection, grievance procedures and penalties. These regulations enable promoting



employment conditions in private and corporate sectors thereby attracting more Bhutanese into the private sector.

With increasing developmental activities in the country, the management of foreign workers by Ministry of Labour and Human Resources and Department of Immigration has become difficult taking into account the large inflow of foreign workers into the country. It is therefore a concern to country's security. Therefore, the Ministry established and issued Certificate of Registration to 33 additional Foreign Workers Recruitment Agents in border towns taking the total number of Foreign Workers Recruitment Agents to 50 as of now.

Regional Labour and Employment Offices were established in Trashigang and Samdrup Jongkhar.

Occupational Health and Safety (OHS) is relatively new to Bhutan and safety culture is very poor across the country. The Ministry of Labour and Human Resources realizing the need to strengthen OHS at workplaces conducted training on "Occupational Health and Safety Management" to 146 OHS Focal persons from private and corporate sectors including Labour Officers. The training course was designed to impart basic information and skills required for OHS Focal persons to identify hazards and implement control measures to resolve health and safety issues at workplace.

### *Occupational Standards*

First batch of Occupational Skills Standard (OSS) officially released in March 2010, for four priority occupations in the areas of plumbing, masonry, auto-mechanics and construction carpentry along with OSS Development Manual. The OSS basically sets comprehensive performance criteria, including assessment guide with focus not just on knowledge-based training but also skills and attitude as well.

The OSS Development Manual has been developed. It describes the processes to be followed in the preparation of OSS and provide details of technical requirements for standards. It also includes the templates and forms for OSS.

Over 130 graduates from different ICT and management private training institutes in certificate courses in IT and commercial accountancy were certified and assessed. In addition a total of 99 Royal Bhutan Army personnel in various occupations were certified.

The Ministry has developed the TVET-MIS and launched in March 2010. This web-based MIS will capture all relevant data and information relating to different aspects of the TVET system and reports generated for monitoring purposes.

#### **Information & Communications**

The main objectives of the Information and Communications sector are to:

- Develop efficient and reliable information and communication systems to help transform Bhutan into a knowledge based society;
- Promote ICT in the country as an enabler of national development;
- Develop a safe and efficient national transport system to enhance freedom and ease of movement; and
- Develop a safe and sustainable civil aviation sector that meets international standards.

### **Information Technology and Telecom Services**

#### *(a) Cellular phone services:*

At present, there are 327,052 cellular phone subscribers which is more than one third of the population, as compared to just 26,348 fixed line subscribers. Towards the goal of achieving universal connectivity by June 2011, the Ministry of Information and Communications issued directives to the two mobile service providers viz. Bhutan Telecom and Tashi InfoComm, to extend their services to those communities which do not yet have mobile connectivity. The companies are

presently carrying out network expansion works to connect about 394 villages by mobile services by June 2010. The Ministry is also exploring ways to connect the remaining 497 villages (out of the total of 3,021 villages) villages by June 2011. The universal service fund managed by BICMA is a possible source of funding.

*(b) National Broadband Project*

Investment in broadband is critical not only for the development of ICT itself, but also because of the impact it can have in narrowing disparities between regions by giving rural inhabitants access to goods and services without the need to travel great distances. The Royal Government therefore, attaches great importance to extending broadband connectivity to the Gewog level to support government-to-citizen (G2C) services.

Under the National Broadband Network Project all the 20 Dzongkhags will be connected by Optical Ground Wire (OPGW) cables using the transmission network of Bhutan Power Corporation (BPC). The fibre connectivity will be extended to the Gewogs through All Dielectric Self Supporting (ADSS) cables using the distribution network of BPC.

The project which is being carried out by BPC is making good progress and is scheduled for completion before June 2011 at a budgeted cost of Nu. 600 million.

Appropriate access network technologies will be deployed -preferably WiMax, to penetrate into the rural areas from the core network point-of-presence (POP).

At present the number of broadband subscribers (fixed-line and mobile) has risen steadily to around 3,378 and 11,886 respectively beginning this year.

*(c) Community Information Centers (CICs)*

With the establishment of six more CICs during the current financial year the total number of CICs has reached 45. With the objective of integrating all services under one roof, the Ministry is now considering co-locating the *Learning Stations*, (previously known as Hole in the Wall) under the Chiphen Rigpel project with the

Community Information Centers. The CICs are proposed to be located near community primary schools, RNR centers, non-formal education centers, post offices, etc. whichever is the most convenient. The Ministry is looking at establishing one such Community Center for every Gewog by 2011.

*(d) IT Park*

The contract for the development of Bhutan's first IT Park, the Thimphu Tech Park, has been awarded to a joint venture between Assetz Property Group of Singapore and Druk Holding & Investments. The groundbreaking ceremony for the Park was done on 18 May 2010, and construction is expected to be completed by the middle of 2011.

The project has successfully organized a number of promotional activities and events in target markets in the region as well as in Bhutan for potential investors. Many renowned IT companies in India such as Infosys, Genpact, Bharti Airtel etc. of Bhutan's potential as an ideal location for 'out-locating' their BPOs, business continuity planning centers and data centers, given the availability of clean and low cost energy and the country's pristine environment.

In terms of Industry linkage programme, 100 Bhutanese graduates were trained by Infosys, and Genpact has initiated recruitment of Bhutanese graduates on a quarterly basis.

*(e) Chiphen Rigpel Project*

This project "enabling a society, empowering a nation" is by far one of the biggest ICT projects touching upon different strata of the society (starting from the highest officials in the government to village urchins, including the monastic schools, security forces etc.) and hence rightly an empowerment project, through capacity building on ICT skills. The project (amounting to Rs. 2.05billion) is funded by Government of India as an extra budgetary grant, and executed by National Institute of Information Technology (NIIT) of India. The detailed implementation plan is currently being finalized in consultation with the concerned

sectors. The project was formally launched jointly by the Prime Ministers of Bhutan and India on April 30, 2010.

*(f) One Laptop per Child initiative*

The objective of this project is to deploy the XO laptops via a wireless broadband network in rural and remote schools for digitally disadvantaged children and to enhance their knowledge in the use of ICT and its applications. Two hundred and twenty such laptops were received through International Telecommunications Union assistance and distributed to 21 Community Primary Schools, with Kuzhugchen Community Primary School as the pilot school where the training of teachers and students was carried out. The impact has been impressive. The children are able to play almost all the games installed in the laptop, use word processor and write simple sentences using the photos from the record program, animate and design simple cartoons with sounds etc.

Drawing from the benefits of the XO laptops, the Ministry also initiated its collaboration with Intel and signed a MoU on February 26, 2010. Through this collaboration, 300 Classmate PCs will be received soon and distributed to rural schools. In addition, the Ministry will receive the know-how and technical expertise to evolve WiMax deployment and related telecom advancements.

*(g) Memorandum of Understanding (MoU) between the Royal Government and the Government of India for the Development of Information and Communication Technology (ICT) in Bhutan.*

A MoU for developing ICT in Bhutan was signed between the Royal Government of Bhutan and the Government of India during His Majesty's visit to India in December 2009. The MoU identifies e-governance, infrastructure development, research and education networks, DTH services, satellite facilities for Bhutan Telecom and Bhutan Broadcasting Services, as areas of support from the GoI. The First Steering Committee Meeting to execute the MoU was held in Thimphu on 9-10 April 2010.

*(h) MoU with HCL Info Systems*

In order to promote ICT development and enhance computer literacy in the country, Bhutan is collaborating with HCL Info Systems Lt. an IT company based in India for setting up an IT products manufacturing unit in Bhutan. The company will also train Bhutanese in IT hardware technology and related repairs and management.

***Surface Transport Services***

In order to enhance access to different places and increase the mobility of the people, passenger transport services were introduced on the following new routes during last one year, besides introducing an additional bus service:

- Mongar – Samdrupjongkhar;
- Kungkha – Phuntsholing;
- Dagana – Phuentsholing;
- Trongsa- Phuentsholing;
- Tsirang-Phuentsholing;
- Damphu – Barshong (Tsirang Dzongkhag);
- Gelephu- Panbang (via India);
- Phuentsholing- Nganglam (via India).

