

ROYAL GOVERNMENT OF BHUTAN



**THIRD ANNUAL REPORT
OF
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TO
THE SEVENTH SESSION OF THE FIRST PARLIAMENT
ON
THE STATE OF THE NATION**

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INTRODUCTION

In submitting this report on the state of the nation which encapsulates the policies, plans and programmes that the Royal Government has initiated and pursued over the last one year, I realize that I am, in fact, presenting the state of democracy in Druk Yuel. I have, therefore, endeavoured to cover all important developments in the nation so that the hon'ble members will be able to make a fair assessment.

I believe the purpose of democracy may be summed up as the creation and sustenance of good governance. Politically, good governance means transparent and accountable functioning of elected representatives in fulfilling their sacred responsibilities in accord with law while being mindful that the privilege to serve comes from the supreme will of the people. Economically, good governance is about prudent stewardship of national resources and economy. Culturally, it is about safeguarding and enriching our tangible and intangible heritage while strengthening the integrity and resilience of our social fabric. It is that which enables society to live in harmony with nature, the life support system we share with all other sentient beings. Good governance is about maintaining and promoting peace, stability and happiness within the country and the world at large through good will, understanding and cooperation.

Structured within the frame of the four pillars of GNH, the report attempts to be as comprehensive and precise as possible. So much has been done by so many over the one-year period that competed for the limited space in this report. Writing the annual report is always an uplifting experience. Despite the many challenges faced by our country and the government, the report has never been about apology for failures and shortfalls. Rather, it is about strides we have taken forward as communities and as one family in pursuit of happiness. Thus, in keeping with what has become a tradition, this year's report too, should not fail to give us reasons for satisfaction and confidence in ourselves and in our future as a democracy.

Ours is a nation blessed with a wise and compassionate King to guide us. Ours is a land of peace and stability where freedom, security and hope are not the stuff of dreams but an every-day luxury. We live in the comfort of an amazing natural setting and a caring society that is united and harmonious - where difference of mind and opinion add happily to the vibrancy of our democracy. We are a people blessed with exceptional talent, confidence and grace. Ours is a youthful nation with a brightening future! Our youths are imaginative, ambitious, bold and vocal. They are caring, spiritual and passionate. Indeed, we have as a polity, the makings of a

great democracy. And we have reasons to be proud to belong to this country.

Bhutan's standing in the international community continues to rise to the extent that we are now seriously engaged in a bid for a non permanent seat in the UN Security Council. Not the least of the reasons is the leadership role played by Bhutan in the search for a more meaningful development paradigm for human society. In various measures and under different nomenclatures, many countries including the OECD have incorporated happiness or well being in their public policies. Lord Richard Layard, advisor to the British Government wrote to me just the other day to convey that "over 14,000 members from 110 countries have pledged to "try to create more happiness in the world and less misery". Numerous happiness indices published each year accord to Bhutan a very high ranking. In the process, we have become an inspiration for many communities and nations alike.

While our standing in the region has been enhanced by the successful hosting of the SAARC Summit, we were ranked the 34th most peaceful country on the Global Peace Index in 2011 and likewise, the 36th least corrupt country on the Corruption Perception Index. Although we are still an emerging democracy, our progress in promoting a democratic culture is noted by the World Press Freedom Index which ranked Bhutan as the 64th among 176 countries. UK's Overseas Development Institute (ODI) in its 2011 report, has placed Bhutan among the 9 "star emerging countries" together with Bangladesh, Brazil, Costa Rica, Ghana, Mauritius, Thailand, Uganda and Vietnam. It attributes the consistent "remarkable progress" of these countries to "four building blocks – smart leadership, smart policies, smart institutions and smart friends".

The citation of such heart warming reports is not to be construed as implying that we have no problems. It is not to be understood as indicating a complacent attitude on the part of the government or the increasingly active civil society. The seriousness of the national effort to combat the challenges is made clear in this and previous reports that place education, employment and youth support high on the national agenda. In a departure from the past FYPs, the Tenth Plan, in fact, sets out to achieve a unique and ambitious set of goals to address the serious problems of poverty, equity and sustainability as listed hereunder:

- i. To eradicate poverty through equitable and effective delivery of basic services and infrastructure,
- ii. To promote a diverse and sustainable green economy,

- iii. To accelerate the realization of Bhutan's freedom from dependence on foreign aid and
- iv. To promote a democratic polity that can choose its representatives wisely, hold them accountable and bring peaceful change in government.

The progress made by the Royal Government against the above stated goals and the specific objectives and targets for the past year is reported in the following pages. The structure of the report, as in the past, is as listed hereunder:

Introduction

- i. Significant Events
- ii. Sustainable and Equitable Socio-Economic Development
- iii. Environmental Conservation
- iv. Preservation and Promotion of Culture
- v. Good Governance

Conclusion

I wish to submit that, as mentioned earlier, it has not been possible to include all the achievements of every ministry and agency in the pages of this report. However, this report is supplemented by additional reports from each of the ministries which is available on request and on the websites of the concerned organizations.

I. SIGNIFICANT EVENTS

1. Royal Announcement of the Engagement of His Majesty the King

The most significant development that brought great joy and cause for celebration to the people of Bhutan was the gracious gesture of His Majesty the King to inform the people and Parliament of His desire to marry Ashi Jetsun Pema at the end of this year. In making this announcement and seeking the blessing of the people, His Majesty let it be known that the royal marriage will not come in the way of His devotion to the service of His people and that every Bhutanese will always remain a part of His family. All citizens welcomed the announcement as fulfillment of an important duty of the King and embraced the impeccable choice of their beloved sovereign. We now look forward to the joyous celebration of the Royal Wedding in October.

2. State Visits by His Majesty the King

With the desire to enhance the country's security, strengthen bilateral relations and to promote regional and international cooperation, His Majesty the King undertook several very important and fruitful visits.

His Majesty the King visited Kolkata in the neighboring 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 validictory address as the Chief Guest. Later in the same month, between the 20th and 29th October, His Majesty attended the Golden Jubilee Celebrations of the National Defence College, Delhi, India and delivered the keynote address to receive a standing ovation. Both these events were covered extensively by the Indian media. Having graciously interacted with a large number of Indians from all sections of society including the leadership, these visits deepened and broadened further the excellent and multifaceted relations that exist between our two countries.

On the invitation of His Highness the Amir of Kuwait, Sabah Al-Ahmed Al-Jaber Al-Sabah, His Majesty the Druk Gyalpo made a special visit to Kuwait to grace the celebrations of the country's 50th Anniversary of Independence and the 20th Anniversary of the State's Liberation on February 26th 2011. During the course of the royal visit, His Majesty was able to renew and establish meaningful acquaintance with many world leaders.

His Majesty the King then made a four day state visit to Bangladesh from 24-28 March 2011 as the Special Guest of Honour at the 40th Anniversary of Independence and the National Day of Bangladesh. The visit enabled His Majesty to demonstrate the mutual good will and the spirit of cooperation that our two countries share.

We the Government and people are most thankful to His Majesty the King for His tireless endeavour in advancing our national interests. His Majesty the King's youthful vigour, sharp intellect and boundless wisdom have won many hearts abroad thereby raising further the image and stature of our country.

3. Fourth Druk Gyalpo Inducted to Kyoto Earth Hall of Fame, Japan

Bhutan's leadership role in environmental conservation received yet another important recognition. His Majesty the Fourth Druk Gyalpo was inducted into the Kyoto Earth Hall of Fame in Japan on 13th February 2011. The Earth Hall of Fame is an award that honours individuals who have made outstanding contribution to the protection of the global environment. The award has further enhanced Bhutan's prestige and determination as a country guided by the highest standards and practices in environmental conservation. Her Royal Highness, Princess Ashi Kezang Choden Wangchuck received the award on behalf of His Majesty the Fourth Druk Gyalpo. In addition to the acceptance speech, Her Royal Highness also gave the keynote address on Gross National Happiness at the Kyoto International Symposium and Ryukoku University in Kyoto on 14th February 2011. On behalf of the people of Bhutan, I wish to offer our heartfelt felicitation to His Majesty the Fourth Druk Gyalpo.

4. Local Government Elections

The successful conduct of elections in the four thromdes of Thimphu, Phuntsholing, Gelephu and Samdrupjongkhar in January 2011 was another milestone in deepening our democratic process. It set the stage for the Gewog Tshogde elections which too was conducted very successfully this week. The Election Commission and all those who played a role in the conduct of the elections deserve our highest commendation. I find it to be auspicious that the beginning of the term of the new local governments coincides with the beginning of the fourth year of the FYP which is always the crucial year. I am confident that the enthusiasm and the good leadership talent that the local governments have now gained will bring about acceleration in the implementation and timely completion of the remaining planned activities. I take

this opportunity to felicitate all the Gups, Mangmis and Tshogpas who have been given the mandate to serve the Tsa-Wa Sum by the people. The Lhengye Zhungtshog looks forward to working closely with them.

We are deeply grateful to His Majesty the King for the wise and timely advice to the Election Commission which made it possible for the successful conduct and outcome of the elections.

5. 10th FYP Mid-Term Review

Another noteworthy event during the year was the Mid Term Review of the 10th Five Year Plan. Spanning over four months from 12 November, 2010 to 12 March, 2011 the MTR team led by Prime Minister comprised ministers and all secretaries of the Government. Thus constituted, it was in effect, the Royal Government that visited every dzongkhag headquarter and interacted with 3,895 participants (excluding the civil servants in respect of the central programmemes) comprising Members of Parliament of respective dzongkhag, local leaders, present and retired civil servants, local business people, religious leaders and students. The exercise was conducted in a manner that would enhance our emerging democratic culture in the governance system.

For the first time, the review at the local government level was conducted with a focus on the gewogs. Each gup, and not the dzongdag as in the past, was directly held responsible and accountable for all development activities in the gewog by the central government and the gewog population. It was also the very first time that every gup making use of ICT, presented their reports using 'power point'. The reports were broadcast live via FM radio to the gewog citizenry who listened attentively and obtained a good sense of what and how their elected leaders were performing individually and in comparison to other gups. The key objectives of the exercise in respect of local governments were to establish very clearly the financial and administrative authority of the gewog tshogdes in the planning and implementation of development plans within the broad policy guidelines of the central government. It was intended to establish a clear line of administrative accountability in relation to the dzongkhags and the central agencies. It was also intended to assess the capacities of the gewogs, the dzongkhags and the thromdes and to promote the development of democratic systems and processes at the community and dzongkhag levels.

Despite the delay of one year in starting the 10th plan, the progress against planned targets was found to be very satisfactory with the overall financial expenditure

having exceeded 50% against the 10th FYP outlay of Nu. 148.07 billion which is 112% more than the 9th FYP outlay of Nu. 70 billion. The specific achievements shall be covered under the section ‘MTR’ of the first pillar of GNH.

The MTR yielded many other important benefits. Aside from making clear the linkages between and among the three layers of government and how they must come together to meet the aspirations of the people even as they exercise broad decentralized power and authority. It helped bring about a convergence of views on national aspirations and challenges and the need for all to be mindful of national priorities while acting locally. It proved to be extremely effective in facilitating on-the-spot decisions on many issues that would otherwise have caused further delays and uncertainties especially as all the three levels of government were in conference. Beyond these benefits, the exercise enabled the three tiers to become aware and appreciative of the challenges arising from working discordantly as well as the opportunities for cooperation and coordination. Above all, the participants became fully mindful of the main thrust of the Plan being to create the necessary conditions for the ultimate eradication of poverty. It was clearly established that all programmemes and projects must serve this primary goal.

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

1. Macro-Economic State of the Nation

Bhutan has enjoyed consistent socio-economic growth over the last four decades, fostered cautiously by the unique philosophy of GNH. Given our prudent economic policy and fiscal discipline, the World Bank, IMF and ADB have made favourable observations. According to the World Bank's latest Bhutan Economic Update April 2011, we have grown at an average rate of 8.2 percent per year since FY2004/05 and we will grow at 9-10 percent per year from FY2010/11-FY2015/16. Although construction work on the hydropower projects are the main drivers of the economic growth, the growth in others sectors has also been quite vigorous. The industries sector has grown at over 12% and the manufacturing subsector at over 10% since FY 2004/05. The agricultural sector has grown relatively slowly, at around 1.6% per year, with its share of GDP declining from 22% in FY 2004/05 to 14% in FY2010/11. The decline in the share of agriculture to the economy is not due to poor productivity as some analysts think but due to change in the economic structure and accelerated growth in the secondary and tertiary sectors which is borne by the fact that, in absolute nominal terms, agricultural production grew from Nu. 8,971 million in FY 2006/07 to 12,033 million in FY 2010/11, to record an increase of 34% over the 4 year period.

Our debt burden, which is presently close to 60 percent of GDP, is likely to rise over the next few years, as we undertake hydropower projects to meet the 10,000 MW goal by 2020. External debt, which accounts for more than 97% of total public fund debt, is dominated by the mostly Indian rupee-denominated hydropower sector debt (36% of GDP and 54% of external debt). Since these hydropower projects bring strong growth dividends, sensitivity analyses show that the public debt profile is sustainable under most scenarios, and the debt ratios will eventually fall below 30% by 2030.

The balance of trade and current account balance for the year 2010/11 are estimated at a huge deficit of around Nu. 11.006 billion and Nu. 6.00 billion respectively. Despite that, the overall balance of payment is projected to remain positive at Nu.6.49 billion, mainly due to inflows of grants and concessionary loans.

Bhutan's gross international reserves, comprising both convertible currencies and Indian rupees for the year 2010/11 is estimated at US\$ 1,018.28 million, representing a growth of 17.30% from the previous year. This reserve is estimated to cover about fourteen months of total projected imports, which is safely above the constitutional requirement of 12 months.

Inflation for the first quarter of 2011 as revealed by Consumer Price Index has reached 9.64% as compared to 5.7% in the same period in 2010. The inflation on account of food item was 10.53% compared to 12.33% and non-food item of 9.15% as compared to 2.39% in the same quarter last year. Inflation on non-food items is the highest as compared to previous years. The purchasing power of Ngultrum is recorded at 64 Chhetrums for the first quarter of 2011, eroding the disposable income of the people.

The fiscal deficit is expected to rise during the 10th FYP due to ambitious expansion of rural and urban infrastructure, but will average about 4.9% during the entire 10th FYP which is still below the Government's self-mandated upper cap of 5% of GDP. Our fiscal prudence is underpinned by the Constitutional requirement that current expenditures are met by the domestic revenues.

Despite the positive growth, the Bhutanese economy continues to be weak and vulnerable with a majority of the population still dependent on subsistence farming. While the per capita income has exceeded US\$ 2000 making Bhutan third only to the Maldives and Sri Lanka in South Asia, 23% of our population, are estimated to be trapped in rural poverty to compel the Royal Government to direct the main thrust of the 10th plan to reduce poverty to 15%.

2. Minimum Programmeme: Poverty Eradication towards Social and Economic Empowerment

The minimum programmeme which forms the essence of the Tenth five Year Plan is a measure of the seriousness of the Royal Government to root out poverty and to promote a democratic culture of equity and justice. The programmeme is aimed at achieving an equitable distribution of the basic social and economic infrastructural services throughout the country. It places greater attention and resources for the lesser developed and disadvantaged communities in remote and rural areas that have hitherto been marginalized by the failure to access basic services. It is through the minimum programmeme that the key objectives of improving health conditions, creating knowledge, enhancing accessibility to market and services and raising rural

income and wellbeing are intended to be fulfilled. These, in turn, are expected to break down the barriers that prevent the poor from acquiring the social and economic capacity to enable true political empowerment and thereby realize the goal of creating a democratic culture and polity.

The main elements of the programmeme are the following:

- i. Motorable Road to Every Gewog Centre;
- ii. Electricity for Every Home;
- iii. Every Primary School Aged Child to be Enrolled in School;
- iv. Minimum of Three Doctors and Two Ambulances for Every Dzongkhag Hospital and All Communities to be Brought within Easy Access to Basic Health Facilities;
- v. Safe Drinking Water Supply for Every Home and
- vi. Mobile Phone Connectivity for Every Community.

All the above listed services and infrastructure are to be delivered within the 10th FYP, which corresponds to the term of the current government. In addition, every effort is to be made to ensure food security, nutritional adequacy and social and cultural growth. Further, income supplementing opportunities are to be created for rural folk through introduction and expansion of cash crops, home stay facilities for tourists and other opportunities. The programmeme is expected to accelerate the transformation of our rural life from subsistence farming to a reasonable level of material comfort thereby attracting the educated youth to return to their cultural roots for greater social stability.

In light of the critical importance of the Minimum Programmeme, the focus of the MTR has been the progress against its targets so that necessary remedial and supplementary measures can be taken to ensure its success. The result of the review is presented summarily hereunder:

i. Motorable Road to Every Gewog Centre

Out of the 49 gewogs that remained to be connected, 10 have now been connected up to the gewog centres. Further 28 gewogs are at various stages of being connected while survey and design for 11 gewog roads have been completed to begin construction within the year. The five Gewogs of Soe, Naro, Lingshi, Laya, Merak and Sakten will be partially connected by motorable road while Lunana will not be connected. This is because in the first case, roads beyond the points that have been

agreed with the concerned communities would lead to their being deprived of the economic advantages otherwise offered by tourism while in the case of the latter, ecological and demographic reasons forbid the construction of a motorable road. However, Lunana shall become accessible throughout the year through an 85 KM mule track to be built along the Phochhu river within this plan period.

The gewog roads are augmented by an increasing network of farm roads. Whereas there were 868 kms of farm road at the end of the 9th FYP, a total of 1,480 kms of farm road has been constructed in the last three years of 10th FYP. The total farm road in the country is now 2,348 kms.

A very significant decision taken at the MTR is the establishment of a shared arrangement among the dzongkhags, the gewogs and the communities, in collaboration with the relevant agencies, to ensure that the roads will remain serviceable and open at all times. One main facility made available under this arrangement will be earth moving equipment to be placed with the dzongkhags at all times for farm road maintenance.

ii. Electricity for Every Home

Against 52% households in the country that received the benefit of electricity at the end of the 9th FYP, 73% of all families have now received this vital service as of March 2011. In the past year, 15,020 households were connected to the national grid. The balance 22,365 households will be electrified during the next two years. All the necessary funds have been secured and the implementation of the rural electrification projects is under good progress.

Additionally, solar electrification of 118 public institutions covering 14 Dzongkhags using new technology (Capacitor, LED, Lithium Ion battery) has been completed. The detailed survey and tendering process for procurement of 672 solar sets for off-grid electrification of 10 dzongkhags (Chukha, Dagana, Gasa, Haa, Paro, Punakha, Samtse, Sarpang, Trongsa and Wangduephodrang) under ADB financing has also been completed.

iii. Universal Primary School Enrollment

The Net Enrolment Rate reached a high of 94% in 2010, with many dzongkhags achieving close to universal primary enrolment. Punakha is the first to declare 100% full enrolment. All Gewog and Dzongkhag administrations have committed at the MTR to redouble their efforts to ensure that no school aged child is left out of school by end of April 2011.

iv. Minimum of Three Doctors and Two Ambulances for every Dzongkhag Hospital and all Communities to have Easy Access to Basic Health Facilities

Despite every effort being made to recruit foreign doctors under various arrangements, the need for three doctors in every district hospital is proving extremely difficult. Currently, 10 dzongkhags have three doctors each, six dzongkhags have two doctors each and the remaining four have one doctor each. The Ministry has, in the meanwhile, instituted a procedure to send gynecologists to dzongkhag hospitals once a month to facilitate wider coverage and provision of gynecological services. The objective of providing two running ambulances for each district hospital has been fulfilled.

During the MTR, certain vital health information were sought to gauge the general health status in each gewog. It was heartening to note that Infant Mortality Rate (IMR) has been reduced from 60.5 in 2000 to 40.1 per 1000 live births in 2010. The Under-Five Mortality Rate has been reduced from 84 in 2000 to 61.5 per 1000 live births. The trend indicates that Bhutan is on track to achieve the MDG targets by 2013. Immunization coverage has been sustained at over 90% since 1990. Of equally encouraging achievement is the reduction in Maternal Mortality Rate which has gone down from 560 in 1990 to 255 per 100,000 live births in 2005. The current estimate is a low 155 indicating that we are on track to achieve the target of 140 per 100,000 live births. It was deeply moving to note that the gups in most gewogs had intimate information on these figures.

v. Safe Drinking Water Supply for Every Home

The safe drinking water supply in rural areas has been increased to 93% from the 67% percent at the beginning of 10th Plan. However, a thorough verification is to be conducted to ensure that this report is accurate. It was emphasized during the MTR that it is not only important to deliver water but to ensure that it is safe. A

reason for concern was the report by many gups that the drinking water sources are drying and are no longer adequate for the growing demand.

vi. Mobile Phone Connectivity for Every Community

In order to ensure that the pledge to provide mobile phone connectivity to every community, a Universal Service Obligation (USO) Fund for the rural mobile project amounting to Nu 360.155 million (in two phases) has been made available as government subsidy to Bhutan Telecom and TashiCell. The progress has been remarkable with 203 out of 205 gewog centres now having access to the vital service. The two remaining gewog centres in Chokhorling (Pemagatshel) and Lunana (Gasa), including few villages and shadow areas will be covered by December 2011. It may be interesting to note that there has been a significant jump in the number of mobile subscribers from 327,052 (47.8%) in 2009 to over 419,926 (59.3%).

vii. Other Indicators Assessed during the MTR

Impressive achievements were reported in respect of raising food security and access and consumption of adequate nutrition. Likewise, very encouraging developments were reported on the formation of cooperatives and farmer groups which not only leverage farmer access to markets and profitability but in the process, strengthen community vitality and relationships that are keys to happiness and wellbeing. More elaborate reports on these aspects are covered in the report under the Agriculture and Livestock sector.

