

# ROYAL GOVERNMENT OF BHUTAN



FIFTH ANNUAL REPORT  
OF  
LYONCHHEN JIGMI YOEZER THINLEY  
TO  
THE TENTH SESSION OF THE FIRST PARLIAMENT  
ON  
THE STATE OF THE NATION

(4<sup>TH</sup> MARCH 2013)

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**April 9, 2008:** His Majesty the King blesses the first democratically elected Prime Minister with *Dakya*



## TABLE OF CONTENTS

I.	INTRODUCTION	1
1.	Events that Shaped Our Nation	1
2.	Promises Kept and Broken	3
II.	FIRST PILLAR: ENHANCING SUSTAINABLE AND EQUITABLE SOCIO-ECONOMIC DEVELOPMENT	6
1.	Improving Living Standards through Sustained High GDP Growth	6
2.	Equitable and Just Development	8
3.	The Common Minimum Programme (CMP) - A Crucial Step to Eradicate Rural Poverty and to Build a Resilient Democracy through Social and Economic Empowerment	9
4.	Agriculture - Attainment of Food Security, Adequate Nutrition, Enhancement of Farm Income, and “Easing the Drudgery of Farm Life”	13
5.	Employment - Pursuing Gainful Employment for All	16
6.	Communication Infrastructure Development	19
a)	Investing in the National Road System	19
b)	Expanding Air Service	21
c)	Realisation of ICT Enabled Knowledge-Based Society	22
7.	Support for the Private Sector - Initiatives Taken by the Royal Government	24
8.	Druk Holding and Investments (DHI) - Investment Arm of the Government	29
9.	Key Economic Sectors	33
a)	Construction Sector	33
b)	Accelerating Hydropower Development	34
c)	Tourism	36
10.	The Rupee Crunch - A Wake-Up Call But All is Well	38

11. Education - Investing in the Future of Bhutanese Society	39
12. Health Care	43
13. Empowering and Supporting Women, Children and Youth	47
a) Gender Equity and Child Welfare	47
b) Youth - Nurturing Our Greatest Asset	49
c) Sports - a Priority for National Health and Wellbeing	52
d) Addressing the Scourge of Drugs and Substance Abuse	53
III. SECOND PILLAR: REINFORCING ENVIRONMENTAL CONSERVATION	56
1. International Recognition for Bhutan's Leadership in Environmental Conservation	56
2. Conserving Our Precious Natural Heritage	56
3. Sustainable Management of Forest Resources	58
4. Mitigating Human-Wildlife Conflict	59
5. Clean Hydropower Energy - Sourcing, Exporting and Earning Carbon Credits	60
6. Creating a Central Agency for Promotion of Renewable Energy in Addition to Hydropower.	61
7. Environment Mainstreaming and Capacity Building	62
8. Strengthening Legal Framework and Monitoring Capacity	62
9. Climate Change Initiatives and Fulfilling International Commitments	64
a) Mitigating and Preparing for Glacial Lake Outburst Floods (GLOF)	66
10. Local Green Initiatives	66
a) Going Organic is Living GNH	66
b) Green Tax	67
c) Green Schools for Green Bhutan	68

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d) Pedestrian Day	68
e) Bicycle Riding - Development of a new healthy culture in Bhutan	68
f) City Bus Services in Thimphu and Phuentsholing	69
g) Managing Effectively the Stray Dog Population and Threat of Rabies	69
11. A Central Agency for Managing Natural Disasters	70
IV. THIRD PILLAR: PRESERVATION AND PROMOTION OF CULTURE	73
1. Spiritual Growth and Nourishment - The Choedhey Lhentshog	73
2. Festivals and Exhibitions of Our Culture and Arts - Sharing Human kind's True Wealth	73
3. Preservation, Renovation and Construction of Cultural Heritage	74
4. Sacred Festivals, Folklore, and Dances	75
5. National Colour Guard Ceremony at Tashichhodzong - to Honour and Serve the Tsa-wa Sum (Triple Gem).	76
6. Promotion of National Language - the Sound That Unifies All Bhutanese	76
7. Growth of Literature	77
8. Promotion of Indigenous Arts and Crafts - Income for Artisans and Keeping Alive Our Rich Heritage	77
9. Driglam Namzha - the Art of Living Harmoniously	78
10. Village Lhakhang - The Central Reference Point for Community Vitality	78
11. Film and Music Industry - Cause for National Pride	79
V. FOURTH PILLAR - CONSOLIDATING GOOD GOVERNANCE	81
1. Friendly, Accessible and Outcome Oriented Government	81
a) Acceleration of Bhutan's Socio-economic Development (ABSD)	81
b) Making Service Delivery Faster and Easier to Access -	

---

the G2C Project	82
c) Organizing Government to Maximise Effectiveness	85
2. Mainstreaming GNH in Public Policies and Programmes	85
3. Promotion of the Rule of Law	86
4. Independent and Professional Civil Service	87
5. Media - the Fourth Branch of Governance	88
6. Zero Tolerance to Corruption	89
7. Maintenance of Law and Order - Ensuring Safer Communities	90
8. Foreign Policy Advancement - Promoting Cooperation, National Image, and Security	91
a) Multilateral and Bilateral Relations	91
b) Expansion of Diplomatic Relations - Broadening the Circle of Friends and Partners in a Globalised World	93
c) UN Security Council - a Place to Strive For	94
d) People in the Refugee Camps in Nepal - A dignified and Durable Solution	94
e) Regional and International Summits and Conferences Hosted by Bhutan	95
9. Civil Society Organisations (CSO)	96
10. Responding to Citizens' Grievances and Concerns	96
11. Mobilizing resources for the 10th and the 11th Five-Year Plans	96
12. The 11th Five-Year Plan - a Proposal for the 2nd Democratically Elected Government	97
VI. IMBIBING A DEMOCRATIC CULTURE - THE DETERMINANT OF DEMOCRACY	99
VII. CONCLUSION	104

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## I. INTRODUCTION

The 10th Five-Year Plan (FYP) is in the last stage of completion. The term of the first democratically elected government has come to an end. And the first five years of democracy - with all their attendant tests, hurdles, and learning experiences on the path to establishing a resilient, vibrant democracy - are about to conclude.

When we prepared for these past five years, many of us believed with great apprehension that this would not be a period we would want to remember. Democracy as we have witnessed in the developing world; politics as we have seen being played; and politicians we have observed worldwide all gave us cause for anxiety. Even as His Majesty the Fourth Druk Gyalpo and His Majesty the King placed their trust in our collective wisdom and capacity to take upon ourselves the responsibility of shaping our own destiny, we were troubled by the uncertain prospects and saddened to leave behind a system that had served us so well.

But five years have come and gone. It is now time to take stock of how we, as the nation's first democratic government, have strived and fared in calming the fears and fulfilling the hopes of our fellow citizens, who placed on our shoulders the awesome responsibility of steering this precious ship of state through what was an uncharted sea.

Today, therefore, it is on behalf of the first democratically elected government and the Druk Phuensum Tshogpa (DPT) that I, as Prime Minister, have the honour to present this government's last state of the nation report to His Majesty the King, to the First Parliament, and to the people of our great nation. I humbly invite the Honourable Members of the House to look back openly and honestly at both our successes and failures, so that we can reflect together on how to build on the former and overcome the weaknesses of the latter.

### 1. Events that Shaped Our Nation

Events shape a nation and its destiny. These are what mould its culture, purpose, and place among nations and history. It was the unique honour of the first democratically elected Royal Government to plan and manage a host of events - each of which was of massive and historic proportion. These did not come at the cost of assuming the humbling responsibility of laying the foundations and establishing the traditions of the unique democracy that His Majesty the King ushered in and over which it is His sacred duty to preside.

The year 2008 was one of the most eventful years in our history - witnessing many *firsts* in the life of the Dragon Kingdom. It saw what must surely have been the world's most peaceful transition to democracy through the *first* ever parliamentary elections. The *first* Parliament deliberated upon and adopted the Constitution drafted under the wise, visionary, and selfless guidance of His Majesty the Fourth Druk Gyalpo. In so doing, the Bhutanese people embraced the vision and the principles that they would pursue and the processes by which they would strive to realise that vision and live by those principles.

The year 2008 was also the year that marked the completion of one hundred years of Monarchy and the beginning of a new era - a new partnership between the King and His people. The annual Thimphu Tsechu was performed at the newly built National Celebration Grounds for the *first* time - setting the stage for the most auspicious moment that formally marked the beginning of a new reign. We celebrated the Coronation of His Majesty the Fifth King of Bhutan amid great jubilation and confidence that we, as a people, have been blessed, yet again, with a wish fulfilling Jewel.

The following years were no less eventful. In April 2010, after having been a member of the SAARC for 25 years, Bhutan for the *first* time hosted the Summit of the leaders of our eight countries, with Afghanistan also participating for the first time as a new member. This highly successful Summit signalled the fullness of our nationhood as a sovereign, progressive, and valuable member of the international community - willing, eager, and competent to play a constructive role in a turbulent world.

In the summer of 2011, the United Nations General Assembly passed by consensus the *first* ever resolution sponsored by Bhutan, titled Happiness: Towards a Holistic Approach to Development. This spawned a flurry of world-wide initiatives to study and understand the purpose and meaning of development in the context of what constitutes true societal progress.

And then came a moment of supreme joy as the country celebrated the Royal Wedding that came as an answer to the prayer on the lips of every citizen. It was a union of the vitality, confidence and hope of the Bhutanese people with the grace, bounty and eternity of Druk Yuel. As if to echo the delight of the Bhutanese people, the United Nations adopted a historic resolution to set the 20th of March each year as the International Day of Happiness.

The spring of 2012 saw the Kingdom of Bhutan host an assembly of intellectual giants, thinkers, and leaders of nations at the United Nations in collaboration with the Secretary-General of the United Nations, the President of Costa Rica, and the Administrator of the UNDP. The world listened and marvelled as our country presided over the deliberations to define a new holistic, sustainable, and inclusive paradigm that would put society on a path toward human happiness and the wellbeing of all life forms.

All these auspicious events have been the result of a combination of the collective merit of the Bhutanese nation and a reflection of the extraordinary people that we are. We are a country that has captured the imagination of a disillusioned world. But to be so small and yet to be raised to a pedestal is less a cause for pride and more a reminder of what we must cherish and not lose and of what we ourselves must still accomplish to realise our vision. It is, indeed, in times of apparent success that one is in danger of sinking into complacency and slipping into arrogance. Yet, it is in belittling our own achievements that we become smaller and risk sliding back into the shadows away from the sunshine in which we bask. It is the balance between dignity, self-respect and humility for which we strive.

## 2. Promises Kept and Broken

The final test of democracy and an elected government is how it makes itself accountable to the people for the promises it has made - for those that it has kept and for those that it has broken. It is in the implementation of its party manifesto and the process by which it is pursued that provide the best measure of the quality and goodness of democracy over which an elected government has presided.

The Party committed itself to promoting *growth with equity and justice* through some 153 broad pledges in its manifesto. It has persevered to fulfil them through the 10th Five Year Plan (FYP). Whereas the FYP will end in June of 2013, leaving another four months from the time of writing this report, the performance to date is:

- i. 135 pledges (88%) fully met,
- ii. 15 pledges (10%) partially fulfilled;
- iii. 3 pledges (2%) not fulfilled.
- iv. 150 pledges (98%) fully or partially fulfilled.

The details are contained in Volume II of this report entitled: “Fulfilment of Pledges *In Pursuit of Equity and Justice*”.

The 10th FYP which provided the framework for the realisation of the pledges was, at the time, considered to be overly ambitious with a budget outlay of over Nu.148 billion (revised to Nu.150 billion), a 114% increase over the 9th FYP outlay of Nu.70 billion. This is besides the three hydropower projects (Punatsangchu I and II, and Mangdechu), totalling an investment of over Nu.101.90 billion, and the Chiphen Rigpel project (Nu.2.02 billion) to universalise IT literacy and competency, among others. At the time it was promulgated, the enormity of this five-year plan raised questions of implementation capacity, and it was seen by some as a politically unwise undertaking.

But process is as important as results. And the process by which the government has served its mandate is best seen in the democracy that is taking root in our nation:

- in the prevalence of the rule of law, as manifest in the government's defeat in the court of law and the appearance before the court of senior leaders in government;
- in the environment of peace, security, and harmony that we enjoy;
- in the freedom of thought, speech, and movement that we take for granted; and
- in the absence of fear and heartening sense of confidence in our people.

We are at peace with ourselves and with our neighbours. Hope is ever on the rise. We are a nation in ascendance - unshakable in our pursuit of Gross National Happiness (GNH).

The vibrant and positive determination we share to serve our King, our nation, our people, and indeed the world, does not diminish the major challenges we face as an aid-dependent developing country that is still striving to meet its people's basic needs. These challenges include balance of trade and payment issues that have produced our current rupee shortage, and serious social issues stemming partly from high rates of rural-urban migration, including youth unemployment and increasing crime, alcoholism and substance abuse. We are still classified as a "least developed country" and have yet to achieve the Millennium Development Goals (MDGs) fully.

However, our successes should give us the strength and the means to overcome the many obstacles and threats that we will and must face within the country and both near and far, as a consequence of our interdependent world where no nation is free from the actions and afflictions of others. We know that we cannot be an isolated GNH bubble in a GDP world and that, for example, greenhouse gas emissions in

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Chicago, Delhi, Beijing, Rio, or Sydney threaten our own valleys with grievous damage from glacial lake outburst flooding. But we also know that, if we stay true to our GNH vision and path, we can bring real benefit not only to our own people but far beyond our borders.

And so, as a nation firmly on the GNH track and as in the past, this State of the Nation report is structured on the Four Pillars of Gross National Happiness:

- I. Introduction
- II. First Pillar: Sustainable and Equitable Socio-Economic Development
- III. Second Pillar: Environmental Conservation
- IV. Third Pillar: Preservation and Promotion of Culture
- V. Fourth Pillar: Good Governance
- VI. Imbibing A Democratic Culture - The Determinant Of Democracy
- VII. Conclusion

## **II. FIRST PILLAR: ENHANCING SUSTAINABLE AND EQUITABLE SOCIO-ECONOMIC DEVELOPMENT**

### **1. Improvement of Living Standards through Sustained High GDP Growth**

While His Majesty the Fourth Druk Gyalpo proclaimed that “Gross National Happiness is more important than Gross National Product”, he was also fully committed to equitable economic development in harmony with nature in order to improve the living standards of our people. To that end, economic growth remains essential in poorer regions of the world to meet people’s basic needs.

Thus, the imperative of fuelling and sustaining a high level of macro-economic growth in order to achieve self-reliance through just and equitable growth from the low economic base of a poor and least developed country was the basis of our manifesto. This commitment is founded on the belief that we must pursue an accelerated pace of development in order to eradicate poverty while external development assistance is still available and predictable. Slow economic growth for Bhutan would have translated into a prolongation of the pains and suffering of poverty for almost a quarter of our population (23.2%) that lived below the poverty level when the DPT government took office in 2008. It would have meant generation of fewer jobs for the waves of expectant youths flowing out of schools, training institutions and universities. It would have meant allowing the gap to widen intolerably between the rich and the poor, the urban and the rural.

Hence, the DPT manifesto pledged a high growth rate of 9% and went on to announce its aspiration to create the macro-economic conditions for Bhutan to become self-reliant by the year 2020. While the prospects at the time seemed good, the global economic outlook changed dramatically barely five months later, to create the nightmare of worldwide recession. Five years later, the world has not recovered from the global economic slowdown. Global GDP growth slowed to 3% in 2012, Europe remains in recession, and even the economic power houses of China and India sputtered at 7.8% and 5.5% respectively.

Despite this bleak global economic background of the past five years and the consequent tightening of credit and loans, which threatened to derail our own best intentions when we took office, we refused to make excuses and kept our sights on our target against all odds. The result has not been disappointing:

- i. Taking off from a low of 5.7% GDP growth in 2008, the growth rates of our economy have been 9.3% for 2009; 10% for 2010; 8.9% for 2011 (provisional), and a projected 9.9% for 2012 (IMF estimate). The average GDP growth for the plan period is therefore 8.8%, which is very close to the target of 9% - quite a remarkable achievement given the depressed state of the world economy.
- ii. This robust growth rate boosted an unprecedented expansion of our economy by 70% from a GDP of Nu.55 billion in 2008 to Nu.95.06 billion in 2012(est.) at prevailing prices. Likewise, the GDP per capita income has shot up by 59% from Nu.81,539.5 (US\$1,874.5) in 2008 to Nu.139,464.9 (US\$2,986.4) in 2012, making us the second highest in South Asia after the Maldives. That in turn enabled us to halve the poverty rate in the country from 23.2% when we took office to 12% today.
- iii. That Bhutan should enjoy such sustained economic growth at a time when many other economies continue to perform dismally and even contract, with loss of jobs and record unemployment, has attracted much attention. It has prompted the IMF, which closely monitors the global economy, to praise Bhutan as the 4th fastest growing economy in the world in 2012.
- iv. And when all the additional 10,800 MW of hydropower are realised in 2020 under the accelerated hydropower development programme, the country's GDP at current prices will grow by another 139% to Nu.227 billion in 2020. This will further raise our GDP per capita to between US\$5,700 and US\$7,000 in 2020. Bhutan is surely on her way to becoming a middle income country. The goal of national self-reliance is no longer elusive - it is within our grasp.
- v. But there is a profound GNH message in these achievements that the IMF may not notice. In sharp contrast to the prevailing myth, so widespread globally, that one must choose between environmental protection and economic prosperity, we have demonstrated clearly that economic advance is not at the expense of protecting nature. On the contrary, we have expanded forest cover from 72.5% to 81% and protected areas to 51% of our land area and at the same time we have sharply reduced poverty, grown the economy, and improved living standards. This is what we mean by "sustainable" and "equitable" socio-economic development.

## 2. Equitable and Just Development

Impressive as such growth rates may seem, what matters for a GNH guided society is how the benefits of this growth are distributed - whether there is economic justice. From this perspective, the two measures that are of highest concern to the Government are the rate of unemployment and the percentage of people living below the poverty line. To these ends we have worked with determination over the past five years to reduce both unemployment and poverty rates, and thereby to ensure the broadest spread of socio-economic benefits from our development programme. Again, given the depressed state of the global economy and rising unemployment and poverty rates in so many parts of the world in the last five years, our achievements here in Bhutan give cause for some satisfaction:

**Unemployment reduced:** Against the declared target of reducing unemployment to 2.5%, from a rate of 4.2% in 2008, we have consistently lowered our unemployment rate to bring it down to just 2.1% in May of 2012. This compares very favourably with unemployment rates elsewhere - 9.1% globally, 7.9% in the US, 10.7% in the European Union, and 26% in Spain.

But we are not happy that our youth unemployment rate remains high, at 7.3%. It is not enough that we are well below the 2012 world youth unemployment average of 12.6%, or doing better in this regard than rich countries like the US and those of the European Union where youth unemployment is more than 23%, or Spain where it is now a shocking 55%. Despite such comparative statistics against which we rank very favourably, we still regard our present youth unemployment rate as too high, especially given the adverse social consequences it can engender.

At the same time, we have serious challenges in lowering this youth unemployment rate. There is actually no shortage of jobs in the country, but our youth are often very selective in what they choose to apply for, and frequently reject job opportunities for which expatriate workers are then hired. The high rate of dependence on parents in many cases gives youth an alternative source of livelihood that encourages this selectivity. We have not yet succeeded in instilling an ethic of dignity of labour applicable to blue-collar work.

**National poverty incidence sharply lowered:** The 2007 Living Standards Sample Survey (LSSS) conducted by the National Statistics Bureau (NSB) found 23.2% of our population living below the poverty threshold of a monthly income of Nu.1,096.

The 10th FYP set the target of bringing this poverty incidence down to 15%. After adjusting for inflation, and taking Nu.1,700 per month as the poverty line, preliminary estimates from the LSSS conducted by the NSB in May 2012 show that the percentage of people living below the poverty line has been reduced to just 12%.

**Rural Poverty sharply lowered:** What is particularly heartening is that the percentage of rural folk living below the poverty line has come down significantly from a high of 30.9% in 2007 to 16.7% in 2012, having bettered the target of 20% we set on taking office.

It is reasonable to assume an even further lowering of poverty in the hitherto remote farming communities since the last NSB survey, as a direct result of:

- the direct benefits of higher income from farm produce, including dairy, vegetables, oranges, apples, potatoes, ginger, and cardamom,
- more convenient and efficient market access provided by the many roads completed in time for the last harvest season, and
- the many other poverty alleviation measures implemented more recently under the Common Minimum Programme.

Of course, even one person living in poverty and without adequate means of subsistence is too many, and we cannot rest until poverty is eliminated. But we can take considerable satisfaction that we are moving very rapidly in the right direction, and we now know with certainty that poverty eradication in Bhutan is possible.

### **3. The Common Minimum Programme (CMP) - A Crucial Step to Eradicate Rural Poverty and to Build a Resilient Democracy through Social and Economic Empowerment**

As articulated in the DPT manifesto, the Royal Government was deeply troubled by the high proportion of people living below the poverty level and particularly by the concentration of poor in the rural sector. Rural challenges were aggravated by the possibility of deepening farmer poverty as a consequence of depletion of the agriculture workforce through rural-urban migration. Lack of adequate income; inaccessible markets for the fruits of hard and back-breaking labour; difficulty of access to and poor quality of social services; disparities in opportunities for development; and the general lack of social and economic empowerment were among the strong disincentives to farming.

With the majority of our population (69%) living in rural villages, it was obvious that any attempt to raise national wellbeing in an equitable and expeditious way had to be through a massive rural development programme aimed at equalizing access to and benefit from all socio-economic services through improving infrastructure for our farming communities. The highly ambitious strategy put in place to battle this multifaceted challenge was the CMP with the following objectives and degrees of success:

- i. **Motorable Road to Every Gewog:** At the beginning of the 10th Five-Year Plan, only 149 gewogs out of 205 were connected by motorable road and 56 had no road access at all. Against our pledge to provide a “road to every gewog”, the 56 gewogs that had no road access when we took office were mainly the most isolated communities in the country, with forbidding terrain, long distances to services, and minimal economic returns.

The 10th Five-Year Plan set a target of building a motorable road up to the gewog centre in 49 of these 56 gewogs. During the Mid-Term Review of the 10th FYP in 2011-12, the government approved three additional gewogs for road construction up to their gewog centres - Kangpara, Dorokha, and Yurung - which have now been connected.

According to the 10th FYP targets, the remaining four high-altitude gewogs (Soe, Lingzhi, Laya, and Lunana) were to be partially connected. The limitations were due both to ecological and demographic considerations, which forbid construction of a motorable road to Lunana, and also because consultations with the communities of Soe, Lingzhi, and Laya determined that roads beyond certain points could deprive these communities of potential economic advantages offered by tourism.

The Laya road is currently under construction; an all-weather mule track is being built to Lunana Gewog; and the walking distances to Soe and Lingzhi have each been reduced by a day to 1 and 2 days respectively.