Since January 2010, scheduled passenger transport services have been resumed through India on the following routes:

- Gelephu-Samdrupjongkhar
- Gelephu-Phuentsholing
- Samdrupjongkhar-Phuentsholing

The Royal Government approved the proposal to grant interest subsidy on loans for procurement of passenger buses operating on non-economic routes. The subsidy will basically entail the payment of interest by the government on 60% of the loan availed by the bus owner. However, since this activity was not included in the approved allocation in the current fiscal year, actual implementation will begin only from the next financial year.

To foster competition and thereby bring about improvements in public transport services, the Ministry of Information and Communications has decided to liberalize passenger transport services. Therefore, subject to compliance with the approved schedule, route and fare, passenger transport service licences will be issued on demand. The move is expected to lead to better services and lower fares for the people.

The introduction of city bus service in Phuntsholing since February 2010 Bhutan has eased urban traffic congestion significantly and befitted the common people. More buses will be procured in the next financial year and deployed in major towns including Thimphu.

In order to enhance transport safety through better mobility and regular monitoring, RSTA has procured 46 motor bikes out of which 21 were handed over to the Traffic Police and rest distributed to Motor Vehicle Inspectors and Base In-charges of RSTA. With the procurement and distribution of bikes, enforcement is expected to be intensified.

### ***Air Transport***

#### *(a) Domestic air services*

In order to expedite the introduction of domestic air services, proposals were invited from national as well as foreign firms. Proposals have been received from four potential investors and currently being evaluated. It is expected that actual services will start by October 2010.

#### *(b) Development of domestic airports*

In order to facilitate regional air connectivity, it has been decided to develop three domestic airports in east, central and southern region and accordingly the sites were finalized as follows:

#### *(c) Yonphula airport*

The Government approved the development of Yonphula airstrip into domestic airport in August 2009. The survey and demarcation of 168.46 acres of land required for the airport has been completed and the metrological equipments have been put in place and staff recruited to manage the MET data. Communication and other navigational equipment are being procured. The contract for developing the airport has been awarded to a private contractor.

*(d) Bathpalathang airport*

Subsequent to the approval of airport site at Bathpalathang by the Cabinet on 6<sup>th</sup> January 2010, the Department of Civil Aviation undertook the survey and demarcation of land, besides installing metrological equipments and recruiting staff to manage the MET data. The contract has been awarded to a private company and the site has been handed over. The deadline for completing the airport development work at Bathpalathang is September 2010.

*(e) Gelephu airport*

The demarcation of 963 acres of land required for the airport was completed in 2009. However, on the basis of a cadastral survey it was found that almost half of the identified area comprise of privately owned lands which would have resulted in many complications and huge compensation payments. Therefore, it was decided to reduce the size of the airport to 518 acres and accordingly the re-demarcation and cadastral survey have been completed. The actual development of the airport is expected to be started in the next financial year and completed by the second half of 2011.

*(f) Memorandum of Cooperation with Aeronautical Radio of Thailand Ltd.*

A Memorandum of Cooperation (MoC) was signed between Department of Civil Aviation and AEROTHAI July 2009. The signing of Memorandum of Cooperation is expected to further strengthen the existing cooperation between the Department of Civil Aviation of Bhutan with the Aeronautical Radio of Thailand Ltd. in the field of air traffic services systems such as communications, navigation and surveillance/air traffic management (CNS/ATM) systems.



*(g) Air Service Agreement (ASA) and Agreement for Cooperation on Search & Rescue Services:*

Bilateral Air Service Agreement and the Agreement for cooperation on Search and Rescue Services were signed between the Royal Government of Bhutan and the Government of India during the State Visit of His Majesty the King to India on 21 December 2009. The ASA will ensure smooth operation of air services between two countries and beyond. The Signing of Agreement for Cooperation on Search and Rescue puts in place the arrangement between two countries in times of emergencies in aviation sector.

*(h) Media services: Annual National Media Award and Film Award 2010*

In order to boost the information and media sector and to encourage local information and media firms to be more responsive to the country's development context and to foster development of the country's values and local content, an annual media event and film award touching across all aspects of the budding Bhutanese media sector will be organized on 2-3 May 2010.

*(i) Media services: Media education and literacy programme*

A framework for media education in schools and media literacy programme for public has been developed to teach Bhutanese citizens the critical thinking skills for healthy consumption of the media.

The Department of Information and Media in collaboration with other relevant stakeholders has already piloted Media Literacy Education framework in five selected schools in Thimphu, Chukha, Mongar, Zhemgang and Trashigang.

**Finance**

*(a) Resource Mobilization*

As we enter the third year of the 10<sup>th</sup> FYP, resource mobilization efforts have been intensified in keeping with the increased pace of development activities. Considering the Constitutional requirement of meeting current expenditures from

domestic revenues, the Royal Government initiated some measures to increase revenue through harmonization and broadening of the revenue base on the one hand, and the introduction of cost cutting measures on the other. These were highlighted by the Finance Minister in his budget report to the House earlier in the session.

Despite the fact that domestic revenues remain woefully inadequate, the Royal Government introduced a number of fiscal incentives to support the Economic Development Policy. Although this will undoubtedly add further pressure on the Government's finances it nevertheless went ahead with these incentives in order to create the conditions for businesses to grow. In the meantime, we continue to depend substantially on external assistance for financing many of our development activities. The overall resources mobilized domestically and from grants and loans are presented as under:

The initial domestic revenue projection of Nu. 14,108.77 million in FY 2009-10 has been revised to Nu. 15,370.22 million. The revised projection is based on more updated data as well as improved collections. The revised domestic revenue is expected to adequately cover the current expenditures.

To meet the increasing development financing needs, priority was accorded to mobilizing additional resources from the multilateral financial institutions. During the past year, the following loans and grants were negotiated and finalized:

*(b) Asian Development Bank (ADB)*

Under the *Road Network Project-II*, a grant of US\$ 38.76 million was negotiated for the construction and improvement of 183 km of roads along the Southern East-West highway.

The ADB has also committed a grant US\$ 21.59 million for rural electrification of over 5,700 households under a new project, for which the financing agreement will be negotiated shortly. Funded by the Japan Fund for Poverty Reduction, ADB will

also provide two grants of US\$ 3 million each for emergency post-earthquake reconstruction assistance to support the reconstruction of four community primary schools in the east and for construction of four farm roads.

*(c) World Bank*

It has been possible to mobilize an additional credit of US\$ 10 million from the Disaster Response Fund and US\$ 2 million from the Crisis Response Window. With this, the total World Bank IDA allocation available for 2010-11 has been enhanced to US\$ 32 million. Of the total, US\$ 12 million was successfully negotiated in March 2010 for urban infrastructure development in North Thimphu for Dechenchholing and Langjophakha local area plans. The implementation of the project will start from July 2010. The balance of US\$ 20 million is being processed as a general budget support under the Development Policy Credit (DPC). In addition to the above funds, the World Bank has also awarded a grant of US\$ 5 million for the decentralized rural development project, most of which is rehabilitation of irrigation channels.

*(d) IFAD*

A financing of US\$ 8 million has been committed for supporting Marketing Agricultural Growth and Intensification Program (MAGIP). Of the total commitment, US\$ 6 million will be credit and US\$ 2 million grant. The financing agreement will be negotiated towards the end of 2010.

*(e) JICA*

The Government of Japan has committed an ODA loan of US\$ 17 million to support rural electrification of 3,000 households. With this commitment, the financing for rural electrification is fully mobilized. The loan agreement will be negotiated and finalized by the end of 2010.

*(f) Government of Austria*

A soft loan of Euro 5.8 million has been committed by the Government of Austria, and this has been negotiated on soft terms. A part of this loan will be utilized for

rural electrification of 219 households in Laya gewog under Gasar dzongkhag, while the rest has been earmarked for improving power supply in Thimphu and other dzongkhags.

*(g) Denmark*

The Ministry of Finance is working to avail Danish Mixed Credit for financing the construction of farm roads, and the Government of Denmark has agreed to field a team of experts to conduct a feasibility study by mid 2010. The terms of this funding window are expected to be highly concessionary.

*(h) Public Expenditure Management*

While there have been enhanced efforts to mobilize more development assistance, initiatives for improved public expenditure management also received attention. The following are some of the initiatives underway.

The MYRB which was piloted in two ministries last year have been operationalized. Budget proposals for the FY 2010-11 have been programmed through MYRB and the outcome has been very encouraging. However, given that the system is new, some errors have been encountered during the implementation stage. These errors are being rectified and it is expected that the system will become more user friendly as we progress further with new requirements.