3. Sector Progresses and Achievements

i. Health Services

The main thrust of the health programme for the 10th Five Year Plan is to make Bhutan healthier and happier in pursuit of the overall development philosophy of Gross National Happiness. While primary health care remains the priority, efforts towards enhancing secondary and tertiary health care services are being vigorously pursued.

a. National Health Policy

A National Health Policy has been approved by the Cabinet. The Policy covers comprehensive strategies regarding healthcare providers, clients, health financing and delivery in the health system. It will provide also comprehensive guidance, direction and a policy reference point. Furthermore, it is also expected to provide crucial inputs towards health planning and management.

b. Sustainability in Health Financing

A series of exploratory studies on health financing have been carried out to better understand the existing framework as well as to tap into the international experience on financing healthcare. The National Health Accounts, the first of its kind in the country, has been institutionalized to periodically track national spending and resource flow in the health sector. A national healthcare costing study has been launched. The study will estimate resource needs while serving to forecast and build cost consciousness among both healthcare providers and clients.

c. Reform in the Procurement System

The health procurement system presents a huge challenge in view of the vast resources involved as well as its critical role in the lives of all Bhutanese. Deeply disturbing and anomalous practices have been detected and exposed in the past three years which point to a deeply entrenched malpractice in the system. The Ministry is closely working with the Anti Corruption Commission (ACC) in this regard with the determination to cleanse the system. This has already resulted in a major initiative towards good governance in health sector by reforming the procurement system. Given the inherent corruption susceptibility, a number of corrective as well as proactive initiatives have already been taken. These include reshuffling of key incumbents and staff, separation of procurement and distribution systems, standardization of contracts, supplies, indents and procurement procedures, and development of guidelines and monitoring tools. Several officials have, in the process, been suspended and are under investigation.

d. Development of Health Human Resource

The Ministry of Health, in order to fulfill its important obligations and duties, has been according top priority to development of its human resource. The Royal Government's commitment to provide at least three doctors and two running

ambulances each in all Dzongkhag hospitals is being pursued vigorously as reported under the section on Minimum Programmeme. Some key achievements are:

- i. Recruitment of 15 Specialists from Myanmar in February, 2011 after the repatriation of 17 Specialists from Myanmar upon completion of 2-year contracts;
- ii. Increase in health workforce with appointments of three General Duty Medical Officers, two Health Volunteers, two Dental Surgeons, 58 Nurses, 21 Health Assistants, 107 Technicians, three Drungtshos and 10 Menpas. Further, 34 Doctors are undergoing long term specialized training out of which 10 were sent in the 2010-11 financial year;
- iii. Completion of preliminary works to launch BSc Nursing Programme at the Royal Institute of Health Sciences by July, 2011;
- iv. 138 nurses trained or undergoing training in India under the Accelerated Nursing Programme. Another 83 candidates would be sent to undergo the programmeme in July 2011; and
- v. 24 Chief Nurses/programmeme managers trained and 30 more undergoing training in Emergency and Critical Care Nursing under the Advanced Nursing Training Project.

e. Special Consultation Services at Jigme Dorji Wangchuck National Referral Hospital

The year-long trial run of special consultation services started in October 2010, at the Jigme Dorji Wangchuck National Referral Hospital (JDWRH). The initiative is aimed at providing choice of services to the people besides decongesting crowds during regular hospital hours and motivating hospital staff. The services are being provided daily, from 4 pm to 7 pm, on payment of fees which are structured according to the services offered by specialists or general duty medical officers (GDMOs) on appointment basis. The services include general health check up, general laboratory diagnostic services, X-ray, ultrasound, CT, MRI, ECG and medical fitness certificates for employment, training, visas and driving licenses.

f. Professional Medical Education

The Bhutan Institute of Medical Sciences (BIMS) represents a major initiative of the Health Sector towards providing professional medical education inside the country and, thereby, address the critical shortage of medical professionals. The maiden project being undertaken in collaboration with the All India Institute of

Medical Sciences (AIIMS), has crossed significant milestones in the previous year. On the infrastructure front, land identification, acquisition, site plans and engineering works have been completed. On the human resources front, the BIMS Human Resources Master Plan has been finalized, curriculum for undergraduate medical education has been finalized and training activities are being conducted. The Bill is now under consideration of Parliament.

g. Sub-Posts for Hard-to-Reach Populations

In order to improve access to quality health services, the Ministry has initiated the establishment of sub-posts for villages with populations of 200-300. A sub-post is manned by a health assistant and equipped with adequate and appropriate medical supplies while being housed in an existing Out Reach Clinic (ORC).

h. Hospital Cornea Retrieval System

Corneal blindness is becoming a pervasive disease in the country. The Blindness Survey conducted in 2009 revealed that there are 10,000 people living with complete corneal blindness in Bhutan. About five to six critical patients frequent the hospital on a daily basis. The hospital has conducted 25 artificial corneal transplantations so far, out of which two transplantations were directly done from the donor to the patient. The JDWNRH has begun work to have the first eye bank established in the country.

i. Expansion of Services in Traditional Medicine

In view of preserving and promoting our proud traditional medicine system, the Royal Government is exploring the range and depth of possible services. A framework proposal for upgradation of traditional medicine professionals and introduction of new disciplines have been developed to introduce specialized services in the traditional medicine system. Meanwhile, another round of outreach traditional medicine services to the monasteries in Thimphu region has been conducted.

j. Health Promotion, Disease Prevention and Control

The important initiatives under ‘Health Promotion and Disease Prevention and Control’ programme during the fiscal year are highlighted below:

- i. Completed the preparatory works for 196 new water supply schemes, 69 rehabilitation schemes and rainwater harvesting system for 2 schools to meet the policy priority of universal access to safe drinking water. Also launched projects such as pumping water supply and Bio-sand filtration technology for safe drinking water;
- ii. Developed tools and protocols for water quality testing to avert water borne diseases and enable access to clean and safe drinking water;
- iii. Piloted the Package for Essential Non-Communicable diseases (PEN) project in Bumthang and Paro dzongkhags. This project explores the feasibility of integrating NCD services into the mainstream Primary Health Care system;
- iv. Completed land acquisition, architecture designs and engineering details for establishment of Detoxification and Treatment Centre for alcohol and drug dependents;
- v. Conducted the third round of nationwide HPV vaccination in November 2010 completing the three doses in the standard schedule. The vaccine is being delivered through the routine immunization services from 2011;
- vi. Clinical symposium on antibiotics for doctors and nurses were held in district hospitals of Thimphu, Mongar and Sarpang to highlight the dire consequences of antimicrobial resistance and promote rational drug use;
- vii. Although leprosy is no longer a public health problem in the country, a survey was conducted in Shingkahr Lauri and Menjiwoong Geogs under Samdrup Jongkhar to assess hidden cases, both new and relapse, of leprosy. Findings reveal none of them being infected;
- viii. In order to keep abreast of the latest evidence and best practices, trainings, awareness and refresher programmes on subjects such as (a) Electronic Reporting and Recording (ERR) system for TB incharges, (b) sputum microscopy (c) drugs and supply management, (d) malaria case management, (e) occupational health hazards, (f) National Guidelines on clinical use of blood, and (g) revision of Antibiotic Guideline were carried out; and
- ix. Post suspension of the Pentavalent vaccine, detailed investigations were carried out by the World Health Organisation (WHO). The vaccine samples tested in Thailand and France found no toxicity. The Ministry reviewed the

final investigation reports, carried out further review in the national context and decided to re-introduce the vaccine in June 2011. Preparatory work for the re-introduction is being carried out including information sharing, communication and confidence building.

k. Administrative and Policy Initiatives towards Better Health Care

The following administrative and policy initiatives were implemented towards providing sound stewardship of the health sector:



Ensuring Quality and Safety of Medical Products

The Drug Regulatory Authority has registered 1004 human allopathic medicines, 88 *So-wa-rigpa* medicines and 65 veterinary medicines. To ensure proper storage of medicines, inspection of pharmacy shops, hospitals and health centres were carried out. Further, in order to ensure competency in dispensing medicines by the private sector, various training programmes were conducted along with certifications of competent persons.



Tobacco Control Services

The Tobacco Control Act is now under full implementation. Due to overzealous implementation by the enforcement authorities, the Act has aroused strong sentiments among a section of the population. In order that the Act is implemented in the most judicious and effective ways to realize its intended purposes, a set of rules and guidelines including the Tobacco Control Rules and Regulations, have been framed to guide the enforcement agencies. Having put these rules into effect, it is hoped that the Act will find easier and more practical implementation and adherence.

Under the tobacco control services, the initiatives include the establishment of a Tobacco Control Board (TCB) and Demand and Supply Reduction Committee. Other activities include extensive advocacy and awareness programmes such as distribution of the Tobacco Control Act 2010, conducting media forums, interviews and also advocacy programmes for law enforcement agencies, schools, shopkeepers, drayangs and bars and other service sectors such as hotels and tour operators.



Narcotics Control

Drugs and substance abuse among the youth in recent times continue to be a major cause of concern. In order to address this social ill, many important activities were carried out during the last fiscal year. Some of the important initiatives are as provided hereunder:

- **Legislative and Policy Initiatives**

Various policies and strategies have been formulated and numerous policy measures implemented to prevent substance abuse. The formulation of Narcotic Drug Control Strategy is an important initiative in this regard.

- **International Collaboration**

The government is also seeking international collaboration through the Colombo Plan Drug Advisory Programme and other partners like SAARC Drug Offences Monitoring Desk, UNICEF, UNODC and INCSB to address this issue. Further, a Second Coordination Meeting between the Competent Authorities of the RGoB and GoI as per the MoU on the “Drug Demand Reduction and Prevention of Illicit Trafficking in Narcotic Drugs, Psychotropic Substances, Precursor Chemicals and Related Matters” was held to combat the illicit trafficking of drugs across the borders with India.

- **Demand Reduction Services**

Under the demand reduction services, the initiatives undertaken includes creating awareness and carrying out advocacy and public education on the ill effects of narcotic drugs and psychotropic substances. Such advocacy programmes have been conducted in 14 schools covering 4,606 students, 168 teachers and 150 parents. Further advocacy programmes also covered drayangs/bars, hotels, tour and travel agents including guides and taxi drivers of Thimphu in addition to the use of media for wider coverage.

A rehabilitation centre for both men and women has been set up in Serbithang with support from the Youth Development Fund (YDF) in 2009 and 2010 respectively. Till date there are 7 drop-in centres covering Thimphu, Phuentsholing, Gelephu, Mongar, Bumthang & Samdrupjongkhar. Further, outreach services are also provided at the JDWNRH for the detox unit inpatient and also to the youth detainees at NDLEU.

- **Supply Reduction Services**

Under the supply reduction services, the initiatives undertaken include conducting training on drug law enforcement to officials from law enforcement agencies. Sensitization and destruction of marijuana plants were also carried out jointly with the dzongkhag/dungkhag administration along with the public or with college/school administrations.

Further in order to prevent the diversion of chemicals from legitimate commerce to illicit drug manufacturing, the first ever precursor chemical survey covering major industrial areas at Samtse, Gomtu, Phuentsholing, Samdrup Jongkhar, Gelephu and Thimphu was carried out. A comprehensive *Precursor Chemical Control* report will be developed based on the report of the survey.

- l. Tuberculosis and Malaria**

The infant mortality rate and maternal mortality rate have been discussed under the section Minimum Programmeme which has recorded significant achievements towards meeting the MDGs. Tuberculosis and malaria, the other two health related MDGs have also recorded impressive results. In the case of tuberculosis, the incidence has dropped from 4,232 cases in 1990 to 1,154 cases in 2010. In the case of the latter, there is a drop from 2,2126 in 1990 to 951 in 2010.

- m. Accelerated Bhutan Socio-economic Development (ABSD) initiatives in Health**

Some of the significant achievements under the ABSD initiatives are the reduction of waiting time by 30% and the roll out of Health Help Centre (HHC) at a nationwide level in May 2011, after initial piloting in JDWNRH. In addition, outsourcing of parking and security services have been completed while services such as patient diet, laundry and private diagnostic and dental services are being reviewed for outsourcing.

ii. Education

During the last fiscal year, the Education sector saw continued progress, with more schools being opened in the remotest parts of the nation. For the year 2010, the Net Enrolment Rate stood at 94%, with many dzongkhags achieving close to universal primary enrollment as explained earlier. During the conduct of the Mid-Term Review, all gewog and dzongkhag administrations have committed to redouble their efforts to ensure that all school going age children are enrolled in schools.

The achievements of the education sector are as provided hereunder:

a. National Education Day

The academic year began with the celebration of His Majesty's birth anniversary as the first National Education Day as a tribute to His Majesty the King, Jigme Khesar Namgyel Wangchuck who has always considered the provision of education as the most important responsibility of the state.

b. Educating for Gross National Happiness

Although it has only been a little over a year since the launch of the project *Educating for GNH*, it has shown encouraging results with schools reporting visible impacts on student behavior and discipline; a more sympathetic and gentler attitude on the part of teachers; greater harmony in schools; and a sense of responsibility towards nature and the environment.

Some of the major progress under *Educating for GNH* programmeme in the last fiscal year, includes development of a national guideline for *Educating for GNH* in addition to the development of a core module on *Educating for GNH* based on the five key pathways. Achievements also include training of 80 educators who are expected to orient all teachers and educators on the concept of "Educating for GNH" over the course of the year.

A website, www.educatingforgnh.com has been developed to spread the concept of this movement to all citizens of Bhutan and any interested party. The website also provides space for discussion and exchange of ideas on educating for GNH.

c. Policy Development

The Royal Government has approved the Tertiary Education Policy and Teacher Education Policy that provide a clear direction for these two important elements of the education system. Likewise, the National Youth Policy has also been approved to provide a broad framework for youth development by ensuring that all young men and women are provided with support and access to meaningful opportunities to reach their full potential. Other policies at various stages of formulation are the School Education, Student Funding for Tertiary Education, Early Childhood Care and Development, Special Needs Education, Comprehensive School Health and Non-Formal Education.

Further, in pursuance to the performance compact of the Ministry of Education with the Prime Minister, subsequently signed performance compacts with the 20 dzongkhags and the thromde administrations in August and September, 2010. The performance compacts provide a comprehensive strategy with time bound activities and outputs, aimed at bringing about overall improvement in the quality and efficiency of the education system.

d. Restructuring of the Ministry of Education

In accordance with the findings of the organization development (OD) exercise and to ensure that the Ministry of Education is able to fulfill its mandates effectively and efficiently, the following organizational restructuring were initiated in the last fiscal year.

1. The erstwhile Bhutan Board of Examinations has been upgraded into an autonomous entity under the nomenclature of “Bhutan Council for School Examinations and Assessment” (BCSEA);
2. The Curriculum and Professional Support Division (CAPS) has been upgraded to the Department of Curriculum Research & Development (DCRD);
3. The Tertiary Education Division has been renamed the Higher Education Strategic Planning Division (HESPD) with the responsibilities of framing policy guidelines for tertiary education and to serve as the secretariat for the empowered Tertiary Education Board;
4. A new Quality Assurance & Accreditation Division (QAAD) under the Department of Higher and Adult Education has been created for standard setting and quality assurance through accreditation;

5. The existing Scholarship Division is being renamed the Scholarship & Student Support Division and will handle all external scholarships;
6. The Department of School Education has been strengthened with five divisions to better guide and coordinate all matters concerning primary and secondary education, pre-school and special needs education for both government and private schools.

e. Raising Morale and Motivation of Teachers

Five educators, including one visually impaired teacher received the *Royal Award for Excellence in Culture and Values System* from His Majesty the King during the National Day Celebrations on December 17, 2010. This has immensely boosted the morale and motivation of all teachers in the country.

f. Improving Access to Schools

It is the Royal Government's policy to provide our rural children access to schools within one hour's walking distance. In keeping with this goal, the Royal Government of Bhutan continues to support the establishment of extended classrooms (ECRs), new Community Primary Schools (CPS), and secondary schools as well as the provision of boarding facilities, where necessary.

In the past one year, 28 ECRs, 10 CPS and two new middle secondary schools were opened. Further, 14 schools were upgraded from CPS to Lower Secondary School (LSS), LSS to Middle Secondary School (MSS) and MSS to Higher Secondary School (HSS). As of April 2011, there are 647 schools and ECRs in the country against 609 last year. The comparative figures are as provided in Table 1 below:

Table 1: Comparative School Numbers by Types for 2010 and 2011

Sl. No.	School	April 2011	April 2010
1	Higher Secondary Schools	45	41
2	Middle Secondary Schools	56	52
3	Lower Secondary Schools	95	88
4	Primary Schools	92	95
5	Community Primary Schools	271	275
6	Extended Classrooms	88	58
	Total	647	609

g. Improving Quality and Relevance of School Education

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

- i. The curricula for science for Classes PP-XII and mathematics for Classes 11-12 are being revised;
- ii. A curriculum mapping exercise with support from the Chiphen Rigpel Project has been carried out to align the ICT curriculum;
- iii. Teacher orientation trainings have been carried out to support the implementation of the revised Dzongkha, English and Maths curriculum; and
- iv. New curricula are being developed in the areas of (i) Health & Physical Education (PP-VI) (ii) Arts Education (iii) Arts curriculum framework (PP-IV) and (iv) PP-II student Workbook & Teacher Guide.

h. Enhancing Non-Formal and Continuing Education

The Non-Formal and Continuing Education Programmeme has covered the length and breadth of the country and has so far benefited over 160,000 illiterate adult citizens providing the opportunity for lifelong learning for those who have missed formal school education. Because of its good coverage the number of learners has been keeping constant at about 13,000 every year for the past few years. Although every year hundreds of new learners enrolled into the programmeme the number remains constant since many learners graduate with Basic Literacy Course Certificate and Post literacy Course Certificate. However there is slight increase in the number of NFE centres as the dzongkhags are continuously establishing new centres to cover the unreached areas.

The programmeme has benefited the people with visible impact seen at the current local election where many NFE graduates have qualified to compete. Many NFE learners are leading a better life with access to information and managing micro-businesses and earning a better living. As most of the learners are female there is also a direct impact seen on child care and development and hygienic practices.

In order to support this programme a series of capacity building and material development activities are being initiated every year under UNICEF and UNESCO funding. Some of the major achievements in 2010-2011 are as follows;

- i. 45 Principals, ADEOs and DEOs have been trained as Master trainer to train TOTs on revised NFE Curriculum
- ii. 380 Principals have been trained by the master trainers to train NFE Instructors
- iii. Over 600 NFE Instructors have been trained and oriented by TOTs on new NFE revised curriculum
- iv. Three new centres for continuing education have been opened in the the past year viz. Bayling HSS, Gedu HSS and Kanglung MSS and the learners numbers have gone up to over 2000.

Tremendous effort has been put in the development of teaching learning materials and every year new relevant learning materials are added to the curriculum. In this fiscal year following have been undertaken:

- i. A text on Sustainable Land Management has been developed, printed and circulated to centres for implementation
- ii. Development of materials for Green Jobs for NFE learners is under process. This programme is funded by GNHC and the book covers topics such as:
 - a. Rain water harvest
 - b. Solar drier
 - c. Safety in electric power usage
 - d. Bio-gas

A draft NFE Policy has been developed and is under consultative process at the moment.

i. Recruitment of Temporary Teachers on Contract:

In order to meet the teacher shortage caused by the expansion of the education system, the Ministry recruited retired teachers, new graduates and graduates from *shedras* on a one-year contract in April 2011. Altogether, the Ministry of Education recruited 114 temporary teachers against the 300 announced vacancies.

j. Professional Development of Teachers

In the last one year, 215 in-service teachers have been sent for training outside Bhutan as part of continuous development of teachers: (i) PhD - one (ii) Masters - 64 (iii) Diplomas and Certificates - 17 and (iv) Short Courses - 189.

Further, 3,347 teachers received in-country trainings: (i) M.Ed: 100 (ii) Bachelors: 37 (iii) B.Ed (Dzongkha): 183 (iv) B.Ed (Primary): 182 (v) Diplomas and Certificates: 291 and (vi) Country based In-Service Workshops: 2,554.

k. Youth Issues

In the past year the Department of Youth and Sports developed the following materials to address youth issues:

- i. Guidance and Counselling Framework for Schools in Bhutan
- ii. Code of Ethics for school counsellors
- iii. Peer Helpers' training manual for both Secondary and Primary levels

The Peer helper's Programmeme was piloted in 39 Schools in Wangdiphodrang, Punakha, Paro, Thimphu, Chukha and Haa and fulltime school guidance counselors instituted in 12 schools.

As part of His Majesty the King's birthday celebrations, the Department launched the Youth Website www.youngbhutan.bt on February 21, 2011.

The 3rd preparatory orientation programme *Living the Purpose* was organized from May 18-20, 2011 for students going out of the country by Department of Youth and Sports to facilitate students' adjustment to their new academic and social environment. This year 195 scholarships and 150 privately sponsored students attended the programmeme.

l. ICT Enabled Teaching and ICTization of Schools towards Building a Knowledge Society

The Chiphen Riggel Project (Enabling a Society, Empowering a Nation), under its *Empowering Teachers Programmeme*, has target to set up 7 teacher training centres and train 5,000 teachers and 50 core group teachers on ICT enabled teaching. As of date, all 7 teacher training centres have been established and 45 core

group teachers and 422 teachers have been trained. Under *ICTization of Schools Programmeme*, computer centres in 145 out of the target of 168 schools have been established and 50,400 students are currently undergoing computer classes. Under the sub-project, *Tertiary Institutes Go Hi-Tech*, computer training centres have been established in four colleges, and 1,200 against the target of 2,400 college youths have been trained in a range of IT skills. This nation-wide project is a major part of the Government's effort to promote Bhutan into an IT enabled knowledge society.

m. Enhancing ICT Access for Visually Impaired

Computer training for visually impaired along with a laptop each was provided to 10 visually impaired in-service personnel. This will enhance the competencies of the trainees in a world which is increasingly dependent on ICT.

n. Study on Girls' Participation on Higher Secondary Education

A study to understand the low performance of girls in Higher Secondary Education was completed. Based on the findings and recommendations, strategies to enhance girls' participation at higher secondary level and beyond are being mainstreamed into the 10th Plan.

o. Autonomy for the Royal University

As per the compact signed with the Royal Government, Royal University of Bhutan is accorded the status of an *autonomous organization* from July 2011. Under this arrangement, RUB's operational cost will now be funded on a per-student-cost basis, while the capital cost would continue to be funded by the Government. Further, it will be separated from the civil service with its own human resource policy and processes.

RUB has also increased its capacity from 6,282 in 2010 to 7,152 in 2011. The major achievements recorded in the last fiscal year are as provided hereunder:



Self-Financing Scheme

In order to increase its capacity beyond the number of students the government funding is able to support, RUB has introduced a self-financing scheme for students. Under this scheme, RUB has admitted 177 self-financed students in various colleges of the University. This represents an additional 10% on the normal

annual intake of students who are fully funded by the Government.



Infrastructure Development

During the last fiscal year, RUB has also recorded substantial expansion in its infrastructure. Construction of student residences in Sherubtse College, College of Science and Technology, Jigme Namgyel Polytechnic, Samtse College of Education and Paro College of Education totalling 876 beds, have been completed in 2010. Similarly constructions valued at Nu.1,444.96 million have been awarded. Further, the first phase of shifting the Institute of Language and Cultural Studies to Taktse will take place in July 2011 as planned, with the rest to follow in 2012.

p. Royal Institute of Management

The institute will be launching in-country Masters in Public Administration (MPA) and Masters in Management (MM) in August 2011, Masters in Business Administration (MBA) in 2012 and Masters in Supply Chain Management in 2013 in affiliation with reputed universities from outside besides the delivery of in-service Management Development Programmes and local capacity development programmes. Such an initiative will contribute greatly to the human resource development of the country besides enhancing professional management capacity across the sectors.

iii. Agriculture and Livestock

The agriculture sector continues to remain a high priority for the government with a majority of the Bhutanese population still dependent on agriculture. At present, the sector accounts for 14% of the GDP and employs over 59% of the labor force. Recognizing the importance of agriculture in achieving the Tenth Plan's theme and objective of poverty reduction, the agriculture sector has, for the past one year, initiated new and innovative programmes and recorded significant achievements.

a. Product Diversification and Promotion of New Varieties

An important initiative towards achieving food security and rural income was through enhancing product diversification and promotion of new varieties. Some of the achievements under this initiative include:

- i. 13 new varieties of fruits identified notably Pear-Shinko, Persimmon-Zinjamaru, Plum-Soldum and Walnut-Local Selection, and two improved guava, three mango and two pomegranate varieties introduced;
- ii. 11 citrus demonstration orchards established to showcase improved orchard management;
- iii. Special cardamom rehabilitation project launched to rehabilitate around 300 acres of cardamom plantation in Haa and Samtse Dzongkhags;
- iv. National Citrus Nursery cum Repository currently under construction at RNR Centre, Tsirang to produce disease free grafted seedlings intended to address declining citrus orchards due to problems associated with citrus greening;
- v. High yielding rice variety OR367 SP-11 suited for low altitude rice growing areas released. Radha 4, another early variety is ready for release and 4 new upland rice varieties were selected for further evaluation; and
- vi. 61 products identified under the One Gewog Three Products (OGTP) programme for product diversification, value addition and targeted agriculture investments.

b. Commercial Farming

In order to ensure a permanent source of income and use of land that are mostly marginal and not used for other plantation, the past year has seen the launch of new projects aimed at helping farmers move from subsistence farming to commercial farming.

The first public-private partnership Hazel nut enterprise, which started two years ago, has made significant progress. Recently, a semi-automated nursery with a total of 300,000 seedlings has been raised with 1,401 acres of land identified for plantation with 2,132 collaborating farmers. Further, 18 acres of land has been prepared for organic *Samcholing Green Tea* cultivation.

Another significant achievement is the signing of a MoU for the first ever coffee plantation in Samtse with Samphel Norbu Private Ltd. Other MoUs include signing with Anubhav Biotech Ltd for trial Stevia (sugar substitute) cultivation and with Fabindia to study feasibility on Bhutanese agricultural products, crafts and community-based tourism. A project on trial of potato seeds production and marketing with TATA chemicals has been agreed, and with Quantum Pharmaceuticals, Switzerland, for orchid cultivation to be used as inputs for REDEEM cosmetics (anti-ageing and beauty).

c. Irrigation

Increase in production is largely related to adequate supply of irrigation facilities. However, irrigation is becoming an increasing challenge as a consequence of drying and shrinkage of water sources due mainly to climate change effects brought on by global warming phenomenon. Nevertheless, about 44.57 kms of irrigation channels were rehabilitated in the past year covering a total command area of 5,811 acres of rice fields benefiting 1,217 rice growers.

d. Organic Bhutan

The international market for organic products is, today, estimated at US\$ 55 billion and growing. It has become demand-driven in a world of growing concern for good health and environmental awareness. With rising income, people are willing to pay premium prices. These provide a sustainable way out of subsistence farming and poverty especially as the organic foods market in India alone is expected to explode with its rapid economic expansion and the growth of the middle income group which is already 200 million strong. Furthermore, *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.

The initiative to transform Bhutan into an organic brand within a short time frame has made good progress. Following are some of the significant measures taken and achieved:

- i. Field visits, workshops and training carried out on organic agriculture in Trongsa, Samtse, Thimphu, Tsirang, Dagana, Gasa and Haa;
- ii. Crops identified for organic farming are: (i) ginger in Tsirang and, Zhemgang, (ii) indigo plantation in Zhemgang for natural dye, (iii) buckwheat in Choekhor, Bumthang and (v) asparagus and (vi) green tea in Samcholing, Trongsa;
- iii. Organic certified lemon grass oil production increased from 19,000 to 38,000 acres;
- iv. Advocacy seminars titled Moving towards Organic Bhutan and High Yielding Organic Production organized with eminent world organic specialist like Dr. Vandana Shiva from India and Andre Leu from International Federation of Organic Agriculture Movement (IFOAM) and Organic Federation Australia; and

- v. Samdrupjongkhar Initiative, an enthusiastic grassroots cooperative organization comprising citizens of Samdrupjongkhar Dzongkhag, has pledged to make its dzongkhag organic. It has undertaken initiatives to invite renowned world experts for advice on organic farming and is engaged in sensitization, training and implementation of organic methods with committed support from the Nav Danya Foundation in India.

e. Livestock Development:

Livestock has always been recognized as a means to enhance food security and rural income. Key achievements in livestock development include:

- i. A total monetary value estimated from livestock production in the past year was Nu. 1,058 million with an achievement of 176% against the set target. The national milk production from dairy groups and individual farmers stood at 31,153 MT which is 394% achievement against the set target;
- ii. A total of 44 Poultry Groups formed with a national egg production of 1.3 million dozens valued at Nu. 130 million;
- iii. Promotion of Multiplier Pig Farms at strategic locations with 15 such farms run by groups in 6 Dzongkhags were supported;
- iv. Existing goat farming being up-scaled through promotion of fast growing and heavier breed of goat and optimizing goat farming system within confined areas and formation of farmer groups;
- v. 14 fishery groups comprising 253 members supported and community based Harachhu Fisheries Management Group started in September of 2010;
- vi. A pilot project targeted at highlanders of Haa recently launched. The project, besides supporting production of Yak products, is also aimed at livelihood activities such as supply of dairy equipment, bio-briquette stoves, portable solar lights and cheese cellar constructions; and
- vii. A comprehensive plan for promoting buffalo farming in southern Bhutan being developed with 17 buffalo heifers and 10 breeding bulls having been distributed.

f. Farm Mechanization

The promotion of labour saving agricultural equipment and provision of its maintenance and operation services is one of the main interventions to raise farm productivity, lessen farm drudgery and make farming profitable and attractive to our youth. During the reporting period, a total of 3552 machineries including 122 power tillers and 188 rice mills were supplied with 14 operations and maintenance trainings and installation of 167 and repair of 178 farm machineries in 20 Dzongkhags. Further, farmers support service centres were strengthened at Drakteng (Trongsa), Mongar (Mongar) and Nubding (Wangduephodrang) to provide basic maintenance services to the farmers.

g. Agriculture Marketing

The agricultural exports this year was very good. Some 83,000 MT of cash crops viz. oranges, apples and potatoes were exported to markets in India and Bangladesh. Export of Cordyceps alone brought record earnings of about Nu. 90 million for the highlanders.