Since 2008, a total of 892 kms of new roads have now connected 198 of the 205 gewogs in the country, and three more gewogs will be connected within the 10th FYP period. Thus:

- a. In addition to the 149 gewogs that already had motorable access, the following

38 gewogs now have motorable roads up to their gewog centres or up to points mutually agreed between the gewogs and the Royal Government:

1. Dungna; 2. Phuentsholing; 3. Logchina; 4. Khebisa; 5. Dorona; 6. Metsho; 7. Jarey; 8. Balam; 9. Chali; 10. Kengkhar; 11. Narang; 12. Tsakaling; 13. Tsamang; 14. Gongdue; 15. Nanong; 16. Choekhorling; 17. Chongshing; 18. Dechenling; 19. Chimung; 20. Khar; 21. Dungmin; 22. Chubu; 23. Langchenphu; 24. Serthi; 25. Wangphu; 26. Denchukha; 27. Dungle; 28. Bara; 29. Yalang; 30. Toetsho; 31. Merak; 32. Korphu; 33. Semjong; 34. Nahi; 35. Goshing; 36. Dorokha; 37. Yurung; 38. Kangpara

b. The following 9 gewog access roads, which have already crossed gewog boundaries, will be completed with the next four months:

1. Metap; 2. Sombaykha; 3. Jurmey; 4. Lajab; 5. Silambi; 6. Naro; 7. Sakteng; 8. Bjoka; 9. Chuzom (Dovan).

c. The five gewog access roads, where construction is less than 30% complete, are:

1. Getena; 2. Gakiling; 3. Lauri; 4. Bardo; 5. Shingkar.

However, I am pleased to report that road construction for two of these has crossed the gewog boundaries, and the remaining three will cross the gewog boundaries within the next four months.

ii. **Electricity for Every Home:** During the first nine five-year plans, 44,691 households were electrified in the 47-year period since the first FYP was launched. An additional 33,848 households have been electrified in just the last five years. The target for the 10th FYP, however, is 43,951 households, representing all remaining communities in the country. This means that 77% of the 10th FYP electrification target has been achieved to date, with 10,103 households remaining to be electrified. For most of these, work materials have already the sites.

I am very pleased to report that, except for the communities under Lauri and Serthig gewogs in Samdrup Jongkhar, which will receive electricity by the end of 2013, all the remaining communities in the country will be electrified within the plan period. By the end of this year, we will have electrified every home.

- iii. **Universal Primary School Enrolment:** Under this goal, the net primary school enrolment ratio in the academic session of 2013 was 99%.
- iv. **Safe Drinking Water Supply for Every Community:** Under this goal, 1,182 rural water supply schemes have been constructed or renovated against the target of 1,004, thus exceeding the target by 17%. However, this figure will keep fluctuating, as many water sources are drying or shrinking owing to climate change, and as many new homes are being built away from where water supply is made available.

Despite this important caveat, the MDG target of reducing the proportion of households without access to safe drinking water by half has already been achieved well in advance of the 2015 MDG target date.

As well, alternative technologies in the form of rainwater harvesting systems (Mongar, Pemagatshel, Paro, Trongsa, Lhuentse), and pumping water supply (Pemagatshel, Samtse, Chukha) have been implemented. Technology such as bio-sand filtration has also been implemented to ensure the safety and potability of supplied water.

The Government has developed tools and protocols for water quality testing in both urban and rural areas to avert water borne diseases and to enable access to clean and safe drinking water throughout the country.

- v. **Universal Mobile Phone Connectivity:** Under this goal, 99% coverage has been achieved. By the end of 2012, there were 560,890 mobile phone users in the country, as compared to just 228,347 users in 2008 - an increase of 146%. Mobile density per 100 inhabitants has also more than doubled, from just 37.2 in 2008 to 77.8 by the end of 2012.
- vi. **Minimum of Three Doctors and Two Ambulances for Every Dzongkhag Hospital for a Healthier Bhutan:** Under this goal, the following were achieved:
  - a. 12 Dzongkhags now have three doctors each. 4 Dzongkhags have two doctors each and 4 Dzongkhags have only one doctor each. These remaining 12 vacancies will be filled by doctors arriving from Cuba in March 2013. Within the next two months, therefore all 20 Dzongkhags will have 3 doctors each.

- b. The target of 2 ambulances for every Dzongkhag has been met: All Dzongkhag Hospitals now have at least two functional ambulances while referral hospitals each have at least five ambulances. Altogether 73 new ambulances were acquired on a top priority basis primarily from Japan and India, through initiatives taken at the highest political levels, to supplement the existing stock.

The Royal Government has not been successful in meeting the pledge to post 3 doctors in every hospital owing to the shortage of doctors coming out of medical schools in the last five years, and the difficulty of recruiting doctors from the region given the remuneration we are able to offer. Further, with road access vastly improved, we needed to ensure that our regional hospitals are not understaffed. It was through a rigorous effort to recruit doctors from Myanmar that the above levels were achieved. However, alternative measures have been taken to overcome existing shortfalls through the following means:

- a. As noted, 13 to 15 doctors will arrive from Cuba by the end of March 2013 as a special gesture of support from the Cuban Government.
- b. Health Help Centre (HHC) services have been launched on a nationwide basis to respond rapidly via the deployment of 107 ambulances equipped with GPS and GIS facilities. Since the HHC launch in February 2011, the Centre has responded to 39,019 emergency calls and 2,512 health care helpline service calls. This has greatly improved efficient and timely delivery of general and emergency health care services to citizens throughout the country.
- c. 37 health sub-posts manned by one health assistant on a full time basis have been established to serve remote and isolated communities as a very special measure.
- d. 300 Bhutanese students are pursuing MBBS degrees abroad, 26 doctors are undergoing specialisation programmes, and the The University of Medical Sciences of Bhutan will begin MBBS courses here from July 2013.

#### **4. Agriculture - Attainment of Food Security, Adequate Nutrition, Enhancement of Farm Income, and “Easing the Drudgery of Farm Life”**

As 69 % of the total population is farm based, enhancing the economic viability

of agriculture is directly linked to poverty alleviation, food security, and reducing unemployment, and is therefore discussed here in conjunction with the Common Minimum Programme described above.

Traditionally, food production in the country meant growing enough food to meet household requirements using family land and labour based on primitive methods of farming. These methods, however, have also contributed to food insecurity, drudgery, poverty, and rural-urban migration. The 10th FYP policy objective for the agriculture sector has been to transform these traditional subsistence farming practices to producing beyond household needs, for sale both to domestic markets and also for export, through increasing production, enhancing physical access to markets, and aggressive marketing strategies.

Further, we have decided to promote Bhutan as an organic brand. Going organic is the only way to keep our soils healthy and fertile, preserve our rich biodiversity, and protect our precious ground and surface water from being poisoned by chemicals. What makes this strategy even more worthwhile is that Bhutanese farmers can earn more by accessing the burgeoning US\$55 billion organic products market.

Worthy of note among our many achievements are:

- a. Cereal security: The productivity of paddy has been enhanced from 2.64 MT/ha in 2009 to 3.38 MT/ha in the targeted Dzongkhags for an impressive 28% productivity gain.
- b. Horticultural exports amounted to Nu.1,101.7 million in 2011, exceeding the 10th FYP target of Nu.900 million by the end of the current plan year.
- c. Four FDI investments were secured in the cultivation and marketing of hazelnuts, coffee, green tea, and seed potatoes. These new investments are at various stages of development and will provide a steady stream of income for participating farmers mainly from otherwise less productive land.
- d. Rapid expansion of vegetable production self-sufficiency with an eye to export of organic vegetables to India: The Rupee shortage in the past year has heightened the need to accelerate vegetable production through increased commercialisation. Through this initiative, 79 greenhouses have been distributed to 5 dzongkhags, and about Nu.4.2 million worth of vegetable seeds

- have been distributed as of October, 2012. This initiative has greatly added to farm income while also raising nutrition intake levels.
- e. Linking farmers to local schools and institutions generated income of Nu.2.075 million. Vegetable producer groups have been linked with various hydropower projects such as Punatsangchu I and II, Mangdechu, and also with some schools that now purchase produce from local growers. Currently, 83 MT of vegetables are supplied annually by local farmers to Punastangchu Hydropower Project. The government has also facilitated signing of deals between local farmers and 11 schools and other institutions.
  - f. Dairy production for 2011 was 28,579 MT, dramatically exceeding the 10th FYP target of 7,897 MT by 261%. The current production meets 69% of the domestic demand for milk, 86% of that for butter, and 79% of that for cheese. This increased production has greatly improved nutritional intake in villages, with village children now drinking milk along with a diet rich in fresh fruit and vegetables.
  - g. Egg production was 23 million in 2011, contributing an estimated Nu.224 million to the national GDP. The import of eggs dropped from six million in 2010 to two million in 2011, increasing the national egg sufficiency level to about 86%. Tsirang has already declared 100% self-sufficiency in egg production.
  - h. The Cooperatives Act of Bhutan was amended in 2009 to create an enabling legal environment for formation of farmers' groups and cooperatives, and to provide further impetus to the transformation from subsistence farming to commercial farming. There are presently 268 registered farmers' groups (FGs) and cooperatives nationwide (159 FGs, 18 co-ops, and 91 provisional groups) and an additional 740 non-registered but functional farmers' groups.
  - i. Under the Organic Farming initiative, 2,069 acres of farmland have been brought under natural production of cereals, vegetables, spices, and medicinal plants, a 58% increase since 2009 alone, when just 1,310 acres were under organic cultivation. 41 organic farmers' groups have been formed, and various trainings on organic farming practices have been conducted for the members.
  - j. A total of 3,289.8 kms of farm roads have been completed in the last five years, against the ambitious target of 3,388 kms for the 10th FYP, which amounts to 97% achievement to date.

- k. The Irrigation and Water Management Initiative has so far benefitted 3,017 rural households covering 9,489 acres of agricultural land. As of now, 74.7 kms of irrigation canals have been renovated or constructed during the 10th FYP, and an additional 263.81 kms will be completed by June 2013.
- l. Farm mechanisation is a key intervention that can raise farm productivity, lessen farm drudgery, and make farming profitable and attractive to our youth. During the 10th Five-Year Plan period, machinery and mechanisation services supplied to farmers included 100 power tillers (both through the government and private sources).

As well, three farmers' service support units and community level gewog machinery centres were established, and two additional rural work shops were established to provide mechanisation services to local communities.

- m. 2,350 hectares of blue pine and mixed conifer forests were scientifically thinned. Commercial timber production has increased from 1.7 million cubic feet in 2008 to 2.5 million cubic feet in 2012.

In sum, through the Common Minimum Programme efforts to enhance prosperity and improve services in rural areas, including increased road, electric, and mobile phone access, and improved education, health care, and safe drinking water, as described in section 3 above, plus the significant contributions of the agriculture sector, this government has worked to ensure that the benefits of development are more equitably distributed, particularly to improve living standards in rural areas.

## **5. Employment - Pursuing Gainful Employment For All**

In the previous sections I have focussed on special efforts made by this government to reduce poverty and ensure that the benefits of development are equitably distributed. But there is likely no greater spur to income security, equity, and social harmony than ensuring full and meaningful employment to all citizens.

- a) Unemployment in many countries is an increasingly serious issue, especially since the global financial collapse and recession of 2008-09 and the subsequent worldwide economic slowdown that have caused major layoffs and workforce retrenchments in both industrialised and developing nations. As noted above, the global unemployment rate is now 9.1%, and is 10.7% in Europe, while youth

unemployment is 12.6% globally and 23.7% in Europe. Against these very troubling global statistics, which have already led to social unrest in several jurisdictions, we here in Bhutan have so far done remarkably well.

- b) Taking our working age population as comprising those within the age group 15-64+, and with a current labour force participation rate of 64.4%, the total national workforce presently adds up to 336,391. Of this number, 329,487 are presently gainfully employed, leaving just 6,904 unemployed. The total number of job seekers during the 10th Plan is estimated to be 93,000. Of these 60,000 are fresh job seekers while the rest are those who are already in the workforce. The number of university graduates alone numbered approximately 2,400 in 2012.
- c) In pursuit of the national vision of 'gainful employment for all', our announced target was to bring down the overall unemployment rate to 2.5% by the end of the 10th FYP. A highly commendable achievement has been made in this respect. As noted earlier, the unemployment rate has fallen from the estimated 4.2% in May 2008 to just 2.1% in May 2012, surpassing our original target. Of the 6,904 (2.1%) labour force participants presently unemployed, 3,663 are in rural areas and 3,241 in urban areas.
- d) Unemployment among youth (15-24 years old), which is a particular area of concern for the Royal Government, has also seen a significant reduction, pointing to improved job prospects for our youth. Of the 3,476 unemployed youth in May 2012 (7.3% of the total), 1,743 are in rural areas and 1,733 in urban areas.

The gap between jobs and job seekers, or between employers and talent, has been closed by improved access to regularly updated job market information. This is being accomplished through several processes, including an online e-job portal, labour market information guidebook, and job fairs. Youths need not face the difficulty of having to come all the way to Thimphu or to a place of potential employment to fill out and submit job applications. Furthermore, employment offices have been opened at Trashigang, Samdrupjonkhar, Gelephu and Phuentsholing for the convenience of youth residing outside Thimphu.

- e) Deeply heartening progress has also been made in reducing female youth unemployment in particular. That rate has dramatically fallen to 7.2% in May 2012 from 14.7% in May 2009 - a decline in female youth unemployment of

more than 50%. The unemployment rate for male youth has also been reduced from 10.7% to 7.3% in the same period. Male and female youth unemployment rates are now nearly at par, with the rate for female youth in fact slightly lower than that for male youth for the first time since 2009.

- f) Bhutan`s unemployment challenge is largely symptomatic of mismatch between jobs and skills rather than a lack of jobs. As well, it is the result of mismatch between jobs and the aspirations of job seekers.

Between 2008 and 2012, as per MoLHR`s records alone, a total of 35,346 opportunities (23,912 jobs and 11,434 training slots) were announced against a total of 24,317 registered job seekers. Around 14,213 job seekers were placed by the Ministry of Labour and Human Resources (MoLHR) alone. However, records also show that about 11,029 job and training slots remained vacant. Similarly, of the 731 jobs offered outside Bhutan, only 89 have been taken and 642 have gone unfilled. The latest statistics, just released by MoLHR, confirm this finding, with *Kuensel* reporting the most recent results on 28th February this year under the headline: *Jobs aplenty but mismatch still high*.

Jobs not taken by Bhutanese are frequently filled by expatriate workers. It is noteworthy that of 53,000 such expatriate jobs, 50% could actually be performed by Bhutanese citizens and do not require the specialised skills for which some expatriate workers are presently needed.

- g) The first National Human Resource Development policy has been formulated to mitigate the problem of mismatch between demand and supply of human resources in the long run. Further, for the first time, a National HRD Advisory has been published and disseminated to all HRD agencies containing fact-based pragmatic HRD investment advice. This will henceforth be issued as an annual series.
- h) Technical and Vocational Education and Training has been restructured and transformed through numerous policy, pedagogical, and institutional reforms. The curriculum and pedagogy has been changed from duration-based to competency-based training. TVET is now linked to tertiary education and our vocational graduates can pursue life-long learning. By the end of 10th FYP, 100% of technical teachers will have completed the up-grading of their qualifications from the certificate level to the diploma level.

- i) Public-private partnerships in technical training are also proving to be very productive and mutually satisfying to both employers and trainees. Two private hospitality and tourism training institutes were established to address the human resource shortage in that sector. The Bhutan International School of Hospitality and Tourism in Thimphu was established in 2010 and another training institute was established in Phuentsholing in 2012 by the Rigsum Group of Institutions. So far, a total of 183 people have been trained in these institutes, of whom 124 are now employed in the sector. 79 public and private vocational training providers in ICT, hospitality, construction, arts and crafts have been registered with MoLHR.
- j) A total of 580 trainees have graduated from Technical Training Institutes (TTIs) and Institutes of Zorig Chusum (IZCs) in the past five years. In the same period, 2,640 trainees were enrolled in these training institutes, reflecting a quantum increase in enrolment as compared to the past Plan. This was mainly because of a huge effort made in enhancing the attractiveness of technical and vocational education and training. Even more hearty and successful news is that a tracer study conducted recently has shown that 100% of our technical graduates are employed in the trades/skills in which they were trained.
- k) A total of 423 Bhutanese candidates have completed training programmes in the hydropower sector with India's leading construction companies (Gammon India, HCC, and L&T) for employment in Bhutan in hydropower projects. These trainings were conducted in India, at hydropower project sites, and at the local Technical Training Institutes in Serzhong Institute, Gelephu. Out of the total trained, however, only 191 have taken employment in the sector.

## **6. Communication Infrastructure Development**

Effective and equitable socio-economic development requires an efficient communication system and adequate transportation infrastructure. Here we consider three aspects of this essential development underpinning - roads, air service, and information and communications technology - and examine progress in all three areas in the last five years.

### **a) Investing in the National Road System**

The development and maintenance of adequate road infrastructure in a rugged

and fragile mountain terrain such as ours is not only extremely costly but presents difficult technical and ecological challenges. Setting aside Nu.20.98 billion for this purpose, which accounts for 9% of the total 10th FYP budget outlay, the government has made the enhancement of the national road system a top priority. Some of the achievements to date are:

- i. A total of over 1,850 kms of existing Primary National Highways, Secondary National Highways and Dzongkhag roads have been improved or developed. This includes:
  - a. 369 kms of improvement of road pavement on selected stretches on the Thimphu-Wangdue highway (70 km), Gelephu-Wangdue highway (191 km), and Gelephu-Trongsa highway (108 km);
  - b. Resurfacing of 705.54 kms of road against the target of 1,000 km;
  - c. Realignment of 114.15 kms of road with improved geometrics to improve road quality and to cut travel and transportation costs and time.
- ii. According highest priority to the construction of the Southern East-West Highway (SEWH), about 193 km of the SEWH comprising the Samtse-Phuentsholing road (60 km), Samdrupcholing-Samrang road (24.15 km), Panbang-Nganglam road (55.5 km), Manitar-Raidak road (35 km), and Raidak-Lhamoizingkha road (18 km) are currently under construction. Construction of the Dewathang-Nganglam road (74.5 km) is included for study under the ADB assistance programme, with 26.5 km of this road already constructed as part of the Common Minimum Programme (CMP) to connect the remote gewog of Chhokhorling to Nganglam.
- iii. A total of 77 motorable bridges and 47 suspension bridges have been built in the last four and a half years.
- iv. A total of 892.01 kms of roadway have been built in the plan period to connect the hitherto inaccessible and remote gewogs by motorable roads.

In sum, the nation's road network has been expanded by 173% - from a total of 3,471.5 kms in 2008 to 9,491.5 kms in 2012. This has already transformed the socio-economic landscape of the country. Much of the success in improving the wellbeing,

livelihood, and access to services of our rural folk and sharply reducing rural poverty is attributable to the vastly expanded road network.

## **b) Expanding Air Service**

Expanding air service has been seen by this government as essential to overcome the challenges of landlockedness, to improve economic opportunities, and to answer the call of the times.

Air service for a landlocked country is critically important for reasons beyond simple economics. Even economically, it plays the most vital role in the development and growth of the tourism industry, the contribution of which to the economy is becoming increasingly significant. Moreover, as the country's economy grows, air service is becoming an essential mode of transportation that must complement and supplement the surface transport system. As such, the national flag carrier and the civil aviation authority have continued to receive the special attention and support of this government. Following are some of the main achievements:

- i. Enabled by the aggressive policy and strategic initiatives of the government, Druk Air today flies to 10 destinations - Delhi, Kolkata, Mumbai, Gaya, Guwahati, Bagdogra Kathmandu, Dhaka, Bangkok, and Singapore, spread across five countries - India, Nepal, Bangladesh, Thailand, and Singapore. Druk Air flew 193,405 passengers in 2012 compared to 119,105 passengers in 2008, registering an impressive growth of 62 % over the five year period.
- ii. Druk Air has become an important source of foreign exchange, with annual earnings of US\$18 million in 2008 rising to US\$31.2 million in 2012, a 73% growth. The total revenue (dollar + ngultrum) was Nu.2.7 billion in 2012. With Druk Air's growth and a private airline, Tashi Air, soon to regularise its operation, the vision to overcome our landlockedness through efficient logistical arrangements is being realised.
- iii. With the objective of facilitating equitable benefit from the rapidly growing tourism industry and to promote domestic air travel in the country, the government prioritised the building of the three regional airport facilities in (i) Bumthang (Central Bhutan), (ii) Yonphula (Eastern Bhutan), and (iii) Gelephu (Southern Bhutan). The rudimentary facilities are now in place and fully functional.

- iv. The Yonphula and Gelephu Airport facilities are being promoted as convenient additional entry and exit points for international travellers, thus further opening up the country while ensuring an equitable share of the tourism market to all regions of our country.

**c) Realisation of ICT Enabled Knowledge-Based Society**

Throughout its term, this government has been committed to realizing the vision of developing Bhutan as an ICT enabled knowledge society by making the transition to e-Governance and thereby helping to achieve our vision of a holistic, green, and sustainable GNH economy. To realise this vision, our goal has been to ensure 100% connectivity, establish the appropriate regulatory environment, and build the necessary human capital for such a society.

The following achievements have been accomplished in the past five years:

- i. An ICT roadmap and e-Gov Masterplan have been finalised for ICT development in the 11th Plan and beyond. This will provide the vision and strategies for ICT development in all ministries and government agencies, focusing on facilities and services to all citizens. In addition, to administer ICT planning and implementation, a parenting of the ICT professional system has been instituted to enable agencies to better deliver services.
- ii. Under the National Broadband Master Plan, a high-speed fiber optic network now connects all 20 dzongkhags and 138 out of the 205 gewogs. 63 remaining gewogs will be connected by October 2013 in conjunction with the BPC's Rural Electrification Project. The four very remote and high altitude gewogs of Lingshi, Soe, Laya, and Lunana which are off grid will be served by radio/wireless technology. A second international fiber optic gateway was established through Gelephu in March, 2012, to improve the reliability of Internet connectivity.
- iii. More than 95 Government agencies in Thimphu as well as the 20 dzongkhags are connected to the Thimphu Wide Area Network through a secured high-speed fiber optic network. Video conferencing facilities have been established in the offices of the Prime Minister, 10 Ministers, and 20 dzongkhags, and two virtual Cabinet meetings were held with Ministers speaking from different continents.

- iv. The growth in the Internet penetration rate in the last five years has been phenomenal, increasing from 5,548 in 2008, amounting to less than 1% of the population, to 133,289 by the end of 2012, representing 18.5 % of the total population.
- v. Meanwhile all 205 gewogs have mobile coverage. By the end of March 2013, the remaining 73 villages that have not hitherto had coverage will be covered. The number of mobile subscribers grew from 228,347 (34.2% of the populace) in 2008 to 560,890 (77.8 %) by the end of 2012 - an increase of 146%.
- vi. Against the target to establish a Community Centre (CC) in each of the 205 gewogs to provide online public services, the construction of 100 CCs has been completed and operationalised, each equipped with 2-3 computers, printer, facsimile machine, scanner, digital cameras, and photocopier machine. Another 85 CCs will be completed by the end of March, 2013. By June, 2013, 131 CCs will be connected with high speed Internet with 131 educational learning stations for young children to learn without supervision.
- vii. The Thimphu Tech Park has been completed, housing the Bhutan Innovation and Technology Centre (BITC), which includes the Business Incubation Centre, a Shared Technology Centre, and a Tier II Data Centre. Currently, nine Bhutanese companies have started operation as incubatees and two international Business Process Outsourcing (BPO) companies, Scan Café and Shaun Communications, have begun operations in the commercial space.
- viii. 1,030 Bhutanese youths have been trained through collaboration with foreign companies such as Infosys, Wipro, and Genpact, as well as in local training institutes. 778 of these (389 men and 389 women) are presently employed in the field within and outside Bhutan.
- ix. In order to prepare Bhutanese society for the digital age, the Nu. 2.05 billion Chiphen Rigpel project is training over 7,000 government and civil society employees in e-Governance and an additional 7,000 teachers in ICT enabled teaching. From 2011, every Bhutanese student now completes high school with ICT training. Computer laboratories have been established in 168 schools, four RUB centres, and five Technical Training Institutes under MoLHR, and there are nine computer laboratories for the monk and nun community.

- x. Under Tertiary Institutes, four ICT training centres at the Royal University of Bhutan and one at the Royal Institute of Management have been set up, and 6,086 lecturers and college students have been provided with ICT training.
- xi. Under Enhancing Employable Skills, 6,685 job seekers have been provided with ICT training.
- xii. Under Reaching the Unreached, 100 HiWEL stations that attract enthusiastic youths have been set up.
- xiii. It is particularly important to note that 1,254 youths recovering from drug and alcohol addiction and school drop-outs have been trained in ICT for employment and re-assimilation into society.
- xiv. The Lhengye Zhungtsho has approved an E-Waste Regulation to ensure that, even as ICT plants are established and as equipment enters our country, there is an arrangement to deal effectively with e-waste, thereby contributing minimally to our waste management problem.