The current Government accounting system - BAS is being upgraded into a web-based system called Public Expenditure Management System (PEMS). The development of this system is almost complete and will be implemented from July 2010. With the web-based system, all the accounting units will be able to work on real time basis for receiving fund releases and submission of monthly accounts.

The Ministry of Finance has already embarked on an initiative to develop accounting and auditing standards. To guide the development of Bhutanese accounting and auditing standards in line with international standards, a Board of Accounting and Auditing Standard has been recently established. As and when

developed, the standards will be notified for implementation to improve financial reporting and disclosure by the companies.

*(i) Initiatives to improve Tax Payer services*

Effective and efficient service delivery is an important concern of the Government. In the taxation area, following efforts have been made to improve and facilitate faster services to the people.

In line with the E-Filing system for Personal Income Tax, the Department of Revenue and Customs has introduced Direct Deposit Facility for both on-line and off-line payments of PIT. Over 2,000 e-returns were received during the year registering a growth of more than 67% over the previous year. The number of e-filers and collection through direct deposit is expected to increase in future years as people become more familiar with the services.

Bhutan trade classification code and sales tax and customs duty rates were reviewed to bring more clarity and simplicity in tax administration. The revised trade classification code has created uniformity or similar rates for similar goods under different trade classifications and reduced the degree of discretion with tax officials or under declaration by the importers.

*(j) Establishment of SDF Secretariat in Thimphu*

An important development during the year was the formal establishment of the Secretariat for the SAARC Development Fund (SDF) in Thimphu. The Secretariat was inaugurated by the Heads of Governments/States on 30<sup>th</sup> April 2010 during the 16<sup>th</sup> SAARC Summit. As a regional fund, the SDF is expected to play a crucial role in fostering closer economic integration besides supporting projects for alleviating poverty. The SAARC Governments have also been gracious in selecting a Bhutanese to be the first Chief Executive Officer of the Fund. With the operationalization of the SDF, we have been successful in achieving a major aspiration of our beloved Drukyal Zhipa.

*(k) Financial Sector Reforms*

The pace of economic development is highly dependent on the efficiency of services of the financial sector. Therefore, reforms of the financial sector has continued to meet the changing demands in the markets. Some of the important reforms initiated during the year are mentioned as under:

In order to enhance the degree of competition in the financial sector and improve the efficiency in the provision of financial services, two commercial banks (Druk PNB Bank Ltd. and Tashi Bank Ltd.), one specialized bank (BDFCL) and a new insurance company (Bhutan Insurance Company) started their business during the year.

The issuance of RGoB Treasury Bills for fiscal management was initiated during the year. The main objective was to replace the past practice of resorting to overdraft facility (ways and means account) by a market based borrowing mechanism for short-term financing requirement besides promoting the development of a domestic capital market. Tender notification for the first 3-month RGoB T-bills of Nu. 500 million was issued in March 2010. Several financial institutions participated and the final bid was issued at a discount rate of 1.99% per annum. RGoB T-bills will be issued on a regular basis.

The RMA has launched the Integrated Central Banking System. The ICBS aims to strengthen RMA's functional capacity and allow for the optimization of information resources to enhance the efficiency and quality of services RMA renders to the financial system and the public. It will help to streamline and automate operational procedures, set up data communication collection and sharing facilities amongst the users, increase information security measures and improve internal data management and dissemination.

The RMA, with technical assistance from the Reserve Bank of India, has initiated the implementation of an Electronic Fund Transfer and Clearing System (EFTCS) Project. The system will facilitate transfer of fund from one bank branch to any

other branch of the participating commercial banks in Bhutan. The system will be operational during 2010.

The availability of facilities for credit card usage in Bhutan is an important requirement for visitors and tourists and for generating income for our businesses and tour operators. With tourist arrivals expected to increase manifold in the years ahead, the task of setting up the necessary infrastructure has become urgent. The Ministry of Finance supported by the RMA and the commercial banks have been working towards this since November 2009. Since most of the required formalities have now been resolved, it is expected that facilities for visitors and tourists to use credit cards for purchases in Bhutan will be available within the next few months.

As part of the initiatives to support the economic development policy, the Government has agreed to allow external commercial borrowings by the private sector, subject to the guidelines that have been notified by the Ministry of Finance.

## **REINFORCING THE SECOND PILLAR OF GNH – ENVIRONMENTAL CONSERVATION**

With ecosystems ranging from sub-tropical forests to temperate conifers and alpine pastures, to permanent snow peaks, all in an area of just 38,394 sq. km, Bhutan has one of the highest species richness per unit area in the world. That our country was able to enter the twenty first century with its rich natural heritage largely intact is in no small measure due to the farsighted policies of Kings. Due to the careful conservation policies, Bhutan today has a forest cover of 72 percent of its total land areas and making it perhaps the only country to have increased its forest cover from about 45 percent in 1961.

Bhutan's exemplary efforts in environmental conservation have been recognized through awards such as UNEP's "Champions of the Earth" in 2004 to his Majesty the Fourth King and People of Bhutan, and WWF's Paul Getty Award for Conservation Leadership for 2006 to His Majesty the Fourth King.

### **Sustainable Management of Natural Resources**

#### **Forestry Resources**

Forests, including scrub-forests, covers 70% of the total land with agriculture covering just 8% of the mountainous landscape. Notwithstanding the constitutional requirement to maintain at least 60% of the land under forest cover threats to the fragile ecosystem continue to be persist. Some threats include overgrazing, increasing demand for timber and fuel-wood, forest fires, conversion of agricultural and forest lands for infrastructure development and urbanization, and unsustainable agricultural production practices. The fragile geology and extreme climatic conditions characterized by heavy monsoon rains also contribute to land degradation.

The following are some of the major activities that were undertaken during the past year towards ensuring the sustainable management of our forests:



- The final draft of Timber Pricing and Marketing Policy has been completed. The policy is aimed at making timber affordable and providing equal access to all citizens by enhancing transparency of the system, encouraging local wood based industries to improve efficiency. It is also aimed at streamlining the distribution of subsidized timber for rural house construction.
- The establishment of Community Forests (CF) has contributed greatly towards achieving sustainable utilization of forest resources by promoting community participation in the conservation and management of forest resources. In total 200 CFs covering an area of 8,751.5 hectares have been established across the country. Moreover, a National Community Forestry Strategy has been developed to guide conservation, sustainable utilization and management of CFs.

Under the provisions of the Revised Forest and Nature Conservation Rules 2003, 415 applications for private forests have been approved and a total of 565.3 acres of private land has been brought under private forestry management.

The non-timber forest product (NTFP) interim framework has been completed and launched throughout the country through three regional workshops. Local communities were trained on the propagation and management of economically viable NTPF species. Beneficiaries of 14 NTFP management groups were given hands-on training on value addition processes. In collaboration with Bio-Bhutan, product development has been initiated with proper value addition (eg: Herbal tea from Pipla, Ruta and Amla & Pipla honey lozenges) and these products are readily available in markets.

Management plan for a new Forest Management Unit at Haa was completed and a new FMU at Rodungla, Bumthang is in the planning stage. Moreover, operational plans for 15 FMUs covering 10 Dzongkhags have been prepared covering a total area of 145,839.41ha.

Realizing that a comprehensive assessment of the forest based natural resources is crucial for the development of sound policy decisions and planning, the Forest Resources Development Division with technical assistance from SNV has developed inventory design for carrying out the National Forest Inventory.

In order to improve the plantation program, a plantation strategy has been developed and is under publication. The norms and standards for nursery and plantation have been revised and updated. As of now, a total of 54,265 acres have been planted under afforestation and re-forestation schemes by various stakeholders.

In order to reduce the risk of forest fires, the following activities were carried out:

- 159 Forest Fire Volunteers (FFV) and 100 armed force personnel were trained on basic fire fighting and safety; Forestry officials given advanced training on fire fighting techniques; Developed national level guidelines on safe burning of debris, specifically targeting rural communities;
- Engaged FFV to create awareness in schools and communities in Thimphu; Developed incidental command system for effective coordination;
- Repeater station was installed and handsets distributed; 600 fire fighting sets procured and distributed;
- Research is ongoing on the impact of fire on chirpine ecosystem; community based pilot forest fire management group formed in East; prescribed burning trials for fire management tools trials ongoing;

#### **Water and land Resources**

Bhutan is blessed with enormous water resources due to its many glaciers, forest cover and high precipitation. Annual flow availability at 73,000 million m<sup>3</sup> per year by far exceeds estimated consumptive demands. However, localized shortages occur due to uneven distribution of water resources over the landscape and seasons. Water quality remains satisfactory throughout the country although some

localized pollution problems occur near settlements and urban centers due to poor management of wastes and surface runoff.