Marketing initiatives were targeted towards tapping the domestic as well as export market. The major interventions on domestic marketing were a study on market potentials in mega-hydro power sites and another study on demand for high-end hotels in Bhutan. One such initiative has been the agreement with Bhutan Association of Women Entrepreneurs (BAOWE) to partner in a sustainable business model for supply of agricultural produce to Punatsangchhu hydro project. A study is being carried out to cover other projects including Mangdechhu power project. In the meanwhile, the Tourism Council of Bhutan will undertake an advocacy programme to promote organic food in the star rated hotels in the country with the ultimate objective of offering mainly organic food at any tourist hotel in Bhutan.

Following is a list of promotional activities undertaken:

- i. An organic group in Bumthang, a mushroom group in Geynekha, Thimphu and an apple group in Yusipang, Thimphu were promoted during the First Bhutan International Trade Fair and during the Second Food Festival;
- ii. Development of Common Facility Centre Project, Thimphu;
- iii. Trial marketing of Khamti rice and Mongar persimmon;
- iv. Promotion of Bhutanese potato by Bhutan Exporter's Association during the 10th SAARC Trade Fair in Nepal;

- v. Farmers Milk Booth at Mongar and Samdrupjongkhar and production and processing shed at Sakteng & Yanangbrangsa in Trashigang;
- vi. Organic Sales Outlet with Happy Valley Youth was opened for promotion of organic produce at Centenary Farmers Market;
- vii. Vegetable and buckwheat outlet at Chamkhar, Bumthang; and
- viii. Establishment of One Stop Farmers Shop in Trashigang (Khaling), Mongar (Kilikhar), Bumthang (Chokhor) and Zhemgang (Tingtibi).

h. Farmers Groups and Cooperatives

Farmers' Cooperatives and Farmers' Groups are an effective, efficient and sustainable means for stimulating economic and social development. They play a powerful role in the transformation of our subsistence farming to commercial farming. Besides the economic benefits, they are also an important vehicle for community harmonization and community vitality.

The amendment of Cooperatives Act of Bhutan was passed in 2009 to create an enabling legal environment and to promote farmers' groups and cooperatives. Seven cooperatives and thirty four farmers groups have been registered under the Construction Association of Bhutan (CAB) 2009 in the last one year. More registrations are expected in the coming years. Two more marketing groups for dried amla were formed in Lhuentse and Trashigang. Similarly vegetable groups were also formed in Nanong and Chokhorling in Pemagatshel. To strengthen cooperatives and groups, Cooperatives Rules & Regulations of Bhutan 2010 and registration guidelines have also been prepared. There are presently, over 470 farmers' groups. The highest number of farmers' group is 172 in the livestock sector, followed by 104 in agriculture, 90 in forestry, 66 in irrigation, 7 in farm roads and 39 in various other areas.

i. Bio-Security and Food Safety

The Bio-Safety framework project was officially launched and Bio-Security Policy, 2010 of the Kingdom of Bhutan developed. The policy is aimed at preventing risk of trans-boundary diseases and pests to human health, animal and plant life, environment and food safety. Other initiatives include installation of sanitary facilities in quarantine stations at six major entry points in the south including Paro quarantine station.

Further, a national surveillance system has been developed for highly pathogenic avian influenza, foot and mouth disease, dog population management and rabies control, gid disease in yaks, warbles in yaks and emerging zoonotic diseases. A rapid response and containment mechanism has been developed for highly pathogenic avian influenza, rabies, and foot and mouth disease.

iv. Trade, Industry and Mines

The main focus of the Royal Government's endeavors in the trade, industries, energy and mines sector has been to create an enabling environment by developing the necessary legal framework and establishing infrastructure and institutions to facilitate private sector growth. The major achievements under these sectors are as reported hereunder:

a. Strengthening Legal and Institutional Framework for Industrial Development .

In order to accommodate the emerging issues with increasing number of Foreign Direct Investments and domestic companies, the Companies Act is being amended and will be ready for public consultation by the end of 2011.

b. Establishment of Department of Cottage and Small Industry

With the objective of providing special impetus and support to the development of small and medium enterprises, the Department of Cottage and Small Industry was established in July, 2010 under the Ministry of Economic Affairs. Some notable accomplishments in this sector includes implementation of the *ABSD* - culture project which focuses on development of the crafts industry. A policy paper on Micro, Small and Medium Enterprises (MSME) is also being prepared for finalization by end of 2011. The policy will help promote cottage and small industries to generate employment, support equitable distribution of income and bring about balanced regional development. Another initiative is the project to simplify licensing of cottage and small industries in collaboration with G2C (Government-to-Citizens) project.

c. Foreign Direct Investment

Under the endeavour to facilitate and promote appropriate investment flows into the country, the achievements include the establishment of a FDI Division in

August 10, 2010 and the revision of FDI Rules & Regulations of 2005 and drafting of FDI Procedures were also initiated. Since the launch of the Policy in May 2010, the following four projects have already been approved of which three are in various stages of construction while one has already begun operations.

- i. Lhaki Steels & Rolling Pvt. Ltd.;
- ii. Bhutan Hotels Pvt. Ltd.;
- iii. Manidheepa-Mohsin Hotels & Resorts Pvt. Ltd.; and
- iv. Dagachhu Hydro Power Corporation Ltd.

The four FDI projects alone amount to a total cost of Nu. 9727 million. These include investment flows into the tourism, manufacturing and other service areas. Further nine FDI projects have also been approved in principle that will substantially increase the amount of foreign investment flowing into the country. This is a tremendous improvement given that only 18 FDI projects were approved since the implementation in 2005 of FDI Policy 2002.

In addition, roadshows to promote Bhutan as an investment destination following the release of the Economic Development Policy (EDP) and Foreign Direct Investment Policy in 2010 were undertaken in the last quarter of 2010 to countries such as India, Bangladesh, Thailand, Singapore, Norway and Austria.

d. Development and Management of Industrial Estates

In order to create an enabling environment for industrial development and support private sector growth, initiatives were taken to develop and expand industrial infrastructure. These include the development of industrial estates such as:

- i. Jigmeling Industrial Estate, Sarpang in respect of which the cadastral survey has been completed and plans are underway to complete the entire land acquisition process and registration by the end of 2011;
- ii. Dhamdum Industrial Estate in Samtse on which a report is submitted to the government for approval, upon which, the land acquisition for the development of the estate will be carried out;
- iii. Motanga Industrial Estate in Samdrupjongkhar, concerning which topographical survey has been completed;
- iv. The Jigmeling, Dhamdum and Motanga industrial estates are to be developed under a Public Private Partnership model for which an MOU has already been signed with Druk Holding & Investment in January, 2011;

-
- v. Bongdingma Industrial Estate, Mongar, for which topographical survey has been completed and the detailed feasibility study of the estate including the master plan and design, drawing and estimates will be completed within the remaining two years of the Plan. In the meanwhile, the Cabinet has decided to establish a model sawmill and high capacity drying kiln in the proposed estate to promote optimal utilization and value addition to the rich oak resource available in eastern Bhutan; and
 - vi. Pasakha Industrial Estate, Chukha for which facilities such as watch tower and staff quarters have been completed. In addition, restoration of damaged river protection walls, spurs, dredging of river bed, boundary walls and new water supply system will be completed this year.

e. Employment in the Industrial Sector

The manufacturing sector employs 12,400 people or 3.9 % of the total workforce as of 2010 and the target is to increase it to 6% at the end of the 10th FYP.

f. Strengthening the Legal and Regulatory Framework for Trade and Commerce

In the trade sector, some of the achievements under strengthening of the legal and regulatory framework are:

- i. Drafted the Consumer Protection Bill, 2010, which has been submitted to parliament for enactment after approval by the Government. The Consumer Protection Bill is envisaged to benefit the consumer through competitive and quality products.
- ii. Developed the Competition Policy, which is drawn largely from consultation with various stakeholders from across the country. The Competition Policy will lead to the establishment of Competition Law for the country.
- iii. Drafted the Alcohol Control Regulation, 2011 and is currently posted on the websites of the Bhutan Narcotic Control Agency and the Ministry for for public discussion and inputs; and
- iv. A Pre-Diagnostics Trade Integration Study (DTIS) has been successfully completed in February, 2011. Pre-DTIS project will facilitate the conduct of Diagnostics Trade Integration Study, which will identify priority actions of the government in order to mainstream and expand trade. The DTIS

workshop was launched in Thimphu on May 4, 2011. Further, a feasibility study of a tax free zone has been initiated to study the direct and indirect impacts of the existing taxes on trade in goods and services in Phuentsholing.

g. New Trade and Transit Routes

During the visit of Lyonchhen in November 2010, the Bangladesh Prime Minister offered the use of the sea ports of Mongla and Chittagong. The facilities are expected to reduce trade transaction costs and prevent delays. Further, the Bangladesh government also confirmed its agreement to allow the use of Tamabil to facilitate movement of goods especially from eastern Bhutan. A team of experts and officials recently visited these facilities in order to confirm their suitability and to make necessary arrangements for their use.

h. Growth of the Trade Sector

The wholesale and retail trade sector's contribution to the national revenue amounted to Nu. 3464.45 million for the fiscal year 2009-10 which was 22% of the total national revenue. The 10th FYP target of 25% is expected to be achieved within the remaining plan period.

i. Employment in the Trade Sector

The sector is the second largest employer with 30,800 people engaged in the wholesale and retail trade as per the Labor Force Survey report of 2010. This translates as 9.6% of the total workforce. The 10th FYP target of 6% has already been surpassed and this can be mainly attributed to the various reforms and the enabling environment that have been initiated by the Royal Government.

j. Acceleration of Hydropower Development and rural electrification

The Energy Sector continues to be the single largest contributor to the economy. However, the Royal Government is mindful of the need to diversify our economic base for which policy and initiatives are underway. At the same time, alternative energy sources are being explored actively with the aim of offsetting the adverse impact of global warming on the Bhutanese hydrology.

The progress made towards realising the Royal Government's target of generating an additional 10,000 MW by 2020, are as follows:

- i. Joint Venture Agreements for implementation of four projects (Kholongchhu, Chamkharchhu I, Wangchhu and Bunakha Hydroelectric Projects) between the Druk Green Power Corporation (DGPC) and respective Indian Public Sector Undertakings has been identified and will be signed within 2011;
- ii. 1200 MW Punatsangchhu-I HEP is under construction and is on schedule and will be commissioned in 2015;
- iii. 1,583 (about 26%) Bhutanese are employed in Punastangchhu -I project as on 31st March, 2011. The total value of works worth Nu. 2,424 million has already been awarded to Bhutanese contractors through 115 contract packages. Further, total expenditure accrued to Bhutanese agencies and individuals for goods and services is Nu. 3,197 million (about 25%) of the total project expenditure of Nu. 12,805 million incurred as on 31st March, 2011. In addition, Bhutan Power Corporation has been entrusted with transmission line deposit works worth Nu. 7,522 million;
- iv. Punatsangchhu-II HEP Authority (PHPA-II) has been constituted for implementation of the 990 MW Punatsangchhu-II HEP. As on 31st March, 2011 and 150 Bhutanese have been employed in the project out of the total strength of 253;
- v. Mangdechhu HEP Authority (MHPA) has been constituted for implementation of the 720 MW Mangdechhu HEP located in Trongsa;
- vi. Detailed Project Report (DPR) for the 650 MW Kholongchhu HEP is expected to be completed by June, 2011. Upgradation of DPRs of the 180 MW Bunakha and 4060 MW Sankosh reservoir projects have been completed. Preparation of DPRs for the 620 MW Amochhu, 1800 MW Kuri-Gongri, 670 MW Chamkharchhu-I and 600 MW Wangchhu projects are in progress;
- vii. Construction of the Dagachhu HEP, the first trans-boundary Clean Development Mechanism (CDM) Project in the country is well underway with almost 30% of the civil works completed as of March, 2011;
- viii. DGPC is carrying out DPR study of the 210 MW Nikachu HEP from its own financing and the study is expected to be completed by December, 2011; and
- ix. Under NORAD assistance, pre-feasibility studies of the 1230 MW Rotpashong and 360 MW Khomachhu HEPs including reconnaissance studies of 14 potential hydropower sites have been completed.

k. Dungsam Cement Project

Dungsam Cement Corporation Limited (DCCL) which will generate employment for about 450 Bhutanese, has till date, mobilised a total fund of Nu 4,100 million through a consortium of Bhutanese (Nu 2100 million) and Indian financial institutions (Nu 2000 million). Further, 50% of civil works has already been completed. A polymer company has also been established in the same area to manufacture packing materials for the cement company.

l. National Transmission Grid

The preparation of a National Transmission Grid Master Plan (NTGMP) that will provide a holistic roadmap for the construction of numerous lines and substations for internal reliability and smooth evacuation of surplus power to India is underway and the project is expected to be completed within the year. Further, the construction of Dagana-Tsirang-Jigmeling-Lodrai 220 KV double circuit transmission line and associated sub-stations have achieved 69.37% progress as of date and is scheduled for completion by August, 2011. This link will interconnect the Eastern and Western grids and will enhance energy security of the nation.

m. Mineral Development Policy

The Department has completed the preparation of the draft Mineral Development Policy and has been submitted to the GNH Commission as per policy protocol. The Mineral Development Policy is being prepared to bring changes in the mines/quarries allocation system and to have a properly planned, efficiently regulated and professionally managed mineral industry in line with the philosophy of GNH. Further, policy proposal for fast tracking the process of leasing of stone quarries is being prepared and regulations relating to approval of quarry sites under the Local Government Act has been approved by the Government.

n. Geological Toposheet Mapping

Toposheet-wise mapping is currently being carried out in Zhemgang and Trongsa. Further, systematic geological mapping has till date covered 16 numbers of toposheets on the scale of 1:50,000 against the 88 numbers of toposheets required for the whole of Bhutan. The exercise is expected to provide comprehensive information on the geology and mineral deposits of the country.

The Department of Geology and Mines has since 2001, been engaged in geological mapping of the country for the hands-on knowledge about the geology of any given area in the country. As of today, 16 out of 88 toposheets have been completed. Each toposheet encompasses an area of 480 sqkm.

o. Geological Investigation of Construction Materials

Geological studies on construction materials at various geographical locations have been carried out in detail across the country towards meeting the demand for construction materials. The investigation determined 2.81 million metric tonnes of cement grade limestone in Samtse and another 7.7 million metric tonnes in Zhemgang. In addition, 15.17 million metric tonnes of ferro-silicon grade quartzite was also determined in Dipujhora area under Samtse and Piping area under Chukha dzongkhag.

p. Geotechnical Studies

Geotechnical and slope stability studies for an area covering 98.8 acres in Gelephu and hazard and risk assessment of new Sarpang Township has been completed. In addition, planned activities like the geotechnical and hazard assessment of road from Tshelingkhor to Denchi and several ad-hoc geotechnical studies were also carried out.

q. Seismological Capacity Building

The Royal Government has approved the creation of a Seismology Division during the 10th Plan Mid Term Review. The Department of Geology and Mines has in the meanwhile, initiated several earth quake related studies in collaboration with regional and international institutes which included the installation of earthquake monitoring stations in strategic location around the country. Some key studies ongoing are (i) lateral variations along the Himalayan arc from Nepal to Bhutan to assess earthquake hazards, (ii) a National Earthquake Hazard Mapping, and (iii) Re-measurement of GPS points collected in the early 2000s. The study on Active Fault Mapping of Major part of Southern Bhutan has been completed.

r. High Quality, Low Impact Tourism - Tourist Arrival and Earnings

Bhutan received 40,873 high-end tourists in 2010 exceeding the target of 35,000 tourists for the year by nearly 17%. Of the total high-end arrivals, 28,463

were international tourists, marking a growth of 16% over 2009. The remaining high-end arrivals of 12,410 were from the regional market with 6,610 arrivals were for leisure while the rest were for business and conferences thus reflecting a growth of 56% over 2009. The tourist arrivals contributed to the creation of an additional 2,600 jobs (approx.) in 2010, taking the total estimated employment figures, both direct and indirect, in the tourism sector to 21,289 which is in excess of the target of 18,000 jobs for the year.

The revenue target for the tourism sector for 2010 was US\$ 90 million. This was achieved with international arrivals contributing \$ 36.5 million; airfare \$ 22 million; out-of-pocket expenses from international tourists \$ 15 million; \$ 10 million by regional high-end visitors and additional spendings in 4 and 5-star hotels, \$ 7 million bringing the total to a conservative figure of \$ 90.5 million.

s. Branding Bhutan

One of the major activities of the tourism initiatives under the ABSD was the decision to develop a brand identity for Bhutan tourism. The new logo and tagline *Happiness is a place* has been developed by a reputed creative agency for Bhutan tourism. This brand is now being promoted through the media and at various international travel events.

t. Sustainable Tourism Development Strategy

A project titled *Sustainable Tourism Development Strategy in Zhemgang, Bhutan and Rio San Juan Basin, Costa Rica* under the Programmeme for South-South Cooperation has been developed. The overall objective of the project is to better position Zhemgang Dzongkhag and selected communities in the Rio San Juan Basin as a sustainable tourism destination. All construction has been completed and the management has been handed over to the community/Dzongkhag.

u. Standardization and Classification of Hotels and Restaurants in Bhutan

In accordance with the new system of classification and standardization of accommodation, an assessment of 119 hotels and other accommodation types out of the 128 tourist registered hotels with the TCB has been carried out. As of date, 37 hoteliers/accommodation providers out of the 84 have signed MoUs with TCB for up-gradation and 11 accommodations have already started the up-gradation process.

v. Development of New Routes and Sites

For the development of new routes and sites, a comprehensive proposal has been developed for tourism in Merak –Sakten and preparatory works such as construction of campsites, caretaker’s quarters, renovation of guest houses and water supply are being carried out. In Haa, a trekking trail from Dorikha to Nub Tshona Patta and Haa summer festival has been developed. In Mongar, new trekking routes and cultural sites have been identified and promoted.

w. Development of New Tourism Products

New tourism products such as orchid tours in the east and textiles tours are currently being explored and routes identified for promotion. Further, new festivals such as nomads festivals in Nangsephel, 23-25 February, 2011 and Takin Festival at Tsari Jathang, Jigme Dorji National Park (JDNP) in June, 2011 have been developed by TCB in collaboration with Park Management and relevant stakeholders. Other initiatives include the piloting of traditional spas in Hotel Terma Linca and Zhiwaling with National Institute of Traditional Medicines (NITMS) and promoting meditation facilities in consultation with the Dratshang Lhentshog.

x. Development of Tourism Infrastructure

In terms of development of tourism infrastructure, the renovation of Thongdro zam on the Jumolhari trek route located between Shana and Thangthanka and renovation of Rodhuphu guest house located between Laya and Lunana have been completed. Further, maintenance work for Tongshing bridge in Bumthang has been completed while the maintenance work for Koina and Tongchudrak bridges in Gasa were completed on 30th April 2011.

y. Development of Road Side Amenities

The Tourism Council has been in the process of identifying suitable sites along the East-West highway for construction of Road Side Amenities (RSA) comprising cafeteria/restroom facilities for convenience of both international and domestic travelers. The construction of restroom facility at Nobding under Wangdue Dzongkhag will be completed by August, 2010. Further, construction of cafeteria at Sengor, Mongar, bird watching campsite at Norbugang, Mongar, restroom facility at Tango and development of managed campsite at Gasa were completed on 30th June, 2011.

z. Marketing and Promotion

Under marketing and promotion, promotional materials (brochures, flyers, media kits) are being continuously developed, designed and updated and distributed through visitors, embassies, during travel fairs and road shows. Other souvenirs such as T-Shirts, passport holders, visiting card holders, bags with tourism logo etc., are also being developed. In addition, a magazine that features articles on various aspects of Bhutanese culture and tradition written by eminent authors from both within and outside are compiled and published every year. The TCB is also working on a pictorial coffee table book featuring prominent attractions in Bhutan that would serve as an excellent visual introduction to Bhutan as a destination.

Other promotion and marketing initiatives include, identification of PR agencies in US, Germany and Russia, participation in international events and tourism and travel fairs showcasing Bhutan, seeking collaborative ventures with tour operators in hosting media personnel and through FAMILARISATION (**FAM**) visits of international travel agents.

aa. Tourism Expansion in Eastern Bhutan

With regular flights through Guwahati having been established and with Yonphula airport being opened in time for the autumn season, the TCB is engaged in making a full assessment of the existing hospitality facilities in eastern Bhutan. More importantly, assessment of demand for new hotels and facilities have been made and entrepreneurs encouraged to invest. Once regular domestic flights begin operating, Samdrupjongkhar will be the alternative gateway to and from Bhutan for tourists and other travellers especially with the Druk Air international flights operating from Guwahati. Likewise, trekking and adventure routes are being explored in eastern Bhutan.

v. Information and Communications**a. IT Enabled Knowledge Economy**

Chiphen Rigpel (Enabling a Society, Empowering a Nation) with a Nu. 2.02 billion budget, is the largest and boldest ICT skill building project in the country. The aim of the project is to prepare the Bhutanese society to fulfill the national aspiration of an IT enabled knowledge economy. The project aims to train over 7,000 government and civil society leaders on ICT enabled e-Governance and 5,000 teachers on ICT enabled teaching. It is also designed to provide computer education in schools and colleges while not leaving out the out-of-school youth as well. Of equal importance is the commitment of the project to promote awareness of and capacity for e-waste management with the project having an inbuilt arrangement for managing the e-waste as will be generated by the universalization of IT in Bhutan.

In the last one year of its operation, Chiphen Rigpel has trained 190 senior leaders including the Cabinet Ministers, Parliamentarians, 120 senior monks from the Central Monastic Body, 422 teachers, 1200 college students. 50, 400 students are attending classes on ICT. It has so far set up a total of 162 training centres in colleges, schools, youth centres and community centres.

b. Internet Connectivity

The number of Internet users has increased from 18,542 in 2009 to 97,955 in April 2011, a significant increase of over 400%. The national broadband master plan project is underway to connect all 20 dzongkhags and gewogs through optical fiber network. Fiber network covering 20 dzongkhags (18 Dzongkhags with optical ground wire, OPGW, and 2 dzongkhags with ADSS) has recently been completed. 131 geogs were connected in June 2012 and the remaining ones in tandem with the Government's Rural Electrification Project. A second international gateway at Gelephu has been established to create the required redundancy and provide confidence to investors in the ICT sector for data processing, research and development and high end BPOs.

Further, the Royal Government is working towards providing Internet connection to all the government and private HSSs, using the USO Fund within 2011.

c. IT Park

The development of Bhutan's first IT Park in Babesa is making good progress. The Park will be formally inaugurated on November 1st, 2011, coinciding with other important events such as the National ICT Fair, ICT for GNH Conference and Bhutan Tech Retreat.

d. Community Centres

Work on the establishment of Community Centres (CCs) which will provide all government services through one-stop shop, is making good progress after an initial delay caused by funding difficulties and lack of clarity on the management issues including the role to be played by participating agencies. These are proposed to be run on public-private partnership model and 109 such CCs are set to become operational within 2011. The remaining CCs will be completed by June 2012.

e. Office Automation Procedure

Office Automation Procedure (OAP) has been successfully piloted in all the Departments under MoIC and subsequently in six other Ministries and agencies like Royal Bhutan Police, Royal Audit Authority, Bhutan Post and National Pension and Provident Fund. Feedbacks from the users point to improved efficiency in office works and reduced cost on stationeries and consumables. The government has accordingly reduced the budget for stationery by 50%.

f. e-Government Applications

Numerous e-government initiatives are on-going for the development and implementation of vital applications necessary for the Government to Citizens (G2C) services. 45 services have been outsourced for development and scheduled for completion by September 2011. Other important achievements under this initiative (completed and on-going) include the Civil Service Information System (Zhiyog), Education Portal, Thrimshung Crime Information System, Bhutan Bio-Security System, Hospital Information System. The ministry has also established video conferencing facilities for Cabinet and 20 dzongkhags. Two virtual Cabinet sessions were held through this facility.

g. Expansion and Improvement of Surface Transportation System

With public transport services being now available in most places with motorable roads, priority of the government has now shifted towards improving road safety. Future intervention will therefore, focus on public education, safety awareness and enhancing enforcement of transport regulations. In an effort to enhance access and increase mobility of the people, new and augmentation of passenger transport services have been undertaken during last one year. As a result, direct passenger transport services are now available from Thimphu bus terminal to all Dzongkhags except to Gasa, Pemagatshel and Samdrupjongkhar.