To conclude, Bhutan was a late starter in ICT development but I would like to state that the government has taken admirable strides in establishing sound foundations like modern infrastructure, an up-to-date regulatory environment, and ICT skills in the workforce. ICT will be a major enabler that will empower our people to achieve their full potential and propel our society into a future that is built on the values of GNH.

## **7. Support for the Private Sector - Initiatives Taken by the Royal Government**

Since taking office, this government has accorded high priority to both the development and growth of the private sector and diversification of the Bhutanese economy. Private sector growth, as measured by Corporate Income Tax (CIT), has grown by over 46% since 2008, and Business Income Tax (BIT) by 35% during the period from 2008 to 2012. These statistics reflect not only the growth of the private sector but also the favourable investment climate created through policy, administrative and other measures put in place by the government.

As of 31 December 2012, a total of 29,803 retail and wholesale licenses and micro

trade certificates have been issued. The wholesale and retail trade sector share of GDP was 5.42% in 2011, and the trade sector contributed Nu.7.1 billion in revenues towards the national exchequer - an increase of Nu.2.2 billion from the previous year - reflecting both the actual growth of this sector and the growing consumer market enabled by an expanding economy. Further, a total amount of over Nu.14 billion of total government expenditures has been awarded or disbursed to private Bhutanese contractors and suppliers.

The tertiary sector which consists of the service industry, transport, trade, and finance has seen an impressive growth from 38.41% of GDP in 2008 to 43.69% of GDP in 2011, increasingly overshadowing the contributions of the primary sector consisting of agriculture and mining, and the secondary sector consisting of manufacturing, electricity, and construction.

Since the adoption of the revised Foreign Direct Investment Policy and Economic Development Policy in 2010, a total of 13 projects have been approved under these policies, with a total value of over Nu.19 billion. The total employment generated by FDI companies is presently 2,041 Bhutanese and 274 expatriates. Of the numerous measures taken by the Royal Government to support and facilitate the growth of the private sector, only the most important initiatives are presented below, simply as lists:

**a. Major Policy Initiatives**

- i. Economic Development Policy (EDP) 2010
- ii. Foreign Direct Investment (FDI) Policy 2010
- iii. Private Participation in Infrastructure Policy 2010
- iv. Based on EDP 2010, Rules and Regulations on Fiscal Incentives and on External Commercial Borrowings adopted in 2010.
- v. Cottage Small and Medium Industries Policy 2012
- vi. FDI Rules and Regulations 2012
- vii. Consumer Protection Act 2012
- viii. Renewable Energy Policy 2013
- ix. Mineral Development Policy (Final Draft )
- x. Public Private Partnership Policy (Final Draft)
- xi. Enterprise Registration Bill (Final draft)
- xii. Competition Policy being drafted
- xiii. Review of Companies Act of the Kingdom of Bhutan 2000 being undertaken

**b. Private Sector Development Committee (PSDC)**

- i. The PSDC has been reconstituted with 25 members, with the majority (15) from the private sector. All important policies affecting the private sector are discussed in this committee, which makes recommendations to the Royal Government for consideration. The PSDC chairman is the Minister for Economic Affairs and the vice chair is the Minister for Works and Human Settlement.
- ii. The Bhutan Chamber of Commerce and Industry (BCCI) is the Secretariat to the PSDC.
- iii. RGoB annually provides Nu.3.5 million to BCCI to participate in SAARC related meetings and activities.
- iv. RGoB provides Nu.1 million annually for PSDC expenditures.
- v. Based on a request from BCCI in 2011, RGoB provided Nu. 1.5 million for additional activities of BCCI.

**c. Support to BCCI/Private Sector**

- i. The External Commercial Guidelines were amended recently after an RGoB-private sector meeting in November 2012. Recommendations to remove ceilings on amounts to be borrowed as well as allowing local financial institutions to provide guarantees were accepted and notified.
- ii. RGoB regularly consults BCCI on formulation of all policy matters related to private sector activities. Ongoing consultations relate to a) Mineral Development Policy, b) Industrial Infrastructure Development Policy, c) Competition Policy d) Captive Power Policy, e) MSME (Micro, Small, Medium Enterprises) Policy, f) PPP (Public Private Partnership) Policy and g) Enterprise Registration Bill.
- iii. The private sector was invited to participate in the first ever Investment Roadshow, organised by the Ministry of Economic Affairs, to India, Bangladesh, Singapore, and Thailand in September 2010.
- iv. The Ministry of Economic Affairs supported BCCI in organising and facilitating business visits to Bhutan by groups such as (within one six-month period alone):
  - a. A French business delegation comprising some of France's largest and world leading business houses in March 2011,

- b. Bengal National Chamber of Commerce and Industry in March 2011,
- c. Confederation of Indian Industry in July 2011,
- d. Thai trade delegation in August 2011, and
- e. Singapore trade delegation in August 2011.

Furthermore, RGoB also facilitates visits to Bhutan by prominent business people recommended by missions abroad (mainly RBC Kolkatta) to the country, and provides opportunities for our domestic businesses to interact these foreign business interests.

- v. In November 2008, on a cost sharing basis, the private sector was supported in implementing Cleaner Technology and Environmental Management in the ferro-silicon, steel, cement, wood, agro, calcium carbide, and mining industries.

**d. Support to Small Businesses:**

- i. Establishment of the Department of Cottage and Small Industry
- ii. Establishment of the Craft Bazaar in Thimphu to facilitate the sale of handicrafts by small businesses
- iii. Seal of Excellence Award instituted
- iv. “Made In Bhutan” Logo developed
- v. Brand Bhutan promotion being undertaken
- vi. Establishment of the Agency for Promotion of Indigenous Craft (APIC)
- vii. Cost Sharing Facility established.

**e. Market Access**

- i. The Ministry of Economic Affairs has initiated free trade negotiations with Nepal and Thailand.
- ii. The Ministry was able to open new trade routes with India as well as negotiate better access to the Indian marble market.
- iii. RGoB successfully concluded the renewal of the Trade Agreement with Bangladesh by removing duties on 18 major export items from the country.

**f. Reducing Administrative Burdens: G2C (government to communities) and G2B (government to business) Services Initiative:**

- i. The Ministry of Economic Affairs alone provides 33 citizen services related to

the registration and licensing of trade and industrial businesses. It is expected that most of these services will be available from Community Centres in the gewogs thereby reducing citizens' travel time and reducing overall turnaround time in availing business services to a day or two.

**Following is the current G2C status:**

Sl. No.	Services	Status
1.	Issuance of Micro Trade Registration certificate	Fully automated and 1,120 applications have been processed so far online. Online applications from Community Centres across the country have also been processed online.
2.	Renewal of Micro Trade Registration certificate	Online at Thimphu Regional Trade and Industry Office (RTIO)
3	Cancellation of Micro Trade Registration certificate	Online at Thimphu RTIO
4	Renewal of Micro Trade Registration Certificate	Online at Thimphu RTIO
5	Issuance of Retail Trade License	Online at Thimphu RTIO
6	Issuance of Wholesale Trade License	Online at Thimphu RTIO, but no applications have so far been received since this service rolled out only recently (on 29 October 2012)
7	Issuance of Industrial License Small and cottage industrial license Medium and large scale industrial license	Ready to be deployed

- ii. Government to Business (G2B) services: Besides the G2C initiative noted above, the Ministry of Economic Affairs with support from the International Finance Corporation of the World Bank has also identified 119 Government to Business services (G2B), which include permits, approvals, certificates, licenses, and clearances. The G2B initiative of the Ministry will further shorten the time for doing business by streamlining and fast-tracking clearance for businesses.
- iii. Fast tracking of Mine Lease Processing and Mineral Development Policy: Fast Tracking of Mine Lease Processing: In order to fast track mine lease processing, a meeting was held in the Cabinet on August 10, 2010 to bring

down the processing time from 73 weeks (17 months) to 40 weeks. Since then, the department is successfully implementing this.

**g. Infrastructure Development**

- i. RGoB is working with DHI Infra to develop industrial estates to facilitate private sector investments.
- ii. Development of the Jigmeling and Mortanga industrial estates in Sarpang and Samdrup Jongkhar dzongkhags has been handed over to Druk Holding and Investments (DHI).
- iii. A master plan for Bongdingma industrial estate in Mongar is being developed.

**h. Foreign Direct Investment**

Since the adoption of the new FDI Policy in 2010, a total of 13 projects (till December 31, 2012) have been approved in comparison to 19 projects approved in a span of nine years under the FDI Policy 2002. In addition, a total of 17 projects, excluding those projects that have moved to the approval stage, have been issued with an FDI Registration Certificate (approved in-principle).

To date, 32 FDI projects have been approved. Of these projects, 16 are presently operating, 11 are under construction, and 5 projects are inactive.

**8. Druk Holding and Investments (DHI) - Investment Arm of the Government**

DHI was established in 2007 with a clear and extremely important mandate comprising the five thrust areas of (i) Corporate Performance Improvement, (ii) Resource Optimisation, (iii) New Investments, (iv) Private Sector Development, and (v) Revenue to the Government. The key achievements of DHI in its mandated areas and key activities of DHI owned and controlled companies<sup>1</sup> in the period under review are as described hereunder:

**a) Thrust Area 1 - Performance Improvement**

DHI has played an integral role in cultivating a performance-driven and customer-

<sup>1</sup> DHI owned companies are those in which DHI has 100% ownership exists. DHI controlled companies are those in which DHI has more than 50% ownership

orientated culture in its seventeen portfolio companies<sup>2</sup> and in enhancing the performance of these companies. These measures include:

**i. Improvements in Business Systems and Processes**

DHI has implemented the world class Enterprise Resource Planning ERP (long form) platform from SAP - the world's leading provider of business software - in order to enhance overall operations in all national power generating facilities run by Druk Green Power Corporation and the Bhutan Power Corporation.

**ii. Cultivating a Performance-Based Culture in the DHI Group**

DHI has introduced Performance Management Systems with Annual Compacts targets linked to salaries and bonuses in order to create a performance based-culture in its companies. It also sourced a grant of Nu.45 million from the Government of India to carry out studies for some of its companies, and it sourced USD300,000 in technical assistance from the International Finance Corporation (IFC) to carry out a Strategic Options Study for Druk Air.

**iii. Improvements in Corporate Governance**

DHI Implemented the DHI Ownership Policy 2010, which provides an overall framework for the governance of the DHI companies and which was developed in line with good corporate governance practices to ensure transparency, accountability, and responsibility in the DHI group.

It sourced a grant of USD500,000 from the World Bank to improve corporate governance in the DHI Companies. Through this fund, DHI trained 59 board directors on board directorship, and developed a corporate governance code, board charter, audit charter, and improved performance management and target setting framework for the companies.

**iv. Improvements in Customer Services**

DHI conducts Annual Customer Satisfaction surveys for its companies to benchmark and improve customer services. These independent surveys have shown improvements

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<sup>2</sup> The DHI Portfolio Companies (DPCs) include all the companies in which DHI owns shares.

in service delivery by DHI companies. It has also introduced Customer Grievance Cells through Contact Centres in each of its service oriented companies.

**b) Thrust Area 2 - Resource Optimisation**

In addition to a Government of India Grant of Rs.3 billion and RGoB equity of Nu.70 million, DHI successfully raised Nu.6.435 billion for project costs from different sources (both internal and external). A further requirement of Nu. 1.3 billion is yet to be raised. All DHI Owned Companies have developed clear Five Year Investment and Financing Plans (FYIFP). DHI has also started several new companies without additional burden to the government.

**c) Thrust Area 3 - New Investments**

DHI and its companies have initiated several large-scale projects and companies in the energy, ICT, and manufacturing sectors, with more projects and development currently under consideration and in the DHI pipeline.

**Projects Completed to date are:**

- 1) Dungsam Polymers Ltd.
- 2) Thimphu TechPark Ltd.
- 3) Tichhalumchu and Lubichu diversion schemes to generate additional power

**Projects under Construction are:**

- 1) Dungsam Cement project
- 2) Dagachhu Hydropower project
- 3) Bhutan Hydropower Services
- 4) Tsibjalumchu for additional power generation of 93MU
- 5) Dairy plant in Trashigang being developed
- 6) Bhutan Education City (BEC)

**Projects under Development:**

- 1) Bhutan Wellness Resort in Punakha
- 2) Thimphu International Convention Centre
- 3) Special Economic Zones (SEZ) in Samtse, Sarpang, and Samdrup Jongkhar
- 4) Amochu Land Reclamation and Township Project

**d) Thrust Area 4 - Private Sector Development**

DHI has been working to stimulate and support the growth of the private sector through its new investments as well as through other initiatives undertaken specifically towards this end. These include:

- i. DHI-Private Sector Partnership Framework developed to enable DHI and its companies to undertake projects with the private sector;
- ii. A high level scan of ten identified potential business opportunities in eastern Bhutan completed and shared with the private sector;
- iii. Technical and financial support provided to Greener Way to set up a Waste Management and Transfer Station for Thimphu City;
- iv. DHI-BEGIN (Business Entrepreneurship Growth and Innovation) has started to provide entrepreneurship training in practical skills development, continuous business mentoring, and equity capital for business start-up. Two batches of entrepreneurs have so far been trained in this programme, and business proposals are now being received from trainees.

**e) Thrust Area 5 - Revenue to the Government**

The DHI companies have been providing increasing financial remittances to the government:

- i. The tax contribution of the DHI Group increased from Nu.1.9 billion in 2008 to Nu.3.3 billion in 2011.
- ii. DHI remittances (taxes plus dividends) to the government increased from Nu.2.1 billion in 2007 to Nu.4.2 billion in 2011.
- iii. DHI has been able to meet the financial targets set by the government despite the fact that revenue and Profit After Tax (PAT) from the energy sector, which contributes up to 85% of DHI's revenue flow, has been going down due to poor monsoons, increasing domestic consumption, and regulated tariffs.

We would like to thank His Majesty the King for having the great wisdom and

foresight to establish Druk Holding and Investments by granting the Royal Charter for that purpose. In the last five years, in keeping with the government's vision and policies, DHI has played a substantial role in helping us achieve several key objectives. Based on the positive transformations in its companies, the numerous business initiatives it has undertaken, and the substantial increase in its revenues to the government, the establishment of DHI has made an excellent contribution to the welfare of the nation. DHI has made a visible difference in the Bhutanese economy, and it is expected that DHI will continue to play a major role in defining and shaping the country's growing economy in the most positive way.

## **9. Key Economic Sectors**

Although there is not space in this report to describe the activities of this government in supporting development in all major sectors of Bhutan's burgeoning economy, three key sectors have been selected here to illustrate the efforts of this government in particular areas - construction, hydropower, and tourism. Note that agricultural development was described in section 4 above, following the section on the Common Minimum Programme.

### **a) Construction Sector**

The Royal Government has devoted much attention to support for the construction industry by broadening participation and improving the environment for its growth. The result has been extremely rewarding with impressive capacity expansion, improvement in quality and efficiency of performance, and extensive mechanisation achieved through fiscal incentives. Some of the important developments are mentioned below:

- i. An innovative point based system (PBS) was adopted to strengthen the local construction sector and increase the share of Bhutanese employed in the construction sector. Ever since the introduction of the new PBS, the number of incorporated companies capable of executing projects greater than Nu 150m has increased rapidly and dramatically to 82 from just 4 in 2009, which at that time operated under highly irregular conditions.
- ii. A new contractor classification system (Small: under Nu.4 million; Medium: Nu.4-15 million; and Large: above Nu.15 million) was introduced to re-categorise the contractors, in order to increase flexibility and allow contractors

to participate in larger contracts. To date, more than 2,600 contractors have been re-categorised under the new system.

- iii. Close to 5,254 jobs have been created in non-hydropower construction to date, exceeding the Accelerating Bhutan's Socio-economic Development (ABSD) target of 4,000 for the plan period.
- iv. The government explored opportunities for reducing the cost of construction materials (such as steel and bitumen) by consolidating and obtaining quantity discounts from suppliers, using innovative methods in the packaging and transportation of materials, and substituting existing variants of various materials with new ones that allow reduction of the quantities required.

For example, bitumen cost was reduced by doing a competitive bid at the source between various oil companies in India instead of procuring directly from one of them only. Similarly in steel, new varieties of TMT bars enabled a cost reduction of about 20% in the total quantity required at only ~5% higher price. To date, savings of Nu.108m have been realised from reduced bitumen costs and the substitution of Fe 415 with Fe 500 grades of steel.

#### **b) Accelerating Hydropower Development**

Hydropower development is seen as building the foundation for a green economy and helping to fulfil the national aspiration of self-reliance by 2020.

The Royal Government's bold and ambitious move to accelerate hydropower development from an earlier target of 5,000 MW to 10,000 MW by 2020 with a view to fulfil the national aspiration of a self-reliant nation by 2020 has progressed well, as seen in Table 1 below:

**Table 1: Status on Hydropower Projects**

Sl. No.	Hydroelectric Project	Capacity (MW)	Start Year	Completion Year	Remarks
<b>Construction Ongoing</b>					
1	Punatsangchu - I	1200	2008	2016	Nu./Rs. 35.15 B
2	Punatsangchu - II	1020	2010	2017	Nu./Rs. 37.79 B
3	Mangdechu	720	2010	2017	Nu./Rs. 28.96 B
<b>Sub-Total</b>		2940	Total Nu./ Rs. 101.90 B		
Sl. No.	Hydroelectric Project	Capacity (MW)	Start Year	Completion Year	Remarks
<b>Pre-Construction Work to Start by 2013</b>					
4	Kholongchu	600	2013	2020	
5	Chamkharchu	770	2013	2021	
6	Wangchu	570	2013	2020	
7	Bunakha	180	2013	2020	
8	Sunkosh	2560	2013	2019	
9	Amochu	540	2013	2020	
10	Kuri-Gongri	2640	2015	-	Detailed Project Report (DPR) to be carried out during 2013-14.
<b>Sub-Total</b>		<b>7860</b>			
<b>TOTAL</b>		<b>10,800</b>			

When Punatsangchu I and II, and Mangdechu are commissioned in 2016/17, it is projected that additional annual revenues of 19.63 billion in Indian Rupees will flow into the country.

And when all the additional 10,800 MW are realised, it is projected that the country's GDP at current prices will have grown by 139% from Nu.95.06 billion in 2012 to Nu.227 billion in 2020, and that GDP per capita will have increased from US\$2,986.40 in 2012 to between US\$5,700 and US\$7,000 in 2020, making Bhutan a truly middle income country.

A total of 3,125 Bhutanese are currently employed in the three projects of Punatsangchu I and II, and Mangdechu.

Further, a total amount of over Nu.14 billion of the total hydropower construction and development expenditures has been awarded or disbursed to Bhutanese contractors and suppliers.

**c) Tourism**

As part of Accelerating Bhutan's Socio-Economic Development (ABSD) Initiative, we set the bold target of 100,000 tourist arrivals by 2012 while continuing with the "High Value-Low Impact" tourism policy. I am happy to report that the target has been exceeded, with 105,402 tourist arrivals in 2012, with total revenue generation of US\$227 million. The tourism sector now represents more than 6% of GDP and provides employment to 25,987 people.

It is indeed a matter of immense national pride that Bhutan is today considered a top travel destination. For instance:

- We are a finalist for the 2013 World Travel and Tourism Council's (WTTC) prestigious "Destination Stewardship Award".
- The New York Times has named Bhutan as one of the Top 5 places to visit.
- The Wanderlust Travel magazine awarded Bhutan the 'Top Country 2009' Award.
- The 25th International Travel Expo (ITE) in Hong Kong awarded Bhutan the honour of 'Most Refreshing Tour' in 2011.

To facilitate tourism development, the government:

- i. Created the Tourism Council of Bhutan (TCB) in 2008. The TCB is headed by the Prime Minister, and includes three ministers in addition to the other stakeholder members.
- ii. Revised the Tourism Policy and Regulations for Tour Operations, Accommodations and Tour Guides, and developed the Bhutan Tourism Development Strategy and Development Plans.
- iii. Developed and launched new tourism Logo with the tag line "Happiness is a

Place,” which has been well received.

- iv. Strengthened promotion and marketing (through state visits by His Majesty; capitalizing on promotion of GNH; promotion by MFA and Government agencies; hosting conferences; and designating country/region-specific managers, etc.) All these strategies serve not only as ends in themselves but as promotional tools to maximise participation.
- v. Supported tourism-related income generation, employment, the development of the cultural industry, and the revival of folk and religious festivals through tourism activities.
- vi. Simplified a number of tourist processes, through a special initiative of the government, to increase convenience for tourists. The key ones include launch of credit card facilities, online visa application, waiver of special permits for heritage sites, and online booking of tickets. For the year 2012, the amount transacted through Point of Sale use of credit cards amounted to Nu.179.06 million.
- vii. Introduced home stays and farm stays in Haa, Trashiyangtse, Bumthang (Nasiphel and Ura), Gasa, Phobjikha, and a community lodge in Zhemgang (Dankar).
- viii. Diversified Tourism Products across the country (e.g. Merak and Sakteng in the east and Royal Manas National Park in the south were opened for tourism development to expand and balance tourism development across the country).
- ix. Developed Design Guidelines for Tourism Infrastructure Development in the Protected Areas.
- x. Constructed 13 restrooms across the country to improve roadside amenities.
- xi. Generated employment for 25,987 individuals, exceeding the target of 25,000.
- xii. Generated a supply of 3,497 tourism beds - achieving 96% of the target of 3,650 beds.
- xiii. Contributed US\$227 million to the national GDP, exceeding the target of US\$215 million.
- xiv. Saw the customer satisfaction ratio increase from 70% to 86%.

## **10. The Rupee Crunch - A Wake-up Call but All is Well**

The growing economic prosperity of the nation is resulting in high levels of imports from India and the rest of the world. The export earnings of Bhutan are not adequate to meet the cost of imports. In 2012 Bhutan's exports to India were only Rs.26 billion whereas the value of imports was Rs.40 billion, leaving a negative balance of Rs.14 billion. This deficit has been met through short term borrowings by the RMA.

The problem of rupee deficit is not new but has been with us ever since development started in 1961. Indeed, it is normal for almost all countries in the initial stage of development to face foreign currency shortages. One of the very purposes of foreign aid is to provide countries with the foreign currency needed for essential imports. One of the major reasons for the growth of the rupee overdraft is the increase in foreign aid, since we retain the hard currency in reserves and spend in rupees to obtain project-related imports. The growing rupee overdraft of the RMA, which is presently about Rs.14 billion, is nonetheless, a matter of serious concern to the Royal Government, and both long-term as well as short-term solutions are being implemented.

The rupee deficit in the long run can be reduced only through strengthening the exports of Bhutan. Through its Economic Development Policy (EDP), the government is actively promoting economic development, providing incentives for industry, tourism, and IT initiatives, and encouraging foreign direct investment (FDI) to bring in capital and know-how, and to expand markets. Development of hydropower capacity of 10,000 MW by 2020, and tourism growth are well on target. The electricity from the mega hydropower projects will boost industrial growth on a scale unimagined so far. As well, the high national GDP growth rate of over 8 percent per annum will mainly be driven by the export sector, as the bulk of agricultural and industrial products are for the export market.

In the short term the government and RMA have made sure that the scarce rupees are used for productive purposes and not for unnecessary or luxury imports. There has been no problem of rupee availability for essential imports including raw materials, medicines, food, fuel, etc. The temporary import restrictions have helped local farmers expand markets for their vegetables, fruits, and dairy products. The RMA, Ministry of Finance, and Ministry of Economic Affairs have also started to streamline import-export procedures and payments systems to encourage exports. In order to ease interest costs, the government has also availed a standby credit line

of Rs.10 billion which carries an interest rate of only 5 percent.