The following activities were undertaken towards the sustainable utilization of water resources for hydropower generation, irrigation, drinking water and poverty alleviation.

- The watershed management road map has been revised and finalized, and about 400 community leaders in 10 dzongkhags were trained on the use of simple soil and water conservation measures.
- Three pilot sites namely, Phobjikha (targeting tourism), Yakpugang (focus on drinking water) and Wochu (focus on hydro power) have been identified to test the payment for environmental services (PES) mechanisms. Subsequently, the feasibility study was conducted and finalized and the Framework for Wang River Basin Management has been published.
- With a financial support of the Punatsangchu Hydropower Authority, a project on compensatory afforestation along the Punatsangchu valley has been approved for a period of five years from 2010-2014. The project will aim towards achieving rehabilitation of barren and degraded areas covering Punakha and Wangdue Dzongkhags. This is targeted towards enhancing the quantity and quality of water flow for hydro power generation through prevention of soil erosion.
- Dynamic Information Framework for Bhutan (DrukDIF) which provides a platform to integrate geo-referenced and dynamic spatial information on landscapes as well as hydrology, meteorology, vegetation and biodiversity is being developed. This is a dynamic information network for planning and managing natural resources.
- The Water Bill prepared by the NEC has been endorsed by the Lhengye Zhungtshog and will be tabled in the current session of the National Assembly for passage.

### **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:

- Two additional protected areas will be made fully operational by 2011. The conservation management plan for the Phibsoo Wildlife Sanctuary is being finalized will become operational by January 2011. Similarly the Toorsa Strict Nature Reserve will be operationalized by the end 2011.
- The Biodiversity Action Plan (2009) has been published. This is the third Biodiversity Action Plan and it builds on the past Biodiversity Action Plans and places greater emphasis on sustainable use of biodiversity to reduce poverty and enhance economic growth.
- About 70% of the work on establishment of Biodiversity Information System is completed which will facilitate the availability of biodiversity information through web.
- A Compendium on Pteridophytes and Crop and Animal Genetic Resources of Bhutan were published which would be a ready reference for preparing conservation and utilization plans.
- 500 crop germplasm and 1050 doses of poultry semen and 2500 doses of Jakar ram semen preserved in animal gene bank.
- In order to promote commercialization/sustainable utilization of biological resources through bio-prospecting, the Bio-Exploration and Research Unit was established at the National Bio Diversity Center (NBC).
- Collaboration with Bhutan Pharmaceuticals Private Limited on collection and research on *Cordyceps sinensis* and other insect fungi is ongoing; and a Memorandum of Agreement was also signed with Nimura Genetic

Solutions (NGS) Malaysia on technical capacity development on bio-prospecting.

#### **Air Quality**

An Air Quality Management Strategy outlining the national strategy for managing the quality of air in the country for point source emissions, ambient air quality and vehicle emissions has been developed.

The NECS with assistance of the Central Pollution Control Board Ministry of Environment and Forests of Government of India (GoI) has enforced the Industrial emission standards for point source emission and workplace emission. Vigorous monitoring by the NECS and MoEA has brought about a significant improvement in the overall environmental performance of the industries. Moreover, a growing number of industries are taking the initiative to upgrade their pollution control equipment and improving overall housekeeping within their plants.

The NEC has strengthened its ambient air quality monitoring activities. Currently, there are two permanent stations in Thimphu, which conduct daily air quality sampling for suspended particulate matters (SPM) in town, and passive sampling stations that sample average monthly gaseous pollutants across the country.

#### **Waste management**

As per the mandate of 86<sup>th</sup> Session of the National Assembly, NECS with relevant stakeholders drafted the Waste Prevention and Management Bill. The Bill was passed in third session of the first Parliament in June, 2009. The Implementing Agencies with the coordination of NECS are in the process of drafting the Regulations under this Act to implement the provisions of the Act effectively.

The Act has been printed in both Dzongkha and English and circulated to all agencies, ministries, institutions, schools and Dzongkhags. Furthermore, the NECS with funds from United Nations Environment Programme has completed sensitization workshop on the provisions of the Act in all 20 dzongkhags.

### **Climate Change**

Reinforcing Bhutan's steadfast resolve to preserve its rich eco-system and its support for mitigation and adaptation measures to climate change, the Royal Government submitted a pledge at the COP 15 summit in Copenhagen to maintain its status as a net sink for greenhouse gases. The pledge underscores our commitment to follow and be guided by a strong sense of conservation ethics as it will entail significant economic sacrifices.

At the initiative of the Royal Government, all the SAARC member countries agreed to adopt Climate Change as the theme for the 16<sup>th</sup> SAARC Summit in Thimphu. The Summit adopted the Thimphu Statement on Climate Change which recommends commissioning various inter-governmental initiatives to address the challenges of climate change, such as an expert group on climate change. It was also decided to establish an Inter-governmental Expert Group on Climate Change to develop a clear policy direction and guidance for regional cooperation as envisaged in the SAARC Plan of Action on Climate Change.

### **Strategic Assessment**

The NECS in collaboration with the GNHC and National Land Commission is in the process of implementing participatory Strategic Assessment for Hydro-power development projects on Punatsangchu and Sunkosh river basin and planned Dhamdum Industrial Estate in Samtse. This assessment will determine the likely social, economic, environmental and developmental impacts. To this effect, the NECS has conducted second round of consultation with wide range of participation from the Dzongkhag level involving Planning, Environment, Agriculture, Engineers, Gewog Administrative Officers, RSPN etc. The workshop looked into scenario analysis, identified conflicts and incompatibilities and developed alternatives, options and opportunities.

### **Disaster Management**

#### **Mitigating Glacial Lake Outburst Floods (GLOF)**

The water level of Thorthomi lake is being targeted to be reduced by five meters. The first phase in 2009 was to implement the engineering and safety plan and to

reduce water level of the lake by 1.67 meters. However, because of cyclone Aila, the project was delayed by a month and consequently the target was reduced to 1 meter. As a result of which the main lake, subsidiary lake I and subsidiary lake II water level was reduced only by 86 cm, 85 cm & 82 cm respectively.

While a tentative reassessment of GLOF risks in Bhutan has been completed, a more detailed analysis of satellite data will be conducted in 2010. In continuing its efforts towards mitigating GLOF, a glaciology division was established in the Ministry of Economic Affairs to study and monitor glaciers & glacial lakes with GLOF threat while carrying out GLOF mitigation activities and monitoring in the Lunana region and other basins with GLOF threat.

Field survey work and preliminary design for the installation of GLOF Early Warning System (EWS) components in Punakha-Wangdi was completed in September 2009. Sensors will be located two places- one at Thanza and four lakes in Lunana (to provide more lead time for warning and evacuation) and another at Dangsa, Tamedamchhu village upstream of Punakha (to catch GLOF events from Tarina side and other flash floods that might originate from tributaries). The tender for the installation of a fully automatic GLOF EWS in the Punatsangchhu basin was awarded in April 2010 with a view to make it operational by June 2011.

#### **Preparing for and responding to the risk of earthquakes**

Following the devastating earthquake that struck the country in September, 2009, NORSAR, a leading seismological institute in Europe has been engaged in preparing project proposals on national earthquake hazard mapping in Bhutan and establishing a national earthquake observatory that will help monitor earthquakes. Currently efforts are underway to mobilize funds through the Norwegian government.

Plans are also underway to work on earthquake hazard and risk mitigation strategies. These will include setting up a permanent network of stations in the country that will help in locating regions from where a major earthquake is likely

to originate, and also a National Earthquake Monitoring and Capacity Building plan.

In order to build capacity for national earthquake monitoring, the Seismology and Geophysics section with the Department of Geology and Mines is being proposed to be upgraded to the status of a Division.

The earthquake measuring 6.3 on the Richter scale that struck the eastern Dzongkhags on 21 September 2009 was the most devastating disaster that Bhutan faced in recent times. Following the earthquake, more than 100 aftershocks, including two major ones, caused further damage to rural homes and other properties. The earthquake severely affected the six eastern Dzongkhags, claiming twelve lives and causing widespread damages estimated at Nu.2.5 billion.