Subsidy in the form of interest payment on 60% loan is being provided to enable bus operators to operate transport services on un-economical routes. With the number of passenger buses having increased to 185 compared to 160 in the previous year, overall patronage of public transport service has seen a huge increase from 587,354 to 921,628 in 2010. This is attributable also to the improvement in services, better access and reliability.

h. Increase in Vehicle Ownership and Vehicular Traffic

There are now 56,273 vehicles in the country with 4,974 (8.8%) registered under government ownership and 51,165 are privately owned vehicles and of these, 3,898 are taxis. This amounts to one vehicle for every 11 citizens in the country or 88 vehicles for every 1000 citizens. Our vehicle ownership rate is significantly high compared to 12 for India, 9 for Nepal, 8 for Pakistan and 2 for Bangladesh, although the figures for this countries are for the year 2000 but only a slight increase would have taken place since. In terms of distribution, Thimphu accounts for 54% and Phuentsholing 35%, totalling 89% of the total vehicles in the country. These figures make evident the problem of growing traffic congestion and parking space in the two cities.

According to the records maintained by the RBP, the motor vehicle accidents from a high of 487 in 2007 declined to 309 in 2008 and 315 in 2009 but rose sharply to 606 in 2010. The total injured in the four year period was 2013.

During the period from 17th June, 2010 to 14th March, 2011, when the raised import tax was in force, there were total imports of 5929 vehicles. After the revocation of the tax increase, the Royal Government had to refund Nu 28 million.

Further, the implications of pressure on the rupee and hard currency reserves are becoming a matter of serious concern. For example, in 2008, Bhutan imported vehicles and parts worth Nu. 2,188 million. In 2009, this increased to Nu.2,448 million. Further, fuel import from India was to the tune of Nu. 4996.8 million and third countries imports worth Nu.63.1 million in 2009. The import of vehicles, parts, and fuel combined in 2009 amounted to 30% of the total imports in the country. The figures for 2010 are yet to come in and I bet it will be astronomical.

Revenue collection from vehicles between July 2010 to March 2011 amounted to Nu. 181.13 million.

i. Expansion of Air Transport Service



Domestic Airports

The airstrip at Yonphula is ready and works on airstrip at Bumthang are scheduled for completion by July 2011. Similarly, preparatory works on the construction of airport at Gelephu are progressing with the completion target date set for end 2011.



Launching of Domestic Air Service

Drukair and Tashiair have been awarded the operational rights to domestic air service. Both the operators are working to fulfill the regulatory and other requirements to commence operation immediately after the domestic airports are ready. The Druk Air has acquired a new aircraft, ATR 42-500, in June 2011 with trial flights being conducted presently. Launching of domestic air service is expected to significantly enhance transport connectivity, reduce travel time and promote regional development. Toursim in particular, is expected to receive a major boost in eastern Bhutan.



International Air Services

- i. The number of air travelers has seen a modest increase of 13% from 120,769 in 2009 to 136,414 in 2010.
- ii. Two new destinations (Guwahati and Bagdogra) have been added to Drukair's route network. Air service to Guwahati proved particularly beneficial for enhancing faster travel to and from the eastern part of the country; and

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- iii. In addition, efforts are continuing to expand route network by signing new air service agreements with Singapore and Hong Kong and by signing the revised air services agreement with Nepal and Bangladesh to allow Druk Air to operate additional flights.

vi. Employment, Labour and Human Resource Development

a. Unemployment Rate Down

The Royal Government is committed to reducing unemployment rate to 2.5% or less by the end of the 10th FYP. Though the labour force participation rate has increased from 61.8 percent (230,100 persons) in 2006 to 68.6 percent (331,900 persons) in 2010, it gives me great pleasure to report that un-employment rate has come down to 3.1% in the first quarter of 2011 compared to 3.3% in 2010. However, youth (15-24 years) which accounted for 46.36 percent of the total unemployed in 2010 is a major cause of concern. Though the youth unemployment grew from 5.4 percent in 2001 to 12.9 percent in 2009, it had gone down to 9.2 percent in 2011 .

To maintain a healthy unemployment rate at 2.5 percent or less by the end of the 10th FYP, the Ministry of Labour and Human Resources (MoLHR) estimates that the economy needs to create about 31,000 jobs during the remaining period of the 10th FYP. The new jobs shall be created in tourism, construction, ICT, health, agriculture, arts and crafts etc.

Against the annual target of 400 apprentices under the Apprenticeship Training Programme, 415 class X and XII school leavers are presently attached with various industries and organizations. Under the Pre- Employment Engagement Programme, 787 classes X, XII and university graduates were engaged with various agencies to gain job experience.

A quarterly Labour Market Guide for class X & XII is being published since December 2010 to provide school leavers with practical and timely information to help make career choices and find suitable employment.

b. Registration of Job Seekers

Over the years, the number of job seekers registered with the Ministry increased from 4,586 in 2008-09 to 4,900 in 2009-10 and as of date to 9,671.

Similarly, number of job seekers placed has also increased. For instance, since July 2010 till date a total of ,7025 job seekers have been placed by the ministry compared to 5,570 in 2009-10.

Table 2: Job Seekers Registered, Placed, Referred and Vacancies for last 2 ½ years

Job seekers	2008-09	2009-10	2010-11*	Total
Registered	4586	4900	9671	19157
Placed	3422	5570	7025	16017
Referred	2005	590	419	3014
Vacancies	3034	6655	5537	15226

* Figures for the period July 2010 to April 2011

c. Business Start-ups

339 aspiring entrepreneurs were trained through the Income Generation Start-up Support Programme in entrepreneurial skills development to start up their own business. Out of this, 19 were provided start-up capital with assistance from the UNDP and the financial institutes.

d. Credit Guarantee by Government for Young Entrepreneurs

Credit Guarantee Scheme was formalized between the six financial institutes (Bank of Bhutan Ltd., Bhutan National Bank Ltd., Royal Insurance Corporation of Bhutan Ltd., Bhutan Development Finance Corporation Ltd., T Bank and Druk PNB), Ministry of Finance and Ministry of Labour and Human Resources to facilitate financial assistance to a maximum of one million ngultrum to the graduates of entrepreneurship training programmeme.

e. Job Fairs

The 8th National Job Fair was organized in Thimphu in October 2010 followed by the regional job fairs in Gelephu in December 2010 and Samdrupjongkhar in March 2011. More than 65 exhibitors from the government, corporations and private companies participated, displaying over 500 employment and training opportunities,

28 career and employment workshops were carried out in different schools, institutes and dzongkhags compared to 15 in 2009-10. About 5,685 students and job seekers participated compared to 1,306 in 2009-10.

f. Labour

- i. There are currently 40,821 foreign workers in the country which is within the ceiling prescribed by the Government;
- ii. An online labour inspection reporting system has been developed to facilitate efficient regular inspection and reporting system;
- iii. A work permit system has been introduced for guest workers in the border towns from October 2010 thereby, bringing 4,579 guest workers in the border towns under the purview of the Labour Administration System;
- iv. A national wage policy and fixation of a National Minimum Wage is under consideration of the Cabinet;
- v. 400 enterprises were visited during the current fiscal year compared to 107 in 2009-10 fiscal year for monitoring compliance with the provisions of the Labour and Employment Act, 2007 and its Regulations; and
- vi. A labour field office was established at Lobeyssa in February 2011 to cater to the labour force at the Punatshangchhu HEP.

g. Creation of Skilled Workforce

To create skilled workforce in the economy, a total of 1,158 youth were provided vocational training in different sectors like construction, tourism and hospitality, ICT, arts and crafts under formal Technical Training Institutes (TTIs) and the Special Training Programme (STP). Out of this, 190 youth were trained through Tourism Council of Bhutan in the hospitality and tourism trades. The details are as provided in Table 3 and 4.

Table 3: Training Types and Numbers for the year 2010-11

Sl. No	Sector	Total Numbers trained *	Remarks
1	Construction and related trades	242	Trainings conducted in the TTIs
2	Tourism and hospitality management	348	Figure include pre-service youth trained through TCB
3	Information and communications technology	351	Training implemented through STP and TTIs
4	Arts and crafts	89	Trainings implemented through STP and IZCs
5	Other trades	128	Trainings such as light vehicle driving, modern tailoring, auto-mechanic, etc.
	Total	1158	

**Total number includes figures for the period July 2010 to April 2011*

Table 4: Other Modes of Training

Sl. No	Programme	Total Numbers trained	Remarks
1	Village Skills Development Programme	362	Villagers trained from 72 gewogs from 12 dzongkhags
2	Special Skills Development Programme	635	Monks, nuns and armed force personnel
3	ABSD- Construction Training	92	Training implemented through Larsen and Toubro
4	Alternate Mode of Training	38	Tailoring training for illiterate and unemployed women
5	In-service Private Sector training	403	Training offers implemented for in-service private and corporate sector employees
	Total	1530	

h. Enhancing Vocational and Technical Skills

Towards enhancing the vocational education and training programmes, a Competency Based Training System has been launched in the TTIs from August 2010 in courses like masonry, plumbing, auto mechanic, electrical and construction

carpentry. Further, as a part of the diversification programme, curricula were developed for auto electrician, panel beating, mechanical fitter, welding & fabrication, surveyor, transmission and distribution linesman and food & beverage associate to be implemented in private and public TVET institutes.

The enrolment capacity of TTIs has been increased up to 74% and Zorig Chusum institutes by 9% over the last two years. The Ministry facilitated the creation of 14 private training institutes to provide vocational training in various fields such as ICT, language, Music and hospitality.

i. Expansion of Job Opportunities through Diversification and Standardization

- i. Out of 25 Occupational Skills Standards (OSS) developed since 2009, standards for building painter, surveyor technician, transmission and distribution lineman, auto air condition mechanic, auto electrician, patra, tshemdrup, and lahdrip were developed during the current fiscal year. OSS for upholstery, heavy auto mechanic, tshemzop and jimzop are under development;
- ii. Towards national assessment and certification, Guideline for Competency Based Assessment & Certification System finalized and published. Preparations are underway for conducting pilot assessment at national certificate (NC 1) for the five Competency Based Training courses. Assessment systems in the private training providers is also being harmonized based on the guideline;
- iii. A Quality Assurance Division established in August 2010. 'Regulation for registration of Training providers, 2010' was developed and released in September 2010. 49 TVET training providers in the country (public, private, corporate and NGO) and 108 trainers were registered with the Ministry with the training providers having been also rated against six published quality criteria and grades.

vii. Works and Human Settlement

a. Roads and Bridges

Roads and bridges are the engine of growth for the socio-economic development of our country. The thrust of the road sector in the 10th FYP is to connect all 205 Gewogs by motorable roads to fast track the socio-economic development of rural areas in order to reduce poverty levels from 23% to below 15% by the end of the plan. Construction of new national highways and improvement of existing roads is also an important element for improving economic growth and trade.

The total road (highways, feeder road and urban roads) network at the end of 9th FYP was 3,099 kms. with 148 permanent motorable bridges and 117 temporary bridges.

In comparison, the progress till the Mid-Term Review of 10th FYP was 105.73 kms of new roads, 186.80 km of road upgradation and improvement and 101.03 kms of feeder roads with 5 new permanent bridges. Road resurfacing for 327.36 kms has been completed.

In the last one year, 35.19 kms of new highway roads and 21.78 kms of feeder roads have been completed with 6 permanent bridges and 3 temporary bridges.

The 10th FYP target is to build 100 suspension bridges out of which 34 have been completed and 9 are at various stages of completion as of date with many planned bridges having become redundant as a consequence of motorable road construction. Rehabilitation (wooden deck to steel deck) of Kizom Zam under Bumthang and Yeshugang Zam under Trongsa Dzongkhag have been completed. Sub soil investigation for the proposed Maokhola bridge at Gelephu has been completed.

b. Construction of New and Additional Roads

The Mid-Term Review directed the Ministry to undertake the following additional works within the 10th FYP:

- i. Shingkar–Gorgan road (67 Km) to reduce the distance between Bumthang and Lhuentse. This road will be a boon to the people of Lhuentse which has until recently, been one of the most remote dzongkhags while infact, it is actually located in central Bhutan;

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- ii. Dorokha - Dechukha farm road (30.12 km) & Bridge (1);
 - iii. Jomotsangkha - Lauri farm road (38.66 km) & Bridge (1);
 - iv. Toribari - Dovan farm road (35.5 km) & Bridge (1) and rectification work for 8.5 km including 3 km of FC work; and
 - v. Tingkarbi-Silambi farm road (51 km (approx.) including 2 motorable bridges)

c. Expansion of Registration Services

- i. Developed the introduction of point based system for contract evaluation. Awareness/Training on proposed new point based system & new classification system as per ABSD project have been carried out for Procuring Agencies & Contractors covering all 20 Dzongkhags;
- ii. Reclassification of contractors and direct entry introduced from May 2011;
- iii. Developed Contractor's Monitoring System (CMS) for assessment of contract progress and capacity; and
- iv. A total of 320 new contractors attended the training on basic construction skill and norms in construction industry for the FY 2010-2011.

d. Establishment of Metrology Laboratory

The establishment of metrology laboratory has been completed under the assistance of UNIDO. The laboratory is in the process of getting international accreditation to ensure technical competency and credibility. The laboratory will provide calibration services to weights and measures in the country to ensure accuracy and credibility in the measurement system.

e. Awareness Workshop- Switch-over from the use of Fe415 to Fe500 Grade Steel

Awareness workshops on the switch-over from the use of Fe415 to Fe500 grade steel based on one of the initiatives of the ASBD Project of this Ministry has been completed for all 20 Dzongkhags, 10 Ministries and all other authorities including the armed forces by April, 2011. This has reduced construction costs without affecting quality.

f. National Housing Development Corporation

The National Housing Development Corporation (NHDC) has been registered as a Government Corporation under the Companies Act on September 7, 2010. The transfer of assets in which NHDC already has built Low Income Housing (LIH) is being carried out. NHDC currently has LIH in 7 Dzonkhags and two Dungkhags. The NHDC has the target to construct 800 units under its Low Income Housing during the 10th Plan period.

g. The Bhutan Standards Act 2010

The Bhutan Standards Act 2010 was passed by the Joint Sitting of the Parliament on 7th July 2010. The Act provides for the establishment of the Bhutan Standards Bureau (BSB) as an autonomous body with the mandate to develop national standards, provide certification services, operate testing labs and promote quality systems, among others. SQCA is currently working on its transition to the BSB with financial and technical support from the ADB.

h. Rules and Regulations on Solid Waste Management

This has been drafted by Thimphu City Corporation to implement the Waste Prevention and Management Act 2009. The Rules and Regulations on Solid Waste Management is still in its first draft stage. It is to be discussed and approved by the City Committee.

i. Construction Development Authority (CDA) Draft Bill

For the transition of Construction Development Board to Construction Development Authority, CDA draft Bill presented to the board meeting for review and approval. Further improvement as suggested during the 56th Board Meeting is in progress.

j. Thromde Rules 2009

Although it has been approved in principle by the Ministry, after the Thromde elections were completed it was detected that the roles and responsibilities of the Tshogpas were not clear in this rule. Therefore work is still being carried out to clarify this issue which will be submitted to the Cabinet.

III. SECOND PILLAR: REINFORCING ENVIRONMENTAL CONSERVATION

1. Recognition for Environmental Conservation

It is a matter of immense national pride that our small country continues to rise in stature as a world leader in environmental conservation. In this regard, we may recall, in particular, the prestigious international conservation awards received by His Majesty the Fourth Druk Gyalpo. In addition to the *2004 UNEP Champions of the Earth Award* and *2006 John Paul Getty Conservation Leadership Award*, His Majesty was inducted into the *Kyoto Earth Hall of Fame* in February 2011. The Earth Hall of Fame Kyoto (named after the Kyoto Protocol) is an award to honor in perpetuity, the achievements of those who have made outstanding contribution to conservation of the global environment.

The World Future Council has now nominated Bhutan for *The Future Policy Award 2011* for the country's constitutional commitment to maintain 60% forest cover at all times. The award ceremony will take place in New York on September 21, 2011.

2. Bhutan Environment Outlook Report

The National Environment Commission (NEC) brought out the first Bhutan Environment Outlook (BEO) report in NEPA National Environmental Protection Act 2001 with the second report having been published in 2008. The third is scheduled to be launched in November to coincide with the Climate Summit in Thimphu. The BEO provides periodic information on the state of the environment as mandated by NEPA 2007. The report will inform the Royal Government and citizens on the status of our natural environment, identify emerging environmental issues and recommend interventions. This document will be an important input for the preparation of the 11th Five Year Plan.

3. Legislation and Policy Action

The Forest Act 1969 and National Forest Policy 1974 were two of the country's early legislation and policy statements which provided the legal and policy framework for our successful conservation efforts. While the Act of 1969 has been replaced by the Nature Conservation and Forest Act in 1995, the new *Forest Policy* which has already been cleared by the GNH Commission for approval of the

Government shall contain clear statements of government intent and define more precisely the expanded functions of the implementing agencies and their priorities. It will provide the Department of Forests and Park Services the necessary framework and guidelines required for the intelligent and sustainable management of our rich but fragile forest resources.

4. National Forest Inventory

Up to date information on forest conditions is the key to managing and developing the forest resources on a sustainable basis. However, the current forest information on total timber stock and annual increment as well as the volume tables are all from the *Pre Investment Survey* (PIS) of 1976 to 1980, which are over 30 years old. Field case studies have shown serious weaknesses in the PIS volume equations and functions. I have, therefore, the honour to submit that a comprehensive *National Forest Inventory* is set to be initiated by the Department of Forest and Park Services within 2011. Once completed, it will generate a wealth of accurate forest information providing the much needed baselines and the means and tools for sustainable forest management.

5. Forest Cover: Indicator for the Health of Natural Environment

The extent of forest cover is the key indicator for the health of a country's natural environment. It is therefore, a cause for satisfaction to note that Bhutan has become greener than ever before in our country's recorded history. According to the 2010 land cover assessment study, based on the satellite images of 2006 to 2009, forest cover has increased from 64.36% in 1995 to 70.46% in 2010. The shrub cover has also increased from 8.13% to 10.43%. The overall forest cover (forest plus shrub) has, therefore, increased from 72.5% in 1995 to 81.27% in 2010. Thus, we are well above the constitutional requirement of 60%. This makes Bhutan the 17th most forested country in the world. In comparison, the other countries in the SAARC region have alarmingly low forest cover with Sri Lanka, India and Nepal at less than 30%; Bangladesh at less than 11% while Afghanistan, Pakistan and Maldives are at less than 4%.

The good health of our natural environment received international spotlight when the BBC wildlife documentary *Lost Land of the Tiger* in 2010 reconfirmed the presence of tigers at elevations over 4,000 metres above sea level together with vast expanses of pristine forests that are home to an amazing diversity of flora and fauna. Over 36 million people viewed the documentary film that was broadcast

repeatedly in response to popular interest. While Bhutan is one of the only 13 tiger range countries, it was established at the Forum of Global Tiger Recovery Summit in St. Petersburg, Russia in October 2010, that Bhutan provides the safest and most supportive sanctuary for the highly endangered animal that has now become the symbol of wild life conservation challenge.

The Department of Forests and Park Services is to be complemented for the excellent forestry exhibition staged at the India International Centre (IIC), New Delhi, from 21-27 October 2010. The exhibition entitled *Forests for Gross National Happiness – Forests for All* was a star attraction at the IIC and received much public and media attention. The gracious visit by His Majesty the King who was in Delhi at the time was the highlight of the exhibition. Likewise, Bhutan was the main attraction at the extremely successful Taipei International Flora Exposition in Taiwan where 8 million visitors took delight in viewing the representation of Bhutan's floral diversity and cultural landscape. The exhibition was arranged through the private initiative of Mr. Chi Sung Hung and Ms Gracie Huang (business leaders) of Taiwan, who are ardent devotees of Bhutan's development philosophy.

6. Biodiversity Conservation: Natural Heritage Beyond National Border

Because of the excellent state of forest preservation in the country, the biodiversity of our country remains a subject of great scientific value and admiration to botanists, ecologists and wildlife enthusiasts around the world. The diversity of our flora and fauna is perhaps, the most vital and valuable national asset that is not only of immense immediate use but one that has a direct bearing on our long term sustainability as a nation state. Likewise, its significance to the global environment is immeasurable and indeed, becoming critical. Consequently, Bhutan's participation in and contribution to the global discourse as well as cooperation in various conservation endeavours is much sought after and appreciated.

Some of the initiatives taken or augmented during the year under review are:

- i. The establishment of a bio-prospecting laboratory with primary research capacity in order to help the rural community to generate income from natural resources;

- ii. The establishment of Bhutan Access and Benefit Sharing Fund to help communities receive economic and other benefits through access to genetic resources or traditional knowledge. This will support biodiversity conservation and sustainable utilization at the community level;
- iii. Support for the construction of Buckwheat House at Choekhor, a dairy product collection shed at Khardung for yak products of Merak and Chaling and for Siri products of Shongphu. Such economic incentives and support are intended to promote sustainable utilization of biodiversity;
- iv. The development of a 'traditional knowledge (TK) database' to document the traditional and local knowledge on biological resources;
- v. On-farm selection of disease resistant maize varieties and other cereals such as buckwheat, millet and oilseeds carried out to conserve and promote local rice varieties such as silem, yangkum and locally adaptive high yielding varieties;
- vi. Repatriation of 30 traditional pepper varieties from Asian Vegetable Research and Development Centre, Taiwan and 10 traditional rice varieties from IRRI, the Phillipines in order to preserve and promote native and endemic species;
- vii. Development of a Bhutan Biodiversity Portal to give national and global access to information on Bhutan's biodiversity;
- viii. Conduct of mass awareness and education programmes on the importance of biodiversity conservation and sustainable utilization in order to educate the rural households on the benefits of biological resources and associated traditional knowledge. These were conducted through a Biodiversity Fair, Food fairs, Nublang Expo, Essay writing and drawing competition and farmers' study tours;
- ix. Renovation of orchidarium and strengthening of collection and conservation measures that resulted in identification and collection of 35 additional species. 2 community-based orchid propagation houses were established in Trongsa and Wangduephodrang;
- x. Collection and conservation of 800 species of new vascular plant specimens and 200 living plants undertaken. Additionally, 200 fern species have also been documented and a check list developed; and
- xi. Initiation of research on endemic plants of Bhutan underway and a check list developed;

7. Mitigating Human-Wildlife Conflict

One of the negative consequences of the success of forest conservation is the increase in human-wildlife conflict. This is today a pervasive national problem with no permanent solutions thus far despite many past and continuing studies undertaken and to find remedies that are culturally and ecologically acceptable. To this end, the Department of Forests and Park Services has launched an online database to record human-wildlife conflicts around the country in September 2010.

In the meanwhile, continued efforts are being made to mitigate the problem. These include experimentation with locally fabricated electric fencing that presently cover over 340 acres of farmland in Punakha and Wangdi Dzongkhags. Also distributed were 397 alarm sets to ward off wild animals. Solar fencing is being experimented at Singye and Phibsoo in Sarpang Dzongkhag to deter wild elephants. In addition, a total of 288 households were compensated for livestock depredation by wildlife. Meanwhile, a pilot livestock insurance scheme has been initiated in Dangchu and Sha Ngawang in Wangdue Dzongkhag and Nubi Geog in Trongsa Dzongkhag.

A major initiative in the area of mitigating human wild-life conflict is the establishment of an Endowment Fund.