We would like to reassure the people that the rupee shortage is only temporary and that whatever is possible to ease the situation is being done. While we do need to be concerned and to take action as we are, there is no need for people to be alarmed as the problem is not very serious. Indeed, our foreign exchange reserve has grown once again to over US\$866 million, and is far more than the rupee overdraft amount which is equal to only about US\$260 million. Hence even under the worst case scenario, the reserves would be adequate to liquidate the overdraft amount and also be enough to meet essential imports for a year as required by the Constitution.

More importantly Bhutan continues to enjoy an overall surplus balance of payments, notwithstanding the rupee shortage, indicating that the inflow of foreign exchange is greater than the outflow. Given that most of our industries and power projects are for export to India, rupee earnings in the long term will be more than we need and can easily be used to pay off past and present rupee loans. The Royal Government is confident that with the strengthened monetary policy framework, more rational reserve management practices, and bolder fiscal policy initiatives, the external imbalances will begin to be corrected within the year.

## **11. Education - Investing in the Future of Bhutanese Society**

While the seven sections above all deal primarily with different aspects of economic development, the first pillar of GNH includes two dimensions of GNH-based social development that this government sees as having intrinsic value in their own right - namely education and health. For this reason they are separately measured and assessed as two of the nine core domains in the GNH Index.

While education and health also have instrumental value in providing services that enhance living standards, as clearly indicated in the section on the Common Minimum Programme above, this government has given the highest priority to education and health for their own innate and essential contributions to realizing GNH vision.

Education may rightly be seen as the glue that binds all the pillars and dimensions of Gross National Happiness, and the key to their realisation. Without ecological literacy, civic literacy, cultural literacy, and health literacy, for example, it is impossible for people to act in an environmentally responsible way, to cast their votes

in an informed way, to promote and practice their cultural traditions, or to live a healthy lifestyle. A knowledgeable and wise society is therefore the indispensable key to creating a GNH society and to achieving true wellbeing and happiness. Our achievements in education are therefore one of the most telling marks of this first democratically elected government.

The Royal Government set aside Nu.9.49 billion - accounting for 12.89 % of the total 10th FYP outlay - to improve the coverage, content, quality, and process of education toward fulfilling the national aspiration of promoting a wise and knowledgeable society in pursuit of GNH, while at the same time furnishing our populace with the holistic, analytical, critical, information technology, and other skills required to contribute fully and effectively to their society, economy, and culture. Some of the salient achievements are:

- a) The Universal Primary Enrolment target has been achieved with the current figure standing at 99%, and with most dzongkhags having recorded full enrolment. Both the Constitutional mandate and the MDG targets as they relate to education have been fulfilled. This is one of the proudest achievements of the first democratically elected government of Bhutan and bodes well for the future of our nation.
- b) There are presently more than 200,000 children studying in 600 schools and institutions throughout the land. This not only reflects how young our population is but also the achievement of universal primary education.
- c) The long pursued goal of gender parity has at last been achieved at the primary and middle secondary school levels. Very encouraging progress is also being made at the tertiary level with the female participation rate having gone up from 54% in 2008 to 71% in 2012.
- d) A wide network of 115 Extended Classrooms (ECRs) that were opened across the country enabled state education to reach the previously unreached children in the remotest communities with small populations.
- e) Opening the ECRs, building more schools, introducing bussing, and providing boarding facilities where feasible have all drastically reduced the distances between home and school.

- f) Apart from private Early Childhood Care Development (ECCD) centres, the government has established 61 community based ECCD centres.
- g) The school drop-out rate has been lowered significantly and completion rates enhanced, as shown in the following statistics:
- The completion rate for primary education has risen to 117% in 2012 from 87% in 2008.
  - The completion rate for secondary schools has improved to 74% in 2012 from 54 % in 2008;
  - The repetition rate for primary schools has come down to 4.3% in 2012 from 6.4% in 2008; and
  - The repetition rate for secondary education has been lowered to 3.5% in 2012 from 5.85 % in 2008.
- h) Non-Formal Education (NFE) has been a boon to our fellow Bhutanese who missed receiving formal education when they were young. Over 170,000 adults, mostly women, have benefitted from the programme provided through some 958 NFE centres across the country.
- i) For our accomplishments in the field of education, the Ministry has received some prestigious international awards at both the individual and institutional levels, such as the UNESCO Gold Literacy Award in 2012 and Bronze Award in 2009; the International Gusi Prize in 2011, and the Global Education Award in 2012.
- j) The general population literacy rate of 56 % in 2007 has increased to 63% in 2012 to make a substantial gain of seven percentage points in just five years. However, this is short of our 10th FYP target of 70%. While literacy is virtually at 100% for our young, the overall population literacy shortfall is due to older citizens, especially in rural areas, not having had the opportunity of education when they were young.
- k) ICT and computer education services have been enhanced under the Chiphen Rigpel initiative and *Empowering Our Teachers* programme. 168 computer laboratories have been established across the country and close to 5,000 teachers trained under a special programme supported by the Government of India at a cost of Nu.2.02 billion outside the 10th Five Year Plan.

- l) Stipends were increased for boarding school students throughout the country and also for scholarship students in India.
- m) The quality of food in boarding schools has steadily improved, showing an overall improvement in the health status of students in the last five years. Where isolated deficiencies have been found in particular cases, swift remedial action, including provision of nutritional supplements, has been taken.
- n) The number of scholarship slots has been increased through various endowments and grants. A new scheme called the Queen's Endowment for Cultural Studies (15 slots annually) was launched to coincide with the Royal Wedding.
- o) The teaching allowance has been reinstated and professional development opportunities enhanced. An INSET Master Plan has been developed to ensure that every teacher receives at least 80 hours of relevant and appropriate training each year. The new Human Resource Master Plan has enabled the largest number of teachers ever to pursue further studies. In addition, close to 100 Dzongkha Lopons were sent on a study tour to India.
- p) The greatest reward and inspiration for the teachers came from His Majesty the King, when His Majesty conferred the National Order of Merit on 112 educators during the 2012 National Day.
- q) The School Performance Management System (PMS) was launched nationwide in 2010 with all public and private schools now being ranked based on 3 score cards - academic learning, adherence to good practices, and alignment with GNH. The Dzongkhag Education Officers review the performance of the schools in their districts twice a year to assess the performance of the schools and to provide necessary support for improvement.
- r) A Student Information Management System has been launched; organisational restructuring carried out; service delivery made more transparent, efficient and effective; teacher administrative burdens reduced drastically; and various other policies and instruments put in place to guide effective planning and timely interventions.
- s) The government adopted the Tertiary Education Policy 2010 with the objective to support the development and improvement of quality tertiary education

in the country. Among various measures taken to increase access to tertiary education, the Royal University of Bhutan has been made an autonomous institution to give it the freedom and the necessary leverage to function efficiently and effectively and to promote excellence in all its institutions.

- t) The RUB has started accepting self-financing students on a merit basis. Presently, 560 self-financing students are pursuing their studies in colleges across the country, both at RUB and at the Royal Thimphu College.
- u) Tertiary education enrolment has leaped dramatically by 40% in the last five years, showing an ever increasing proportion of youth attaining higher levels of formal education.
- v) Today, there are 10,328 young men and women pursuing university education with over 60% of these in the country and 40% in India and overseas. This is an indication of the good progress we are making toward a knowledge based society, while also making evident the challenge of creating white collar jobs.
- w) A new Centenary Institute of Education at Yonphula, Trashigang, started functioning from January 21, 2013, while awaiting formal inauguration.
- x) The establishment of three new private colleges has been approved in principle. Likewise several new private schools have started functioning. These developments are encouraging innovation and expanding the diversity of educational offerings in the country.
- y) A comprehensive, nation-wide, **Educating for Gross National Happiness** reform initiative is being implemented through the **Green Schools** programme to help restore greater integrity and purpose in education while at the same time advancing the national goal of GNH.
- z) GNH-based educational programming began in 2012-13 for the new GNH Centre to be established in Bumthang, with a wide range of programmes already being offered even prior to the construction of buildings on the designated land.

## 12. Health Care

The physical and mental health of the population is a true marker of progress towards

a GNH society. Indeed, population health and psychological wellbeing constitute two of the nine GNH Index domains. Key conditions for improved health and effective health care service delivery, which is also a significant contributor to population health, have improved markedly through various initiatives and reforms undertaken in the last five years, as is evident from the following major achievements:

- a) Bhutan is on track towards achieving all Health Related Millennium Development Goals. Targets for water supply, sanitation, and nutrition have been already met, while steady progress has been noted on targets pertaining to maternal and child health.
- b) The proportion of the population with access to safe drinking water increased dramatically from 69% in 2008 to 96% in 2011.
- c) Immunisation coverage has been sustained at above 90%. The Ministry of Health initiated nationwide HPV vaccination in 2010 for girls in the 12-18 year old age group as a preventive measure against cervical cancer.
- d) The Package for Essential Non-Communicable diseases (PEN) project was launched as a pilot in Bumthang and Paro Dzongkhags and is now planned to be rolled out across the country.
- e) The Ministry has initiated the Geriatric Care Programme to address the needs of the elderly population in the country and to promote resourcefulness, productivity, vitality, and happiness.
- f) Services at the Regional Referral Hospitals have been strengthened with the introduction of Dialysis Services, Diabetes Clinics, and Endoscopic Services.
- g) The JDWNRH has introduced the following new services towards improving tertiary care services in the last five years:
  - i. Cornea Transplant Service
  - ii. Pediatric Intensive Care Service
  - iii. Diagnostic Intervention Service for intervention radiology
  - iv. Electro-Convulsive Therapy for psychiatric patients
  - v. Oncology and Chemotherapy Service for cancer patients
  - vi. Dialysis Centre for kidney patients with 8 machines currently active

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- vii. Mobile blood collection facility
- h) Special Consultation Services (SCS) were initiated at the JDWNRH in 2010 and such services are now available in Phuentsholing Hospital and Gelephu Regional Referral Hospital.
  - i) A nationwide Health Help Centre (HHC) has been established to facilitate access to the services of health professionals within one hour at anytime from anywhere. This has been made possible through the nationwide telephone/mobile network and the vastly extended road network that makes ambulance service feasible. This in turn, has helped to address the shortage of health professionals.
  - j) The launch of the Rural Telemedicine Project for Primary Healthcare and the SAARC Telemedicine Project has enabled remote or virtual access to specialist diagnostic service and advice by all categories of health professionals in the peripheral health centres.
  - k) The 350-bed JDWNRH, 150-bed Mongar Regional Referral Hospital, and 20-bed Dagapela Hospital were operationalised during the plan period. Construction of a 150-bed regional referral hospital in Gelephu, a 40-bed hospital in Samtse, and a much needed bio-safety level 3 Public Health Laboratory have been initiated.
  - l) A total of 9 new BHU Grade I, 47 BHU Grade II and 73 Oral Rehydration Clinics (with shed and without shed) were constructed during the plan period.
  - m) A system of health sub-posts, staffed by a health assistant with medical supplies, in hard-to-reach villages, has been initiated. There are presently 37 such health sub-posts.
  - n) As noted in Section 3 above on the Common Minimum Programme, 12 dzongkhags currently have at least three doctors each and all 20 will have at least three doctors by the end of April this year. All dzongkhag hospitals have at least two functional ambulances; referral hospitals have at least five; and 73 additional ambulances have been provided since 2008 for a total fleet of 107 functional ambulances equipped with GPS and GIS facilities, thereby making access to health services far more convenient and immediate.

- o) With the University of Medical Sciences of Bhutan (UMSB) Act passed by the Parliament of Bhutan during its 8th Session in 2011, the UMSB is being established with the launch in July 2013 of postgraduate programmes in select disciplines at JDWNRH. The UMSB will also offer a MBBS (Bachelor of Medicine and Bachelor of Surgery) programme consisting of a 4.5 year integrated medical sciences curriculum followed by a compulsory one-year internship.
- p) In the last five years, the slots for Bhutanese MBBS students studying abroad, especially in Sri Lanka, have been increased to 35 a year through concerted efforts at the highest political level. Currently, 300 Bhutanese students are pursuing MBBS programmes in India, Sri Lanka, Cuba, and Bangladesh, while 26 doctors are undergoing specialised post-graduate courses in priority disciplines.
- q) The Ministry has initiated an Accelerated Nursing Training Programme and trained over 481 nurses and nurse assistants in India to overcome the shortage of nurses in the country.
- r) The government launched the Bachelor of Nursing Programme for in-service nurses and Bachelor of Public Health (BPH) program for in-service Health Assistants to strengthen management of primary health care in a decentralised setting.
- s) A guideline for the establishment of private nursing institutes in the country has been framed. To date, two proponents have expressed interest in setting up private nursing institutions in the country with one already processing for a licence. Currently 268 Bhutanese are undergoing two-year nursing courses in India.
- t) Up-gradation of the Division of Traditional Medicine into a Department has been recently approved by the Lhengye Zhuntshog to provide stewardship of and become a centre of excellence for Traditional Medicine in the region.
- u) The delivery of traditional medicinal services has been strengthened through standardisation of procedures and expansion of services to the BHU level.
- v) Llangdug and Llanglum (herbal steaming) services have been introduced in all referral hospitals, most of the district hospitals, and some BHU-1s.

- w) The Guideline for establishing Wellness Centres in the country has been developed in consultation with the Tourism Council of Bhutan (TCB) in order to facilitate promotion of traditional spa services in resorts and hotels in the country.
- x) The Hospital Administration and Management Transformation initiative (HAMT) was initiated and rolled out across the country in the National Regional Referral Hospital, 2 Regional Hospitals, 22 Hospitals, and 10 BHU-1s to improve service efficiency and patient satisfaction.

To aid this, dedicated departments under each hospital were set up and a central monitoring department was established. In addition, 'cluster heads' for each cluster (Western, Central and Eastern) have been nominated, with the mission to ensure smooth information flows between the central department and the various health centres. The average waiting time in JDWNRH has been reduced from 90 minutes to 56 minutes.

- y) With various initiatives such as development of a national inventory on medical equipment, revision of the cycle of procurement and distribution of drugs, and standardisation of contracts, supplies, indents and procurement procedures, the Ministry of Health has been able to ensure adequate stocking and timely distribution of at least 98% of all essential medical supplies in all health facilities across the country.
- z) Security services, laundry, and parking in JDWNRH have been outsourced to the private sector.

### **13. Empowering and Supporting Women, Children and Youth**

Equitable socio-economic development also requires special attention to the rights and needs of women, children, and youth, whose voices are frequently not heard, and whose interests may therefore be under-represented.

#### **a) Gender Equity and Child Welfare**

Although Bhutanese women have always enjoyed equal rights with men, they have too often been confined to stereotypical gender roles and continue to be under-represented in the decision-making process. Therefore, the government has pledged

to promote gender equity in all economic, social, and political spheres, while promoting child welfare.

Following are some of the achievements of the government in this on-going endeavor.

It has:

- i. Strengthened the legislative framework for women and children with the enactment on 5th July 2011 of the Childcare and Protection Act of Bhutan 2011. In addition, the 'Domestic Violence Bill' has now been passed by Parliament.
- ii. Increased access to Women and Child Protection Services through the establishment of the Women and Child Protection Unit in Thimphu and its Division in Phuentsholing, and through the Complaint and Response Mechanism (CRM) in Thimphu Police Station and the Central Monastic Body.
- iii. Supported the establishment of a 'One Stop Crisis Centre' at Jigme Dorji Wangchuck National Referral Hospital (JDWNRH) to cater to the victims of domestic violence.
- iv. Supported the gender mainstreaming objective of the government by developing a gender screening tool wherein all policy proposals of the various ministries and agencies will be evaluated to understand the extent that policy integrates gender issues.
- v. Conducted a series of sensitisation and awareness programmes for parliamentarians and senior bureaucrats, and conducted a mass awareness campaign on CRC (Convention on the Rights of the Child) and CEDAW (Convention on the Elimination of All Forms of Discrimination against Women) in central and eastern Bhutan.
- vi. Conducted a survey on women's political participation in Local Governance and completed a study on girls' enrolment in higher levels of the education system to understand the reasons for the lower performance of girls in higher secondary education.
- vii. Developed a curriculum to include women and child-friendly procedures in Royal Bhutan Police (RBP) training institutes to institutionalise women and child-friendly procedures in the RBP. A module on women and child-friendly

procedures which has been developed will now be incorporated into the regular curricula of all RBP training centres.

**b) Youth - Nurturing Our Greatest Asset**

To promote the wellbeing of youth today is to ensure the wellbeing of our society now and in the future. Youth, defined here as those aged 13 to 24 years (in contrast to the 15-24 year criterion used for the workforce) comprise 147,776 individuals in our population. They are our nation's greatest wealth and are cause for hope and confidence in a flourishing future for Bhutan. The Royal Government therefore, has continued to invest heavily in all the sectors and activities affecting the state and wellbeing of our younger generation so that their full potential is stimulated, nurtured, and realised to the extent possible.

The greatest commitment of the nation to our youth is to be found in the Constitution which pledges to provide free education to all children up to the tenth standard to nurture the full development of the human personality. The education system, comprising secondary and tertiary education as well as the vocational and training institutions in the country, form the main support system for our youth. All such institutions exist for our youth and belong to them. Likewise, youth being the main job seekers, the endeavours of the Royal Government to achieve full and gainful employment are part of the national effort to care properly for our youth and thereby to ensure our own future.

As our own children, as our brothers and sisters, and as the future guardians and leaders of our nation, the youth deserve our whole-hearted care and support. But even as they can look forward to a bright future, they are confronted with a host of challenges some of which are due to poverty, some due to poor parental care, some are of their own making, and some, more importantly, because of the failure of government to provide adequate support. In particular, in this era, massive rural-urban migration among our youth has often deprived them of the strong social networks, support systems, and social safety nets they had in their home villages. Too frequently, they find themselves rootless, jobless, lost and isolated in their new urban abodes, and without adequate means of support.

As our country advances from a poor country to a middle income country, and as we go beyond the immediate challenges of putting every child in school and overcoming the broad challenge of poverty and aid dependence, the government's

capacity to provide better and more effective support services to our youth will improve. In the meantime, we have tried our best to take positive actions within the limitations imposed by resource constraints, a fast growing youth population, and the quantitative expansion of our education and training systems etc. Some of the major achievements are listed hereunder:

- i. Laws to protect and improve the wellbeing of youth, directly and indirectly, have been enacted. These include the Child Care and Protection Act 2011, the Child Adoption Act 2012, the Amendment to the Marriage Act 2009, and the Domestic Violence Prevention Act 2013.
- ii. The Department of Youth and Sports was strengthened to undertake more youth support programmes with greater understanding, efficiency, and effectiveness.
- iii. The new youth centre '**Nazhoen Pelri**' was opened in 2008 in the capital city to serve the largest concentration of youth in the land. The centre offers a variety of facilities including a library, internet cafe, indoor and outdoor games and sports, and hostel accommodation for youth at discounted rates.
- iv. Youth centres were also established in urban areas, including Changjiji, Paro, Phuentsholing, Gelephu, and Trashigang, which offer various facilities and services aimed at engaging youth meaningfully, gainfully, and usefully.
- v. Programmes on interview tips, writing resumes, awareness on HIV/AIDS, teenage pregnancy, and other key issues are conducted regularly at these youth centres.
- vi. The **National Youth Policy** was adopted in April 2011 and, among other functions, provides a guideline for streamlining youth development programs and services in Bhutan.
- vii. A Guidance and Counselling Framework has been developed for all schools in Bhutan and 32 full time School Guidance Counsellors have been recruited and placed in schools. Youth are being consulted increasingly on their needs and interests so that appropriate programs and activities can be conducted.
- viii. Youth volunteers are encouraged to not only give their time at the youth centres but also to learn new skills, gain confidence, and kindle the spirit of volunteerism.

- ix. Similarly, scouting activities are also conducted to encourage volunteerism, build character, nurture confidence, and develop life skills. The National Scout Centre is now under construction in Paro.
- x. Sporting activities are conducted for youth at schools, and at dzongkhag, regional and national levels. in a variety of sports and games in which participation is very popular.
- xi. Life Skills Education has been started in schools by trained teachers.
- xii. Various youth leadership trainings conducted at youth centres with regular, well-structured programmes being conducted by the Youth Development Fund (YDF).
- xiii. The School Parent Education Awareness Programmes that have been started in schools are raising awareness among parents on the needs of their children and on ways to support them adequately.
- xiv. The school curriculum is also being reviewed and diversified to help those youth who are technically inclined, so that academic shortcomings do not hamper their livelihood prospects.
- xv. Some of the annual programmes organised by the Department of Youth and Sports are:
  - a. A Children and Youth Festival during the summer break (July)
  - b. International Youth Day on August 12
  - c. Orientation for youth pursuing studies outside the country
  - d. Winter and summer programmes for youth, which include crafts, reading, music, indoor games, sports competitions, and more.
  - e. Training teachers as school health coordinators and counsellors to provide support to students.
  - f. Initiation of community-based scouting programmes for those scouts who complete graduation but want to continue being part of the scouting programmes.

The YDF and NGOs under the patronage of their Majesties the Queen Mothers, as well as other civil society groups serving youth needs, are especially to be thanked and appreciated for their contributions to the wellbeing of our nation's youth. In

particular, the YDF under the guidance of Her Majesty the Queen Mother Tshering Pem Wangchuck deserves our highest praise and tribute for its invaluable and very effective youth support programmes.

**c) Sports - a Priority for National Health and Wellbeing**

Although sports have always been considered important for health, wellbeing, socialisation, and community participation, the growth of sports, especially among youth, has not been commensurate with the need, potential and available talent. Thus, the Royal Government has given priority to meeting the need for essential sports services and facilities.

Substantial resources continue to be spent on creating and improving sports facilities within the education system. These include expenditures on sports grounds, equipment, coaches, and interschool, regional, and national tournaments in various fields. At the community and national levels, there have been some encouraging developments occurring both with and without state support. These include the growing popularity among youth and their increasing participation in archery, khuru, football, basketball, cricket, golf, body building, and table tennis among other sports. Likewise, our performance in some of the events, even at the international level, has been quite remarkable, as the note below on prize-winners indicates.

Under the leadership of HRH Prince Jigyel Ugyen Wangchuck, His Majesty's Representative in the Bhutan Olympic Committee (BOC), a Strategic Master Plan for Sports (SMS) has now been developed. His Royal Highness has sourced funding and financing through skilful sports diplomacy to promote and develop sports and sporting facilities in the country.

Some of the important activities undertaken by government in this field are reported below:

- i. Participation in sports is encouraged at all levels of our education system from community to secondary schools in the country under the School Sports Program.
- ii. 87 full-time School Sports Instructors (SSIs) have been recruited on contract to look after the development of sports in schools. This has greatly contributed to improving the variety and quality of sports.

- iii. Three levels of sports meets (Dzongkhag School Sports Meets, Regional School Sports Meets, and National School Games) are conducted on an annual basis.
- iv. Besides funding the Games and Sports Division in the Ministry of Education's Department of Youth and Sports to organise central programs, the Royal Government for the first time in 2008 also approved separate budgets for Dzongkhag and Thromdeys to organise sports programmes at grassroots levels and to purchase sport equipment.
- v. Traditional archery is being promoted in higher secondary schools. Archery tournaments held at both regional and national levels now help youth appreciate our traditional sports and culture.

As Thimphu is home to the largest number of youth in the country, development of sports facilities in the city goes a long way towards supporting our youth. Thus:

- i. The Changlimithang National Stadium now offers night facilities for soccer and archery games. Even though the night facility is yet to be officially inaugurated, the soccer field, which now has an artificial turf, is already being used regularly.
- ii. A proper athletics field at Lungtenzampa has been developed to give our youth a taste of a world-class international athletics facility.
- iii. A regular football coaching field with hostel has been built at Changjiji.
- iv. A proper all-weather archery range has been built near the Indian Embassy to boost the capacity of our youth to participate in international competitive meets.
- v. A driving range for golf enthusiasts has just been approved by Cabinet for which funding has been acquired by His Royal Highness.