Despite the lack of experience in dealing with a disaster of such a large magnitude, all the concerned agencies responded quickly and effectively. In the field the respective Dzongkhag Administrations undertook immediate assessment of the damages and wherever necessary, provided immediate relief to affected families. The following day the Lhengye Zhungtshog held an emergency session to take stock of the situation based on the initial reports of casualties and damages.

Reflecting His Majesty the King's deep concern for the people, teams from the office of the Gyalpoi Zimpoen and armed forces personnel were immediately deployed to the affected areas to engage in rescue and relief operations and distribute ex-gratia compensation to the bereaved families.

The Prime Minister visited the affected Dzongkhags from 23-30 September and on his return to Thimphu gave a briefing to all the development partners on the extent of the damages. An emergency relief and recovery camp was set up in Trashigang under the direct supervision of the Minister for Home and Cultural Affairs.



The UN agencies and other development partners responded immediately, providing emergency relief supplies and tools to facilitate quick recovery. In collaboration with the UNDP and the World Bank a joint rapid assessment team was fielded to assess the extent of damages and facilitate mobilization of funds. The Ministry of Foreign Affairs, Finance Ministry, and the Gross National Happiness Commission began mobilizing funds from multilateral and bilateral sources for the reconstruction process.

In its recovery and reconstruction efforts, apart from the rebuilding of rural homes, the Royal Government's priority is to restore and reconstruct vital social service infrastructure such as schools, basic health units and water supply and sanitation schemes. The repair and reconstruction of cultural assets that are of vital importance to the local communities is also a high priority, and the Royal Government.

## **REVITALIZING THE THIRD PILLAR OF GNH –PRESERVATION AND PROMOTION OF CULTURE**

### **Preserving and promoting our Cultural Heritage**

In continuing our efforts to preserve and promote the unique culture of Bhutan, the following were some of the important and significant activities undertaken by the Royal Government of Bhutan during last one year:

#### *(a) Conserving our Heritage Sites*

Listing Phajoding on the World Monuments Watch List of 2010. Phajoding is now recognized as one of the 93 endangered sites in the world. The government is currently in the process of securing funds from international donors to execute the renovation works at Phajoding.

Successfully completed the second phase of the first-ever archaeology project in Bhutan (Drapham Dzong). The archaeology project has undertaken carbon dating of the excavated wood samples from Drapham Dzong site. The finds (ceramic pot fragments, bone fragments, arrowheads (metal), armllet (metal) and stone artifacts) are currently being studied to provide more information about the site.

Assessed and documented heritage sites affected by 21 September 2009 earthquake in the Eastern Bhutan. The Royal Government in coordination with the UNESCO team explored the possibility of undertaking structural analysis of traditional structures in Bhutan. This study would look in to delivering sound and efficient conservation works at affected heritage site especially in the context of conserving and sustaining our traditional construction techniques and materials.

The earthquake damage to Trashigang Dzong and Drametse lhakhang has been assessed and plans for re-consolidation of these two important heritage sites has been completed. Accordingly, the Royal Government has been successful in securing funds from UNESCO Paris office, Prince Claus Fund and World

Monument Fund for immediate consolidation works to be executed at Trashigang Dzong and Drametse lhakhang.

The Division for Conservation of Heritage Sites is in the process of executing four major Dzong (Wanduephodrang Dzong, Lhuentse Dzong, Dagana Dzong and Paro Dzong) in accordance to the approved master plan. These national scale conservation projects aim to conserve and rehabilitate the four dzongs as a significant national living heritage site in Bhutan. The Dzong projects will also look into improving the living facilities for the resident monks and promoting our traditional construction craftsmanship.

The Royal Government continues to provide technical and administrative support to oversee the successful construction of 169 feet tall Buddha Dordema statue at Kuenselphodrang in Thimphu.

The Department of Culture is in the process of re-activating the Cultural Trust Fund so as to ensure a constant and sustainable source of funding for the preservation and promotion of the cultural heritage of Bhutan.

The Royal Government in accordance with the command of His Majesty the King is working on reconstructing Yongla goenpa in Pemagatshel. The dilapidated condition of this important heritage site was further aggravated by the 21 September 2009 earthquake. Therefore, the project will primarily aim to reconstruct the structure as per the traditional norms and design, and further re-establish the importance of the site.

The Royal Government will be constructing a Bhutanese lhakhang at Lumbini in Nepal. Bhutan has already been allocated by the Lumbini Development Trust with two plots of land to undertake this new construction project. The Department of Culture has already prepared the preliminary design and drawings and the actual commencement of project will take place following the signing of agreement.

*(b) Promoting our Cultural Heritage*

Following the successful debut at the Honolulu Academy of Arts in Hawaii last year, “The Dragon’s Gift: The Sacred Arts of Bhutan” exhibition which is jointly organized by the Department of Culture and the Honolulu Academy of Arts, is currently being shown at Cologne Museum in Germany after having travelled to San Francisco, New York and Paris. It will soon move to Zurich in Switzerland. The exhibition of more than 100 sacred items (many of them on loan from temples and monasteries in Bhutan) has been one of the most successful exhibitions on Buddhist Art in recent years. It has contributed greatly to enhancing Bhutan’s image to the outside world.

The 9<sup>th</sup> Annual Crafts Festival and National Design competition was successfully held in October 2009. Organized by the National Textile Museum and inaugurated by Her Majesty the Queen Mother Ashi Sangay Choden Wangchuck, the festival provided a very valuable platform for Bhutanese artisans from all parts of the country to showcase their skills.

The Department of Culture has completed eighty percent of the works related to the inventory and photography of movable cultural property in Punakha Dzong, Gangtey Goenpa, Lhuntse Dzong, Kurtoe Jangchuoeling Goenpa, and the Kalikhola Dratshang in Dagana.

As part of continuing effort to preserve and promote the spiritual and historical values of Bhutan, the National Library and Archives has published the following books:

The Biography of Sindha Raja: This book, which deals with the activities of an exiled Indian King known as Sindha (popularly known as Chakhar Gyalpo or Gyalp Sindha), sheds light on the history of early Bumthang, and visit of Padmasambhava, and consequent introduction of Tantric Buddhism in Bhutan.

The Biography of Lama Monlam Rabzang; This book describes about Lama Monlam Rabzang's (a learned and renowned Bhutanese Buddhist master who lived in the late 19<sup>th</sup> and early 20<sup>th</sup> century) spiritual legacies that were left in the form of poetic works, songs, liturgical texts, and paintings.

The Archives Draft Act, a legal document that guides to carry out the archiving activities efficiently in view of the emerging needs of archiving records of national importance, is currently being translated into Dzongkhag. This draft Act will be submitted to the next National Assembly session for discussion.

The National Museum at Paro hosted the 6<sup>th</sup> Colloquium on Intangible Heritage. This colloquium, attended by the diverse groups of noted national scholars, aims to share and disseminate information on history and culture of Bhutan from Neolithic age to present day.

To promote and preserve the diverse performing arts of Bhutan, the Royal Academy of Performing Arts has documented few of the unique songs and dances found in Bhutan. The research on these types of unique songs and dances are in the process of being executed.

In order to keep the practices of performing traditional mask and folk dances alive, the Royal Government deputed skilled performers to the Dzongkhags to perform and disseminate the art during Tshechus.

In addition to publishing the books on Guru Rinpoche's Nye at Trashiyangtse and Lhuentse Dzongkhag, the Division for Cultural Properties has successfully completed the following activities related to conservation of movable artifacts:

- Conservation of Gongsar Jigme Namgyal's riding saddle.
- Conservation of wall paintings (dating more than 100yrs old) at Gomphu Kora under Trashiyangtse Dzongkhag.

- Conservation of wall paintings at Choeten Ningpo lhakhang, which was the winter residence of the fourth Desi Tenzin Rabgay under Punakha Dzongkhag.
- Conservation of Thangkas from Buli lhakhang, residence of Tertoen Dorji Lingpa (13c) under Bumthang Dzongkhag.
- Conservation of Thankas from Shamtog lhakhang under Dagana Dzongkhag

The Royal Government of Bhutan successfully conducted Driglam Namzha training for civil servants in two different batches.