8. Sustainable Management of Natural/Forest Resources

The Royal Government continues to take many initiatives towards ensuring the conservation and sustainable utilization of forest resources. Some of the main activities undertaken or under progress are the following:

- i. Having identified community forestry as an effective instrument to promote conservation and sustainable utilization of forest resources through community participation, a total of 226 new community forests have been established on 25,327 ha involving 10,021 households. The total number of community forests as of date is now 302 extending over some 34,772 ha and benefiting 14,103 households. These forests have generated a total revenue of Nu. 2.1 million from sale of timber and non-timber products and there is currently an accumulated fund in group-bank accounts amounting to Nu. 3.1 million. This is indicative of the great potential of the scheme as a major source of revenue for communities that would enhance their capacity to meet various local expenditures including, perhaps, even farm

- road maintenance to some extent. In addition, 633 households, as of date, have registered for private forestry schemes covering a total area of 802 acres;
- ii. The management plans for three Forest Management Units (Kharshong, Khotokha and Khaling Kharungla) have been revised and a new working scheme created at Seza in Dagana to meet increasing demand for timber including among others, for the restoration of the historic Daga Dzong. Further, a study on the demand-supply projection has been commissioned and the findings of the study will provide a basis on how the timber can be made available or accessible and affordable. In this regard, I wish to submit that a total of 1,116,271 cubic feet and 13,513 of standing trees were supplied for institutional infrastructure development. Of these, 455,604 cubic feet and 7,320 trees alone were supplied for Dzong and Lhaxhang renovation. Besides these, 221,522 trees were allotted as subsidized timber for rural housing. These should make clear the growing and excessive demand for timber and the resultant impact on our forests, compelling us to consider alternate materials;
 - iii. To reduce the risk of forest fires, a 'Forest Fire Volunteers' Programme' has been institutionalized with a total registration of 175 Forest Fire Volunteers (FFV). These volunteers are engaged in creating awareness of forest fire risks in schools and communities in Thimphu. A National Forest Fire Policy has also been initiated and an interim forest fire rules drafted. Besides, a Geo Information System (GIS) based on real time forest fire monitoring system will soon be developed with the technical support from the International Centre for Integrated Mountain Development (ICIMOD);
 - iv. The incidence of forest fire during 2009 -2010, was 48 with an extent of 9159 acres of forest damaged while during the year under review, the number of incidence was 40 with an extent of 10,000 acres of forest being damaged. The forest fires not only cause economic loss and environmental degradation, but are sources of great sin as they kill and destroy innumerable plant and animal life. Most forest fires continue to be caused deliberately while some are the result of carelessness. I take this opportunity to appeal for greater care and responsibility towards our national wealth and all life forms;
 - v. Guidelines for the assessment and management of economically potential non wood forest product (NWFP) has been developed. A market information system for major commercial NWFPs is being designed with the support of Asia Network for Sustainable Agriculture and Bio-resources (ANSAB) and SNV Bhutan;

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- vi. While policy decision has been taken to promote bamboo as an ideal and sustainable construction material to supplement wood, efforts are underway for practical implementation. With support from the International Network on Bamboo and Rattan, a bamboo model house is being constructed at Tingtibi to showcase the alternative to timber. In addition, the Tourism Council has taken the decision to encourage bamboo as the main construction material for eco-lodges to be built in the ecotourism sector;
 - vii. Parks are being opened for Eco-tourism to provide an alternative source for rural income & employment. Towards this, theme-based eco-tourism has been promoted in some of the parks. As a part of this initiative, the second nomadic festival was successfully conducted at Wangchuck Centennial Park and more recently, Sakten Wildlife Sanctuary has been opened to tourism after having incorporated all the necessary measures to protect the fragile ecology and its unique culture; and
 - viii. Although timber is actually the only renewable construction material on earth there is often tendency to think that one should not use timber for construction. The embodied energy and harm to the environment by mining, production, manufacturing and transportation of metals (aluminium, steel, etc) and cement are in the end much higher. Better timber production management is far more environmentally friendly than mining whole mountains for metals and cement production ingredients as trees can be managed and grown naturally while whole eco-systems and mountains are for ever depleted and destroyed for mining and manufacture of cement and steel.

9. Sustainable and Eco-Friendly Construction

In the last one year, the government has pursued, very seriously, the need to promote sustainable building and construction materials towards ensuring minimal ecological footprint by our rapidly expanding building and housing sector. To this end, designs for government buildings are now being urged to incorporate features that are ecologically sound and sustainable. These include requirements for optimal natural lighting, energy conserving features, solar panels, water harvesting and efficient sanitary systems, maximization of green surfaces etc. In addition, the government is exploring new ideas and innovation in domestic waste management systems.

I am pleased to report that the Bhutanese architects and builders have shown keen enthusiasm and support for the government initiative. Among the green and

sustainable constructions being undertaken are the Office of the Attorney General, the Tech Park building, the Wangchuck Centennial Park Centre and the GNH centre in Bumthang. More significantly, the Royal Government took the decision to Bhutanize and localize building specifications for the various service centres to be built in the remaining part of the current five-year plan. These include traditional Bhutanese design and optimal use of local materials and skills for the construction of BHUs, ORCs, RNR centres, CPSs etc.

In respect of local materials, various options are being explored. These include earth construction technology that makes good financial, structural, aesthetic and ecological sense. However, aside from Aman Resorts, there is no serious interest being evinced mainly due to ignorance. The Royal Government continues to encourage the use of this technology which is available in the modern engineering sector, and would like to appeal to home builders and others to adopt this sustainable method. Likewise, bamboo which is proven to be a very suitable substitute for wood in terms of durability and functionality is known to be more earth quake resilient with its high tensile quality. Its greatest advantage is its low cost and the short growth cycle whereby it can be harvested as early as within five years and could prove to be a lucrative form of community and private commercial forestry. At the same time, it is a highly slope stabilizing plant. For these reasons, bamboo is being promoted by the Agriculture ministry as the future and preferred construction material.

I am also pleased to report that *Hollow Interlocking Compressed Stabilized Earth Blocks* have already been introduced with high acceptability, as an alternative to imported bricks and concrete blocks. These compressed stabilized earth blocks are reinforced with a small percentage of cement. The chief raw materials required for the production of block are: sand 50%, gravel 15%, silt 15% and clay 20% and being sunbaked, they need no firing.

The earth block has the advantages of raw materials being locally available, biodegradable and 5-15 times less energy consuming for heating and cooling. However, it is not suitable for high rise buildings. The SQCA has constructed one double storied office complex with these blocks. A private manufacturing firm has been established at Jemina, Thimphu for block production and a number of private houses are being constructed using these blocks. An awareness campaign on the use of stabilized blocks shall be conducted in Mongar for six eastern Dzongkhags.

10. Waste Management Regulation

Although Waste Management and Prevention Act has already been enacted, implementation has been difficult in the absence of a regulation. With a view to put in place a common set of regulations to address all categories of waste, the drafting of sectoral provisions is underway so as to have a regulatory framework in place by the end of June. This will provide ways and means to prevent use of plastics while promoting alternatives. It will also provide directions and ideas on conversion of waste into organic material. In the meanwhile, the government has been exploring and sourcing appropriate technologies and best practices at the international level as well as funding options so that we are able to acquire and install the state of the art ecofriendly plants in our cities.

11. Ambient Air and Water Quality Monitoring

Last year, I committed before this august assembly, to make daily reports available on the quality of air so that public concern for air quality would influence public policy on a long term basis. I am pleased to report that the government has initiated daily monitoring of ambient air quality in strategic locations in the country since the end of 2010. Today there are five monitoring stations, representing the area of rural (Kanglung), Urban (Thimphu), Industrial (Pasakha) and mixed industrial and urban areas (Gomtu and Rinchending). These stations monitor daily suspended particulate matter of less than 10 μ (micron) also known as PM10 or Respirable Particulate Matter and submit electronic reports to the BBS and Kuensel for public dissemination.

In November 2010, the NEC has developed the water standards viz. ambient, effluent discharge and sewerage treatment plant standards. The related publication has been widely circulated and appropriate information disseminated to the concerned agencies and stakeholders. With the enforcement of these standards, the degradation of our water quality is expected to be controlled. The Bhutanese water quality standards are the most stringent in the region.

On a macro scale, the state of Bhutan's water resources is extremely good. The main rivers and their major tributaries are virtually of a pristine quality with the preliminary study conducted by the NEC revealing that the rivers in Bhutan are in better natural condition relative to rivers in other Hindukush-Himalayan countries. The natural quality of all our rivers can be characterized as highly oxygenated, slightly alkaline with no recorded salinities.

Use of aquatic insects as biological indicators in assessing the ecological status of water bodies also indicate that the water quality in Bhutan is very healthy with the presence of a wide diversity of aquatic fauna some of which are endemic to our country. Various species of stoneflies, mayflies, and caddisflies which are also indicators of good quality of water were detected in almost all streams in Bhutan.

12. Bhutan and Climate Change Initiatives

i. Providing Regional Leadership in the Fight Against Climate Change

As a follow up to one of the decisions of the 16th SAARC Summit, Bhutan hosted the Inter-Governmental Expert Group on Climate Change from 16-17 August 2010 to prepare a Common SAARC position for UNFCCC. Subsequently, Bhutan presented the Common SAARC Position at the 16th Conference of Parties at the United Nations Framework Convention on Climate Change (UNFCCC) in Mexico in December 2010. Furthermore, Bhutan as the current Chair of SAARC, was successful in the admission of SAARC as an observer organization during the same conference. The honourable members may be aware that previous attempts in this regard had not been successful. Consequently, SAARC, as a region that is most vulnerable and affected by climate change, will now be able to represent and further its interests at all future deliberations on the subject of climate change at this world fora.

Bhutan's determination to meet the challenges of climate change through collaboration with other countries has led to Bhutan's decision to host a "Climate Summit for a Living Himalayas" in November this year for the the members of the eastern Himalayan quadrangle comprising Bangladesh, Bhutan, India and Nepal. The summit is 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.

ii. Fulfilling International Commitment

As a party to the UNFCCC, Bhutan is in the process of preparing the Second National Communication (SNC) to fulfill its obligation under the convention. The preparation of this report provides an opportunity to examine and identify programmatic and policy issues, make recommendations and engage in capacity building in regard to the effects of climate change. In this regard, the 2nd Greenhouse Gas (GHG) Inventory and Mitigation report has been completed. The Vulnerability

and Adaptation Assessment aspects are under process and climate change scenarios projected. We are also in the process of updating Bhutan's National Adaptation Programme of Action (NAPA) to access an additional US\$6m from the UNFCC's Least Developed Countries Fund (LDCF) to respond to immediate adaptation needs arising from climate change. Ongoing NAPA projects funded through LDCF include the lowering of Thorthormi Lake and installation of early warning system in the Punatsangchu Valley.

Bhutan has successfully fulfilled its obligation to phase-out 100% of the Ozone Depleting Substances (ODS) by 2010 under the Montreal Protocol on this subject well on time, ie, by the beginning of 2010. Bhutan will now be working towards achieving 100% accelerated phase out of HCFC by 2025 instead of 2030 like most other developing countries.

A Technology Needs Assessment for mitigation and adaptation to climate change has also been started from March 2011 with support from UN Environment Programme and Global Environment Facility. Furthermore, a conceptual framework for developing a *Low Carbon Development Strategy* has been prepared. The Government is currently seeking financial and technical support from potential donors like the EU's Global Climate Change Alliance, UNDP and Danida to prepare the strategy. These endeavours will enable Bhutan to select and obtain appropriate policy options and technology that will facilitate the successful pursuit of its goal of carbon neutrality while adapting to the impacts of climate change.

13. Disaster Management

i. Preparing for and Responding to General Disasters

The pursuit of limitless economic growth through relentless exploitation of our finite natural resources to meet the growing consumer demand that is fueled only by consumerist greed and not by actual need is accelerating the destruction of our environment. The direct result is an increase in the frequency and magnitude of natural disasters in all its forms. Earthquakes, Tsunamis, cyclones, tornados, and hurricanes are destroying cities and valuable assets and tens of thousands of lives. Fires are reducing to ashes forests, properties and lives, the costs of which cannot be calculated. Diseases and epidemics are a growing challenge while crop failures and rising food costs are brought on by climate change. Escalation in fuel prices is obvious as we consume excessively and waste callously. These are reported almost daily by the international media. Yet, in comparison, Bhutan has thus far, escaped

literally unscathed from the resultant disasters. But for a country that has seldom faced any disaster especially in recent memory, the few and the little our people have suffered have caused much pain and suffering. It is therefore, the commitment and endeavour of the Royal government to ensure that there will be minimum destruction to life and property by disasters that will strike us increasingly in the future. We can only hope that mankind will mend its ways, find the wisdom and will to change its way of life and move to a more sustainable path as shown by GNH.

Some of the measures taken during the year under review are enumerated below:



Mitigating and Preparing for Glacial Lake Outburst Floods (GLOF)

GLOFs are a real and growing threat in a world of rising temperature and climate change that has led to rapid withdrawal of glaciers, increasing flow of water and resultant rise in the volume of water in the lakes that are contained within loose moraine walls. With 2,674 glacial fed lakes in our mountains and with population densification, urbanization and hydro power plants in the valleys, the possible costs to life and property could be incalculable in the event of floods especially if one GLOF were to trigger off several others in a cascading effect. The Royal Government has therefore been making preparations to prevent as well as to establish mechanisms to minimize the extent of destruction.

A project titled *A Science and Technology research Partnership Project* for studying Glacial Lake Outburst Floods (GLOF) in the Bhutan Himalayas with Japan International Cooperation Agency (JICA) and Japan Science and Technology Agency (JST) is underway. Many ground checks for the validation of potentially dangerous glacial lakes including many other glaciers and glacial lakes have been conducted through the project within the two years of the project implementation. The target area is the headwaters of the Mangdechhu for which a landslide survey has been conducted downstream (Kinga Rabten and Zhemgang area) which are prone to landslides due to GLOF.

The GLOF mitigation project of lowering the water level of Thorthormi lake is underway with the objective of reducing the water level by 5 metres within four years. During the last year, the water levels of the main lake, subsidiary lake I and subsidiary lake II were reduced by 1.37 metres, 1.2 metres and 2.3 metres respectively

reducing the overall water level of the lakes by 2.2 metres within two years of actual field implementation. The targeted reduction is expected to be accomplished within the next one year.

In addition, installation of sensors and siren towers for Glacial Lake Outburst Flood (GLOF) Early Warning System along Punakha-Wangdue valley has been completed. The early warning system will provide advance warning to those residing along the Punakha-Wangdue valley. The project has been financed by GEF/UNDP under LDC Funding and co financed by PHPA-I. The hon'ble members may also be aware that various other measures including hazard zonation and sensitization of the valley population as well as arrangement for evacuation were already carried out in the past two years.



Preparing for and Responding to the Growing Risk of Earthquakes

Institutional capacity development towards earthquake risk reduction and prevention is actively being pursued following the 2009 eastern Bhutan earthquake. Even prior to this event, the Royal Government had initiated several policy and programme measures due mainly to the visible signs of climate change and the fact that the Himalayas, in Seismic Zone IV and V are due for a major seismic event of calamitous proportions. These include the establishment of new codes for residential and institutional buildings and incorporation of seismic resistant features in all major civil constructions. The most recent action taken is the establishment of a new Seismology Division in the Department of Geology and Mines during the 10th FYP Mid Term Review. The government is also actively engaging with other regional and international institutions to conduct earthquake related studies and installation of earthquake monitoring stations in the country.



Capacity Building in Preparation for Disasters

- i. A training workshop for the Dzongkhag Disaster Management Committees and Dzongkhag Disaster Management Teams was conducted on the subject of disaster assessment tools such as hazards, vulnerability, risks and capacity assessment for preparation of Disaster Management Plans (DMPs).
- ii. Equipment to set up Emergency Operation Centres in Thimphu, Chukha, S/Jongkhar, Dagana, Gasa, Tsirang, Sarpang, Trashigang, Lhuentse, Mongar and Pemagatsel have been procured to facilitate better coordination during emergencies.

- iii. A non-structural mitigation measure for selected teachers and heads of all schools was conducted for the identification of non-structural hazards in and around the school campus and mitigation of risks for students and staff of schools during disaster.
- iv. The coordination of relief and reconstruction works after the fire incidents in Bumthang has been executed well.
- v. A national simulation exercise for Multi-sector Pandemic Preparedness was conducted with special focus on pandemic influenza across all sectors of society to strengthen the Royal Government's preparedness and planning capacity at the national, Dzongkhag and sector levels.
- vi. A Disaster Management Information system has been developed and familiarization trainings have been provided to all the relevant personnel.
- vii. A basic Search and Rescue Training was provided to Dzongkhag focal persons, sector focal persons, armed forces and Department of Disaster Management officials. An advanced Search and Rescue training was also provided to 30 Armed forces from September 28 to October 8, 2010.

14. Environmental Impact Assessment

The NEC Secretariat has received about 233 project proposals for issuance of environmental clearance in the past one year. This is an indication of the growing number of economic activities in the country, all of which have some implication for the stability and integrity of our environment. Of these, 184 were cleared. There has been some improvement in environmental compliance by projects especially by those in the industries and mines sector owing mainly to stricter and more vigilant monitoring by the authorities. However, in general, the need for greater compliance continues in almost all sectors including infrastructural and urban development as evident in the collection of penalty worth Nu. 2.7 million in the last one year. A higher capacity on the part of NEC will have led to a far higher imposition and realization of penalties because of more detection of violations.

Meanwhile, the NEC, in collaboration with GNHC, and National Land Commission, has completed a pilot project on Strategic Environment Assessment (SEA) with financial support from DANIDA. The project was carried out on two complex projects - development of Industrial estate at Dhamdum and Hydro Power Project in Basin II of Punatsangchhu, which could have major social, economic and environmental impacts of immediate and long term nature. It has been undertaken with a view to institutionalize an appropriate framework for the assessment of all

developmental policy and project planning in respect of their economic, social and environmental impacts.

15. Green Schools for Green Bhutan

The Ministry of Education has initiated the concept of Green Schools for Green Bhutan as part of its campaign to infuse GNH into the education system. Under the Green Schools for Green Bhutan, teachers and students are encouraged to plant and take care of trees and flowers in order to create a clean and green physical environment in our school campuses. In fact, the aim is to make all our schools models for living in harmony with nature and to make them drug-free, graffiti-free, junk-free and waste-free.

As a part of the programme, the teachers and students learn to conserve water and energy, for example, by turning off taps and lights when not in use; practicing the 3 Rs (reduce, reuse and recycle); walking to school by minimizing dependence on parents to drop and pick them by car; adopting a stream, or part of a forest; engaging in nature field trips and generally raising eco-literacy on such matters as climate change, resource degradation and the concept of sustainability.

16. Promotion of Bicycle Culture

Although the Royal Government has failed to achieve anything significant in realizing its vision of healthy urban living and minimizing carbon emission mainly in the form of fossil fuel burning vehicles, I am pleased to report that private initiative and leadership has been quite encouraging. Of particularly noteworthy development is the growing bicycle enthusiasm in the capital. Over 338 bicycles have been sold by the 4 bicycle vendors in Thimphu in the past one year excluding those directly imported by the users. This is due mainly to the leadership provided by His Majesty the King, His Majesty the fourth Druk Gyalpo and HRH Prince Jigyel Ugyen Wangchuck who organized the first bicycle race from Bumthang to Thimphu in September 2010. As a result, more and more Bhutanese from all walks of life are taking to pedaling for health and pleasure as opposed to polluting our environment or ruining our own health and that of the planet. It is our hope that in addition to using bicycles for exercise and pleasure only, more and more will use it as the main mode of transportation especially to work.

On its part, the government will explore ways and means to improve on facilitation and incentivization beyond the elimination of tax on bicycles and spare

parts as approved by the National Assembly and the priority bike parking facilities set up at various key sections in Thimphu. To begin with, a challenge that the government is struggling to meet is how to make our roads and streets friendlier for bikers. It is also very heartening to note that a few people have started to engage in and promote pedestrian culture. Here again, it makes sense to walk to work in our clean environment than to face the difficulty of finding time to walk only in the early hours of the morning. To encourage and facilitate this, the city Corporation continues to expand on the network of pedestrian foot paths and crossings.

With the dual purpose of protecting the immediate forests around the capital from further encroachment and advancing urban growth, as well as to expand routes for jogging, walking and biking, the Royal government is in the process of creating a Bicycle cum foot path around the entire capital city. This is a project being undertaken by the Forests and Parks department of the Agriculture Ministry. Creating a ring or a belt across the surrounding hills will define the vertical limits beyond which no development or agriculture activity will be allowed. It is 76.41 Km long in length with many exit and entry points at convenient locations. Once completed, it is the government's hope that the residents of Thimphu will take ownership and assume the responsibility of ensuring that their forests above the path will forever remain verdant regardless of the will and priorities of the changing governments. The entire path is expected to be completed, phase wise, over several years.

In the meanwhile, the new leadership in the Thimphu City Corporation, in collaboration with the Royal government, is exploring possibilities and sources for the introduction of eco friendly and better quality city transportation. The objective is to slowly ease out the need for private vehicles as public transportation becomes more convenient and comfortable.

IV THIRD PILLAR : PRESERVATION AND PROMOTION OF CULTURE

Our rich cultural heritage is the inspiration and foundation as well as the principal driving force for the pursuit of GNH. It is critical to the country's survival as a sovereign independent state and in ensuring that economic progress does not come at the cost of our well being as a human society. As such, the promotion and preservation of our unique identity and value system as manifest in language and literature; art and architecture; music and dances; crafts and sports etc continue to receive the highest priority. Some of the noteworthy achievements and developments are reported hereunder:

A. Spiritual Growth and Nourishment

1. Contributions of His Holiness (HH) the Je Khenpo and Zhung Dratshang

In a world where spirituality has been compromised by greed in the pursuit of material gain; where humanity has been reduced to consumerist numbers to be valued in terms of spending capacity; and where the common religion is the worship of the goddess of wealth, it is indeed a proud achievement for Bhutan to be known as a spiritual country (*Chhoedhen gi Gyalkhab*) and to be religious while being governed by deomocratic secularism. As the unsustainable nature of our way of life becomes clearer, there is now growing acknowledgement that spiritual, emotional and psychological wellbeing are just as important if not more important than material and economic growth and that far from being opposing forces, they complement each other to create a meaningful and sustainable way of life giving rise to happiness. The essence of GNH which is to balance economic growth with spiritual development within a stable natural and political environment is, therefore, more relevant today than ever before.

The Royal Government and the people are therefore, deeply grateful to HH the 70th Je Khenpo, Trulku Jigme Choeda, the five Lopens and the monks of the Central Monastic Body for the continued safeguarding and strengthening of our spiritual tradition, for the constant recitation of prayers and undertaking numerous religious practices for the continued well being of the King, country and people. His Holiness and the Central Monastic Body performed, in the past year, recitation of Moenlam Tshogchen, Bazaguru Dungdrup, Mani Dungdrup, Tshogbum and Jigten Wangchuck. His Holiness also personally performed the eighty *four Dubthobs*, *Pel Khorlo Dampa*, *twenty two Lhapi Lha*, *Lama Chhoepa*, *Chenreyzi*, *Jamkar*, *Tsheta*

Zungdrel, Tacha Chungsum, Lhachi Bum Chi, Tshepami Throwo, Nyemter Guru Dragpo Marchen and Zhabdrung Danangmi Tshewang. These prayer offerings are part of the growing repertoire of the *Zhung Dratsang*.

We are aware that the monks of the *Zhung Dratsang* themselves have no time to pursue personal religious practices and are entirely devoted to praying for the Tsa-wa Sum. But we are aware that it is due to the merits thus earned for the Bhutanese people and blessings of our Guardian deities thus propitiated, that we continue to enjoy exceptional peace and stability. As a result, we have escaped with minimal damage even as more and more countries suffer from immeasurable loss of life and property due to calamities such as war, economic crisis, diseases, crop failure, hunger, earthquakes, wind storms, fire, draught and floods caused by man's abuse of our planet in the process of creating material wealth.

I take this opportunity to also thank the many lamas, monks and monasteries including nunneries and religious associations for their prayers and blessings that have helped our people accumulate merit to earn the blissful state we enjoy.

2. Spiritual Growth and Interest in Religion

It is most heartening to note that the devotion of our dratsang and the chhoedeys is matched by the spiritual and religious fervor of our people across all sections and age groups. With each passing year, national holidays, auspicious dates and religious events see growing number of devotees engaged in prayers and butter lamps. Our festival grounds are packed and temples and shrines are filled with pilgrims and worshippers. School children visiting temples in groups to pray for themselves and the well being of sentient beings is a common but delightful sight. It is particularly heartening to witness the slow and arduous entry of His Holiness the *Je Khenpo* and the *Phagpai Geduenpa* into the capital city each year upon their return from their winter residence in Punakha. The lines of devotees are growing longer with citizens wanting to be blessed by His Holiness and the sacred relics of Zhabdrung Ngawang Namgyal.

We thank His Holiness the Je Khenpo and the venerable lopens for the teachings to our youth and to the general public. In the last three years, Bhutanese have also been fortunate to be taught by great masters such as Dungshey Thinley Norbu Rinpoche, Sogyal Rinpoche and *geshey* Robert Thurman who are renowned for their extraordinary teachings in the west in addition to our own great masters of equal fame. For a Government that is guided by the philosophy of GNH, it is a

matter of deep satisfaction to note that *Dharma* teachings never fail to attract record participants from all ages and walks of life. It may also be noted that *a programme on religious discourse has been initiated by the Chhoedhey Lhentshog* in coordination with the BBS to be broadcast every morning to enhance the knowledge of viewers and listeners on the essence of Buddhism.

These not only reflect the prevalence of spiritualism in our society but also the integrity and vitality of our multi-generational extended family network. This gives us reason to be confident that GNH is achievable especially as we recognize relationship and spiritualism as the key to happiness for individuals and society as a whole. As long as there is spirituality in the Bhutanese people, they will, I believe, find the wisdom to temper materialism with spiritual growth to give them contentment and happiness.

3. Temples for Communities

During the Mid Term Review, one common subject in the reports of the local government leaders was the state of the community temples. Highest priority was accorded to the temples as not only places of worship but as community centres that afford to the people the occasions and space to come together to create vital community relationships and common aspirations. In many cases, where the communities were unable to muster resources from within themselves to undertake major renovation or expansion, constituency development grants were well used. In addition, in a few very remote villages where there were no temples at all, special grants were made by the government during the MTR. What came out very clearly is that, for the vast majority of our rural folk, religion receives the highest priority in life.

4. Growth of Religious Organizations

Religious organizations play a pivotal role in promoting and preserving the spirituality of Bhutan. I am glad to report that since its establishment in 2009, the *Choedhey Lhentshog* (Commission for Religious Organizations) has registered 36 religious organizations under the Religious Organizations Act of Bhutan, 2007. This, again, is a reflection of a very healthy sign of societal growth. A database is now being built for all religious practitioners and persons in the Kingdom to better understand developments in this vital area.