Our young men and women have made the nation proud through their international sports successes from Vietnam to Indonesia to Kuwait to Athens in Taekwondo, boxing, cricket, body building, and at the Special Olympics.

#### **d) Addressing the Scourge of Drugs and Substance Abuse**

But while we celebrate such successes, we must also face squarely the challenges faced

by many of our youth, one of the greatest of which is substance abuse and the growing use of drugs in recent times. Deeply concerned, the Royal Government undertook a national baseline assessment on drugs and controlled substances to understand the extent and pattern of the problem and to determine appropriate interventions at the national, community, and institutional levels. Its actions have ranged from enforcement to treatment, counselling, rehabilitation, training, sensitisation, and awareness raising.

The Royal Government, in December 2009, signed a Memorandum of Understanding with the Government of India on “Drug Demand Reduction and Prevention of Illicit Trafficking in Narcotic Drugs and Psychotropic Substances”. Subsequently, the Royal Government and the Government of West Bengal set up a joint task force of the relevant agencies to control the smuggling of drugs across borders, following an agreement signed in March 2010.

In collaboration with the Youth Development Fund, the Royal Government established the Treatment and Rehabilitation Centre for Drug and Alcohol Dependence at Serbithang in November 2009.

The government also established Drop-in Centres in Thimphu, Phuentsholing, Gelephu, Mongar, and Samdrup Jongkhar to make it easy for drug and alcohol dependents to seek help. In addition, teachers are being trained in basic counselling for drug and alcohol dependence, and regular public awareness, sensitisation, and advocacy programmes are being carried out.

In their widespread prevalence, injurious health impacts, and as the leading preventable causes of death in the land, tobacco addiction and alcoholism are the most serious and harmful scourges in our society.

In an effort to curb tobacco use, the Tobacco Control Act 2010 was put into full effect from 1st January 2011 after the relevant Rules and Regulations were framed. However, serious problems arose during implementation and appropriate amendments were enacted immediately by the Parliament in January 2012 as an emergency bill.

Initiatives being taken to control tobacco consumption include the establishment of a Tobacco Control Board (TCB) and a Demand and Supply Reduction Committee. Other initiatives include extensive advocacy and awareness programs for all the newly elected local leaders and Gewog Administrative Officers of all 205 gewogs, for school

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councillors, teachers and *Desups*, and through media forums and law enforcement training agencies. BNCA has also developed and printed Information Education and Communication (IEC) materials on the ill-effects of tobacco use and is preparing for a mass advocacy programme.

There is also now a growing public opinion favouring the need for appropriate legislation to curb alcohol abuse. In the interim, the government has raised taxes on alcohol products. While these problems are national and by no means affect youth alone, the evidence to date indicates that youth are frequently victims of parental alcohol abuse, and also particularly vulnerable to illicit drug use. Actions to curb substance abuse and to counsel, treat, and rehabilitate both users and victims must therefore be considered essential services to support our nation`s youth.

### **III. SECOND PILLAR: REINFORCING ENVIRONMENTAL CONSERVATION**

#### **1. International Recognition for Bhutan's Leadership in Environmental Conservation**

The Druk Phuensum Tshogpa Manifesto stated that our destiny and wellbeing are intricately linked to the health of our natural environment and that we will further consolidate Bhutan's image as a world champion on environment and conservation issues. It is therefore a matter of immense national pride that our small country continues to rise in stature as a world leader in environmental conservation, and our policy initiatives and ground actions have been recognised and appreciated. Following are some of the highlights:

- a. In 2011, His Majesty the Fourth Druk Gyalpo was inducted into the Kyoto Earth Hall of Fame which is an award to honour in perpetuity the achievements of those who have made outstanding contributions to conservation of the global environment.
- b. In 2011, Bhutan was one of the three countries nominated to the Future Policy Award 2011 by the World Future Council.
- c. In 2012, Her Majesty the Gyaltshen Jetsun Pema Wangchuck received recognition and appointment as the United Nation's Environment Protection Ambassador for Ozone at the 25th Anniversary of the Montreal Protocol.
- d. Bhutan is among the five finalists nominated for the prestigious *Bertelsmann Stiftung's 2013 Richard Mohn Prize for "Winning Strategies for a Sustainable Future"*. *The winner will be announced in April and the award ceremony is on June 13, 2013.*

#### **2. Conserving our Precious Natural Heritage**

The natural environment in the world is under tremendous stress due to abuse from deforestation; conversion of forestlands and wilderness to agriculture, industry and urbanisation; air, soil, and water pollution; climate change; natural resource depletion and degradation; and habitat and species loss. The world has focused too much on economic growth alone, often at great cost to the natural environment.

Here in Bhutan, we have in many ways become greener than at any time in our history, with forest cover at 80.89% in 2011, well over the Constitutional mandate of 60% forest cover, and up from 72.49% forest cover in 1995. Much of this forested terrain is in the form of pristine (old growth) forests containing rich biodiversity, generating sparkling mountain springs, streams, and rivers, and providing outstanding habitat for countless species, many of them endangered globally.

This is the result of translating a deep historical reverence for our natural environment into deliberate policies that place conservation at the centre of our development strategy while the GNH framework provides the necessary equilibrium and balance with human needs.

- a) In our first year of tenure in 2008, we declared the new Wangchuck Centennial Park (WCP) as a fully protected area in tribute to the 100 years of this nation's wise and beneficent Monarchy. The WCP is the 10th and largest national park in the country, covering an area of 4,919 km<sup>2</sup>. With it, 51.32% of the country is today under a protected area network - one of the highest percentages of protected area of any country in the world.
- b) In 2011, 650 acres surrounding the giant Buddha Statue in Thimphu were declared as the Kuensel Psamdruphodrang Recreation Park and dedicated to the Royal Wedding for the benefit of the residents of the Capital.
- c) Our wildlife conservation efforts received international spotlight when the 2010 BBC wildlife documentary, *Lost Land of the Tiger*, reconfirmed the presence of tigers at elevations over 4,000 metres above sea level. It is said that over 36 million people viewed the documentary film that was broadcast repeatedly in response to popular demand.
- d) The Global Tiger Recovery Summit in St. Petersburg, Russia in 2010, represented by 13 tiger range countries, noted that Bhutan presently provides the safest and most supportive sanctuary for the highly endangered animal that has now become the symbol of wildlife conservation challenges worldwide.
- e) In October 2012, we hosted the Second Asian Ministers' Conference (AMC) in collaboration with the Global Tiger Initiative of the World Bank. The Conference was hailed as a great success, and its outcome "The Thimphu Affirmative Nine-Point Action Agenda" was unanimously adopted by the 13

tiger range countries.

- f) The government has introduced annual park festivals with conservation themes, including the Nomads Festival in Wangchuck Centennial Park, the Mushroom Festival in Thrumshingla National Park, and the Takin Festival in Jigme Dorji National Park. The annual festivals are being touted as an innovative concept for promotion of ecotourism in the parks, besides serving as important platforms for creating awareness and generating support for conservation.

### **3. Sustainable Management of Forest Resources**

- a) The government adopted the new National Forest Policy 2011 replacing, after 37 years, The National Forest Policy 1974. The new forest policy marks and reiterates the paradigm shift in forestry to manage forest resources at the landscape level. This will ensure the preservation of the integrity of the natural environment in ways that fully encompass ecological, economic, social, and cultural dimensions, and will simultaneously enable local communities and private entrepreneurs to become beneficiaries of the forest bounty. In sum, the new approach recognises human communities as an integral part of the natural landscape and ecology.
- b) The government in 2010 approved the National Forest Inventory project. The importance of this project stems from the recognition that the sustainable management of forest resources is only as good as the information available. The current forest information relating to timber stock, annual growth increment, age class, species diversity, and volume tables is mostly based on 30-year-old field work from 1976 to 1980. Once completed, the National Forest Inventory will generate a wealth of new and accurate forest information providing the much needed baselines and the means and tools for sustainable forest management.

The new data will also provide a basis for engaging in carbon trading and compensation schemes for provision of environmental services. Preliminary estimates released in 2011 show that Bhutan's natural wealth provides Nu.760 billion a year in ecosystem services, of which forests alone provide 93.8%, with the remainder attributable to the services provided by rivers, lakes, cropland, and wetlands. Of the total value, 53% of the benefits go to people outside Bhutan in services like forest carbon sequestration and watershed protection, and 47% (or Nu.511,000 for every Bhutanese citizen) go to

our own people in clean air, water, healthy soils, recreation, and other values.

- c) The Watershed Management Division was created in 2011 to oversee the protection of the country's critical watersheds and wetlands.
- d) Plantations of native Tsendhen trees have been established in all the dzongkhags to ensure the supply of special timber from this tree species for future construction and maintenance of dzongs and temples, which otherwise require large scale extraction of the same from very limited and distant natural stands.
- e) Through the direct participation of local people, community forestry offers an effective and efficient way for sustainable forest management in contrast to the management of all forests by the state alone. The number of community forests (CFs) established in the 12-year period prior to 2008 was 57. In 2008, the government accelerated the programme with the establishment of 61 community forests in one year alone, and since then 428 new CFs (only 57 existed in 2008), covering an area of 50,435 acres, have been established, with an average of two per gewog, to benefit 19,788 participating households.
- f) 74 'Non-Wood Forest Products' groups have been formed with the participation of 3,158 households. The programme provides local communities with the opportunity to generate funds to finance community infrastructure and services through sustainable management of their forests, thus also drawing unemployed youths back to their villages.
- g) Cordyceps collection and sale have greatly improved the living conditions of people living in the high altitude alpine regions. This has made local people very protective of their natural resources. With an annual turnover of over Nu.105 million, Cordyceps export has become a valuable source of foreign exchange earnings. Provided harvesting is undertaken sustainably, cautiously, and responsibly, the legalisation of Cordyceps collection is a fine example of local communities rightly receiving a share of nature's bounty and of integrating human activity fairly and effectively into the natural landscape and ecology.

#### **4. Mitigating Human-Wildlife Conflict**

The fall-out from successful nature conservation efforts in the country has been the

increased human-wildlife conflict causing considerable hardship to farmers. We have introduced various schemes to mitigate this problem such as the establishment of a Human-Wildlife Conflict Management Fund within the Bhutan Trust Fund for Environmental Conservation, piloting of the Community Based Compensation Scheme, installation of electric fences and sound devices, and digging of trenches and hedge fencing with thorny shrubs.

Despite these sincere efforts, we have not been fully successful at addressing the plight of sleepless nights of our farmers and their school going children, and the loss of crops and livestock to wildlife predation. New and innovative mitigation and prevention methods continue to be under active investigation and testing. The most recent innovation is a new electric fence developed by the Renewable Natural Resources Centre (RNRC), Wengkhar, which poses no danger to humans due to its minimal current but has been proven highly effective in giving farmers much needed respite from wild elephant, boar, and other predators, although it has so far proved ineffective in deterring monkeys.

## **5. Clean Hydropower Energy - Sourcing, Exporting and Earning Carbon Credits**

At the beginning of the 10th FYP, only about 40% of rural households were electrified and many communities were not accessible by motorable road. As a result, most homes were dependent on kerosene and wood fuel for cooking and lighting. The successful rural electrification programme is now replacing such sources and thereby enabling farmers to reduce their share of carbon emissions while living far more comfortably and healthily.

Further, the export of excess clean hydropower energy to India is helping offset carbon emissions where the power market is still dominantly coal based, thus mitigating climate change impacts and benefiting the world environment at large.

As well, the pursuit of hydropower development allows us to earn carbon credits and opens the possibility of trading under the Kyoto Protocol's Clean Development Mechanism (CDM). For instance, Bhutan earns 500 tons of CO<sub>2</sub> sequestration credit per year just from the 70 kW Chendebji Micro Hydro Project which was commissioned as the first CDM project in 2005. The carbon credits earned have been valued at between US\$5,931 and US\$17,793 annually, depending on current carbon prices. The 114 MW Dagachu Hydropower Project, which is expected to be

completed in 2013, has also been registered as the first cross-border CDM project, and is expected to result in 500,000 tons of CO2 credit.

Efforts are under way for the on-going big hydropower projects to register as CDM projects, thereby enabling Bhutan to earn additional revenue while pursuing its commitment to remain carbon neutral at all times.

## **6. Creating a Central Agency for Promotion of Renewable Energy in Addition to Hydropower.**

We have recently signed a framework agreement with the Government of Norway and the Asian Development Bank to develop alternative sources of renewable and clean energy, such as solar and wind energy, biogas, and mini and micro hydel power.

The government created the Department of Renewable Energy in December 2011 to serve as the central coordination agency and focal point on all matters related to renewable energy development which is vitally important toward attaining long term energy security in light of the nation's rapidly changing hydrology. The mandate of the Department is to promote the introduction, use, and diversification of various forms of renewable energy and supply in the country.

Achievements of the government in the field of renewable energy to date include:

- a) Formulated the Bhutan Renewable Energy Policy.
- b) Aggressively pursued the achievement of the goal of 'Electricity for All' by 2013. As of December 2012, 88.6% of the 'Electricity for All' target had been achieved, and the 100% target is scheduled for achievement by the end of 2013 when Lauri and Serthig gewogs in Samdrup Jongkhar are electrified.
- c) In collaboration with Department of Livestock, completed the installation of 265 Biogas plants in four Dzongkhags - Chhukha, Samtse, Tsirang, and Sarpang.
- d) Completed the "Bhutan energy efficiency baseline study" which will be used for the formulation of a National Energy Efficiency Policy.
- e) Completed assessment of a site for installation of a 360 kW Pilot Wind Power Project in Wangdue-Phodrang.

- f) Completed the solar electrification of 118 institutions in 16 Dzongkhags using new technologies (Light Emitting Diodes [LEDs], capacitors, and lithium-ion batteries).
- g) Completed installation of 3 Pilot Solar Water Heating Systems in 3 Lhakhangs under Chhukha and Paro Dzongkhags.

## **7. Environment Mainstreaming and Capacity Building**

- a) An Environment Climate and Poverty Mainstreaming Group has been formed comprising members from GNHC, NEC, MoHCA and MoAF with support from UNDP to assist the sectors in mainstreaming environment, climate, and poverty concerns into the sectoral policies, plans, and programmes of all ministries and agencies. Further, a document entitled, “*Framework to mainstream environment, climate change and poverty and other cross-cutting issues in the 11th FYP*” has been published to inform and guide the various sectors and local government officials in formulating environment, climate, and poverty integrated plans toward ensuring a “Green 11th FYP”.
- b) The effort to build knowledge and capacity at all levels of society to mainstream environment, climate change and poverty concerns is being shared by the colleges under the Royal University of Bhutan, the Ugyen Wangchuck Institute for Conservation and Environment, and the Royal Institute of Management.
- c) A new department - the department of hydro-meteorology - was established under the Ministry of Economic Affairs to collect and disseminate climatic data. This department is being supported by the Finnish Meteorological Institute with additional support from the Government of India and other sources.
- d) Training on Environment Impact Assessment is being carried out regularly in various agencies to develop sectoral capacity toward ensuring that environmental assessment of projects and activities is carried out thoroughly in all sectors.

## **8. Strengthening Legal Framework and Monitoring Capacity**

- a) The country’s first comprehensive Waste Prevention and Management Act was passed in 2009 and the Water Act in 2011. The regulations to enable effective

enforcement and implementation of the Act were adopted for solid waste in 2012, and are currently being drafted for Water.

- b) Prior to the adoption of the Waste Prevention and Management Regulation 2012, a total of 18 sensitisation programmes for the public were carried out both on television and radio. Furthermore, various teasers and short video clips with clear messages on applicable penalties were broadcast on the national TV and local cable networks as well.
- c) A Compliance Monitoring Division has been established at the National Environment Commission Secretariat with the responsibility of guiding and monitoring compliance by implementing agencies, industries, and other stakeholders.
- d) Revision of eight sectoral guidelines for the application for environmental clearance has been finalised. The sectors covered are hydropower, roads and highways, tourism, forestry, power transmission, urban development, mines and quarries, and industries. In addition, new guidelines have been developed for housing colonies, hotels and resorts, and farm roads.
- e) With the objective of making the environmental clearance process more professional, efficient, and consistent, a Guideline has also been developed for reviewers of applications for environmental clearance.
- f) There were a total of 1,194 project proposals presented for environment clearance from 2008 to the end of 2012, of which 904 were cleared.
- g) A total of Nu.11.32 million was collected in penalties for environmental infringements from 2008 to the end of 2012. As a result of this active enforcement, environmental considerations and implementation of required standards and safeguards by projects were found to be improving in recent times.
- h) A CCTV network system with night vision cameras has been installed at Pasakha Industrial Estate to closely monitor and thereby improve environmental compliance by industries. Furthermore, toll free numbers have been made available since 2012 to facilitate public participation in environmental reporting and protection in the country.

- i) In order to address the public concern for air and water quality, and to meet the need to monitor them on a continuous basis, the National Environment Commission has started daily measurement of the concentration of respirable dust particles smaller than 10 micro metres at various locations, and now broadcasts the results on national television. There has been a deterioration of air quality in Thimphu due largely to increased vehicle use and emissions, but levels remain below the national and international permissible limits.
- j) Periodic water samples are collected from all the major river systems in the country for analysis of physical, chemical, microbiological, and biological parameters. The monitoring of the Wang Chhu, which passes through the capital city Thimphu and receives the highest amount of effluents in the country, shows that effluent levels are still within permissible levels.

## **9. Climate Change Initiatives and Fulfilling International Commitments**

- a) At the COP 15 conference held in Copenhagen in 2009, Bhutan pledged to remain, for all times, a net carbon sink and carbon neutral country. We have thereby become a global pioneer in making such a commitment toward ensuring the safety and sustainability of all life forms on earth, whose survival is now increasingly uncertain as a result of worsening ecological destabilisation. In this regard, Bhutan has prepared a National Strategy and Action Plan for Low Carbon Development. This low carbon development strategy has been mainstreamed across all sectors for the 11th FYP.
- b) Bhutan has successfully fulfilled its obligation well on time to phase out 100% of chlorofluorocarbons (CFCs) and other Ozone Depleting Substances (ODS) specified under the Montreal Protocol by 2010.
- c) The Montreal Protocol specified that the less active HCFCs (hydrochlorofluorocarbons) be completely phased out by 2030. But Bhutan is now working towards achieving a 100% accelerated phase out of HCFCs by 2025 instead of 2030. To this end, Bhutan hosted the Joint Network Meeting on Ozone for South Asia and South East Asia and Pacific from 10-18 May 2011.
- d) The Climate Change Unit at the NEC has been upgraded to a division with the responsibility to provide relevant guidance and information on climate change to address vulnerability areas and adaptation measures and to meet NEC's

core mandate for maintaining air quality; to establish relevant standards and monitor the non-GHG pollutants that have more local impacts; and to report to national and international fora and bodies on climate change.

- e) Bhutan hosted the Inter-Government Expert Group on Climate Change in August 2010 to prepare a Common SAARC Position for UNFCCC. Subsequently, Bhutan presented the Common SAARC Position at the 16th Conference of Parties (COP) at the United Nations Framework Convention on Climate Change (UNFCCC) in December 2010 in Mexico. Furthermore, Bhutan, as Chair of SAARC at the time, was successful in securing the admission of SAARC as an observer organisation where previous such efforts had failed. SAARC, as a region that is most vulnerable to and affected by climate change, will now be able to represent and further its interest at all future deliberations on the subject of climate change at this important world forum.
- f) Bhutan also hosted the Ninth SAARC Environment Ministers' Meeting and Fourth SAARC Technical Committee on Environment and Forestry in September 2011. The meeting decided on formulating and presenting a common statement at COP 17, as was also done at COP 15 and 16.
- g) In its determination to meet the challenges of climate change through collaboration with neighbouring countries, Bhutan also hosted the Climate Summit for a Living Himalayas in 2012 for the members of the Eastern Himalayas quadrangle comprising Bangladesh, Bhutan, India, and Nepal. The Summit was aimed at developing a regional roadmap for medium and long term adaptation that would encompass addressing the impacts of climate change on biodiversity, food security, water resources, and energy security.
- h) We have updated Bhutan's National Adaptation Programme of Action (NAPA) to access an additional US\$11.49 million from the UNFCCC's Least Developed Countries Fund (LDCF) to respond to immediate adaptation needs arising from climate change. On-going NAPA projects funded through LDCF include the lowering of Thorthormi lake, which represents one of the most immediate and dangerous threats of glacial lake outburst flooding due to climate change, and the installation of early warning systems in the Punatsangchu Valley.
- i) Bhutan also hosted the 21st meeting of the Least Developed Countries Expert Group (LEG) of the UNFCCC from 9-13 March 2012 in Thimphu. During the

meeting the participants and representatives from the UNFCCC, GEF (Global Environment Facility), and other UN agencies were introduced to Bhutanese NAPA projects like the Thorthormi GLOF mitigation effort, the early warning system, and community disaster response preparedness in the Punakha and Wangdue Valley. It is noteworthy that the Bhutanese climate change mitigation projects are often cited by the GEF and UNDP as successful models in highlighting implementation of the NAPA by the LDCs.

**a) Mitigating and Preparing for Glacial Lake Outburst Floods (GLOF)**

A GLOF in 1994 caused massive flooding in the Punakha-Wangdue Valley. A GLOF occurs when a dam formed by glacial ice or a moraine breaks and releases a huge volume of water downstream. Out of 2,674 glacial fed lakes in the country, 24 have been identified as in imminent danger of GLOF from faster melting of glaciers due to climate change.

We are pleased to report that in 2012 the government completed the four-year project of lowering the water level at Thorthormi Lake by 5 metres, and installed early warning systems for the downstream valleys. With this, the most threatening lake has been temporarily tamed, and valuable experience and knowledge acquired for us to be able to deal with climate change mitigation challenges in a fragile mountain ecology that has been highly destabilised by global warming.

**10. Local Green Initiatives**

**a) Going Organic is Living GNH**

In our 2008 DPT manifesto and in my 2010 State of the Nation address, we affirmed our goal that Bhutan will be the first sovereign nation in the world to be fully, 100% organic in its food production, with the grown in Bhutan label synonymous with organically grown. That will create significant economic opportunities for our farmers and for the country, establish Bhutan as a global training centre for organic agriculture, and provide a major spur to organic growing worldwide.

We have increased the amount of land under organic production, strengthened the National Organic Programme, created organic farmers' groups, and conducted organic farm trainings, but we still have a long way to go before we can declare ourselves fully organic.

Going organic is truly a GNH path forward - strengthening all four pillars of GNH. Going organic will enrich and keep our soils healthy and fertile in perpetuity rather than degrading and depleting them through use of synthetic chemicals. Going organic will protect our precious ground water and surface water from pollution and fertiliser run-off. It will protect our biodiversity and save our birds and animals from the deadly effects of chemical pollution.

Going organic will create new economic opportunities for farmers and rural communities both by adding value to what they produce and by reducing the costs of farming, since they will no longer have to pay for expensive imported pesticides, fertilizers and other chemicals. The Indian demand for organic products is growing so fast that the market will never be satiated.

Going organic will empower farmers by reducing their dependence on foreign farm inputs, chemicals, and imported patented seeds, and by creating local seed sovereignty, and increasing reliance on local wisdom, traditional farming methods, and freely available local materials like manure, biomass, and leaf compost that fertilize and enrich the soil. I do not see us just growing more organic food but developing our own organic fertilizers and pest control agents using natural materials based in the rich medicinal flora for which Bhutan is renowned.

And maybe most importantly, going organic will strengthen our culture and rural communities. By creating good economic opportunities for our educated youth in rural areas, we can begin to stem the massive rural-urban migration that has created such serious demographic, economic, and social stresses. That in turn will keep our rural communities - with their networks of social supports, vibrant extended families, and mutual dependence - strong and vital.