### **Language**

In carrying out its mandate to develop and promote the national language, the Dzongkha Development Commission (DDC) has undertaken the following activities in the past year.

A second edition of the 2270-page Chokey-Dzongkha Dictionary, compiled over a period of five years, is being readied for printing, along with the second edition of Dzongkha-English Dictionary first published in 2002. Also being edited is a pocket sized English-Dzongkha dictionary, while an intermediate Dzongkha-English dictionary and a Dzongkha Dictionary for Beginners, both aimed at school-children, have been distributed to schools. Booklets on Dzongkha tenses, honorific, and grammatical terms have been drafted.

A linguistics survey has been initiated and completed so far in the five districts of Wangduephodrang, Zhemgang, Haa, Samtse and Pemagatshel.

On information and communications technology, an ICT consultant has been hired to improve and enhance the Dzongkha Unicode computing system. Locale and keyboard for Windows Vista (32 and 64 bit versions) were developed to render support for Dzongkha in Windows Vista, and two ICT officers were trained in FontLab software and Unicode systems.

A new font, DDC Uchen, has been developed based on the earlier Tsuyig\_04 font and this works in Apple Mac, Adobe Indesign, and Linux systems. The bold and *italics* version of the Tsuyig\_04 font is currently being developed, as is a preliminary draft set of Joyig fonts. Templates for Dzongkha documents and traditional Pecha are ready for Microsoft Word and are being enhanced for OpenOffice and Adobe Indesign systems.

On the literary front, draft books to guide translation, writing foreign names in Dzongkha, bilingual financial terminology, Dzongkha Lozey, Dzongkha Tsangmo, and Dzongkha stories are being compiled. The Dzongkha Dictionary is being updated with the newly coined 860 words.

A basic translation course, an inter-higher secondary school Dzongkha quiz and spelling contest and a week-long Dzongkha spelling standardisation workshop were organised. Several similar initiatives were taken with relevant stakeholders like the media houses.

A survey tracking the achievements of Dzongkha focal persons was conducted. Simultaneously, Dzongkha advocacy and perception surveys were carried out covering 16,576 people around the country.

In HRD, the DDC studied language policies, orthographical development, dictionary development, and language promotion through ICT in Thailand. Short term courses were also availed of both in-country and India during the past year.

#### **Addressing the scourge of drugs and substance abuse**

The growing use of drugs and substance abuse by youths in recent times has been a major concern for the Royal Government, civil societies, as well as parents. Addressing the issue of drug and substance abuse continued to remain high among the priorities of the Royal Government's.

The following were some of the important activities that were carried out by the Bhutan Narcotic Control Agency (BNCA) during the past year in its continuing efforts to prevent and address the problem of substance abuse:

*(a) National Baseline Assessment on Drugs and Controlled substances (NBA).*

The BNCA, with the guidance of the Narcotic Control Board carried out a national baseline assessment on drugs and controlled substances in 2009. The aim of the initiative was to assess the extent and type of drugs and controlled substance use in Bhutan and help develop appropriate interventions and facilitate the formulation of a National Drug Control Strategy of Bhutan.

The assessment covered fourteen Dzongkhags and was carried out in a community setting as well as in a school setting. The NBA has provided valuable information on the pattern of drug and substance abuse in a much wider geographical area beyond Thimphu and Phuntsholing, and come out with clear recommendations for interventions at the level of the government, schools and communities.

*(b) Establishment of a Treatment and Rehabilitation Centre for Drug and Alcohol Dependence*

Understanding the importance of providing treatment and rehabilitation for the victims of drug and substance abuse, the Royal Government in collaboration with the Youth Development Fund, established the Treatment and Rehabilitation Centre for Drug and Alcohol Dependence at Serbithang which was inaugurated in November, 2009 by Her Majesty the Queen Mother Ashi Tshering Pem Wangchuck. The centre has so far admitted 53 clients out of whom 36 clients successfully completed the programme.

*(c) Drop-in-centers for drug and alcohol dependents*

In order to make it easy for drug alcohol and dependents to seek help, the BNCA has established a drop-in-centre each in Thimphu, Phuntsholing and Gelephug. and is in the process of establishing one each in Mongar and Samdrup Jongkhar. A guideline for drop-in-centers has been published and will be launched shortly.



*(d) Sensitization and Advocacy*

In order to increase public awareness regarding the issue of drug and substance abuse, and develop effective collaboration between stakeholders, the BNCA has carried out a number of sensitization and advocacy activities including:

- training of teachers from all across the country on basic counseling for drug and alcohol dependence;
- recruitment and training of peer councilors to work in the Rehabilitation and drop-in-centers;
- briefing on the Narcotic Drugs, Psychotropic Substances and Substance Abuse (NDPSSA) Act 2005, to the DYT members of Punakha, Wangdue, Sarpang and Chukha Dzongkhags;
- sensitization on the Narcotic Drugs and Psychotropic Substances were made to 188 principals and District Education Officers of the Ministry of education during the GNH conference on 6<sup>th</sup> and 7<sup>th</sup> February 2010;
- drug related law enforcement training for personnel of relevant government agencies.

In December 2009, the Royal Government signed a MoU with the Government of India on “Drug Demand Reduction and Prevention of Illicit Trafficking in Narcotic Drugs, Psychotropic Substances and precursor of Chemicals and related matters.”

In March 2010, the Royal Government and the Government of West Bengal agreed to set up a joint task force of the relevant agencies to control the smuggling of drugs across the borders. Furthermore, the Narcotic Control Bureau (NCB) in Kolkata agreed to provide training for law enforcement agencies in Bhutan as part of the capacity building of BNCA.

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

### **Good Governance**

An equitable, inclusive and just government is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient. There is little or no corruption, and the views and voices of minorities and the most vulnerable in the society are heard in decision-making.

World Bank statistics reveal that in 2008 Bhutan topped the SAARC countries in political stability, government effectiveness, in rule of law and control of corruption. However, it was fifth in voice and accountability, and only seventh in regulation quality. Globally, Bhutan has to gain between 21 and 65 places to reach the level of some of the best countries.

The Royal Government recognizes good governance and anti-corruption are critical for the achievement of its goal of poverty alleviation. It is, therefore, resolutely committed to strengthening mechanisms, processes and institutions through which citizens and groups can articulate their interests, exercise their rights, meet their obligations, and mediate differences.

The following were some of the good governance initiatives during the year:

#### *(a) Consolidating Good Governance efforts*

In order to consolidate good governance related schemes, the Improving Public Service Delivery Systems (IPSDS) unit which had been set up earlier under the RCSC was merged with the Good Governance Affairs (GGA) unit of the Cabinet Secretariat and mandated to take up service delivery reform, regulatory reform and systemic improvements in general. Several recommendations from the study on reducing administrative burden using Standard Cost Model have been adopted.

#### *(b) Consultative decision making*

While the policy framework for governance right up to local government level, had existed since the 1990s, the enactment of the Local Government Act during the last session of Parliament has now established the necessary legal and institutional framework for exercising the participatory process of decision making.

A policy protocol has been established whereby government agencies proposing new policies are required to follow the prescribed procedures of consultation, review and assessment before the policy can be brought for consideration by the Cabinet. This is intended to ensure quality, consistency and standards in policies through the participation and involvement of stakeholders, incorporation of GNH values, and harmonization with other sectoral policies. The Economic Development Policy of the Ministry of Economic Affairs, which was launched recently, was among the first policies to go through this protocol framework.

In order to set standards for legislative processes and ensure harmonization and consistency in the enactment of laws and framing of rules and regulations, the GGA of the Cabinet Secretariat has been mandated to institute a similar protocol for legislation process termed as “Legislative Protocol”.

### **Improving Public Service Delivery**

Improving public service delivery has been identified as an important component of the Accelerating Bhutan's Socio-Economic Development initiative. Accordingly the Royal Government has approved a time bound project to improve public service delivery the Government to Citizen Services (G2C) has now been taken up separately as project by itself. The project is a follow through of the earlier project known as Improving Public Service Delivery Systems (IPSDS) and is aimed at improving efficiency in the delivery of public services. The objective of the project is to provide access to government services within one day's walking distance to 80% of the population by setting up 205 e-service outlets offering 80 leaned e-enabled G2C sub-services.