One particular organization that emerged recently among these is the Bhutan Nun's Foundation under the patronage of HM Ashi Tshering Yangdoen, the Queen Mother. The Foundation aims to address the poor conditions of the nunneries that struggle to survive on the fringes of our society. It hopes to be able to create space and opportunity in the nunneries for spiritual growth and nourishment not only for nuns but also for any woman, housewife, professional, business woman or lay woman farmer who wishes to enrich their lives as members of a GNH society. It was a matter of auspicious significance that the first National Conference of Nuns was held in June of this year in Paro where Great women Bodhisattvas such as Khandro Yeshey Tshogyal, Machig Labdroen and Gelongma Pema meditated and attained spiritual perfection.

B. Traditions and Values

1. Driglam Namzha

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 happy family, community and nation.

As part of the periodical exercise to spread and revitalize our social traditions and values, the *Driglam* Section under the Department of Culture started basic *Driglam Namzha* training for civil servants as well as corporate and private employees since 2010. As of date, 564 people attended the training programme, batch wise, across the country for duration of five days. The training is focused on basic *Driglam Namzha* practices essential for day to day life known as "Nyer Khoi *Driglam Namzha*". In addition, with a view to clear general misconceptions, the *Driglam* Section also published a book on basic *Driglam* that was released on 17th December, 2010. Similarly, the Section has also drafted a *Chadri Guide* "Zhungdrel *Chadri Lamtoen*" which is being distributed to all government agencies. This will standardize the *chadri* arrangements while bringing down costs.

2. GNH Infusion in Schools

The infusion of GNH in our schools as initiated at the beginning of the last academic year, does not add a new subject onto the rather heavy academic load of

our children as earlier misunderstood by some of its detractors. Rather, it simply enriches teaching and learning and improves the overall process and environment of education. It has to do with creating a context and an approach that arouses a GNH consciousness into everything that is learned and taught. I am pleased to report that this is already making the curriculum and learning more enjoyable, more pleasurable, and more relevant to our society towards building true societal progress and happiness.

3. Tobacco and Alcoholism

The two greatest evils that prevail in our society are the addiction to tobacco and alcoholism besides psychotropic drugs. These are not only injurious to health but to the well being of our families. According to the 2010 Annual Health Bulletin, alcohol continues to be the country's top killer, with 133 deaths recorded in hospitals across the country last year. Police records show drunk driving as the top cause of motor vehicle accidents in the country and domestic violence. In a survey, up to 40 percent of schoolchildren admitted to drinking alcohol at least once. In the eastern Dzongkhags, more than 58 percent of the respondents were alcoholics and 50 percent of males, who were the sole bread earners in their families, were alcoholic. Alcohol, more than being consumed, is consuming our society. It is destroying us physically, socially and economically.

While Parliament has been firm and resolute in passing a very stringent law on the sale of tobacco, its implementation has caused an intense debate in the country. This reflects many interesting aspects of our society. It shows that smoking is a hazard faced mainly by the articulate urban sections; that the high health risks and costs to society remain largely unknown or a subject of denial; that the broad support of the rural folk is mainly on account of religious beliefs; that on various grounds, including claims of ignorance, tobacco smuggling will continue; and that our democratic culture is growing with the people having become vocal in exercising their freedom of thought and speech in an equally democratic environment. The Parliamentarians, in the meanwhile, are uncertain in terms of what legislative action may be taken in respect of the law that many see as draconian. It is however, hoped that the government's issuance of a set of rules and regulations will lead to the effective and reasonable implementation of the law.

The debate on whether there should be a law against alcohol continues with many demanding that the legislature should act. In the interim, the government has

recently raised taxes on alcohol products which hopefully will lead to a reduction in its consumption and the social harm that it is causing at the individual, family and community levels, not to mention the high costs to the government in terms of medical services which is estimated at Nu. 122,000 for the treatment of an alcohol patient. Presently, there are 6,529 bar license holders in the country which works out to an average of one bar for every 97 Bhutanese.

I would like to take this opportunity to urge all citizens to support the Royal Government's efforts to curb the sale and consumption of both tobacco and alcohol.

4. SAARC Scouts Jamboree

For the second time since 2002, the Kingdom hosted the SAARC Jamboree in Thimphu from 21-27 March 2011, with the theme *Scouts for a Green and Happy South Asia* at which scouts and scout masters from the region came together to share and exchange experiences and innovative ideas towards creating better and more harmonious societies. During the weeklong event, youth leaders of the region were able to undertake activities that enhanced mutual understanding, respect and sense of cooperation as youths committed to the same dreams for a better and more harmonious region. It deepened their zeal for social service and in general, furthered the purposes and ideals with which scouting was started in our schools. These include good civic sense, discipline and the will and capacity to refrain from the evil of drugs and unhealthy habits. Presently, there are 594 trained scout masters and 20,115 student youths who are proud members of the scouting family preparing to become leaders and model citizens in our schools.

C. Preserving and Promoting Our Intangible Culture

Much of our national wealth and heritage prevails in the form of intangible culture. Some of the achievements in the fields of language, literature, architecture, music, and sports are enumerated and reported hereunder:

1. Promotion of the National Language

The endeavours of the Royal government to preserve as well as to develop our national language are well known and need no elaboration. Some of the activities pursued in this area during the last one year are:

- i. A ‘Dzongkha Development and Promotion Strategy Framework’ has been approved by the Cabinet to further strengthen the national language. This provides a clear direction and role for the national language in a rapidly developing country and a globalized world;
- ii. A preliminary research of the endangered Olekha language in Rukha Village, Wangdue dzongkhag, has been completed while a list of indigenous languages from six Dzongkhags have been compiled as a part of the Royal Government’s commitment to protect and promote our diverse indigenous languages;
- iii. A questionnaire survey of all class X students in the country has been carried out to test their reading and writing skills as part of a research on the quality of Dzongkha education;
- iv. Several books including a new Chokey-Dzongkha dictionary containing 63,000 entries, English-Dzongkha Pocket dictionary and a new dictionary on Dzongkha Verb Forms have been completed and printed;
- v. The online browsing pages for Dzongkha-Dzongkha, Dzongkha-English, and English-Dzongkha dictionaries have been enhanced;
- vi. The creation of the DDC Uchen font compatible with Windows, Apple Mac, Linux, and Adobe publishing applications has helped the users in redressing incompatibility issues and accordingly Kuensel Corporation and printing firms are now using the same. Experts are now developing the italic and bold versions of the DDC Uchen font. Dzongkha font options have now been broadened with two new Tsuyig fonts having been completed. Meanwhile, feasibility study on enabling the use of Dzongkha texts and dictionaries on various mobile phone and tablet computer is being pursued;
- vii. A template for Pechas (traditional book format) in Microsoft Word and OpenOffice has been created;
- viii. Advocacy and wider consultative meetings were organised in 13 Dzongkhags, 60 schools, 4 colleges, 3 Dungkhangs, the armed forces and 1 municipality in an effort to promote Dzongkha. Two such meetings were held in the capital bringing all the local leaders, civil servants, private employees, teachers, students, and religious practitioners in the loop for promoting our national language;

- ix. About 860 words with varying spellings have been recorded, discussed with wider public through workshops, and finalized to improve Dzongkha orthography. These are now being promoted in the newly printed books;
- x. A total of 71 trainees who are mostly teachers and ICT officials were trained in Dzongkha and Dzongkha computing tools respectively;
- xi. A committee to bring about qualitative improvement of Dzongkha in the print media was established with representatives from all the media houses. Furthermore, a four-member evaluator selected to promote and improve Dzongkha in the media is currently evaluating the usage of Dzongkha in newspapers and delivery in radio and television broadcasts. In addition, Dzongkha personnel in the media are given a month long training to improve their Dzongkha skills;
- xii. A national competition for the award of the best Dzongkha book and essay writing was organised where a total of 540 students participated; and
- xiii. The DDC provided financial support to privately initiated Dzongkha programmes like the 'Best Talent Hunt 2010', theatrical presentation of the 'Twelve Deeds of the Buddha', and Super Speller.

2. Promotion of Literature

If it is indeed true that growth of literary activity is an indicator of a civilization's true progress, then, Bhutan is making good advancement. Writing in Dzongkha as well as English has become a vocation for a growing number of poets, novelists, folk lories and story tellers. The Centre for Bhutan Studies which serves as the National Book Registry has issued ISBN for 1,128 books since its establishment in 2007. The trend towards a flourishing literary culture has inspired the Indian Embassy to host two successive annual festivals to celebrate primarily the writers of India and Bhutan in 2010 and 2011. Appropriately dubbed *Mountain Echoes Festival*, it once again (May 2011) brought together some of the celebrated names from the literary world of India including publishers and media personalities to interact as equals with our own writers and journalists. It provided a valuable means for raising the confidence and enthusiasm of our own literary talent. In this regard, we thank Her Majesty, Ashi Dorji Wangmo, who herself is an internationally published writer, for having provided the inspiration and patronage to this annual event.

It also gives me considerable pride to report that Bhutan participated at the Taipei International Book Exhibition (TIBE), Taiwan in February 2011. The invitation was accepted with much hesitation especially since Bhutan was given the

honour of being the focus country at the exhibition. Much to our pride and joy, the Bhutan Pavillion which received wide media coverage was the star attraction at the Exhibition which displayed over 500 titles by Bhutanese authors. We are now being invited to participate at the next international book festival in Germany. This is a noteworthy achievement for Bhutan especially since it is unusual for small and developing countries to make such advancement in the field of literature.

3. Preservation and Promotion of Traditional and Sustainable Architecture

Traditional architecture in Bhutan has one of the largest impacts on our environment as they represent the most tangible and visible manifestation of our culture, values and identity. It is a direct reflection of the cultural vitality and aesthetic consciousness of a community. As Bhutan is still in the early stages of development especially in respect of urban growth, it is not too late to set up regulations and incentives that allow creative architecture based on an understanding of the essence of Bhutanese architecture and the unique regional styles, local materials and construction techniques. Therefore, rather than one Architectural Guideline that is presently used, a more diverse guideline (and in some cases, even individual Gewog Guidelines for unique areas) is envisioned. This will help preserve the unique forms of regional architecture as may have been conditioned by tradition, climate and natural resource accessibility.

Recognizing the many virtues of traditional architecture, especially in respect of sustainability, as well as its aesthetically pleasing features, Bhutanese architecture is deeply appreciated by the modern Bhutanese architects as well as architects from outside. For this reason, we remain confident that our architectural traditions will not only survive but gain popularity outside the country as well to inspire a more sustainable architectural values and practices. This confidence arises from the success of Bhutan's participation in various exhibitions and expositions where Bhutanese architecture has been the central feature as in the case of the Bhutan Garden at the Taipei International Flora Exposition which opened on November 6, 2010 and ran until April 25, 2011. Bhutan was awarded the *excellence award* for the grandeur of Bhutanese architecture and the aura of spirituality of the pavilion in addition to the 150 medicinal herbs and flowers.

4. Coming of Age of the Film and Music Industry



The Film Industry

The audacity of our people not only survive but excel in odd and challenging situations, is indeed fascinating and admirable. Who could have imagined that one day Bhutan would not only give birth to its own film industry but that, in such a short time, our creative talents would combine to bring about the maturation of a film and music industry that would halt the cultural onslaught by the combined might of Hollywood and Bollywood. Since the first film *Gasa Lamai Singye* in 1988, the industry has now produced a total of 126 films with an average production having lately reached 50 films a year. In all this, our youths have dared to dream and have done the country proud. Despite having grown up under powerful influences of external cultures, they are today at the forefront of safeguarding and promoting the splendours of our culture and traditions. Bhutanese films have completely edged out foreign productions from the big screen and the growing patronage has inspired more cinema halls to be built especially in the country.

The BBS documentary programme titled *The Cost of Climate Change* in 2010 has won the United Nations Correspondents Association (UNCA) global prize for climate change. The programme was about the risks of glacial lake outburst flood in Bhutan and the Himalayan region and the Royal Government's massive efforts in Lunana to reduce the level of the water in the Thorthormi Lake. The same documentary earlier won the national journalism award for TV programme this year.



The Music Industry

The success and contribution made by the film industry in the cultural field is equally matched by the music industry which, working in tandem with the former, has to its credit, a burgeoning pool of creative talent. Together, they have produced lyrics and melodies that are on the lips of most Bhutanese, young and old. In fact, it is somewhat of an oddity to observe that Bhutanese infants and children have a complete bias for Bhutanese music and songs. Altogether, I believe some 400 music albums are in the market to replace the otherwise popular trend towards foreign music at home, in the car and in public places.

Over the last three years, the nation has been enthralled and entertained by the national singing competitions that are broadcast live on BBS TV. Five such shows

have been organized since 2008 and they have provided the platform for aspiring singers across the country. What is particularly notable is the cultural sensitivity and interest with which these events have been organized. All the three genres of music ie, the popular adaptation of Bhutanese lyric to foreign tunes; Boedra and the Zhungdra are made mandatory items for every competitor and competition. This not only satisfies the popular interest but has served to revitalize and popularize Zhungdra which is the most original and indigenous of Bhutanese musical traditions and was quite clearly on the decline and had become the preserve of the older sections of our society. It gives me tremendous satisfaction to report that this precious genre has now been revived and popularized among all age groups of our society. It is now my hope and indeed, my appeal to the musicians that they slowly move away from dependence on foreign melodies and work harder on developing truly modern tunes (*rigsar* as the name suggests). I fear that as our products become more and more commercially lucrative with markets outside Bhutan, the industry runs the risk of being accused of and found to be in violation of intellectual property rights. Beyond that, I know we have the talent to create our own melodies as evident in the several original and authentic modern Bhutanese (*rigsar*) tunes that are just as popular.

The positive impact of the film and music industry on popularizing and enriching our own culture, traditions and the national language is indeed highly praiseworthy. It is most heartening that our creative and talented youths understand and accept their role as custodians of a distinct culture and the values and principles on which it is founded.

I take this opportunity to offer my best wishes and congratulations to the members of the Film and Music community of our country.

D. Preservation and Promotion of Tangible Cultural Property

The wealth of Bhutan's tangible heritage is to be found in its structural heritage in the form of dzongs, palaces, monasteries and temples. This includes our holy sites (*nyes*) and ecological parks. It is also manifest in the moveable properties such as the precious religious relics and objects in the form of manuscripts, statues in various materials and other works of art. In addition to conserving and guarding these properties, the Royal government engages in and supports the creation of new cultural wealth as well. Some of the achievements in this area are listed below:

1. Public and Private Support in Cultural Preservation and Promotion

Yet another measure of the growing spiritual prosperity in our country is the growing number of people who are adding beauty and value to the spiritual landscape of our country. While many Bhutanese are contributing in both humble and substantive ways towards the maintenance, restoration and reconstruction of temples and monasteries, larger number of people from all walks of life, are creating new spiritual wealth and legacies for future generations. Contributions by business houses and individuals including very simple folk; by monks teaching abroad and their foreign devotees and supporters have been substantial in the last one year. Among these are contributions towards the Buddha Dordenma statue in Thimphu and the *Guru Nangsi Zilnon* statue in Lhuentse of which I made mention in my last report. I would like to take the opportunity to thank all those involved for their selfless acts once again.

In France, the Bhutan Pavilion that was brought by an NGO after the Hanover World Expo 2000 is all set to be rebuilt in the Burgundy region in the third quarter of 2011 and is scheduled for completion by July 2012.

2. Restoration and Conservation of Historical Monuments

- i. Restoration and conservation of the main structure of the Wangduephodrang, Paro, Lhuentse and Dagana Dzongs are ongoing with the objective of rehabilitating and embellishing the dzongs while incorporating structural and features to make them resilient against risk of fire and earth quakes in particular. Among other measures, the ‘drasha’ (monks’ hostels) and kitchens are being separated from the main dzongs to reduce fire and water hazards;
- ii. With the completion of the first phase of the Drapham Dzong Archaeology Excavation Project, the second phase was started with an educational workshop on archaeology for all the Cultural Officers of the 20 dzongkhags and relevant officials from various agencies;
- iii. Engineers from the 6 Eastern Dzongkhags (affected by the September 21, 2009 earthquake) and Project Managers and Head carpenters of the Dzong Conservation Projects were trained on effective use of timber in the field of conservation of heritage sites. A detailed review of the National Recovery and Reconstruction Projects of Heritage Sites in the 6 Eastern Dzongkhags affected by the September 21, 2009 earthquake is also being undertaken;
- iv. The architectural drawings and the project proposals for restoration

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- of Yongla Goenpa, construction of 21 Tara Lhakhang at Pangri Zampa, renovation of Dobji Dzong and Lhakhang Karpo have been completed;
 - v. The proposal for the construction of a Bhutanese Mandala at Lumbini in Nepal; lhakhang and guest house at Rajgir in Bihar are in the pipeline. The Royal Government has also been allotted a land at Patna for the purpose of establishing a Bhutanese structure to provide platform to showcase our unique culture and religion; having acquired land gifted by the Bihar Government in Rajgir, our pilgrims visiting the hot springs and the surrounding sacred sites in their thousands will now have safe and convenient camping grounds from this winter onwards;
 - vi. Research and publication of “nyeyig” of Tashigang, Pema Gatshel and Samdrup Jongkhar Dzongkhag has been initiated
 - vii. A detailed inventory and documentation work on heritage sites in the country is being carried out to facilitate establishment of a database or national inventory for cultural heritage properties. This includes detailed documentation and survey of Tamzhing and Kencho - Sum lhakhang in Bumthang and Tandi Nye Site in Thimphu; and
 - viii. The process for the construction of Pemagatshel dzong Construction as a part of the new township has begun with core land acquisition and demarcation issues being resolved;

3. Moveable Properties

Bhutan has achieved an enviable position in regard to the protection and restoration of its vast treasures of art and artifacts especially of the religious kind. Some of the significant work done in the continuing endeavour to preserve the rich heritage are as listed hereunder:

- i. Re-verification and detailed inventory of the movable cultural property of five Lhakhangs in Mongar including the Dzong and three lhakhangs in Lhuntse Dzongkhags have been completed while work in respect of the temples of Trongsa Dzong is in progress.
- ii. Conservation and restoration work have been carried out on the following: treasures of Peling Chagzo:
 - a. 9 statues of Gasa Phu lhakhang,
 - b. 24 statues of Bumthang Takhar lhakhang,
 - c. 19 statues of Mongar Kengkhar Dungkhar lhakhang,
 - d. 9 statues of Bhutan Monastery at Bodhgaya in India and
 - e. The first phase of the wall paintings at Thimphu Wangditse lhakhang.

- iii. Work on the preservation and conservation of the following have been completed:
 - a. 140 of the 600 wooden printing blocks (Peling Chagzo) at Kunzangdrag lhakhang, Bumthang;
 - b. Golden manuscript (Serdim) of Getongpa of Kilung lhakhang, Lhuentse dzongkhag.
- iv. Bhutan hosted the 6th Colloquium on tangible and intangible culture of Bhutan with the objective of broadening our knowledge and understanding of value and ethics of conservation.
- v. The Dragon's Gift exhibition Drugi Nangten Jelkha comprising 41 rare statues and 65 thangkas, has been exhibited in the three convenient places of Thimphu, Trongsa and Trashigang to be viewed by around 100,000 citizens. These relics and artifacts had returned to the country after a most successful tour of Honolulu, San Fransisco and New York in the US, Paris in France and Zurich in Switzerland over a period of 32 months. All the exhibits had been restored by experts of the Honolulu Academy of Art and have now been returned to their original resting places.

E. Sports

1. Leadership

Although sports have always been considered important, it has neither developed in parity with the advancements achieved in other areas nor has its growth been commensurate with the potential and available talent in our country. I am happy to report that under the leadership of HRH Prince Jigyel Ugyen Wangchuck, His Majesty's Representative in the Bhutan Olympic Committee (BOC), this vital sector has now received a major boost including access to resources from outside. His Royal Highness has also been extremely active and successful in sports diplomacy and in enhancing our national image.

There are currently 15 National Sports Federations affiliated to the BOC, established in 1983. While the BOC and the federations are in the forefront of developing and promoting sports in our country, the Ministry of Education, the Royal University of Bhutan and the armed forces share the important responsibility in good measure as well. In addition, there are local sports activities promoted by associations in the Dzongkhags, cities and gewogs.

Under the guidance of HRH, the BOC has developed a strategic master-plan for sports (SMS) in Bhutan. The SMS will be a 3 volume document that will include a Situational Analysis; a Visioning Document; and Strategies outlining short term, medium term and long term action plans of the BOC and the national federations. The draft SMS will be shared with all stakeholders for exhaustive deliberation. The overall objective of the exercise is to establish a robust sports governance system that will efficiently deliver organized sports to all Bhutanese and promote a vibrant sporting culture and overall sports development.

Some key achievements in the past year are:

- i. HRH Prince Jigyel Ugyen Wangchuck led delegations to the following major events:
 - a. The 16th Asian Games in Guangzhou, China;
 - b. The opening ceremony of the Asian Beach Games, Kuwait; and
 - c. Asian Winter Games in Kazakhstan.

As a result of the successful interactions and meetings at these events, the Kuwaiti Football Association committed an annual support of US\$ 100,000 for development of football and overall support to organized sport development in Bhutan.

- ii. A high level delegation from the Korean Olympic Committee (KOC) visited Bhutan in December 2010. During the visit the delegation committed to (i) a study visit of four Bhutanese archers to Korea for a period of 3 months every year to prepare for the Incheon Asian games in 2014, (ii) English proficient Korean coaches to Bhutan in the field of archery, taekwondo, boxing, basketball and football, and (iii) the supply of sports equipment to Bhutan for the above sports.
- iii. An MoU was signed between BOC and the Japan Olympic Committee in May 2011. MoUs with the NOCs of Singapore, Thailand, Denmark and South Korea are also under discussion.

2. Achievements and Recognition

- i. The most significant international achievements during the year were:
 - a. The Bhutan Bodybuilding and Weightlifting Federation hosted the 8th South Asian Body Building Championship. This was perhaps the biggest

sporting event held in Bhutan thus far, with 10 Bhutanese body builders participating in it. It was considered a major success by any standard and our athletes performed very well with Lobzang Tshering lifting the gold in 60 kg category; Tandin Wangchen lifting the silver in 85 kg category; and Tshering Dorji and Deepak Lepcha each lifting bronze in 85 and 55 kg categories respectively despite the fact that it is, like cricket, one of our youngest sports in the country. The Bhutanese under 19 women's cricket team were runners up at the Asian Cricket Council Women's Championships at Singapore in October 2010.

- b. Boxer Sigyel Phub made it into the quarterfinals of the Asian Games in the 56 kgs category and narrowly missed winning a bronze medal.
- c. Eden from Phuentsholing HSS won a gold medal in the under 13 age group for girls at the 3rd Himalayan Badminton Championship in Sikkim. Karma Yuden of Phuentsholing HSS won gold in the under 16 age group for girls and also took silver, along with her partner, Nidup Dorji of Ugyen Academy, in the mixed doubles category. Rinzin Wangmo of Phuentsholing Middle Secondary School took silver in both the under 13 and under 16 girls category.

3. Night Facility for Sports

One of the long standing goals of the Royal Government has been to develop the Changlingmethang into a sports stadium where games can be played at night. Such a provision was made in the plans for the improvement of the grounds in preparation for the Coronation. According to the plan, each of the football, cricket and archery grounds was to be fully lit at night so as to enable athletes to play at night. However, this feature was left out due to paucity of funds. I am pleased to report that the goal is now being realized with the help of the Tata Company, India which commissioned Bajaj, India to fabricate and supply the towers and the lighting equipment in response to a special request made by the Royal Government.

The installations are being carried out by DGPC which will provide the cables and should be completed in the next few months. It was delayed as a consequence of the major alterations in the configuration and layout of the grounds. Once the night facility is installed, the various sporting federations are expected to organize events such as archery, football and tennis tournaments at night.

This will enable civil servants and corporate employees to participate without affecting the functioning of their organizations. Beyond this, the main benefit lies

in the youth and the restless having healthy sporting events to engage in during the hours they might, otherwise, spend in socially unproductive and physically unhealthy activities. Likewise, audience participation is expected to be larger during the night. Complemented by the Centennial Park which already has night facility to be augmented with a cafeteria, it is hoped that a healthy night sporting and spectator culture will develop in the capital city to be gradually replicated in other major urban areas.

F. His Majesty's Recognition and Contributions

Inspired by the patronage of our Monarchs and members of the Royal Family, Bhutan is going through a period of cultural renaissance. Dzongs and lhakhangs are being restored to their former glory and our tradition of 'zorig chusum' or the 13 arts and crafts is flourishing. We are most grateful to His Majesty the King for instituting the national annual award during the National Day celebrations to recognize people who have served the Tsa-wa Sum with exceptional effort and merit.

In the past year, His Majesty the King awarded the National Order of Merit (Gold) to Karma Wangdi, a traditional artist; National Order of Merit (Silver) to Thinleymo, traditional singer and to two traditional painters (*lhadraps*) Choki Dorji and Sangay Tenzin; and the National Order of Merit (Bronze) to artist Tobgay, head carpenter Thuji, and master mason Tshewang Rinzin.

In 2009, His Majesty the King awarded the Druk Thuksey (Heart Son of Bhutan), the highest civilian award, to Lopen Karma, sculptor (*Jimzo*), for his exceptional skills, hard work and outstanding contribution to the nation. Dasho Karma Ura was honoured with the Druk Khorlo for his outstanding contributions in literature, art and scholarship. His Majesty the King also awarded the Gold Medal to Namgay Tshering, a 78 year old goldsmith.