Going organic is living GNH and is key to putting GNH fully into practice and action in the Kingdom of Bhutan.

## **b) Green Tax**

Starting with the 2012 budget year, the government started levying a 20% green tax on vehicles above 1800 cc and 5% for vehicles smaller than 1800 cc. The public passenger cars, freight carriers, and utility vehicles that will benefit the rural populations were levied 5% and electric vehicles are exempted from the tax. This measure has been taken to regulate the import of vehicles and thereby to control carbon emission levels.

As is well known, Bhutan's rising consumption of fossil fuels and their associated cost is already equivalent to the revenue earned from clean hydropower exports, and is a major reason for the balance of payment problems presently faced by the economy. The green tax is therefore an effective way of dealing synergistically, compatibly, and effectively, through pricing mechanisms, with dual ecological and economic challenges.

**c) Green Schools for Green Bhutan**

In 2010, the government introduced the Green Schools for Green Bhutan concept in response to the determination of teachers and students to make all our schools green and waste free. In addition to the holistic education that the programme promotes, the children are encouraged to plant and take care of trees and flowers for creating clean and green school campuses and to imbibe and practice the principle of the "3 Rs" - to reduce, reuse, and recycle. The schools have become active proponents of environmental conservation and waste management.

**d) Pedestrian Day**

With the goals of cutting down on imports of fossil fuel, reducing emissions of greenhouse gases, and encouraging a return to a healthy, community-based pedestrian culture among others, the Royal Government on 5th June 2012 - World Environment Day - declared every Tuesday as a Pedestrian Day to be observed in all cities and towns in the country. Only public transport, tourist vehicles, and goods and essential service vehicles were allowed to ply on that day.

However, due to lack of public support, the frequency of Pedestrian Day has been reduced to once a month - the first Sunday of every month. On this day there is now a complete ban on all vehicular traffic except public buses, the number and frequency of which have been increased in the capital.

**e) Bicycle Riding - Development of a new healthy culture in Bhutan**

We are grateful to His Majesty the King, His Majesty the Fourth Druk Gyalpo, and HRH Prince Jigyel Wangchuck for the promotion and development of a new healthy bicycle culture in the country.

It is heartening to note that, from a handful of expatriate consultants riding bicycles

a few years ago, bicycling has today become a trend for Bhutanese youths. During the five year period since 2008, 7,848 bicycles have been imported into the country for sale, not including the ones imported directly by individuals. The government, on its part, allows bicycles to be imported without tax and has initiated pilot schemes to make our roads bicycle friendly.

The government has also identified a 76.41 km long bicycle cum footpath trail encircling the entire capital city Thimphu along the surrounding hills. The project will have the added benefit of establishing a long term physical and non-violable boundary beyond which no settlement or development activity of any kind except those already existing will be permitted. A small segment of this trail has been completed and once the full trail is finished, the residents of the capital will not only have a long bicycle track but a jogging and walking nature trail that can be accessed and exited at various convenient points.

**f) City Bus Services in Thimphu and Phuentsholing**

There is today a fleet of 34 buses in operation in Thimphu and two in Phuentsholing. Seventeen of these were added in the last five years. The use of the city buses is gaining popularity with more and more people availing this service to travel to the office and for other purposes. It is hoped that as the public bus service quality and frequency improve, and as it becomes more socially acceptable and appreciated, use of private vehicles will diminish to bring about multiple social, economic, ecological, and security benefits to individuals and to the nation.

**g) Managing Effectively the Stray Dog Population and Threat of Rabies**

The growing stray dog population has been a major health and social concern particularly in urban centres for many years. Increasing incidents of dog attacks and complaints by tourists of sleepless nights from dogs barking have been reported. With support from the Humane Society International, USA, The Royal Government started the National Dog Population Management and Rabies Control Programme in 2009. The programme has so far caught, neutered, vaccinated, and released 43,086 dogs.

To maximise the long-term impact of these measures, the dog population control measures have been extended to adjoining Indian towns with continuous monitoring of the programme. The impact is visible, as sightings of puppies are becoming rarer.

## **11. A Central Agency for Managing Natural Disasters**

We were struck with a series of natural disasters in the last five years. As a result of the more extreme and unpredictable weather events attributable to climate change, which we have already experienced in cyclone and windstorm impacts, we are unlikely to be immune from such disasters in the future. Key disasters in the last five years included the following:

- a. The first natural disaster to strike the country was the widespread flooding caused by Cyclone Aila on 25th and 26th May 2009, which claimed 13 lives and caused extensive damage to public and private properties with losses of Nu.719 million (US\$17 million).
- b. In the same year in September (2009), the most severe earthquake in our living memory measured at 6.2 on the Richter Scale hit eastern parts of the country. It claimed 12 lives and damaged 4,950 rural homes, temples, and monasteries, 117 schools, 45 BHUs, 29 RNR Centres, and 26 Gup offices, with losses estimated at Nu.2.5 billion (US\$52 million).
- c. Two years later on 18th September 2011, we were hit by another earthquake with its epicentre in Sikkim and measuring 6.8 on the Richter scale, this time striking the western part of the country. This claimed one life, injured 14 people, and damaged 6,977 rural homes and temples, 36 schools, 22 BHUs, 27 RNR Centres, and 30 other public buildings, with losses estimated at Nu.1.2 billion (US\$24.46 million).
- d. A series of fires in 2010 and 2011 razed to ashes homes and shops in the town of Chamkhar, the satellite town of Wamrong, and three homes in Haa. The windstorms of 2011 and 2012 caused extensive destruction of public and private properties in several parts of the country. A most grievous loss, which left the country stunned, was the devastating fire that consumed the precious Wangdue-Phodrang Dzong on 24 June 2012.

In all these disasters, His Majesty the King and the Royal representatives have been the first at the sites, personally overseeing relief operations and providing comfort to the people. The Royal Government and people remain immensely grateful to His Majesty the King.

In anticipation of further disasters, as prompted by the increasing magnitude and frequency of natural calamities across the world, the Royal Government created the Department of Disaster Management (DDM) under the Ministry of Home and Cultural Affairs in 2008 to oversee and secure the safety of the country and people through the mitigation and reduction of disaster risks.

The DDM in preparing the country for varied natural disasters has undertaken various projects and activities. These include:

- a) The preparation of the Disaster Management Bill which has just been passed by Parliament.
- b) Extensive public education and awareness-raising on hazards, risks and vulnerabilities; earthquake risks and training; preparation of instructions on do's and don'ts in such cases; emergency medical and first aid training; fire safety campaigns; GLOF awareness; and building capacity on disaster mitigation, preparedness, and response.
- c) Development of Early Warning Systems for major river basins.
- d) Mock drills for escape and rescue during disasters.
- e) Development of many important documents viz.
  - i. National Disaster Risk Management Framework
  - ii. National Recovery and Reconstruction Plan
  - iii. Safety Tips for Flooding Events
  - iv. Fire Safety and Protection
  - v. Earthquake Safety Tips
  - vi. Earthquake Safety in Schools
  - vii. Guideline on Proper Construction Practices for 'Non-Engineered' Buildings

The Royal Government hosted the International Conference on Disaster Management and Cultural Heritage with the theme "Living in Harmony with the Four Elements" from 12-14 December 2010.

The government created a new Seismology Division in the Department of Geology and Mines during the 10th FYP Mid-Term Review. The department is preparing a comprehensive and detailed seismological map and study of the country to ensure

better preparation and safety measures in the risk areas, to prevent the development and expansion of towns, settlements, industries and other institutions along the fault lines, and to take other action based on the new knowledge and information acquired.

## **IV. THIRD PILLAR: PRESERVATION AND PROMOTION OF CULTURE**

We committed in our election manifesto to preserving and promoting our age old cultural wealth and heritage as manifest in our beliefs, languages, dress, customs, literature, arts, architecture, and crafts. I am pleased to report that our culture continues to flourish and is being enriched by the process of globalisation of which we are a part, as I shall report in this section.

### **1. Spiritual Growth and Nourishment - The Choedhey Lhentshog**

The government established the *Choedhey Lhentshog* - the Commission for Religious Organisations - in 2009 for the purpose of keeping our spiritual and religious commitment, devotion, and traditions strong and true. The Choedhey Lhentshog has since registered 80 organisations and organised the First National Congregation of Heads of Religious Organisations in 2012 to discuss the role of religious organisations in safeguarding the spiritual heritage of Bhutan and the issues and challenges faced by religious organisations in the country. A total of 164 *lams*, *khenpos*, *truelkus*, *animis* and *purohits* took part in the landmark meeting.

The *Choedey Lhentshog* has also established a uniform curriculum to respond to the changing times for all schools of Buddhism. In order to establish accountability and transparency, all the religious organisations under the *Choedhey Lhentshog* are subject to auditing. The secretaries and finance managers of all member religious organisations have been provided with basic management training and book keeping through use of Dzongkha Unicode.

### **2. Festivals and Exhibitions of our Culture and Arts - Sharing Humankind's True Wealth**

Bhutan was the focal country for the 42nd Smithsonian Folk Festival in Washington D.C. in 2008. The 141-member Bhutanese delegation led by HRH Prince Jigyel Ugyen Wangchuck, displayed every aspect of Bhutanese culture and life to over 1.5 million people who visited the Festival. This is the biggest cultural festival in the world and also attracts some 40 million television viewers and further attention on internet sites and in publications.

Her Majesty Queen Mother Sangay Choden Wangchuck inaugurated the Exhibition,

“The Peaceful Dragon Textile Arts from the Kingdom of Bhutan” in Germany in November 2008.

Her Royal Highness Princess Sonam Dechan Wangchuck inaugurated the Exhibition “The Dragon’s Gift: The Sacred Arts of Bhutan” at the Honolulu Academy of Arts in 2008. Due to its huge popularity, this extraordinary display of our sacred and cultural wealth was subsequently exhibited at the Rubin Museum in New York, the San Francisco Asian Art Museum, the Asian Arts Museum in Cologne, Germany, the Gimet Museum in Paris, France, and the Reitsberg Museum in Zurich, Switzerland. Indeed, this exhibition of more than 100 sacred items has been one of the most successful exhibitions of Buddhist Art in recent years and attracted record visitors at each location.

41 rare statues and thangkas from **The Dragon’s Gift** were made available for viewing by Bhutanese public upon their return to the country in 2009 to bless over 100,000 viewers across the country.

The *Bhutan Garden* was awarded the *Excellence Award* for the grandeur of Bhutanese architecture and the aura of spirituality at the Taipei International Flora Exposition in 2010.

The rare and most sacred relics of Lord Buddha and his two disciples, *Saribu* and *Mougelgibu*, preserved in Bodh Gaya in Bihar were brought to Bhutan on 1 October 2011 for a month-long public blessing across the country. An unprecedented number of over 500,000 Bhutanese from across the country venerated and received blessings from the sacred relics. Their arrival was also timed to bless and purify the land in preparation for the Royal Wedding.

On command of His Majesty the King, a 74-day exposition of *Sangay Oedhsung’s* Tooth Relic of the Zhung Dratsang was organised in Thailand. The relic was displayed in four venues around the country and attracted thousands of devotees to strengthen further the ties of friendship between the two countries.

### **3. Preservation, Renovation and Construction of Cultural Heritage**

The renovation of the most blessed and sacred Semtokha Dzong, the first to be built by the Zhabdrung, was completed and restored to its full glory. It is now established as the Central Institute of Monastic Arts to ensure the timeless flourishing of the unique Druk culture (*Druk lug*).

The new Tsirang Dzong and Chukha Dzong were completed and inaugurated and are in full use. These have raised the pride and dignity of the people of the two dzongkhags. The work on the new Pemagatsel Dzong has started and is in full progress.

Renovation and development of the Dechenphug Lhakhang complex, Pangrizampa Lhakhang and the new Astrology School, Wangditse Lhakhang, and Dechenphodrang Monastery have been completed.

The Trongsa Ta Dzong was restored as the Tower of Trongsa Museum, and houses treasures of the Wangchuck dynasty as a tribute to our beloved monarchs. It was inaugurated by His Majesty the King during the Centenary Celebrations of the Wangchuck dynasty.

Renovation and development of Wangdue, Paro, Lhuentse and Dagana Dzongs have been started and are at various stages of completion. As noted, however, the most unfortunate tragedy struck Wangdue Dzong although, by that time, the separate drasha for the monks had been completed and the monks had already moved safely to it before the fire. Plans, preparations, and work on the restoration of the Dzong are in progress. In this regard, we express our deepest appreciation to His Majesty the King, Her Majesty the Royal Grand Mother and all our people for their immeasurable contributions to support the reconstruction work.

The government also welcomed and supported the construction of the 169 ft. Shakyamuni Buddha Statue in Thimphu; the 148 ft. *Guru Nangsi Zilnon* Statue at Tangmachu, Lhuentse, and the 45 ft. Walking Buddha Statue at the Centenary Park in Thimphu. These have greatly enriched our spiritual wealth.

A Guest House at Rajgir in Bihar for the safety and convenience of Bhutanese pilgrims is being built with the Government of Bihar, India having kindly donated a large plot of land.

#### **4. Sacred Festivals, Folklore, and Dances**

The innovative and inspiring Dochula Druk Wangyel Tshechu, under the patronage of Her Majesty the Queen Mother Dorji Wangmo Wangchuck, was inaugurated on 13 December 2011 on the grounds of the Druk Wangyel Lhakhang.

The Punakha Tshechu commemorating and celebrating the life and legacy of Zhabdrung Ngawang Namgyel has been elaborated to reflect more comprehensively

the legacy of the '*One at Whose Feet All Must Bow*'.

The National Museum of Bhutan, Paro, in collaboration with the Royal Academy for Performing Arts (RAPA) have inventoried and documented most mask dance traditions, folklores and songs of our country. Further, the National Museum organised a permanent display to showcase the different types of mask dances performed around the country.

The graduates from RAPA are deployed to institutions and schools across the country as cultural instructors.

#### **5. National Colour Guard Ceremony at Tashichhodzong - to Honour and Serve the Tsa-wa Sum (Triple Gem).**

A 7 metre Gyaldhar (national flag) fluttering gloriously from the 30-metre flag post was installed in the south lawn of the Tashi-Chho Dzong. The national colour was hoisted for the first time on the occasion of the Royal Wedding in October 2011 as His Majesty passed in procession. Since then a ceremony for raising and lowering of the National Colours is conducted on a daily basis by a special contingent of National Colour Guard led by pipers, a *lam* and an incense holder, all garbed in ceremonial finery. Likewise, another giant sized flag flies at the RBP (Royal Bhutan Police) grounds to greet every citizen who enters or departs from the capital city and to remind everyone of the Tsa-wa Sum.

#### **6. Promotion of National Language - the Sound that Unifies All Bhutanese**

Under the *Dzongkha Development and Promotion Strategy* Framework approved in 2011 to further strengthen and update the national language in keeping with the dynamics of a rapidly evolving world, the following actions were taken:

- a) Conduct of a national survey to assess the knowledge and standard of Dzongkha among the class X students;
- b) Completion of a new edition of the Dzongkha grammar book;
- c) Compilation of 2,000 traditional Dzongkha terminologies from villages in the country. The terminologies were not available in the existing Dzongkha dictionaries and books.

- d) Printing and distribution of the English-Dzongkha Pocket Dictionary to students between class VII and colleges;
- e) Completion of digital Dzongkha-English and English-Dzongkha dictionaries for mobile phones, and Dzongkha keyboard with Android software.

## **7. Growth of Literature**

Bhutan has witnessed a growth in literary activities that are an indication of our cultural growth and advancement.

Writing in Dzongkha and English has become a vocation for a growing number of poets, writers and folk-lorics. The Centre for Bhutan Studies and GNH Research, which also serves as the National Book Registry, has issued ISBN numbers for 1,128 books since its establishment in 2007.

*Mountain Echoes Festival*, a literary festival to celebrate and to bring together primarily writers from India and Bhutan has become an important annual event.

Bhutan participated at the Taipei International Book Exhibition (TIBE), Taiwan in February 2011 in which over 500 titles by Bhutanese authors were displayed and the Bhutan Pavilion was the star attraction.

A bill on the *Archive of Bhutan* is being drafted to strengthen and protect the archive system in the country.

## **8. Promotion of Indigenous Arts and Crafts - Income for Artisans and Keeping Alive Our Rich Heritage**

We are grateful to Her Majesty the Queen Mother Sangay Choden Wangchuck for the royal patronage of our textile tradition and art through festivals such as the annual National Craft Festival, National Design Competition and national exhibitions. These have provided for many years, the platform for local weavers and designers to innovate, promote and showcase their talents while expanding the market for weavers.

The government established the Agency for Promotion of Indigenous Crafts (APIC) in July 2011 with the mandate to promote economically viable and sustainable craft

enterprises that would encourage crafts-persons to produce well-designed and well-finished products while developing and catering to a niche market.

Under the direct patronage of the Office of the Prime Minister, the APIC helped set up Bhutan's first ever *Crafts Bazaar* in Thimphu on 9 October 2011, to serve as a good marketing outlet for a wide range of authentic Bhutanese arts and craft products for artisans from all over the country. The 80-stall Bazaar thus serves not only to provide income for our artisans but helps to preserve and promote a very vital aspect of our unique culture.

The APIC also launched the 'Made in Bhutan Seal' on 14 May 2012. The seal will authenticate wholly produced and/or substantially transformed products with required minimum value addition within Bhutan to help build "Brand Bhutan". The certification system is being implemented for the first time in Bhutan in the crafts sector. The benefits of certification include buyers being able to make informed choices, serving as a marketing tool for crafts-persons and dealers, protecting and promoting genuine Bhutanese handicrafts, and motivating Bhutanese artisans.

## **9. Driglam Namzha - the Art of Living Harmoniously**

What sets the Bhutanese apart from others is our clear tradition of Driglam Namzha that forms the essence of Bhutanese culture and unique identity. In its broadest sense, it is a set of values and practices that guide our day to day conduct in ways that enable us to live in harmony with each other and with our environment. It is what guides us in our thoughts, speech and mind so that we bring out the best in others and ourselves to create a happy family, community and nation.

Training on basic Driglam Namzha is being regularly provided to all civil servants, college graduates and students.

Further, a *chadri* guidebook "*Zhungdrel Chadri Lamtoen*" has been published and distributed to all government offices to standardise *chadri* arrangements and bring down costs.

## **10. Village Lhakhang - the Central Reference Point for Community Vitality**

A village lhakhang is not only a place of worship but a community centre that affords

villagers a central reference point for their local history, flourishing of customs and traditions, and bonding to create vital community relationships and sharing of visions.

During the Mid-Term Review, one common subject in the reports of local government leaders was the importance of village lhakhangs and the need for state support where communities do not have any place of worship. To this end, the Royal Government provided special grants to several remote communities while many received support from the Constituency Development Fund.

## **11. Film and Music Industry - Cause for National Pride**

The audacity of the young industry not only to survive but excel in a highly globalised and competitive sector is fascinating and admirable. Who could have imagined a few years ago that one day Bhutan would not only give birth to its own film and music industry but that, in such a short time, our creative talents would halt the cultural onslaught through cinema halls and homes by the combined might of Hollywood and Bollywood. The Bhutanese films have completely edged out foreign products from the big screens.

In all this, our youth have dared to dream and have done the country proud. Further, what is heartening is that despite their having grown up under powerful influences of external cultures, our film makers are today at the forefront of safeguarding and promoting the splendours and virtues of our culture and rich traditions.

Since the first film *Gasa Lamai Singye* in 1988, the industry has now produced a total of close to 300 films, with average annual production lately having reached 30 films.

The contribution of the film industry to the recreation and entertainment needs of our society is equally matched by the music industry. Working in collaboration for mutual gain, our talented music industry has churned out lyrics and melodies that have won the hearts and minds of the Bhutanese, young and old. In fact, it is somewhat of an oddity to observe that Bhutanese infants and children have an uncanny attraction and bias for Bhutanese music and songs. It is reported that there are some 400 music albums in the market to replace the otherwise popular trend towards foreign music at home, in the car and in public places.

Further, in the last four years, the nation has been enthralled by the series of

national singing competitions broadcast live on BBS TV and radio stations. These competitions are not only providing a platform for discovery of otherwise latent talents but revitalizing and popularizing the *Zhungdra* and *Boedra* genres of our music traditions which were otherwise on the decline.

I take this opportunity to offer my best wishes and congratulations to our film and music industry and their creative and devoted leaders for understanding and accepting their role as custodians of a distinct culture and the values and principles on which it is founded.

## V. FOURTH PILLAR - CONSOLIDATING GOOD GOVERNANCE

The enviable fortune of the Kingdom of Bhutan has been the good governance that it has always enjoyed under the leadership of our selfless monarchs. This is what has given to the Bhutanese people peace and stability for over a century. And it is within such an environment that progress and pursuit of GNH became possible. When the DPT received the mandate of the people to serve, we believe it came with the hope that we would abide by our conviction, as contained in our manifesto, that good governance is a Sacred Responsibility which we shall strive to fulfil. The measures we have taken and some of the successes we have achieved to promote good governance and establish worthy precedents and traditions are reported in the following pages.

### 1. Friendly, Accessible and Outcome Oriented Government

Having committed to keeping government small, friendly, and accessible, the Royal Government maintained a small cabinet of 10 ministers in charge of 10 ministries, comprising a mix of experienced ministers with young and dynamic new members who were selected entirely on the basis of their intellectual and professional competence. While discharging its functions in the most efficient and effective ways possible, the government mindfully endeavoured to conduct its business through transparent, participatory, and accountable processes. At the same time, with a view to create, improve and deliver services in the most timely, accessible, and cost effective manner, various measures were undertaken. Some of these are outlined below:

#### a) Acceleration of Bhutan's Socio-economic Development (ABSD)

ABSD was a special project undertaken with the following objectives, comprising 3 main tracks:

- i. Track 1: Improve the efficiency and effectiveness of five public services, viz., Health care, School education, Tertiary education, Vocational training, and Government to Citizen (G2C) services. A second objective on this track was to achieve savings through efficiency gains in procurement and productivity in the five sectors of Construction, Tourism, Culture industry, ICT, and Agriculture.
- ii. Track 2: Generate a substantial portion of the 75,000 jobs (93,000 actual) required during the 10th Plan by accelerating development in five sectors;

create 30,000 jobs in four years; meet the aspired employment rate to ensure a maximum 2.5% unemployment rate; solve urban youth and rural under-employment issues and, in turn, address the rural-urban migration problem.

- iii. Track 3: Enable and manage systemic change to ensure a real and sustained impact on the bureaucracy and governance in general, so as to imbibe the will and capacity to pursue the goal of just and equitable development at minimal cost with maximum delivery for the benefit of citizens. This, in particular, requires the adoption of the '*tight-loose principle*' of performance management, which fixes responsibility in terms of targeted results and outcomes against time lines rather than mere paper work. In short, there would be no concessions on results, while processes may be altered and flexibly adjusted within the bounds of law in order to optimise attainment of the desired outcomes.

The project required detailed diagnostics and analyses of the policies, plans, and functioning of the selected services and sectors, in order that right and timely solutions can be found and undertaken in each area and indeed throughout the system, as was the case. Remedial and corrective measures were then determined through active consultation with the agencies.

In keeping with the 'tight-loose' principle, performance (outcome) compacts were signed between the concerned ministers and the Prime Minister and likewise between the ministers and their agency/project executives in the presence of the media to make the promise of performance public. This outcome based performance undertaking and the entire analytical process that goes with it have transformed the way the government functions. The result is there to be seen in the way the extensive pledges of the governing party and the enormous 10th FYP commitments have been executed.

#### **b) Making Service Delivery Faster and Easier to Access - the G2C Project**

In a rugged mountainous country, where communication and accessibility are the biggest development challenges, it was imperative that we find ways to deliver essential services to the citizens in the most efficient, cost-effective, and people-friendly manner. The government saw the dire need to go beyond simply making services available to actually delivering them at minimal cost and effort on the part of the citizens to receive them.