One of the requirements for improving the delivery of services is to set baseline standards for all public services. Towards this, the GGA has compiled the Service Delivery Standards (SDS) of forty two government agencies viz. ten ministries,

twelve autonomous agencies and twenty Dzongkhags. Once these standards are endorsed by the Royal Government, it will not only serve as a tool for monitoring, but also provide a useful benchmark by which citizens can judge the efficiency of the service providers.

### **Institutional developments for good governance**

The following are some of the initiatives aimed at improving the quality of governance:

- The setting up of a separate Department of Agriculture Marketing and Cooperative to empower farmers through the formation of cooperatives and improve market access;
- A Department of Cottage, Micro and Small Enterprises was established under the Ministry of Economic Affairs to stimulate private sector development;
- Meanwhile, a Division for Water Resource Management has been created to efficiently manage water use, Bhutan's most precious natural resource.
- Efforts to strengthen the internal audit systems in Government agencies is on-going.

With the aim of reducing crime, a Crime Prevention Unit has been established and model police stations with separate male, female and juvenile detention facilities are being built;

The procedure for issuing trade and industrial licences have been drastically shortened.

### **Promoting e-governance**

In a globalised world, Bhutan's future lies in how effectively it is able to exploit the infinite potentials of Information and Communications Technology (ICT). To this end, the Royal Government, with the support of the Government of India, has launched *Chiphpen Rigpel*, a Nu.2 billion ICT project whose broad aims are to make

every Bhutanese citizen IT literate, harness ICT to reap economic benefits and create an ICT enabled knowledge society.

Meanwhile, the Department of Information Technology and Bhutan Telecom are designing an ICT protocol to make different IT systems compatible with each other to enable data sharing. A common e-platform to integrate different systems has already been developed.

Towards promoting e-governance, the following initiatives have been launched:

- the system for issuing clearances for forest resources has been decentralized to the level of the forest range and parks and the use of ICT for this purpose is under development;
- the RNR database (e-resources) has been put on line for information and research;
- e-filing of personal income tax which was introduced in the previous year has been further supplemented by enabling payments to be made on-line;
- Other ICT based systems including those relating to health, education, agriculture and crime have been developed.

A web-based national Planning and Monitoring System (PlaMS) has been developed and integrated with the multi-year rolling budget and the public expenditure management system.

### **Regulatory Reforms**

The Royal Government recognizes the need to simplify and improve existing regulations so that the regulatory framework reinforces compliance and effectiveness. Therefore, with a view to eliminate burdensome and excessive regulations which often result in duplication and inconsistencies, the Good Governance Affairs unit in the Cabinet Secretariat has been mandated to initiate regulatory reforms using scientific and evidence based regulatory tools such as the

Standard Cost Model to reduce the administrative burden and assess the impact of regulations on the economy, environment, culture and the society at large.

**Promoting Transparency**

Transparency is the existence of government processes and information that is directly accessible by citizens concerned with them. Lack of transparency in government decisions and conduct breeds corruption at various levels. Only through greater transparency can citizens combat corruption and inefficiencies and secure equal access to essential public services.

Towards promoting greater transparency, the Royal Government has set up an Information and Media Affairs unit within the Cabinet Secretariat. A media professional has been hired to work closely with the media and disseminate information on government decisions. Furthermore, a system of monthly meetings with media representatives has been introduced during which Cabinet Ministers interact directly with them.

**Responding to citizens queries and concerns**

Being able to respond to and address citizens' queries and concerns adequately by public institutions is a governance issue. Good governance therefore, is also about having policy provision and institutional framework for public information, transparency, mechanism and capacity to redress grievances. The initiative of the Good Governance Division in the Cabinet to develop and implement Service Delivery Standards by all agencies and use it as a mechanism to redress public grievance is an action to address this issue.

The Public Grievance Cell at the Prime Minister's Office received 356 grievances of which 235 cases have been addressed. Also, 132 cases spilled over from 2008 were addressed. There still remained 121 cases to be resolved from 2009 and exactly another 121 cases from 2008. The cases registered were 96 seeking employment, 60 scholarship, 30 land kidu, allotment and resettlement, 24 security clearance and census, 10 bail from prison, and 136 miscellaneous.

### **Free and Responsible Media**

There was continued growth on the media front. The past year alone, saw the arrival of two more weekly newspapers – Business Bhutan, and The Journalist, and three magazines, Drukpa, Trowa and Yeewong - each pushing new thresholds in Bhutanese journalism.

Media activities in the online domain are no less frenetic. The era of social networks and citizen journalism has arrived; internet technology is radically altering the way we interact and communicate with each other. Roughly 50,000 Bhutanese have Facebook accounts, thousands more are on Twitter and, this may be just the beginning. A significant portion of these online pioneers are our youth – ever energetic and raring to break new frontiers.

The creative talent of Bhutanese is equally being unleashed in the field of cinema. Twenty one Bhutanese films were produced in the past year, an all time high. But we are not merely seeing an escalation in volume; technical finesse - in fact a growing sophistication in every aspect of cinematography - is a much talked about topic today. Similar developments are evident in the field of advertising, in the making of infomercials and commercials.

Despite some earlier concerns that the proliferation of FM radios was adversely affecting the music industry, the sector is now beginning to rebound. More than 100 audio albums were released in the past few years, each new arrival better than the one before, setting the bar ever higher.

The media is a powerful shaper of society's values and ethos. They create and disseminate knowledge, shape beliefs and attitudes, mirror realities, and foster change. The all-important democratic values of transparency and accountability thrive only to the extent of how well the media is developed, supported and given the space to function.

The Royal Government believes that a good watchdog is the one that is not shackled. The rationale behind the official declaration of the media as the fourth

arm of governance, alongside the three other arms – judiciary, executive and legislative - stems from this belief.

To this effect, we have created avenues to engage the media proactively. Every government activity is transmitted to the general public, through regular and timely news releases and news briefings, as also through the internet, and the telephone. Every major policy initiative or activity is relayed through press conferences, led, if not by the Prime Minister himself, by the responsible Minister. During the first five months of 2010, the Cabinet Secretariat alone has issued 73 press releases and 103 briefings.

Furthermore, in consultation with the media houses, the Royal Government has introduced a monthly forum dubbed “Meet the Press”. Conducted on the last Thursday of every month, the forum provides the much-needed avenue for the media to scrutinize the government and deservedly take it to task if indeed it has failed or faltered.

But fostering an enabling environment alone may not be enough. We realize that our media, young as they are, need financial support and, more critically, they need resources and opportunities to build on their human resources.

The Royal Government is, therefore, grateful to His Majesty the King for having personally initiated the establishment of Bhutan Media Foundation with aims, among others, to spur HRD in the media sector and help the media houses stave off financial difficulties. The Royal Government, on its part will continue to do its utmost to provide resources, over and beyond funding annual activities like the media and film awards.

### **Civil Society Organizations**

The role of CSOs is crucial and more so in a young democracy like ours. The government recognizes their valuable input in development process in several areas such as nature conservation, education, poverty alleviation, youth, women and children, entrepreneur skills, etc. The government will continue to encourage



and support such NGOs which are instrumental to the wellbeing of the nation and the people of Bhutan.

About 47 applications were received after the CSO Act was passed. However, no concrete action could be taken before end of 2009. The Act has now been translated into rules and regulation. Therefore all the applications were returned with the request for re-submission according to the criteria and processes as prescribed in the rules. Ten applications were received and of these four have been registered and six again had to be returned for re-submission due to non-fulfilment of the criteria. Given the experiences of CSOs in other developing countries, we will remain mindful of their purpose and scrutinize applications thoroughly prior giving the registration.

The government recognizes the various significant contributions made by existing NGOs and wishes to thank them for their unwavering support in poverty alleviation, youth and leadership training, women and children care, nature conservation and so on.

### **Foreign Relations**

The Royal Government continued to pursue a foreign policy aimed at strengthening Bhutan's relations with the international community and promoting international peace and security through goodwill and co-operation. Our bilateral and multilateral development partners and other friendly countries were kept informed of the developments in the country through our diplomatic missions and embassies, as well as through annual and periodic consultations and exchange of visits at various levels. Bhutan also continued to participate in bilateral and multilateral meetings including at the summit levels.

#### *(a) Bhutan –India relations*

The Royal Government regards Bhutan's bilateral relations with India as the most important aspect of its foreign relations. The Bhutan-India relationship which has matured over the years is today characterized by close trust and understanding and extensive socio-economic cooperation, particularly in the field of hydroelectric

power. This special relationship has been sustained by a tradition of regular visits and extensive exchange of views at the highest levels, and this was continued during the year.