His Majesty the King also awarded Gold Medal to Yonten Tharchen, taekwondo master, and to the Motion Picture Association of Bhutan for their exemplary contribution to society in their respective fields to benefit the country.

His Majesty the King said that there is no such thing as a small or a big job and it does not matter if one is a planner or a sweeper, as long as one fulfills one's responsibilities with dedication and sincerity towards serving the nation, and that there is no higher ideal than upholding the dignity of labour. He said that inevitably, the nation will, one day, recognize service undertaken in true faith and selflessness.

V FOURTH PILLAR: CONSOLIDATING GOOD GOVERNANCE

The enviable fortune 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, stability and progress over a century. Having become the first democratically elected government, its sacred responsibility above all else, is to build and further consolidate democratic institutions and practices of good governance.

As the fourth pillar of the development philosophy of our nation, good governance is a precondition to the functioning and progressive strengthening of the other three pillars and, more importantly, the successful development of our society as a democratic polity. Good governance therefore, underpins all policy discourse and development initiatives of the government.

The perception of good governance, and for that matter, even democracy itself, differs among nations based on history, culture, geography and stage of socio-economic development. Hence, efforts towards fostering good governance must be guided by the unique conditions and needs of our country. What cannot differ among true democracies is the primacy of the rule of law, transparency and accountability. Likewise, all democracies must aspire for good governance through inclusion, public participation and consultation; prudent and responsible use of national resources; support for and promotion of systems of check and balance; promotion of good relations with neighbours and the world at large; and strengthening of national integrity and maintainance of harmony, peace and stability. It is against these broad criteria and the manner in which it responds to adversity thereto that the quality and goodness of a government is to be measured.

The main engagements as well as the challenges faced by the government in the pursuit of the above stated aspirations are briefly submitted in this and the following pages.

1. Mainstreaming GNH in Public Policies

The Royal government has established a policy protocol which requires all policy proposals to be screened by the GNH Commission to determine whether they are GNH positive or negative. Under this process the proposal are put through the rigours of a stringent analysis based on the four pillars and the nine domains of

GNH. The screening tool looks into such aspects as gender and regional equity, community vitality, environmental impact, health implications, efficiency gains etc. It also evaluates the extent of stakeholder participation in formulating the policy. Any proposal that does not score high enough, is either rejected or referred back to the proponent to make it more GNH positive by incorporating GNH elements while reducing or eliminating those aspects that do not contribute to the promotion of a happy society. Once cleared by the Commission, the proposals are then submitted to the Cabinet for final approval.

During the last fiscal year, a total of four policies, namely, Economic Development Policy, Foreign Direct Investment, Tertiary Education Policy and National Human Resource Development Policy have been approved while seven new draft policies are under consideration of the GNH Commission. Currently, the GNH Secretariat is reviewing the renewal energy policy.

2. Rule of Law: The Essence of Democracy

Rule of law is the essence of democracy. It is through the prevalence of law that equity and justice is to be served and the influence of money, muscle and power checked and diminished. The importance of parliament and making of laws especially in an emerging democracy with a limited body of laws is, thus, paramount as it always will be.

It is, therefore, my honour and privilege to express the deep gratitude of the Royal Government to all the Honourable Members of the two houses of our great Parliament for the devotion, wisdom and hard work and, indeed, single mindedness with which they have endeavoured successfully to promote the rule of law and democratic functioning of our government.

i. Laws Made and in the Making

The Royal Government wishes to express its deep appreciation to the first Parliament for having, till date, enacted 18 laws and ratified 8 conventions. In the period under review, it has labored through the passage of 6 laws, out of which 5 were enacted during the fifth session and 1 during the sixth session of Parliament. The Civil Service Bill of Bhutan, 2010 is currently awaiting Royal Assent.

During the current session, a total of 6 bills will be deliberated upon in joint sittings. Further, 3 bills and 2 conventions will be re-deliberated by the National

Assembly and 1 bill (Adoption Bill of Bhutan) will be re-deliberated by the National Council as per the Bill passage procedure. The seventh session is also considering 2 new bills: '*Consumer Protection Bill*' originating from the National Council and the '*Bhutan Institute and Medical Sciences Bill*' originating from the National Assembly.

The bills passed during the last one year includes the following:

i. Fifth Session

- a. Civil Service Bill of Bhutan, 2010
- b. Bhutan Standards Act, 2010
- c. Tobacco Control Act, 2010
- d. Entitlement and service conditions Act for Holders, Members and Commissioners of the Constitutional Offices 2010
- e. Royal Monetary Act, 2010

ii. Sixth Session

- a. Income Tax (Amendment) Act of Bhutan, 2010

iii. Seventh Session

The details of the legislative plans for the seventh session are as follows:

- a. Bills for Joint Sitting of Parliament
 - Child Care and Protection Bill of the Kingdom of Bhutan, 2010
 - Penal Code of Bhutan (Amendment) Bill, 2010
 - Anti-Corruption (Amendment) Bill of Bhutan, 2010
 - Civil and Criminal Procedure Code of Bhutan, 2010
 - Water Bill of Bhutan, 2010
 - Financial Services Bill of Bhutan, 2010
- b. Bills introduced in the two Houses
 - Consumer Protection Bill: National Council
 - Bhutan Institute and Medical Sciences Bill: National Assembly
- c. Bills for re-deliberation
 - Sales Tax, Customs and Excise (Amendment) Bill of Bhutan, 2010
 - Public Finance (Amendment) Bill of Bhutan, 2010
 - Election (Amendment) Bill of Bhutan, 2010
 - Adoption Bill (deliberated in the National Council during the 6th session and sent to NA for deliberation)
- d. Conventions for re-deliberation
 - Convention on Anti-doping in sports
 - SAARC Convention on cooperation on Environment

ii. Legislative Plan

As required by the Constitution, I have the honour to submit that the legislative plan of the Government includes the following bills to be introduced in the ensuing sessions of the First Parliament:

- i. Bills proposed for the 8th Session of the First Parliament:-** The following Bills are proposed to be tabled during the 8th Session of the First Parliament:
 - a. Declaration of National Parks, Wildlife Reserves, Natural Reserves, Critical Watershed
 - b. Bill on Declaration of Emergency
 - c. Impeachment Bill
 - d. Alternative Dispute Resolution Centres Bill
 - e. Contract Bill
 - f. Explosives Bill
 - g. Disaster Management Bill
 - h. Domestic Violence Bill
 - i. Limitation Bill.
 - j. Tourism Bill

- i. Other Bills under consideration:-** The following Bills are under drafting process/consideration by the different Ministries/agencies and may be tabled during the 9th or later Session of the First Parliament:
 - a. Essential Services & Maintenance Bill
 - b. Administrative Tribunal Bill
 - c. Working Parents Incentive Bill
 - d. Militia Services Bill
 - e. Bill on the Formation, Functions, Ethical Standards and Intra-Party organisation of Political Parties.

It is the aspiration of the Government to submit for legislative consideration all the above listed Bills during the term of the First Parliament. Nevertheless, in light of the thoroughness with which the Parliament deliberates on proposed laws and the tendency to hold joint sessions for the passage of every law, it may not be possible to fulfill the Government's legislative plans.

iii. Regulatory Reform to Promote Effective Enforcement of Laws

The implementation and adherence to law requires the establishment of regulations and rules so as to enable full application and compliance. However, the proliferation of rules and regulations and, sometimes, their ambiguities have resulted in ineffective enforcement and complications. The government has therefore, initiated a regulatory reform process through the use of an evidence based impact assessment methodology (RIA). This will result in, among others, the elimination of burdensome and excessive regulations often causing duplication and inconsistencies. The RIA has been piloted in two projects: ‘Business Startups’ and ‘Improving Entrepreneurial Skills Development and Access to Finance’. In this regard, with a view to mainstream RIA, the Committee of Secretaries has directed the Policy and Planning Divisions of the ministries to apply RIA. Further, a set of rules and regulations on mainstreaming RIA has been drafted and is awaiting adoption.

iv. Delivery of Justice



Court Performance

One vital indicator of good governance and rule of law is the true independence of the judicial system and the quality and timely dispensation of justice. While the independence of the Bhutanese courts from the executive and legislative is indisputable, the efficacy and efficiency with which our judges have carried out their sacred responsibility is laudable. Following is a brief account of the achievements of the Royal Courts of Justice in the last one year:

- i. 12,245 new cases were registered in the year 2010, reflecting an increase of 17% from the previous year;
- ii. Out of the 12,518 cases considered, 9,643 were decided within the 108-day period and 1,836 cases within the 365-day period;
- iii. 223 cases took recourse to the appellate system and appeared before the High Court, while 6 cases appealed to the Supreme Court;and
- iv. There are 1,689 pending cases out of which only 140 have been pending beyond 365 days.

With the establishment of four new Dungkhag Courts in Lhamoizingkha, Jomotshangkha, Samdrupcholing and Ngalam in the last one year, all 15 dungkhags now have courts.



International Recognition

I take this opportunity to report to the August Assembly that the Hon'ble Chief Justice of the Supreme Court has been selected for the prestigious *International Jurists Award*. It is given to those jurists who have made a *unique contribution in the field of administration of justice*. Instituted by the International Council of Jurists, the award is to be presented by the Rt. Hon'ble Lord Philips, President of the Supreme Court of the United Kingdom. In receiving the recognition, the Hon'ble Chief Justice, Lyonpo Sonam Tobgye, joins a select group of most eminent jurists in the world. We see this not only as a reward for his outstanding contributions to the nation but also as recognition of the high quality of the Bhutanese judicial system by the international community. We wish the Hon'ble Chief Justice and the Judiciary a well deserved Tashi Delek.



Promotion of Justice through Effective Prosecution

The most difficult and painful task in the judicial system and process is that of the prosecutor on behalf of the state. This task falls on the very able and dedicated team of lawyers in the Office of the Attorney General. Under the leadership of the Attorney General, the OAG has carried out the following:

- i. It received a total of 243 cases from 1st January 2010 to 21st April 2011. From the above total cases, 83 cases were received from the Anti-Corruption Commission, 152 from the Royal Bhutan Police and 7 from other government agencies;
- ii. It initiated proceedings against 236 cases, out of which the prosecution of 138 cases has been completed and
- iii. It rendered legal opinion on 42 cases covering both domestic and international issues.

v. The First Constitutional Case

One of the significant highlights of the year 2010-2011 has been the speedy rendering of the judgement of the Supreme Court on the first constitutional case of the *Government Vs. the Opposition Party* wherein the Court held that the Government had erred in revising taxes without following legislative process. The government had maintained that its action was in accordance with relevant laws pertaining to indirect tax on which the revision had taken place. The historic judgment, I believe,

will be the subject of discourse among legal scholars, practitioners and law makers alike in the years to come.

The respectful acceptance of the ruling and its immediate implementation by an overwhelming majority government eloquently established, beyond any doubt, the prevalence of the principle of rule of law in our emerging democracy. The case tested the jurisprudence of our legal system and the will of the Judiciary, as the custodian of the Constitution, to interpret the law without fear and with complete independence. It was also instructive for the law-makers and the interpreters of their laws of the consequences of ambiguities and contradictions in the provisions of separate laws. One immediate consequence is the slow passage of laws especially by a young parliament where the Members do not have the support of legal aides. Above all, the Royal Government, on its part has demonstrated unequivocally, its commitment to the development of a democratic culture.

vi. Maintenance of Law and Order

The Royal Bhutan Police (RBP) is the main instrument of the Government in the maintenance of law and order and in the protection of life and property of the citizens. The salient achievements of the law enforcement organization are listed below:

- i. A total of 4,199 criminal cases were recorded, out of which 1,199 cases were investigated and charge-sheeted; 1,752 cases were withdrawn and 2,725 cases are under process.
- ii. The RBP undertook comprehensive crime prevention activities viz. (i) Police Youth Partnership Programme; (ii) road shows on crime prevention and gender based violence in Thimphu, Wangdue, Punakha, Tsirang and Paro; (iii) Disbanding of youth gangs and groups in Thimphu; (iv) door to door demonstration of crime prevention and security enhancing tools for 6,844 households in Thimphu and Phuentsholing; and launching of the Bicycle Police Patrol in April 2011.
- iii. The RBP conducted education and awareness on road safety for 3,160 participants.
- iv. The agency launched the 'Nationwide Highway Patrol' in April 2011 in view of increasing road accidents. Out of 27,854 vehicles checked, 286 were drivers without license, 57 with learner's license; 87 with passengers beyond legal capacity.

3. Transparency and Accountability

Transparency and Accountability are two key determinants of good and clean governance. Together, they encompass processes such as public reporting and access to information; check and balance mechanisms (RAA, ACC, PAC); independent media, etc.

Some of the areas promoted by the government to enhance transparency and accountability are:

i. Public Instruments of Accountability

The Royal Audit Authority (RAA) and the Anti Corruption Commission (ACC) are two Constitutional oversight mechanisms whose role is to ensure prudent, effective and lawful use of public resource and office. Their effective functioning depends on the independence with which they discharge their important duties. I wish to report that in keeping with its dedication to the promotion of good governance, the Royal Government continues to ensure that the two agencies are not, in any way, hindered in the course of their work, that they have full and complete access to any and every document or material they request and that their independence and authority are in no way undermined by any government entity. Likewise, the laws governing their functions and mandate are fully respected and facilitated.

As the details of their work are reported each year to Parliament and as these receive our highest and focused attention after having duly received the detailed scrutiny and support of the Public Accounts Committee, making a report on their work is felt unnecessary. I shall therefore confine myself to submitting that both have done excellent work and continue to prove their indispensability to good governance. Likewise, I also beg to dispense with the formality of making a separate report on the Public Accounts Committee, vital as it also is to ensuring responsible governance, as its work is directly known and is part of our annual deliberations.

The only point that I wish to dwell briefly on is the allegation that the Royal Government, despite its pronouncement of zero tolerance of corruption, is not doing enough. This, I submit is a repeated but wrongful charge. It is the responsibility and competent function of the ACC to investigate and prove the guilt of any public servant accused of corruption. To this end, it needs full and unhindered access and support to conduct investigation, including suspension and seizure or confiscation of office machines and documents. Even when these come at the cost of delays in

programme implementation and public service delivery (eg. when an entire office is shut down), the government has been most supportive. Further, any proposal from ACC for its strengthening has received and will continue to receive government support while the Office of the Attorney General will continue to render full and strong support through prosecution..

To expect the government to take punitive action against civil servants before they are proven guilty is to place government in double jeopardy. One, not acting is wrongfully and irresponsibly projected as being corruption-tolerant. Two, acting without completing due process constitutes clear violation of the fundamental rights of a citizen who must remain innocent until proven guilty. If and when a person is proven guilty beyond any doubt, appropriate and firm administrative action will be taken either directly by the RCSC, the agency concerned or through consultation between the two agencies. Otherwise, it must be recognized that the failure of government to take action lies in the failure of the ACC to provide it with the just and legal means to do so. The government has no separate capacity or institution to replicate the ACC.

ii. Media Expansion: Proof of an Enabling Environment

An independent media plays the indispensable role of deepening democracy, of holding government accountable and testing its transparency. Therefore, the growth of a free and responsible media continues to receive full encouragement and support of the government. The last one year witnessed further growth of the media. A total of 37 publishing houses have been licensed, of which four were issued last year. In terms of newspaper, there are now nine newspapers and magazines of which 3 viz. Druk Neyshuel, Druk Yoedzer and Bhutan Youth were licensed in the year under review. These are complemented by seven FM stations. Further, for the first time, a civil society organization undertaking the responsibility of promoting education in media and democracy was awarded the formal certificate of registration.

The government continues to support media development through various programmes. Some of the initiatives include carrying out the media assessment study, which involves a holistic assessment of the media houses and media situation in the country in order to provide a useful framework to address media development issues for future interventions. Another initiative is the media literacy education piloted in 5 schools, which aims at preparing students to be capable and skillful consumers as well as contributors to the growing media as responsible citizens. In addition, the government consistently provides support to the private print and broadcast houses

in the form of training, study visits and other capacity building programmes with the aim to create a corpus of responsible media houses and journalists.

iii. Mid-Term Review: Transparency and Accountability in Action

A significant initiative in promoting transparency and accountability is the conduct of the Mid- term review of the 10th Five Year Plan for 16 major central agencies and all local governments as reported in the relevant section in Part II of this report. While reviewing the progress of the 10th FYP and programmes the MTR was designed to provide a platform for direct access to information on the performance, success and failures, of the national, dzongkhag and gewog governments. It created an opportunity to understand and see the way in which public resources were being used with financial disclosures and open discussion on budget allocation and reprioritization. It was an opportunity for the public to scrutinize the performance of the government against its stated objectives and goals.

Most importantly, with the objective of optimal engagement of the public in meaningful debate, beyond those who attended the meetings, the media was given unhindered access to all MTR sessions with the BBS radio having provided live broadcasts in the respective dzongkhags.

iv. Meet the Press: A Unique Feature of Bhutanese Democracy

The monthly *Meet the Press* is an initiative of the government to build a culture of openness based on faith and trust in the media as an integral component of a democratic society and culture. No statements are made and it is attended by the Prime Minister and all the Cabinet Ministers in the capital. There is no restriction on subjects or issues and the two-hour session averages 20 questions. It provides an avenue for the media to scrutinize the government's performance and to raise issues which are of public concern. It is conducted every Thursday of the last week of the month and is open to both international and national media houses. Besides the regular sessions, the government also provides ad-hoc press briefings on new and urgent developments of public interest. Foreign journalists who have attended these sessions are struck by the openness of the government and its devotion to engaging the media in building democracy while fully exposing itself to the critical and unpredictable media.

v. Facilitating Social Media (SM): A Platform for Freedom of Expression

Social Media is transforming the way in which people network and access information. Recognizing the opportunities presented by SM as a new medium for accessing information, connecting communities and as an important platform to engage in meaningful debates and networks. The government continues to support the growth of social media through the development of its necessary infrastructure. The national broadband master plan project is being implemented to connect all 20 dzongkhags and gewogs through the optical fiber network. Network covering 18 dzongkhags and 74 gewogs will be completed by May 10, 2011, with the remaining scheduled for completion by the end of tenth Plan.

The number of internet users has exploded from 18,542 in 2009 to 94,285 as of end 2010. Likewise, wven as the government remains committed to providing universal mobile connectivity, there has been a significant jump in the number of mobile subscribers from 47.8% or 327,052 in 2009 to over 59.3% or 419,926 subscribers as of now. These are dramatic changes transporting the Bhutanese society into the information age. The Royal Government remains completely averse to any attempt to intervene with the portrayal of negative and false image of the government in the social media by accepting these as heartening evidence of the free functioning of the media.

4. Fulfilling the Promise of Efficient and Effective Governance

i. Improving Public Service Delivery

Among the pledges made by the Druk Phuensum Tshogpa in its manifesto is the assurance that the needs of the people as may be available in the form of services, shall be delivered within the shortest possible time, in the most convenient and effective ways and at the least possible cost. To this end, the idea of one stop-shop was committed as a means. In essence, the pledge is about making government services transparent, equitable and timely to which end the delivery procedures are to be shortened, made friendlier, and where possible, delivered at home without the citizens having to run from one office to another or travel long distances, incur costs and waste time waiting for unpredictable responses. The commitment was further prompted by the realization that it is normally the poor, ignorant and those living in remote areas and therefore the most needy that face the greatest difficulty in accessing public services.

Immediately upon assuming the responsibility of serving the people, the government embarked upon various e-governance initiatives for delivery of services and exchange of information through the application of information and communication technology (ICT). To this end, a national broadband master plan was framed and is under active implementation to connect all 20 dzongkhags and gewogs through fibre optic cables. As of now, as mentioned earlier, 18 dzongkhags and 74 gewogs are connected through this network. Simultaneously, a nationwide programme under the nomenclature, *Chiphen Rigpel* is being implemented at a cost of Nu. 2.02 billion with the aim of making every citizen ICT literate. It may be noted that this project was made possible through a special grant gifted by the government of India outside the 10th FYP in response to a special request made by the RGoB. The details of this programme have been mentioned under the section, ‘Communication and Information’ of the First Pillar.

Having thus committed to make the delivery of all services transparent, efficient, cheaper and qualitatively better as well as equitable, following are the most important initiatives and achievements of the Royal Government thus far:

a. Rapid and Convenient Life Support Services made Available

Health service especially in life threatening situations is the most important need of the people. With the objective of providing quick emergency service or convenient medical advice and counseling, a toll free number (112) has been set up at the ‘health help centre’ at the JDWNRH in Thimphu since 2nd May, 2011. Upon receiving a call, the centre immediately connects the caller to a medical professional who will hear the complaint and give necessary advice or counsel as the case may require. If the call were in connection with an emergency, the call attendant, through the facility of GPS, will arrange for the nearest ambulance vehicle to pick up the patient for treatment at the nearest hospital. Since the trial runs began in February, 152,867 have been received until 23rd June. Of these, 6,275 calls were valid and services delivered. Presently, the centre receives an average of 1,255 calls per month. The rest were prank calls indicating the potential for misuse and the risks of providing services easily.

b. School Enrollment no Longer a Challenge

Access to education in the knowledge society that is envisioned for our country’s education is indispensable. The Royal Government has made school admission of children easy and simple. Earlier Security Clearance document and CID

cards of both parents along with their marriage certificates were required for the admission of children making it cumbersome for all and near impossible for children of divorcees who are unable to produce the documents. It was also mandatory for children to produce valid CID cards in order to be allowed to sit for class 10 and 12 examinations. Acknowledging that education is a basic right and service, a child can now be admitted in a school by producing the child's birth certificate and the CID card of one parent only.

c. Security Clearance made Fast and Simple

Obtaining a security clearance document each time one needs access to an important service such as admission to a higher education or training institution, acquiring a passport, job appointment, training or promotion, loan etc was one of the biggest problems faced by citizens. The process was long, frustrating and costly with most having to come to Thimphu and run from pillar to post. Although, the processing time has already been drastically reduced since the beginning of this government's term, it has now been made extremely convenient with the citizens being able to apply and receive clearances through the online service established since 2nd June of this year. I am pleased to report that in less than a month alone, 13,064 clearances were applied for online from the comfort of one's own home in many cases. Of these, 4,650 have been cleared while 110 were rejected. Furthermore, separate security clearance certificates, except for election purpose, no longer need to be obtained for each separate purpose as in the past.

d. Jobs and Labour Market Information Accessed with Ease and Convenience

Perhaps, the next most important service is information on jobs and vacancies especially for the thousands of youth coming out of our growing number of academic and training institutions. Earlier, all job seekers and aspiring trainees had to come to Thimphu at costs that few of them could afford and therefore be subjected to great difficulties. These services that were offered by the Ministry of Labour and Human Resources are now available online. These include information on jobs and trainings available for job seekers; human resource or job seekers available for the employers; and trainee candidates available for training providers both in government and the private institutions. Likewise, job seekers can register themselves online and receive upto date information on specific jobs and trainings available via SMS as may be relevant to one's specific qualification or interests and receive career counselling as well.

Furthermore, 4 additional regional offices have been established in Phuentsholing, Gelephu, Samdrupjongkhar and Trashigang so as to serve our job seekers better.