The government realised that citizens were facing immense difficulties in availing services which impact their everyday lives. Our people in the villages, for example, had to walk for days to the district headquarters or to the capital to obtain a simple service like security clearance. Likewise, they endured arduous and time-consuming travel for forestry timber permits, business licenses, civil registration updates, and other services. There was a lack of transparency, clarity in procedures, availability of dealing officials, and service delivery timelines. To add to these impediments, the delivery of such vital services was frequently duplicated due to lack of proper communication among various government agencies, leading to unnecessary costs for both the government and citizens.

Therefore, the government has embarked upon an ambitious plan of action under ABSD to identify the most commonly availed services and to deliver them through one window while making optimal use of ICT facilities. Outcomes of this initiative include the following:

- i. The government began with the identification of 200 services to be diagnosed and analysed under the G2C project. These services cut across almost all sectors of the government ranging from civil registration, education, pension, business, security clearance, and jobs, to agriculture, forestry, and allied services.
- ii. 88 of these services were delivered during the first project phase, which concluded in the beginning of 2012. Since then an additional 40 services were completed, while another 18 are slated to be completed by the end of this month (March 2013). With this, the government has achieved one of its most important targets of interlinking important databases, which in turn will ultimately culminate in fulfilling the aim of creating a paper-less governance system.
- iii. As a direct result of this initiative, the following services can now be accessed online:
  - a. Security Clearance
  - b. Health Helpline Centre
  - c. Royal Audit Clearance
  - d. Budgeting and Accounts System
  - e. Civil registration including birth and death
  - f. Culture
  - g. Law and order
  - h. Passport

- i. Agriculture, livestock and forestry
- j. Trade and industry, including cottage industry
- k. Labour services and job portal
- l. Higher education, examination system, and scholarships
- m. Pension
- n. Municipal services
- o. Housing
- p. Construction related services
- q. Engineering

To date, the top three G2C services availed from the community centres in rural areas during the period December 2011 were:

Birth Registration	735
Rural Timber Permits	111
Micro Trade Licence	105

Since these online services were made live, 41,481 applications across all agencies have so far been submitted and processed through the G2C system to date.

All the aforementioned services have been simplified and redundant layers removed. In all, the targeted service delivery time has been achieved in more than 70% of cases. Most of the services can now be accessed and availed of through an open system at any place with internet connectivity nationwide. All systems are now - at both front and back ends - web-enabled. SMS services like notification and enquiry have been integrated into the system. This means citizens can now check the status of their services and can get notifications online via computers. Similarly, the payment tracker mechanism has been integrated, enabling people to make payments at the gewog for these government services and thus avoiding unnecessary travel.

All the services have defined timelines and fee structures, and the entire database has been integrated through Citizenship ID card numbers. A central database registry for business licenses, citizens' ID cards, vehicle information, and other data has been developed, and citizens are therefore no longer required to submit photocopies of documents as these can now be pulled from the system automatically. These services are being pooled in a common gateway portal which can be accessed only by authorised persons through user passwords. To ensure security, all approvals are routed through TWAN (Thimphu-wide area network).

### c) **Organizing Government to Maximise Effectiveness**

In order to overcome the problem of important functions of government being undermined by lack of authority and administrative leverage, and with a view to ensuring effective performance in key areas of concern to the citizens, the following organisational changes were carried out by the Cabinet:

- i. Creation of 12 new departments viz. (i) Dept. of Agriculture Marketing and Cooperatives (ii) Dept. of Cottage and Small Industries (iii) Dept. of Hydro-Met Services (iv) Dept. of Renewal Energy (v) Dept. of Hydro-Power and Hydro Systems (vi) Dept. of Curriculum Research and Development (vii) Dept. of Local Governance (viii) Dept. of Disaster Management (ix) Dept. of Engineering Services (x) Dept. of Human Settlement (xi) Dept. of Traditional Medicine (xii) Dept. of Medical Health and Infrastructure.
- ii. Granting of autonomous status to six agencies (i) Tourism Council of Bhutan (ii) Drug Regulatory Authority (iii) Civil Society Organisation Authority (iv) National Commission for Women and Children (v) Bhutan Standards Bureau (vi) Bhutan Council for Secondary Examination and Assessment.
- iii. Delinking four agencies from the Civil Service (i) Bhutan Electricity Authority (ii) Construction Development Corporation Limited (iii) National Housing and Development Cooperation (iv) Royal University of Bhutan.

## **2. Mainstreaming GNH in Public Policies and Programmes**

From the moment the elected government assumed office, it placed the highest importance on operationalising GNH in every sphere of governance. The 10th FYP was scrutinised to assess its adherence to the principles of GNH, and likewise every government action thereafter undergoes similar assessment.

The Government has now introduced a structured procedure for GNH evaluation whereby every policy proposal is subjected to a screening process by the GNH Commission secretariat which tests each policy against key elements of each of the nine domains of GNH. A rating is then given. If a particular policy obtains the requisite rating, it is then forwarded to the GNH Commission, chaired by the Prime Minister, for consideration and final submission to the Cabinet. A policy that does not qualify is sent back to the proposing agency to raise the GNH value and to remove

those aspects that have negative implications for societal happiness.

Based on the GNH screening tool:

Five major policies have been screened and approved by the Royal Government in the past year. These are: (i) National Youth Policy 2011, (ii) National Health Policy 2011, (iii) National Land Policy 2011, (iv) National Forest Policy 2011 and (v) National Irrigation Policy 2011.

- a) Eleven draft policies that have been assessed or are awaiting screening are: (i) RNR Research Policy, (ii) National Renewable Energy Policy, (iii) Micro, Small and Medium Enterprise Policy (MSME), (iv) Mineral Development Policy (MDP), (v) Thromde Finance Policy, (vi) Subsidised Timber and Other Forest Produce Allotment Policy, (vii) National Employment Policy, (viii) National Policy on Early Childhood Care and Development, (ix) National Policy on Special Educational Needs, (x) National Education Policy and (xi) National Population Policy.

This mainstreaming of GNH in public policies and programmes has now entered the country's National Accounts and, thereby, its economic system, through the initial introduction of full-cost accounting mechanisms that will properly value the nation's precious natural, social, cultural, and human wealth and resources, and the costs of their depreciation, alongside the manufactured or produced capital conventionally counted.

Such full-cost accounts are the necessary foundation of a genuine wellbeing and sustainability-based economic system, and will assess the true benefits and costs of economic activity. The first natural, social, and human capital results of the new accounts were publicly released in February, 2012, with the first estimates of the economic value of Bhutan's ecosystem services, voluntary work, and alcoholism costs - thereby demonstrating the utility of natural, social, and human capital valuations and manifesting a balanced GNH development approach.

### **3. Promotion of the Rule of Law**

The Royal Government is deeply grateful to the Parliament for having considered and passed many laws to ensure that, in order to abide by the rule of law as a democracy, there is a commensurate body of laws to guide policy and behaviour, and to avert the possibility of arbitrary action. To this end, and beginning with the adoption of

the Constitution of the Kingdom of Bhutan, the Parliament has passed 39 bills and ratified 15 international legal instruments.

That the first elected government has not only extolled the virtue of the rule of law but fully subscribes to it is demonstrated through the two legal cases that have hitherto involved the government. Rather than avoiding appearance before the law, which would risk undermining the judicial system, the government and its leaders most respectfully submitted themselves to the wisdom of the judiciary.

The case, viz., *Government Vs The Opposition Party*, known as the country's first Constitutional case, was a test of the government's adherence to the principles of separation of powers and to the rule of law. Not only did the government lose the case, but it immediately complied with the verdict of the Supreme Court by reversing a National Assembly resolution and amending the laws by which the government had acted and which the Court had found to be *ultra vires* to the Constitution. The second case involving senior members of the government is sub judice and, at no time, has the government been found wanting in cooperation while the concerned have most fastidiously appeared before the court.

#### **4. Independent and Professional Civil Service**

The manifesto of the serving party states: 'If Bhutan has reasons to be proud of her achievements under the visionary leadership of our Kings, then due credit must be given to the civil servants for the dedication and commitment with which they have served the King, Country and People at all times.'

Today at the end of our term, we can say with great pride and satisfaction that our Civil Service is among the most disciplined, dedicated and competent in the world. The view that this reputation is rightly earned and deserved is shared by the representatives of all our development partner countries who work very closely with the civil servants. The satisfactory completion of the 10th Plan and the fulfillment of the pledges made are due entirely to the loyalty, dedication, and hard work of our fine Civil Service.

- i. An apolitical and professional civil service is paramount in a democracy. To this end, the Royal Government has respected and supported the independent functioning of the Royal Civil Service Commission. In this regard, the most significant milestone has been the passage of the Civil Service Act of Bhutan in 2010.

- ii. An enduring policy of the Civil Service is to maintain a small, compact and efficient Civil Service. In the last five year period, the total strength of the Civil Service has only grown from 18,807 in 2007 to 24,275 in 2012, with an annual growth of only 5.82%. In sharp contrast, the size of the 10th FYP alone is more than double that of the previous Plan. Moreover, numerous new services have been established, stretching the capacity of our civil servants. This total number is small, particularly when bearing in mind that it includes all the teachers and nurses of the rapidly expanding education and health systems.
- iii. We committed in our Manifesto that we will make the Civil Service a highly respected, motivated, and upright body committed to the highest standards of service, integrity and meritocracy. We are happy in this regard that:
  - a. The Civil Service continues to be the most sought after job for university graduates. For instance, 2,397 graduates applied for the 394 job vacancies in the Civil Service in 2012.
  - b. The number of civil servants with educational qualifications of Bachelors degree and above is 7,630 (as of 31st December 2012), compared to just 4,520 in 2007 - a 68% increase in the proportion with university qualifications over the last five years.
  - c. Female civil servants increased from 5,499 in December 2007 to 7,879 in December 2012.

The Government regrets that it was not able to raise the salary of civil servants beyond a total 55% pay raise over two stages. We are pleased however, that practicing professionals in the Medical and Teaching Occupational Groups have been provided Medical and Teaching Allowances respectively. The fact that the financial situation of the nation could not afford a pay raise beyond what was given was evident in the ministers not having taken a pay raise at all and maintaining only the salary they were paid by the previous government.

## **5. Media - the Fourth Branch of Governance**

The Government has always recognised media as the fourth branch of governance and has acknowledged media's indispensable role in deepening democracy by engendering an informed society and pinning accountability and transparency on

the government. The Monthly Meet the Press has been one of the many initiatives taken by the government to ensure transparency and to enable the media to play its quintessential role of a watchdog.

During Meet the Press sessions, the entire cabinet - all ministers, led by the Prime Minister - subject themselves to interrogation and questioning by the media for two hours every month. The encounter is totally open to all journalists and to any issue they wish to raise. The sessions provide an avenue for the media to scrutinise the government's performance and to raise issues which are of public concern.

Besides these regular monthly sessions, the government has also provided ad hoc press briefings on new and urgent developments of public interest. Additionally, the Prime Minister has also made himself separately available to senior members of the media.

In a fledging democracy, the government also recognises the responsibility of not just informing the people of significant government policies through the various media outlets, but also of creating a system to ensure the growth of a free, responsible, and independent media. Today, we have 12 newspapers, six radio stations, two television news channels, and one entertainment channel. The growth of a free and responsible media continues to receive full encouragement and support of the government.

## **6. Zero Tolerance to Corruption**

In pursuit of the government's policy of zero tolerance for corruption, the Royal Government has given all possible support to the Anti-Corruption Commission (ACC), including special allowances. On my own part, I have not only welcomed the allegations of illegal acquisition of a 50-decimal plot of land in Mongar over 10 years ago, but personally requested the ACC for a thorough investigation and made myself available for questioning by ACC investigators. In many countries, there is no tradition of a sitting PM being investigated, but I was happy to do so and saw it as an opportunity to set an important precedent.

I am also happy that we have one of the strongest anti-corruption laws in the world where the anti-corruption agency has the power to initiate suo-motu action, to receive complaints of corruption from the general public with police powers, and to protect whistle-blowers.

## **7. Maintenance of Law and Order - Ensuring safer communities**

In order to ensure and further a sustainable and safer living environment, the Royal Government has provided to the Royal Bhutan Police (RBP) every possible assistance and support including weaponry, communication equipment, transportation, etc. The force deserves the highest commendation for its excellent performance and for its high moral and ethical standards. It deserves appreciation for the many innovative crime prevention activities, some of which are:

- Police Youth Partnership Programme in all 20 Dzongkhags.
- Police-Parent Partnership Programme in all 20 Dzongkhags.
- Police-Driver Partnership Programme.
- Disbanding of youth gangs and groups in Thimphu;
- Road shows on crime prevention and gender based violence in Thimphu, Wangdue, Punakha, Tsirang, and Paro;
- Door to door sensitisation and demonstration of crime prevention and security enhancing tools for 6,844 households in Thimphu and Phuentsholing.
- Launching of Police Patrol on mountain bikes in April 2011 in Thimphu.
- Launching of the 'Nationwide Highway Patrol' in April 2011.

In order to strengthen crime prevention and the maintenance of law and order, RBP established new Divisions and Units, viz. Narcotics Drugs and Vice Division, Women and Children Protection Division, Research and Planning Division, Human Resource Development Division, Crime Prevention Unit, Cyber Crime Unit, Dog Squad Unit, Forensic and DNA Unit, and Special Reserve Police Force (SRPF). Further, RBP launched Community Police Centres at Changjiji, Taba, and Khasadrapchu on 1st November 2012, and established Women and Child Protection Units in Paro and Phuentsholing. The RBP also introduced an online crime and criminal information system (CCIS) in 20 Dzongkhags. This has improved delivery of public protection services and created a useful data base for the organisation.

It is, however, a matter of deep concern that the crime rate in general across 26 categories that are monitored by the RBP has been rising steadily in absolute numbers from a low of 2,360 in 2008 to 4,697 cases in 2011. This is likely attributable in part to major socio-demographic trends like massive rural-urban youth migration that detaches youth from their strong village and social networks and often leaves them rootless and isolated in their new urban abodes. The year 2012 saw a slight drop in the crime rate to 4,679, and it is our hope that this is the beginning of a downward trend

both as a result of the many initiatives taken by the RBP and also of improvements in rural prosperity that create more opportunities for youth in their home regions.

## **8. Foreign policy advancement - Promoting cooperation, national image, and security**

The guiding principles of our foreign policy are to promote and protect Bhutan's sovereignty and territorial integrity and to advance her national interests. Being mindful that we live in an increasingly interdependent world, we are committed to promoting understanding and friendship with all countries and building a peaceful, just, sustainable and happy world.

### **a) Multilateral and bilateral relations**

We are proud to be a member of the United Nations and consider multilateralism to be indispensable in a globalised world that is deeply troubled and challenged, and where even human survival has become an immediate concern in the face of serious climate destabilisation, resource depletion and degradation, and species extinction. While we try to participate actively in the global discourse, we have limited capacity and therefore continue to be selective and to engage in areas that are of direct concern to our country and where we can make meaningful contributions.

Relations with India, which are based on age-old ties of friendship, cooperation, and mutual respect, remain the cornerstone of our policy. We are most grateful to His Majesty the King for his immense contributions to strengthening and deepening our relations with India through the following visits:

- a) His Majesty the King was invited as the Chief Guest at India's 64th Republic Day parade held in India's capital city New Delhi on 26th January 2012. His Majesty the King was accompanied by Her Majesty the Gyaltsuen.
- b) Their Majesties the King and Gyaltsuen paid a state visit to India soon after the Royal Wedding in October 2011 at the invitation of the Government of India.
- c) His Majesty the King visited Kolkata in the neighbouring Indian state of West Bengal from 5 to 7 October 2010 to grace the 146th Annual Convocation at the University of Kolkata where His Majesty delivered the valedictory address as the Chief Guest. Later in the same month, His Majesty attended the Golden

Jubilee Celebration of the National Defence College, Delhi, and delivered the keynote address which received a standing ovation.

- d) His Majesty undertook a historic six-day state visit to India from 21 to 26 December 2009 at the invitation of the President of India. During the visit, His Majesty delivered the prestigious Madhavrao Scindia Memorial lecture to a rapt audience.

In promoting international relations Their Majesties the King and Gyaltshen paid a historic state visit to Japan from 15-20 November 2011 at the invitation of Their Imperial Majesties the Emperor and Empress of Japan. His Majesty the King delivered a historic address to the Joint Sitting of the Diet and received the Honorary Doctorate of Economics from the Keio University of Tokyo. The Royal visit which included a visit to the sites devastated by the tsunami won the hearts and minds of the Japanese people and has brought our two countries immeasurably closer. The impact of the Royal visit on Japanese tourist arrivals has been amazing.

Likewise, the Royal visits to Thailand, Singapore, the UK, and Kuwait not only raised our national stature but added new dimensions to our bilateral relations with these countries. Their Majesties' recent visit to our neighbour and friend Bangladesh at the invitation of the President and Prime Minister of Bangladesh was historic and served to further strengthen our very close relations.

The Prime Minister made several bilateral visits and attended several inter-governmental meetings in addition to attending the annual UN General Assembly. These included nine visits to India, visits to the SAARC countries in his capacity as SAARC Chair, and visits to Brazil, Europe, Iran, Italy, Japan, Korea, and Thailand. These visits have contributed to furthering our relations with many countries and have led to gains made in the realm of foreign policy.

In what could be described as a great diplomatic achievement was the passing by consensus of the resolution initiated by Bhutan on *Happiness: Towards a holistic approach to development* in July 2011 by the UN General Assembly. This was followed by the resolution declaring 20th March as the International Day of Happiness in June 2012. Hosting the High Level Meeting on Wellbeing and Happiness at the UN in New York on 2 April 2012, attended by more than 800 distinguished participants, was yet another highlight of Bhutan's diplomacy.

These three events elevated Bhutan to a leadership role in the world's search for a saner, meaningful, and sustainable way of life. They were a powerful expression of the world's appreciation and admiration of the unique development paradigm of GNH which defines happiness as the purpose of development and shows a holistic, sustainable, and inclusive way to realise this ultimate and universal value.

**b) Expansion of Diplomatic Relations - Broadening the Circle of Friends and Partners in a Globalised World**

The government made significant progress in expanding diplomatic relations and promoting regional and international cooperation. In the last 5 years, Bhutan has established formal diplomatic relations with 29 countries, taking the total number of countries with which Bhutan has formal diplomatic relations to 50. These 29 countries are:

Afghanistan, Andorra, Argentina, Armenia, Belgium, Brazil, Colombia, Costa Rica, Cuba, Czech Republic, Egypt, Fiji, Indonesia, Kazakhstan, Luxembourg, Mauritius, Mongolia, Morocco, Myanmar, Poland, Serbia, Slovakia, Slovenia, Spain, Swaziland, Tajikistan, Turkey, United Arab Emirates, and Vietnam.

In August 2011, the RGOB initiated one-year multi-entry visas for Ambassadors accredited to Bhutan and their spouses. This gesture is expected to further promote our bilateral cooperation and relations with all these countries.

In an innovative foreign policy measure intended to foster greater understanding and cooperation between Bhutan and the international community, the Ministry of Foreign Affairs, in collaboration with Druk Air and the Tourism Council of Bhutan, has introduced for the first time a Visitors Programme for Ambassadors based in neighbouring countries. Ambassadors representing 44 countries have already visited Bhutan under this programme. These visits will contribute significantly to promoting greater awareness and understanding of Bhutan at the bilateral and international level while contributing to our tourism industry.

**Embassy and Honorary Consuls**

Bhutan established diplomatic relations with Belgium in 2009 and opened a resident embassy the same year in Brussels. The Royal Bhutanese Embassy in Brussels is also accredited to the European Union, Denmark, The Netherlands, Sweden, Finland, and Spain, and also looks after the Bhutanese interests in the UK, France, Germany and

other countries in Europe. Belgium is the first country with which Bhutan established diplomatic relations after becoming a full-fledged democracy in 2008.

Bhutan established a consular office in Kolkata in 2009 and appointed a Consul-General. The appointment filled a big vacuum and now functions most effectively to serves multiple roles in a city with which Bhutan has and will always have extensive business and cultural interaction.

Bhutan appointed six Honorary Consuls in Europe, North America, and Australia, viz. Spain (Madrid), Austria (Vienna), Germany (Baden-Wurttemberg, Bavaria, Rhineland, Saarland-Stuttgart), Canada (Toronto), United States (Washington DC), and Australia (Brisbane), while two European countries and Bangladesh appointed Bhutanese nationals as their Honorary Consuls in Bhutan. In addition, Bhutan appointed three Honorary Consuls in Japan (Tokyo, Osaka, and Kagoshima). Further, three Honorary Consuls in Korea (Seoul), Sri Lanka (Colombo), and Australia (New South Wales) were re-appointed for a third term.

**c) UN Security Council - a place to strive for**

Bhutan's biggest foreign policy undertaking has been its run for a seat at the high table of the UN Security Council for the term 2013-2014, elections for which were held on 18th October 2012. Bhutan presented its candidature in 1999 with the conviction that all states, regardless of size and level of development, must be given the opportunity of contributing toward building a more secure, peaceful, and sustainable world.

While a seat was the end objective, equally important was the process. The journey that took us to the elections has been most rewarding and enriching as it provided unparalleled opportunities for valuable bilateral engagement with all UN member states. We believe that the campaign has further enhanced the image and sovereignty of the country and earned the respect and goodwill of the international community for Bhutan and her people.

**d) People in the Refugee Camps in Nepal - A Dignified and Durable Solution**

The Royal Government is deeply grateful to the Core Group of countries led by the US for the compassion and generosity with which they continue to resettle the people in the refugee camps in Nepal. Those who have been resettled in the eight countries send heart-warming reports of having found a new and dignified life of hope and

confidence in the future.

The total number of people who have been resettled is 75,261 as of December 2012, with 63,543 in the US alone. The rest have been resettled in Canada (5,296), Australia (3,839), Denmark (744), New Zealand (710), Norway (546), the Netherlands (326), and the UK (257).

**e) Regional and International Summits and Conferences Hosted by Bhutan**

The Royal Government has actively promoted Bhutan as a destination for 'MICE' (meetings, incentives, conferences and exhibitions). Aside from the diplomatic advantage of becoming a popular MICE venue, this has direct and positive economic benefits and is therefore a major objective of the tourism sector.

In the last five years, Bhutan's popularity as a destination of choice has soared and numerous conferences both under the auspices of the Royal Government as well as under various other arrangements have been held in Thimphu, Paro, and Bumthang. Bhutan has also become a favoured destination for corporate and religious retreats. Following is a list of some of the conferences held under Government auspices in the last three years:

- i. The 16th SAARC Summit in April 2010;
- ii. The Eastern Himalayan Quadrangle Climate Summit in 2012;
- iii. Information Communications Technology (ICT) Conference in Thimphu in November 2011;
- iv. Sixth International SAARC Oncology Conference, 5-6 December 2011;
- v. The third PATA Adventure Travel and Responsible Tourism Conference in Paro on 7 February 2012;
- vi. SAARC Architects' Council Meeting and Conference in Thimphu on 10 February 2012;
- vii. Indo-Bhutan International Conference on "Advances in Environmental Sciences", May 11-12, 2012, organised by Sherubtse College;
- viii. International conference on globalised Buddhism in Bumthang on 21 May 2012;
- ix. Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) workshop in May 2012 in Thimphu; and
- x. The first meeting of the International Expert Working Group (IEWG) established by Royal Kasho, held in Thimphu from January 27 to February 2, 2013 to work on a New Development Paradigm, as mandated by the High Level

Meeting of 2 April 2011 at the United Nations in New York.

## **9. Civil Society Organisations (CSO)**

The Royal government is very mindful of the need for civil society organisations to emerge and to provide certain services that the government is unable to deliver or services that can be delivered more effectively by such organisations. There are gaps in fulfilling various existing and emerging needs of a society in transformation that can best be filled by non-governmental organisations. As well, civil society organisations play a key role in fostering the participatory citizen action that is key to the functioning of a healthy democracy.