At the invitation of the President of India, and in a fitting tribute to the friendship between the two countries, His Majesty the King paid a state visit to India from December 21-26, 2009. This was His Majesty's first state visit to a foreign country after the Coronation in November 2008. Reflecting the close economic cooperation between the two countries, a dozen agreements and memorandums of understanding, including four on hydropower generation were signed during the historic visit. The other agreements were in the areas of civil aviation, agriculture, health and IT.

Among the various other high level visits to India, the most prominent were those of Lyonchhen Jigmi Y.Thinley in February 2010 to attend the 10<sup>th</sup> Delhi Sustainable Development Summit in New Delhi and the World HRD Congress in Mumbai; Lyonpo Khandu Wangchuk, Minister for Economic Affairs and by Lyonpo Zangley Dukpa, Health Minister, both in January 2010. In the same month, Her Majesty the Queen Mother Ashi Dorji Wangmo Wangchuck visited India for the Jaipur Literary Festival.

There were also a significant number of visits to Bhutan by senior Indian leaders and officials. These included visits by Mr. Shyam Saran, the Special Envoy of the Prime Minister on Climate Change in July 2009; H.E. P.Chidambaram, the Minister for Home Affairs in August 2009; Mr. Vinod Rai, Comptroller and Auditor General of India in September 2009; Mrs. Nirupama Rao, Foreign Secretary in September 2009; Mr. Navin Chawla, Chief Election Commissioner in October 2009; and H.E. Pawan Kumar Bansal, Minister of Parliamentary Affairs and Water Resources in October 2009 (to attend the International Conference on 'Deepening and Sustaining Democracy in Asia'); and Meira Kumathe Speaker of the Lok Sabha and Sushma Swararaj the Leader of the Opposition in June 2010.

*(b) Other Bilateral Relations*

Bhutan expanded our fraternity of bilateral partners with the establishment of formal relations with Brazil in September 2009 and with Afghanistan in April 2010. With these, Bhutan now has formal diplomatic relations with twenty five countries, including the European Union.

The state visit of the Prime Minister of Bangladesh H.E. Sheikh Hasina from 6-9 November 2009 at the invitation of Hon'ble Lyonchhen was a milestone in our bilateral relations. She was accompanied by a high level delegation including the Minister for Foreign Affairs, the Minister for Industries, the Minister for Commerce, Adviser to the Prime Minister, Ambassador and other senior officials.

During a visit to Fukuoka, Japan in August/September 2009 to deliver a keynote address on GNH to the Junior Chamber of Commerce, the Honorable Lyonchhen called on the then Prime Minister of Japan H.E. Mr. Taro Aso. With a view to further strengthen business interaction and people to people contact with Japan, an Honorary Consul-General in Tokyo, and Honorary Consuls in Kagoshima Osaka were appointed. A Goodwill Ambassador of Tourism in Japan was also identified although the formal appointment is yet to be made. Again in April 2010, the Honorable Lyonchhen called on the new Prime Minister of Japan H.E. Yukio Hatoyama during a visit to Tokyo to deliver an address on GNH to the Japan Chamber of Commerce and Industry. These interactions have greatly contributed to raising awareness and interest in Bhutan and further strengthening our bilateral ties.

In April 2010, at the invitation of Ms. Sujata Koirala, Deputy Prime Minister and Foreign Minister of Nepal, the Honorable Lyonchhen visited Kathmandu to attend the religious ceremony marking the 13<sup>th</sup> day ritual for the former Prime Minister of Nepal, the late G.P. Koirala. Lyonchhen called on the Prime Minister of Nepal and discussed a number of issues. The visit was well received by the Government of Nepal and seen as highly significant in improving bilateral relations between the two countries.

His Majesty King George Tupou V of Tonga paid an official visit to Bhutan in May 2010 during which he presented the insignia of the Order of Queen Salote III, the highest Tongan Order, to His Majesty King of Bhutan.

### **Legislative Plans**

The Constitution of the Kingdom of Bhutan has created a vibrant Democratic Constitutional Monarchy resting on the fundamental concept of the Rule of Law which is the fundamental prerequisite for ensuring equity and justice. Reflecting its commitment to the rule of law, since its assumption of office in 2008, the Royal Government has submitted a host of legislations to Parliament for enactment.

The following is a comprehensive list of legislations that were enacted by Parliament:

- *Acts:*
  - Constitution of the Kingdom of Bhutan, 2008
  - Election Act of the Kingdom of Bhutan, 2008
  - Public Election Fund Act of the Kingdom of Bhutan, 2008
  - National Referendum Act of the Kingdom of Bhutan, 2008
  - National Assembly Act of the Kingdom of Bhutan, 2008
  - National Council Act of the Kingdom of Bhutan, 2008
  - Parliamentary Entitlement Act of the Kingdom of Bhutan, 2008
  - Royal Bhutan Police Act of the Kingdom of Bhutan, 2009
  - Prison Act of the Kingdom of Bhutan, 2009
  - Waste Prevention and Management Act of Bhutan, 2009
  - Cooperative (Amendment) Act, 2009
  - Livestock (Amendment) Act, 2009
  - Local Government Act, 2009
  - Marriage (Amendment) Act, 2009
  
- *Conventions/Charters/Agreements*
  - The Optional Protocol to the Convention on the Rights of the Child (CRC) on the Involvement of Children in Armed Conflict, 2009.

- The Optional Protocol to the Convention on the Rights of the Child (CRC) on the Sale of Children, Child Prostitution and Child pornography, 2009.
- Protocol of Accession of Islamic Republic of Afghanistan to Agreement on South Asian Free Trade Area (SAFTA), 2009.
- SAARC Convention on Mutual Assistance in Criminal Matters
- Charter of the SAARC Development Fund (SDF), 2009.
- Agreement for Establishment of South Asian University, 2008.
- Agreement on Establishing the SAARC Food Bank, 2008.
- Agreement on Establishment of South Asian Regional Standards Organization, 2009.

*Bills under consideration by Parliament*

The following is the list of Bills on which consensus between the National Assembly and the National Council could not be achieved during the earlier sessions, and which will, in accordance with Article 13(8) of the Constitution, be considered by Joint Sitzings of the two houses during the fifth session of Parliament:

- Tobacco Control Bill;
- Standards Bill of the Kingdom of Bhutan;
- Royal Monetary Authority (Amendment) Bill;
- Entitlement Bill for the Holders of Constitutional and Autonomous Offices.

In addition, the National Council will deliberate on the Royal Civil Service Bill. This Bill had been considered by the National Assembly during the fourth session of Parliament and transmitted to the National Council in accordance with Article 13(5) of the Constitution.

*New Bills proposed for the Fifth Session of Parliament*

The proposed Bills will be debated before they can be passed as laws. for deliberation during the Fifth Session of Parliament. The new bills will originate from the two houses as allocated below:

- Childcare and Protection Bill, 2010 - National Council
- Adoption Bill, 2010 - National Council
- Water Bill, 2010 - National Assembly
- Financial Services Bill, 2010 - National Assembly

*New Bills being drafted by the concerned Ministries/Agencies*

In keeping with the provisions of the Constitution, the following bills are being drafted by the concerned ministries/agencies and will be submitted for enactment in the subsequent sessions of Parliament.

<b>Title of Bill</b>	<b>Responsible agency</b>
Declaration of National Parks, Wildlife Reserves, Nature Reserves, Protected Forests, Biosphere Reserves, Critical Watershed and other such categories <i>(Article 5, Section 5 of the Constitution)</i>	Ministry of Agriculture & Forests
Bill on Declaration of Emergency <i>(Article 33 of the Constitution)</i> ; Impeachment Bill <i>(Article 32, Section 5 of the Constitution)</i> ; Alternative Dispute Resolution Centres Bill <i>(Article 21, Section 16 of the Constitution)</i> ; Limitation Bill; Essential Services and Maintenance Bill; Contract Bill; Working Parent Incentive Bill; Bill on Formation, Functions, Ethical Standards and Intra-Party organization of Political Parties <i>(Article 15, Section 16 of the Constitution)</i> ; Administrative Tribunals Bill <i>(Article 21, Section 16 of the Constitution)</i>	Office of the Attorney General

TASHI DELEK