I am glad to report that - spearheaded and inspired by Their Majesties the Queen Mothers - a growing number of CSOs have emerged to play an increasingly vital role. Presently there are 26 registered CSOs, and an additional 36 registered religious organisations. In the past one year alone, 12 CSOs (nine Public Benefit Organisations and three Mutual Benefit Organisations) have been registered. The CSOs are complementing government efforts in key areas like education, health, women, children, culture, environmental protection, and private sector development.

## **10. Responding to Citizens' Grievances and Concerns**

The public grievance cell at the Prime Minister's office received 287 grievances from April 2011 to June 2012. Since 2008, 360 cases including the pending ones have been addressed. There still remain 123 cases for the period to be resolved. The cases broadly pertained to land issues, security clearance and census, employment, and scholarships among others.

In order to make the existing system for redressing grievances more dynamic and efficient, a grievance management system has been developed. The grievance management system will be web-based and will broaden the platform for citizens to submit grievances and ensure that government agencies are responsive and transparent. It will also allow citizens to track the progress of the process redressing their grievances. The system is expected to be launched soon.

## **11. Mobilizing resources for the 10th and the 11th Five-Year Plans**

While Bhutan is set on a definite path to becoming self-reliant by the year 2020,

the 11th Plan will still require substantial development assistance from the donor countries. The Round Table Meeting (RTM) is the most important aid co-ordination mechanism and development policy dialogue forum between the Royal Government of Bhutan and its international development partners and is held once every two and a half years.

The key theme of the last RTM which took place in Thimphu in 2012 was on the development challenges confronting Bhutan, which appropriately reflected the challenging context Bhutan is in as it seeks to consolidate development gains, address emerging constraints and challenges, and strengthen its nascent democracy.

The recommendations of the development partners on a number of important issues such as gender parity, cultural tourism, youth employment, private sector development, malnutrition of children, climate change and adaptation to it, as well as on matters concerning the rights of minorities and the need to continue the dialogue with Nepal to resolve the matter regarding the people in the camps, were noted. The meeting was informed that these concerns are high on the national agenda and that most of the issues are being addressed.

The RTM concluded with all the development partners pledging to continue to support Bhutan in the next plan, which is so crucial a period for the socio-economic and political transformation of Bhutan as a truly GNH nation.

The government also managed and coordinated twelve country level donor missions to engage in annual reviews of projects and programmes. Through these various coordination and monitoring forums, sector proposals were realigned to the priorities of the government in the 10th FYP. The GNH Commission has successfully instituted the *Delivering as One* (DAO) mechanism for all UN agencies in the country, thereby tapping into extra funding windows available for countries under this mechanism.

## **12. The 11th Five-Year Plan - a Proposal for the 2nd Democratically Elected Government**

Just as the first democratically elected government delivered on its campaign pledges and strived to fulfil the aspirations of the people through the 10th FYP, it will be through the 11th FYP that the next government will fulfil the mandate it receives from the electorate. We believe that the first undertaking of the next government

will probably be to prepare the annual budget and decide on the 11th Plan in order to have these approved by the National Assembly in the very first session of the 2nd Parliament. This will be no easy task. We see it as the duty of the outgoing government to make this task as easy as possible.

It is for this reason that this government has prepared a draft of the 11th FYP. This was done through an extensive consultative process which began in August 2011 and involved all stake holders at the central, dzongkhag, and gewog levels. The GNH Commission, with the Prime Minister as the chairperson, the Finance Minister as vice chair, and all secretaries of the government as members, deliberated many times over the vision, guiding principles, and strategies of the proposed 11th FYP. The draft framework has been finally approved by a combined meeting of the Cabinet and Committee of Secretaries.

The overall Goal of the 11th FYP is “*Self Reliance and Inclusive Green Socio-Economic Development*” with the theme, “*rural prosperity, urban wellbeing*”. 16 National Key Results Areas (NKRA) have been identified under each of the pillars of GNH, with Poverty Reduction, Private Sector Development / PPP (private-public-partnerships), Human Resource Development, Balanced Regional Development, ICT and Media, identified as the five key strategies to achieve the NKRA.

In addition, a macroeconomic planning and policy exercise for the 11th plan is being carried out in collaboration with UN Department of Economic and Social Affairs (UN-DESA). This will support more robust macroeconomic planning for the 11th Plan and also build Bhutanese capacities in this area.

While the Plan has been prepared with diligence and attempts to address all the key problems and needs within the realms of possibility and reality, and while it is our hope that the next government will accept it and adopt it with some changes, we do realise that this may not happen. Each party has its own vision and understanding of what needs to be done and what is possible. Likewise, the interaction with the people during the election campaign phase could result in pledges that may not be addressed by the draft plan. As such, it is possible that the 11th FYP could be very different from the one prepared for the next government by the outgoing government.

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## VI. IMBIBING A DEMOCRATIC CULTURE - THE DETERMINANT OF DEMOCRACY

As much as we take pride in the praises that we receive as a successful democracy that was established through a peaceful and methodical transition under the guidance of Their Majesties the King and the Fourth Druk Gyalpo, we have greater reasons to be mindful that we are still an emerging democracy - that our fledgling democracy is in a fragile, delicate stage.

Many so-called and not so new democracies have succumbed to the perils of this stage after having adopted the finest constitutions and excellent laws; after having established the best of democratic institutional arrangements; and after having put in place brilliant administrative arrangements to serve the people. In many cases, laws are undermined, democratic institutions marginalised, and administrative machinery used as instruments of oppression by elected governments that turned authoritarian.

These happen when there is no true spirit or understanding of democracy among the people. These happen because the people do not have the social and economic capacity to enjoy the political power of the vote. Instead, people see democracy as an electoral process and as an occasion to demonstrate their power. But it is during this moment when they become unwitting prey to be manipulated, 'bought or sold' by those who seize the moment to gain access to power, influence and privilege.

The guilty are those who see elected office as means to gain, not to serve and sacrifice. They muddy the sacred path of politics with the filth of greed, lies, and betrayal. And so, even those who wish to serve and sacrifice are greeted with doubt and distrust when they choose to walk the sacred path.

These happen because the leaders have not led in the vital process of creating democracy. These happen because they do not nurture the essence of democracy while abusing its form. These happen because there exists no culture of democracy. Without democratic culture, a society is not capable of choosing the right people, holding them accountable and removing them or changing government in peaceful ways. Without democratic culture, leaders do not know how to accept the verdict of rejection in ways that are dignified. As a consequence, the voter suffers amid insecurity, exclusion and lawlessness.

We have conscientiously and with determination seized every opportunity to cultivate a culture of democracy through the ways in which we govern and by mindfully discharging our duties as servants and not as masters. I list below some of the humble and yet very important ways in which we have tried to cultivate a culture of democracy.

1. **Building Faith in the Separation of Powers:** We have shown absolute respect for the independence of the judiciary as demonstrated through the first constitutional case and the Gyalpozhing land case. We have refrained from interference of any kind in the process of law even when family, friends or party members are involved.
2. **Enabling Oversight Mechanisms to Keep Government in Check:** We have ensured the credibility and the vital role of the oversight mechanisms by not interfering in their work while fully respecting and complying with their decisions and recommendations. Full budgetary support and special incentives have been given to the employees of such bodies.
3. **Promoting Accountability and Transparency:** In every way possible, the Government has made itself accountable for its actions while functioning transparently. In evidence are:
  - a) The open and extensive manner in which the reports of the RAA, ACC and the public accounts committee of the Parliament are discussed in the National Assembly. The Cabinet ministers are available for questioning in both the Houses of Parliament, the proceedings of which are broadcast live on television.
  - b) The monthly *Meet the Press* as a mechanism for promoting accountability and transparency. The generally negative and often wrongful press coverage has not deterred the government. That no media entity or person has been subject to legal action or questioning by the government speaks of the government's commitment to promoting the democratic tradition of making government accountable and transparent.
  - c) The meetings of the Prime Minister with the private sector and giving it a central role in the decision making process by inducting its representatives into the Private Sector Development Committee. The Private Sector

representatives are in greater number and the Secretary is from the BCCI to make clear the intentions of the government.

- d) Making the State of the Nation Report an evidence-based, comprehensive published report subject to public scrutiny. The report makes government accountable for every action, good or bad, failure or success as the case may be. The option of making a general, 'feel-good' statement, as opposed to presenting a comprehensive written report for full public scrutiny, was not exercised.
  - e) The separate and itemised report (volume II of this report) on government performance against the pledges it made in its manifesto. This is done to set the precedent for full accountability by future governments, as opposed to casting its manifesto aside as an electoral gimmick. It attempts to put in place a tradition of regarding the manifesto of the governing party as a sacred contract between the electorate and the elected (the two principals in a democracy) and on the basis of which accountability must be demanded at the end of a government's term.
4. **Ensuring Dissension and Open Debate:** One could argue that the absence of a strong opposition number is substituted more than adequately by the independent mainstream media; social media; the House of review (NC); absence of party guideline to bind government MPs to party positions except in matters of security and foreign policy; strong oversight institutions, etc.

Nevertheless, the government has given space and opportunity for the two opposition members to contribute to exhaustive deliberations by giving them more time than other MPs in the National Assembly. Furthermore, the fact that there have been no restrictions on the many wrongful views and personal attacks by the media even on individual members of government (including the PM) bears testimony to cultivating an open and deliberative democracy.

5. **Building Consensus through Consultation and Participative Dialogue:** This critical imperative of democracy has been cultivated through, among other measures, Annual Meetings of the Gups and Annual Dzongdags' Conferences, as well as making it a legal requirement to give public access to important meetings, government documents, and information on budget, plans, audit reports, etc. at all levels of governance.

It is for this reason too that, after having consulted the people during the electoral process, the government returned to them again via the Mid-Term Review during which the government received views and opinions that led to major changes in the plan.

Likewise, it is for the same reason that at the end of its term, the government again consulted the people in the remotest parts of the country who have been the last to receive the least, so that the minimum services they sought and were promised are delivered before the plan period ends. It was because of the last visit by the Prime Minister that the promise of equity will be fulfilled for the disadvantaged. Valuable inputs were received for the 11th Plan upon having agreed on the solutions to constraining and inhibiting obstacles.

Equally important in this on-going consultative process are the constituency visits of the MPs at least twice a year to listen and to discuss.

6. **Promoting Harmonious Democracy:** Small as our country is, we have a great diversity of language, race, religion, geography, social and economic disparities, and now, political parties, which could fragment the unity that we have built over the years. Taking harmony as the basis for a vibrant democracy as is intended by our Constitution, we pursued our vision of justice and equity with conviction of mind and breath to ensure that no section of our society saw itself victimised, discriminated, or neglected, and to affirm that we are all but subjects of one King and members of one family with equal rights for all to hope and follow their own dreams of a happy future.

That is why the Common Minimum Programme (chapter 2, section 3 above), or the 'equaliser/levellor', became a central thrust of the government, and that is why we have supported and participated in the diverse cultural, religious, and social events in the country. We are happy that there exists no voice of discord on this front across all sections of our society.

7. **Ensuring Public Access to the Elected:** Beginning with the Prime Minister, all MPs are required to give their phone numbers to their electorate and to be accessible at all times. All ministers are required to be accessible to the media at any time, and I believe this has been the case. I myself receive calls from people all over the country at any time of day or night and answer any query I receive from the media. And it is with the commitment to make government accessible

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and approachable that the Grievance Cell was established in the office of the Prime Minister.

8. **Promoting Driglam Namzha as the Basis of Democratic Culture Among Politicians:** Appreciating driglam namzha as the art of harmonious living, and accepting a key role of politicians as building bridges of harmony for the flourishing of democracy, we are guided by this ancient art. In so doing, we try to practice humility in thought and in our dealings with the people. For instance, I begin every public meeting with a respectful bow (lowering my *kabney*) and do not approach any village, community, or group of people with open *gho* sleeves regardless of weather conditions. By doing so, I remind myself of being a servant and convey at the same time, that the people are the masters.

Humility is the essence of driglam namzha and it is what we as politicians are at risk of losing. We began our tenure with a bow to the civil servants for their support and it was with a bow of deep appreciation that we took leave of them as our term nears its end. These are simple but powerful ways in which we build the right mind, speech and action so that we may serve our people with humility and sincerity - and so that the people are reminded of their own power and responsibility as citizens of a democracy that they themselves must build and of which they are in charge.

## VII. CONCLUSION

In the pages of this volume and in its companion volume II, I have submitted an evidence-based comprehensive report on the performance of the Royal Government in the last five-year period and the resultant state of the nation. As in the past, I was overwhelmed with deep satisfaction and an immense sense of pride as I pored through the reports that I received from the various ministries and agencies of the government. What we have strived for and achieved in the twinkling of an eye in the life of our nation is transformational - an amazing progress made possible by the firm foundation set by our wise and visionary Kings.

As I have reported, the IMF declared Bhutan as the 4th fastest growing economy in the world in 2012 and all signs indicate that we will do even better in the coming years with our confirmed investment plans and with the likelihood of our becoming an attractive investment destination, especially in a world starved for energy, in need of clean air, and craving for peace and security.

The size of our economy has grown by 70%, and we are now well connected by a dense network of roads, a highly efficient tele- and digital communications system, an air service covering the length and breadth of our country, and with serious efforts being made to establish railway linkages with India. We are an economy that is freeing itself from the fetters of land-lockedness.

In terms of human resources, our schools, training institutions and colleges are churning out well educated, trained, and competent youth in a demography that is among the youngest in the world. We have already made a big start on the way to becoming an IT-enabled knowledge society, making our prospects even brighter for our people and for the country. And we are a rich source of energy to become even richer in a world where energy security is a serious challenge.

What makes our economic future even brighter is that our location has become most advantageous geo-economically with a prospering India. The huge and growing market of India is a boon to our farmers, traders, and manufacturers. It has the capacity and is ready to absorb what we can produce or sell. And as we take advantage of the complementarities of our economies, we have the advantage of a free trade agreement. The rupee problem is a challenge that presents, in its wake, opportunities that will make our economy stronger.

Private sector growth is steady but not necessarily as fast as we want. We do not receive the highest marks for ease of doing business, and we will not as long as we remain mindful of our vulnerabilities as an ecologically fragile, culturally delicate, and politically vulnerable nation. But the business sector is growing and with the growing opportunities and the enabling conditions created by the government, I am confident that it will thrive to become, as it must, the back-bone of our economy.

Furthermore, there are more and more business entities whose sense of social and environmental responsibility sees our conditions as being attractive and stimulating. That the private sector has grown and is playing its part in nation building is evident in the huge jump in its share of national revenue.

Environmentally, we are more secure and even healthier, with our forest cover now having reached more than 80% and with more than 50% of our country placed under protection. With full cost accounting recently introduced to ensure that economic progress does not come at the cost of depleting our ecosystem services, I see no danger of reversals. And we have demonstrated to the world that ecology and human culture need not be the cost of progress.

All our school-aged children are in school, infant and maternal mortality rates are down, and literacy levels and life expectancy are up, with universal access to safe drinking water and convenient health services. And most importantly, quality of life has improved in all our hitherto inaccessible remote rural farms. This is made possible by electricity, mobile phone connectivity, improved delivery of services and the benefit of that powerful engine of growth - roads.

The fear of the widening gap between rich and poor is no longer as gripping. Through the rural and poverty focused plan, it is heartening that the national poverty rate has come down from 23.2% to 12%. Better still is the lowering of the rate of rural poverty - down to 16.7% from a high of 30.9%. The improved wellbeing of our farmers is visible to any eye that saw them just five years ago in the isolation of their remote communities.

That this rural improvement and sharp poverty reduction did not come at the cost of larger macro-economic growth is borne out by our success at that level. In the land of GNH, no one will be left behind. It is a just and equitable society that we want and will achieve. All these give me the pride and joy to declare that **poverty eradication in Bhutan is within reach.**

The dream of **self-reliance is no longer a distant yearning**. We know we can achieve it by 2020.

The privilege of our generation is to set firmly the foundations of democracy. It is what His Majesty the Fourth King had envisioned and for which He prepared us, and of which His Majesty the King is made the wise and able steward by the destiny shaped by our collective merit.

We have, at all times, been guided by the conviction that as the first elected servants, we are charged with the responsibility of laying the first stones. We saw ourselves as humble masons who must faithfully adhere to the architectural designs prescribed by the Constitution and detailed in our laws. With unwavering devotion, we have worked hard. To this end, we received erudite guidance and inspiration from His Majesty the King who has, on numerous occasions, made known His gracious pleasure with the way in which democracy is taking root.

True democracy is good governance. I have reported on our aspirations and of the work that the Royal Government has undertaken and accomplished. The first elected government, through its conduct, has created an environment in which the belief of the polity in democracy has grown.

There is no fear among the people, no sense of insecurity, and no feeling of exclusion that politics of the kind they suspected might bring. There is no division and even the fault lines that some suspected were emerging no longer exist. Debilitating party politics have not come to the streets and to our communities, and the Bhutanese are just as united, law abiding and harmonious as they were before the transition. We have established that the people have no reason to fear at the time of voting and after they have voted.

Delivery of services has been made faster and better, and greater decentralisation achieved with gups exercising financial and administrative powers that enable them to deliver benefits locally. And as the people become more questioning, critical, and demanding, we know that transparency, accountability, competence, and hard work will be the endeavour of every elected government. Our people are becoming capable of ensuring that it will be their interest that democracy must serve.

Even as a small country as precariously located as some suggest, our sovereignty and independence face no threat. In fact, we are stronger with a security force that has

proven its preparedness to fight and die for their country. Our relations with our friend and ally India have deepened and diversified even further on the basis of the complete trust and confidence we have in each other.

The new relations that we have established, and the image and stature that we have gained internationally, have strengthened our national security and sovereignty. With the burgeoning attention and interest of a troubled and increasingly ecologically unstable world in our holistic and balanced GNH-based development approach, more and more nations, scholars, religious and civil society leaders see our path as directly relevant to their own needs and those of the world. Indeed, they have a direct and rapidly growing stake in our social and environmental responsibility, thriving wellbeing, prosperity, and success. We have more and more friends and literally no enemies, near or far.

Spiritually, we are prospering as well. I am convinced that at no time in the past were we as spiritually minded and knowledgeable as we are today. The unprecedented congregation of thousands of devotees at the recent *Pel Dechhog Khorlo Dhompi Wangchen*, and its serene and pacific conduct, were clear manifestation of the extent and authenticity of the devotion of our people.

We are indeed most fortunate that the Golden Seat of the Dharma is occupied by one of the most learned, realised Je Khenpos that our country has ever known and that he is able to attract and preside over such meritorious and virtuous events. Likewise, the huge gatherings at every religious event including the tshechus give me confidence that we will always thrive as the *Dewa Chhenpoi Zhingkhram* (Heavenly abode of vast happiness). I am convinced that GNH as a way of life that requires a judicious balance in the pursuit of the needs of both the body and mind will prosper in our country.

The Government and the people are deeply grateful to His Holiness the Je Khenpo, the five Venerable *Lopons* and the monks of the *Zhung Dratshang* (Central Monastic Body) for their continued devotion and prayers that safeguard and strengthen our spiritual tradition, bring blessings to the land, and obtain the protection of our guardian deities. Without the *Zhung Dratshang*, our culture would not have flourished, and without its practitioners we would have little to show that we are Bhutanese. We also thank all the Rinpoches, Truelkus, chhodheys, lams, purohits, and all other practitioners of the Dharmas in our country and beyond for their blessing and prayers.

His Majesty the Fourth Druk Gyalpo articulated the dream and aspiration of the people and gave to the nation and to the world a vision to follow and pursued it during His entire reign to make Bhutan into what it is today. He was our light, the sun and the moon, at a time when we were most exposed and vulnerable. I have often wondered where, how and what Bhutan would have been without Him - culturally, economically, socially, politically, and ecologically. His ultimate gifts to us were the democracy and the precious jewel that is His Majesty the King. The Bhutanese people shall remain forever indebted to His Majesty. We wish His Majesty long life and happiness.

Without His Majesty the King, Jigmi Khesar Namgyel Wangchuck, to guide us through the first five years of democracy, I know it would not have been with pride that I present the State of the Nation Report today. Without His Majesty's guidance, inspiration and blessing, democracy could have gone wrong at several critical stages at this formative stage. So likewise, we may have failed in our service to the nation as a government.

His Majesty is always there, kind and comforting, when our people suffer loss, pain and grief and are in need. The people are deeply grateful to His Majesty for their access to *kidu*, and the many hundreds who were granted the benefit of excess land, citizenship and various other forms of *kidu*. His Majesty gives us cause for unity, oneness and pride as a nation by being the King, the father and protector that He is. Our confidence in our future and pride in ourselves come from knowing that we have a wise, compassionate, and visionary King. To His Majesty and to Her Majesty the Queen, we offer our prayers for good health, long life, and happiness.

To our closest friend and ally, India, we offer our most sincere gratitude and appreciation for the most generous support and assistance to the people and Royal Government that made it possible for the Bhutanese people to dream and realise what would otherwise have been impossible. To all other development partners, we convey our heartfelt thanks for their invaluable contributions.

To the civil servants and all the public servants of the country serving in the Parliament, the Judiciary, Constitutional bodies and corporations, including the local governments as well as the elected local leaders, we offer our heartfelt gratitude for their amazing contributions, dedication and loyalty to the Tsa-wa Sum.

We wish to convey our profound appreciation to the Royal Bhutan Army, the Royal

Body Guard, and the Royal Bhutan Police. We wish to make special mention of the extraordinary and selfless effort of the RBA under Royal Command that made it possible for the threatening Thorthormi Lake to be tamed. Whenever and wherever we needed them and their highly motivated, disciplined support, they were willing and unfailing. Without them, many of the celebrations and important events we held and hosted with much success would not have been possible. Above all, we thank them for the security and peace that we enjoy.

We would also like to take the opportunity to thank the private sector for their partnership and their valuable contributions in realizing much of what we have achieved together to build the Bhutanese economy. We thank them for their support to many worthy and religious activities.

And we are deeply grateful to the civil society organisations of this country and all their members not only for their outstanding contributions to our society and people and for selflessly giving their time and energy to such worthy causes, but also for literally helping build our democracy.

True democracy means more than just going to the polls once every five years. It means all of our people participating actively on a daily basis to build our communities and shape our destiny - not just waiting for government to deliver, but taking the initiative to do what's needed to create a better world. When His Majesty entrusted the people of Bhutan to shape their own future, he did not give that trust just to government but to each and every one of us. Our CSOs and indeed every citizen who freely gives to his or her neighbours, community, and nation are building and living democracy and GNH in action! Thank you all.

It would be a great failure on my part if I did not thank those who made it possible for Druk Phuensum Tshogpa to have the honour of serving the Tsa-wa Sum as the first elected government. I, on behalf of all the members of the Lhengye Zhungtsog and the MPs of the governing party, convey our deepest gratitude to all the members of Druk Phuensum Tshogpa and its national, dzongkhag and local leaders. It was your support and your hard work that earned for us the mandate of the people. We express the hope that as you hear the last report of this Druk Phuensum Tshogpa government, you are filled with pride and satisfaction. You have served the nation well, having asked for nothing and gained nothing for yourselves. We salute you.

Finally, I wish to take this opportunity to express the deep gratitude of the Government

to all the Honourable Members of the two Houses of our great Parliament for the consideration, passage and enactment of many laws that will advance our democracy, and for your wise counsel and guidance in the work of the government. I take particular pleasure in commending my worthy colleague, the Leader of the Opposition Tshering Tobgay and the Hon'ble Damcho Dorji for their exemplary contributions.

May *Koenchhog Sum* protect and guide all the Hon'ble Members of this august House. May our people continue to prosper amid peace and security. May they always be happy.

**TASHI DELEK**