Consequently, there is no longer the need for all job seekers to come to Thimphu for interviews for most jobs and trainings or even the regional centres in the next few months

e. Business License made Easier to Obtain

As our economy shifts rapidly from subsistence farming to a modern economy, more and more people earn their livelihood from trade and industry. It is through the expansion and diversification of the modern sector that most jobs will have to be created as well. Procedures for grant of license for trade and commerce which was complicated in the past has been simplified and made faster. On the average, it does not take more than 7 days for certain categories of business while most licenses can now be obtained within 2 to 3 days. These will be made more efficient with turn around time being reduced to mostly one day at the most for certain categories of business while the rest are being planned to be reduced to generally no more than 2 days. In the last one year, 3,920 trade licenses and 993 industrial licenses were issued.

f. Rural Timber for Shelter and Firewood Accessed Locally

This was, until recently, one of the main complaints of the rural people. The long and cumbersome process was the cause for frustration and waste of valuable time for farmers. The power to grant rural timber as well as forest tree clearances has now been decentralized to the DFOs. At the same time, powers earlier exercised only by the DFOs have been decentralized to Beat Officers since January 2011. In the meanwhile, Beat officers who are located in most gewogs or are easily accessible to the communities can now issue permits for surface collection of sand, stone and gravel up to 5 truck loads each. They are also empowered to approve extraction of flagpoles, fencing poles, fire wood, bamboo, leaf mould and top soil and wood for agriculture implements.

g. Access for Farmers to Credit made Easy

Without capital, even the farmers cannot make the necessary investments to grow. With the mandate to make credit access easier and convenient, the

BDFC has expanded with 3 regional offices, 29 branch offices and 2 sub-branch offices. Regional offices can now approve loans upto 5 lakhs while most of the rural loans which are below 3 lakhs can be approved by the brand offices. Access has been made simpler and convenient through the arrangement for the branch offices to become mobile whereby BDFC officers actually provide door to door or community based loan service. Active credit customers in rural areas increased from 17,315 in 2009 to 22,714 in 2010 and active deposit customers increased from 15,222 in 2009 to 31,582 in 2010. Similarly, rural deposit increased from Nu. 2.55 million in 2009 to Nu. 4.41 million oin 2010.

h. Procedures for Renovation of Lhakhangs and Timber Supply thereof Simplified

Being very religious and as most lhakhangs in the rural areas need periodical restoration and even reconstruction, the difficulty in getting either clearance for restoration or timber allotment was yet another major source of frustration for the simple rural folk. The approval process required the involvement of the tshogpa, the ranger, the Dzongdag, the department of culture, the Nangsi Lyonpo, Sanam Lyonpo, DFO, Dzongdag and Gup and Beat Officer. The approval can now be given by the Dzongdag while the process for obtaining timber has been reported above under 6) above.

i. Foreign Labour Recruitment made Speedier

Whether it is in building schools, hospitals, roads, bridges etc or hotels and homes, accessing enough labour on a timely basis is the biggest challenge faced by contractors, government agencies or private individuals given the shortage of national work force. The problems associated with delay on account of long bureaucratic procedures have been removed through the ‘Labour net’ service. This online service continues to be improved upon in terms of both security and processes and, I believe, is working to the full satisfaction of all stake holders.

j. Speedier Immigration Service

The Ministry of Home and Cultural Affairs, in order to provide faster immigration services and online, opened an immigration office at the Royal Bhutanese Consulate, Kolkata, India and established immigration outpost at Punatsangchhu hydropower project site and revised the draft Immigration Rules

and Regulations. It also finalized the draft Standard Operating Procedures (SOP) for Birth and Death Registration from the Place of Residence/Occurrence.

k. Obtaining Passport requires no Long Waiting

Whether it is for business, education, medical, pilgrimage, or pleasure purposes, another complaint of citizens has been the cumbersome process and delays in the issuance or renewal of passports. Acknowledging that freedom of movement is a basic right and that access to passports is a right that comes with citizenship, the entire process of application and receipt of a travel document has been reduced to maximum of 7 days and will be reduced further and made more convenient once the applications can be accepted online within the year. In addition, the government has just approved the extension of the validity period of passports to 10 years without any additional cost to the citizens.

l. Ease of access to Driving Licence and Related Services

Without compromising security and actual competency requirements, there are no longer valid complaints associated with the main services rendered by the RSTA. New licenses, copies (duplicates) and their renewal are now processed within 1 day against the previous 30 days. Likewise, transfer of vehicle ownership etc are facilitated in 1 day against the 7 days previously. Altogether, 12 kinds of services have been reduced to between 2 hours and one day. These services are available off line and will become more convenient when delivered online within the year.

m. Tourist Visa Obtainable Online

The task of obtaining tourist visas is no longer a tiresome and costly process for the tour operators who were sometimes faced with the nightmare of having to even cancel certain visits for faults that lay on both sides, ie, the service provider and the client. This was mainly due to the procedural flaws. With the service now being provided online, there are no longer any hindrances to the efficient delivery of this key service to this important sector that is already exceeding the high growth targets.

n. Getting Audit Clearance no Longer a Painful Process

Audit clearance is a necessary certificate for public service, promotion, transfers, training etc. Clearances can now be processed and obtained online since January 2010. The importance of this service and the benefit that it has offered is evident in the 14,000 audit clearances that were issued between July 2010 and June 2011.

o. Making Tax Payment Convenient

The PIT rules and procedures have been revised and studies have been conducted to start direct deposit facility with RRCO banks located in the same region. The Direct Deposit Facility - both on-line and off-line payments of PIT as well as on-line PIT registration have been introduced to provide improved services in minimum time.

Further, Office Automation Procedure as reported under the First Pillar, is now being used in most government agencies, thereby promoting efficiency, reducing carbon footprint and cost of consumables. Other important achievements under the e-governance applications either completed or on-going include the Civil Service Information System (Zhiyog), Education Portal, Thrimshung Crime Information System, Bhutan Bio-Security System and Hospital Information System.

ii. E-Governance and G2C Project

Not being satisfied with the above listed achievements and with the desire to make all services more efficient, easily accessible and transparent, the Royal Government established the G2C project with the mandate to the special project implementing agency to identify and improve access to all G2C services. Altogether, some 200 deliverables including those that are already improved have been identified.

The project is to reduce TAT (turn around time) of these services while improving quality without compromising security and to deliver them at the community/gewog level. Where possible, these services are to be delivered instantaneously even at the home level through the internet/mobile phone. In addition the project is creating the facility of tracking the progress of one's request via internet/mobile phone without even leaving home. These will eliminate travel

and transport costs, waiting with uncertainty, the need to visit offices and officials etc. The basis for the provision of secure services online will be the CID number.

The project has divided the entire list of services into two categories to be rolled out in two phases. The first phase comprising the following will be rolled out by October end (Table 5)

Table 5: First Phase G2C Services

Sl. No.	Service Category	Service Number	Sl. No.	Service Category	Service Number
1	Civil Registration	16	7	BAFRA	12
2	Culture Department	13	8	Trade	17
3	Foreign	1	9	Industry	11
4	Drug Regulatory Authority		10	Cottage & Small Industry	11
5	Forest and Park Services	5	11	RSTA	12
6	Livestock	3	12	Agriculture	7
Total Services					118

The second phase services comprise the following will start rolling out by end December (Table 6):

Table 6: Second Phase G2C Services

Sl. No.	Service Category	Service Number	Sl. No.	Service Category	Service Number
1	Construction Development Board	4	5	Revenue and Customs	8
2	Department of Urban D and Engineering Services	8	6	National Land Commission	38
3	Ministry of Labour & Human Resources	4	7	National Provident & Pension Fund	3
4	Education	8			
Total Services					73

With a view to facilitate e-governance and to provide such services to all citizens conveniently and equitably including to those who may not have mobile or computers and who may be illiterate, Community Centres (CCs) or 'one stop shops' are being set up in each gewog. These centres will have all the necessary equipment such as computers, printers, scanners and essential information and useful documents. The centres will be manned by a technically competent person

who will be trained and will be able to guide and support the citizens in accessing the online services.

39 community centres were completed at the end of last month. These will become operational immediately with G2C services being made available as and when they are developed and placed online. Funds worth US \$ 2.5 million have been secured from the SAARC Development Fund (SDF). I need not remind that all these centres will become fully functional only when electricity and internet connectivity are established as is being done on a war footing.

The challenges and risks involved in making everything fast and simple for a small and vulnerable country and then again, a poor country are many. The security risk of costly services, going to the wrong people and their being misused and exploited by profiteers are real. In fact, these were the very reasons why cumbersome and fool proof procedures were put in place. Therefore, the need to make certain that the security aspect is not compromised is of paramount importance. All these are considered even as we speed up services.

iii. Accelerated Socioeconomic Development (ABSD)

I reported last year on the very ambitious initiative of the Government, named, “Accelerating Bhutan’s Socioeconomic Development” (ABSD) programme to :

- i. create most of the 75,000 jobs needed over the 10th FYP,
- ii. improve efficiency and effectiveness in the delivery of public services,
- iii. raise government revenue and cut costs in procurement and service delivery and
- iv. identify and build institutions and processes for sustained good governance.

While the programme has, thus far, been extremely successful, I wish to submit that a detailed report will be submitted along with my annual report next year as most of its achievements will become visible and measurable by then.

iv. Reform of Procurement System

In order to make procurement more uniform, transparent and standard across the board, trainings on Revised Standard Bidding Documents (RSBD) and a new point based system (PBS) have been provided to procurement and relevant officials. The trainings were conducted with grant financing from IDA, the World

Bank and technical backstopping from Chartered Institute of Purchasing and Supply (CIPS), United Kingdom. In addition, a separate guideline for PBS was developed for procurement of construction materials and a nation-wide awareness workshop in collaboration with Construction Development Board (CDB) conducted.

v. RCSC: A Mission to Raise Morale and Competency of a Compact Civil Service

Enhancing morale, competence, professionalism and performance of the civil service continue to be the main priority of the government. At the same time, it is mindful of the need to keep the size of the bureaucracy small and compact. Already, salaries and wages account for 42.4% of the the total current expenditure and 39.16% of the domestic revenue. As government creates more services and infrastructure, this is likely to even rise further, with the civil service becoming unwieldy and less productive, unless alternative measures and options are taken. To begin with, the Royal Government sees outsourcing of certain services as a viable option that is on trial. Likewise, it intends to separate the work of essential bureaucracy from those that can be corporatized and direct relationship established between expenditure and output, thereby opening the prospects of creating a truly compact, highly professional, well paid and well managed civil service.

In this regard, I am pleased to report that in anticipation of the enactment of the Bhutan Civil Service Bill, 2010, the RCSC has already revised the Bhutan Civil Service Rules and Regulations in keeping with the provisions of the said law. In addition, based generally on the recommendation of the Pay Commission, Parliament approved an across-the-board 20% increase in the salary for all positions in civil service with effect from 1st January 2011, in light of the hardships faced by the civil servants and to raise morale and productivity.

Other measures to improve efficiency and professionalism of the civil service include the continuing opportunities for long term trainings and short term trainings both outside and in the country. Further, administrative reforms undertaken by the RCSC to increase efficiency in the civil service include decentralization of promotion to the top positions of professional and management category (P IA) to the agencies in December 2010. Some of the specific achievements of the RCSC are:

- i. The BCSR 2006 has been revised to BCSR 2010. RCSC conducted familiarization meetings to ensure effective implementation of the provisions of the BCSR 2010;

- ii. A new examination system called the Bhutan Civil Service Examination (BCSE) introduced in 2010 with the two stages of examinations (i) Preliminary Exam, and (ii) Main Exam. In 2010 BCSE, 1,326 university graduates registered online for Preliminary Examination out of which 1,216 actually took part and 658 obtained 50% and above qualifying to sit for the Main Examination. However, only 562 graduates sat for the Main Examination out of which 377 obtained 50% and above making them eligible to be appointed against 318 vacancies according to merit-ranking;
- iii. Selected and appointed through open competition in the past year, 42 officials of which 7 were in EX and 35 in P1 positions;
- iv. Recruited in the past year 1,525 new civil servants, of which 1,416 were on regular service and 109 on contract service. In terms of recruitment by Position Level, 721 were in P5 and above positions and 804 were in S & O Position Categories;
- v. Implemented 213 long-term trainings as follows: i) Bachelor (28); ii) Diploma (16); iii) PG Certificate/Diploma (19); iv) Masters (121); and PhD (29). Similarly, civil servants from all Agencies have availed 313 short-term trainings, in-country (32) and ex-country (281);
- vi. The Zhiyog has been upgraded to web-based Civil Service Information System (CSIS) in 2011; and
- vii. There are currently about 254 students undergoing Architecture or Civil/Electrical/Mechanical Engineering and about 195 undergoing MBBS.

vi. Land Commission

With the objective of completing the national cadastral resurveying project before the end of 2012, the survey professionals and other field staff continue to work overtime and indefatigably. The achievements of the Land commission to date are:

- i. Cadastral resurveying field work has been completed in eight Dzongkhags of Pema Gatshel, Trashigang, Bumthang, Trongsa, Paro, Punakha, Wangdue and Haa and three Gewogs of Gasa; and
- ii. New sathram distribution has been completed in the two Dzongkhags of Mongar and Trashiyangtse).

5. Being Responsive to Citizen Needs

An important measure of good governance is the manner in which institutions and processes respond to citizens' queries and concerns within a reasonable time frame. Therefore, one of the priorities of the government is to ensure that all citizens receive equal treatment in accessing services and to facilitate objective and professional redressal of grievances when the system fails to deliver.

Measures taken in this regard are:

i. Grievance Redressal

An important initiative of the government to be responsive to the citizens is the opportunity for grievance redressal through the Public Grievance Cell in the Office of the Prime Minister. In the last fiscal year, the Public Grievance Cell registered a total of 367 cases of which the highest number of cases pertains to employment and scholarships. The Cell also received cases pertaining to land disputes, resettlement, security clearance, bail and others. A total of 175 cases were successfully redressed during the year. As of date, the Public Grievance Cell has 263 cases in hand.

ii. Grievance Management System

In order to make the existing grievance redressal system more dynamic and efficient, a draft proposal on grievance management system has been developed for consideration by Cabinet. The grievance management system will be web-based and will broaden the platform for citizens to submit grievances and make the government agencies responsive and transparent in their redressal process. It will also allow citizens to monitor the progress of their grievance.

iii. Emergency Response

In line with the pledge to establish a government that is caring and responsive, the Government has been prompt to come to the aid of victims of disasters.

In the tragedy where 18 Bhutanese pilgrims perished in a plane crash in Nepal on 15th December, 2010, the Government, under the guidance of HM the King, closely worked with the Nepalese Government to make all necessary arrangements to bring back the bodies of the victims to receive their last rites among their loved

ones. Officers from the government were dispatched and a special flight to Nepal was arranged for the benefit of the relatives of the victims.

Chamkhar town was struck by devastating fire three times in a short span of time. The Nation also suffered damages from two major windstorms in October 2010 and March-April 2011 affecting 129 Gewogs in 17 Dzongkhags. The Royal Government immediately responded with 50% subsidy on CGI sheets actually damaged by the wind storm with free transportation provided from the border towns upto the nearest road heads.

There were also incidences of landslides and floods triggered by heavy rainfall between June to September 2010 damaging basic infrastructures such as irrigation channels and farm roads in 70 gewogs under 15 dzongkhags. All these have been rehabilitated on priority basis.

The Royal Government has undertaken various measures to raise awareness, educate, build disaster management capacity and preparedness among various sections of our society as reported under capacity building in preparation for disaster under the 2nd Pillar.

The Royal Government would like to thank His Majesty the King for his continued benevolence and compassion especially in times of such disasters. The Royal Government would also like to thank every section of the society for coming together in times of such circumstances.

6. Socio-Economic Equity and Justice

A just society is characterized by fair, inclusive and respectful treatment accorded by the state to all its citizens. This requires all groups, particularly the most vulnerable to be given support and access to opportunities and services that may otherwise elude them eventhough they may rightly qualify for and be the intended beneficiaries. Some of the initiatives and programmemes undertaken by the government are stated hereunder:

i. Gender Equity

Bhutanese women have enjoyed a relatively better status than their counterparts eleswhere. However, women have often been confined to stereotypical gender roles and continue to be under-represented in the decision making process with

low political participation both at the national and local levels. Currently, women's representation in the parliament is only 14% and in the local governments out of the 205 gewogs, there was only one woman 'gup'. In order to frame strategies to increase political participation of women, a survey on women's political participation in local governance was carried out to understand the issues and challenges faced by women.

Some of the initiatives demonstrating the commitment of the government towards gender equity are provided here under:

- i. Strengthening legal framework;
- ii. In line with the government's commitment to protecting and strengthening the rights and welfare of women especially those confronting violent environments, a 'Domestic Violence Bill' has been drafted and submitted to the Cabinet after extensive consultation with relevant stakeholders;
- iii. Strengthening infrastructure;
- iv. Based on the increasing number of cases related to women and children, a 'Women and Child Protection Unit' was established in Paro. This has increased access to Women and Child Protection Services.
- v. Gender Screening Tool;
- vi. Supporting the gender mainstreaming objective of the government, a gender screening tool has been prepared wherein all policy proposals of the various ministries and agencies will be evaluated to understand the extent the policy integrates gender issues;
- vii. Sensitization and Awareness programmes;
- viii. Considering that gender equity can be achieved only with the support of decision makers, a sensitization programme was organized for Parliamentarians and senior bureaucrats on the importance of mainstreaming gender into the national plans and policies. Further programmes include advocacy programme on issues such as gender quality, women's empowerment, CEDAW and laws and policies pertaining to women;
- ix. Girls' Enrolment in higher Levels of the education system; and
- x. A study to understand the reasons for the low performance of girls in higher secondary education has been completed. Based on the study a special effort is also being made to enable greater female enrolment especially at the higher secondary level.

ii. Bridging the Gap between the Rural and Urban Communities

In Bhutan, the inequalities between the rural and urban population are relatively high, with poverty being a rural phenomenon. It is estimated that only 1.7% of the urban population are poor whereas the rural poor is estimated at 30.9%. Therefore, the government is committed to making farm and rural life more productive, profitable, comfortable and attractive.

Despite the consistent progress in the socio-economic development of the country, poverty is still a reality in Bhutan and the growing disparity between the rich and poor is a cause for concern. It is reported that inequality is relatively high with the richest 20% of the population consuming almost 8 times more than the poorest 20%.

In addition to the minimum programmeme which is specifically focused on rural poverty alleviation, tax measures are also being used to narrow the income gap and redistribute income. In this regard, the Government is deeply thankful to the hon'ble members for approving the increase in vehicle import tax and other taxes as proposed during this session to the National Assembly.

iii. Rural Economy Advancement Programme

Another initiative of the government which specifically targets the rural poor is the implementation of the REAP, a poverty reduction intervention programme. Under REAP I, the implementation of targeted poverty alleviation programmes are underway in 10 villages. The programmes under REAP I is expected to be completed by June, 2012. Under REAP Phase II, household surveys were conducted in 110 poorest villages with about 5 villages from each dzongkhag to select 20-30 poorest villages for REAP II interventions. The implementation of REAP II programmes are expected to begin by second half of 2011.

7. Participation and Inclusion

Public participation in decision making process is an essential aspect of democratic ideals. It is a process of actively involving people potentially affected by or interested in a decision. Therefore, to enhance participation of communities and to ensure that they have a voice in decision-making, either directly or through legitimate intermediate institutions, the government has consistently supported the empowerment of local governments and the growth of the civil society organizations.

i. Civil Society Organizations

An important means of enhancing public participation is through the involvement of civil society organizations. Recognizing the importance of civil society organizations, the government has consistently promoted the growth of CSOs. As of March 2011, a total of 14 Civil Society Organizations which includes 11 Public Benefit Organizations and 3 Mutual Benefit Organizations have been registered. Applications of 5 more aspiring organizations are currently under process for registration. The registered civil society organizations encompass a wide range of interests/areas such as poverty alleviation, youth, women and children and entrepreneurial development.

Another initiative is the establishment of the ‘CSO Fund Facility Window’ which provides financial support in varying amounts for institutional strengthening and project implementation. As of now, 6 project proposals from registered civil society organizations seeking funding support have been reviewed and approved for financial support. The Civil Society Rules and Regulations is being amended on the basis of experience gained thus far and will, thereafter, be published and circulated for public access.

ii. Enhancing Local Governance Capacity

The power to make decisions that affect the lives of the people must rest with those that are closest to the people. In pursuance of this commitment, the following activities aimed to empower local communities and to strengthen the decentralization process were undertaken:

- i. In anticipation of the first Local Government Elections under the Constitution, the Local Government Rules and Regulation were framed;
- ii. The First Thromde Election under the Constitution in the four municipalities was held on January 21st, 2011. It signified the transfer of power to the local elected leaders to own and control their development plans and programmes;
- iii. A series of trainings and study visits were carried out to enhance the capacity of local government functionaries. Gewog Administrative Officers were trained on Result Based Management in Malaysia, needs assessment in India, ‘Young Leaders’ training in Japan. About 96 support staff from the Dzongkhags/Dungkhags were trained on Dzongkha Unicode and Official Correspondences. Dzonggrabs and Dungpas were trained on “Towards High

Performance Leadership: Unleashing Your Inner Potential” at the Institute for Management Studies (IMS), Thimphu. Further, DT Chairpersons of 20 Dzongkhags were sent on training cum exposure trip to see rural development schemes in Sikkim, India; and

- iv. The Community Contract Protocol was launched to give contracts on small works directly to local communities by the Gewog administrations to encourage the beneficiaries to assume ownership of the project outputs. Incidental benefits of it are lower costs as compared to commercial contracts and especially practical in remote areas where commercial contractors are not willing to work. The Procurement Rules and Regulations (2009) issued by Ministry of Finance provide a basis for community contracting for works up to value of Nu 1,500,000.

8. Promoting National Interests Through Diplomacy

The Royal Government has played a very active role on all fronts over the past year in advancing the Government’s foreign, trade and development interests by working bilaterally and in partnership with governments in multilateral and regional fora. Relations with Bhutan’s close friends, neighbours, and other countries continued to strengthen and diversify. While on the bilateral front, understanding, trust and cooperation have deepened, our role in the international arena continues to be guided by the highest principles and responsibility as a member of the human society. Our voice has become audible and listened to, especially in matters of environment, health and culture. And our leadership role in advancing a holistic and sustainable development paradigm in a world reluctantly waking up to the fundamental flaws of our economic models is widely respected and sought after. Consequently, our image and stature have soared and to that extent, our political interests are also served.

Some of the developments and pursuits in the sphere of foreign policy are:

i. Adoption of Happiness as a Voluntary Goal

The United Nations is the primary space for advancing Bhutan’s multilateral role and interests. I participated in the UN *High Level MDG Summit* in New York from 20-22 September 2010 and proposed to the world body to adopt *happiness* as a voluntary ninth Millennium Development Goal, which in effect would represent the sum total outcome of the other eight goals. It was propounded as an aspiration with relevance beyond the poor and developing member states, to bind all of humanity,

rich and poor, to a timeless common vision. This was well received and appreciated by all the members of the UN. Bhutan's Mission to the UN in New York has since then been holding consultations with member states in order to translate the proposal to a Resolution to be adopted at the UN during the current session. If adopted, this would be a major foreign policy gain and would represent the first ever resolution advanced by Bhutan in the UN.

ii. Declaration of Bhutan's Intention to seek a Non-Permanent Seat in the UN Security Council

At the UN General Assembly that I attended in the subsequent days, I formally announced Bhutan's candidature for a non-permanent seat on the UN Security Council for the 2013–2014 term. Forty years of membership and working within the international organization has provided Bhutan considerable benefit and experience. We regard direct engagement in the maintenance of international peace and security through non permanent membership in the UNSC as not only a privilege, but an obligation of every UN member state, developed or developing, large or small. Bhutan's decision to contest for non permanent membership in the UNSC was first declared in 1999 through the Asian Group during my term as the Foreign Minister. In the pursuit of this important goal, we are currently engaging our entire diplomatic machinery in a strategic and well coordinated campaign. Although we have been encouraged by many pledges of support, it will be a long and uncertain campaign especially since we are up against formidable adversaries.

iii. Strengthening Old Ties and Making New Friendship

I undertook the following visits to European countries:

- i. I made an official visit to Denmark from 13-15 October 2010 at the invitation of the Prime Minister of Denmark. I was honoured with an audience by HM the Queen. This was the first visit to Denmark at the level of the Head of Government.
- ii. I made an official visit to Switzerland from 15-19 October 2010, at the invitation of the Swiss Government.
- iii. At the invitation of the Coca Cola Company, I visited Spain immediately after Switzerland to deliver the keynote address at their first international conference on happiness. There, I was received in audience by HM the King. The outcome has been the establishment of diplomatic relations between our two countries.

- iv. In October 2010, I visited the Republic of Korea at the invitation of the Prime Minister of the Republic of Korea to deliver the keynote address at the 4th Asian Ministerial Conference on Disaster Risk Reduction through Climate Change Adaptation in Incheon, Korea on October 26, 2010.

In all these visits, I was able to meet with most senior leaders including Head of State and/or Government, Speaker of the Parliament, Foreign minister/ Development Minister and other important leaders. In Denmark, Switzerland and Japan, where my meetings were extremely cordial and satisfying, I was also invited to speak at various fora.

iv. Fulfilling the Role of SAARC Chairmanship

Having demonstrated our capacity and capability to fulfil the important leadership responsibilities as SAARC Chairman, we now find ourselves under regional and international spotlight. Our hosting of the SAARC Summit has been fortuitous and considerable good will has been earned. In fulfilling my duties as the Chair of SAARC, I have completed my visit to all the SAARC capitals to follow up on the decisions arrived at the Summit and to exchange views with the leaders on further consolidating SAARC cooperation. I am most happy to state before this august body that the reception and hospitality extended by all the member states were of the highest and most cordial level. The tremendous good will towards Bhutan and the Bhutanese people was most heart warming. Most importantly, the visits have furthered the bonds of friendship and understanding between us and our neighbours, for many of whom our existence and role earlier were inconsequential.

v. SAARC Meetings Hosted by Bhutan

Bhutan successfully hosted the following ministerial level meetings:

- i. **Meeting of the Fourth SAARC Finance Ministers** *was hosted by Bhutan in August 2010, preceded by the Meeting of the SAARC Finance Secretaries. This was the first Ministerial Meeting hosted by Bhutan since taking over the SAARC Chair by the Hon'ble Prime Minister.*
- ii. **First Meeting of the Council of Ministers of SAARC Development Fund (SDF):** *The Royal Government of Bhutan hosted the First Meeting of the Council of Ministers and SDF Board Meeting in Thimphu in August 2010. The SDF secretariat was formally inaugurated for operation.*

iii. SAARC Environment Ministers meeting: Bhutan hosted the Ninth SAARC Environment Ministers meeting on 19 May 2011 in Thimphu. The National Environment Commission as the technical focal agency for environment organized the meeting which was preceded by the Fourth Meeting of the Technical Committee on Environment and Forests.

vi. International Conference Hosted by Bhutan

International conference on disaster management and cultural heritage:

As a small and fragile country prone to natural disasters and their impact on our rich cultural heritage, the Royal Government organized an international conference on 'Disaster Management and Cultural Heritage: Living in Harmony with the Four Elements', from 12 to 14 December 2010 in Thimphu. The conference, which drew 55 international experts and field practitioners from 23 countries besides 98 Bhutanese, was organized with financial and technical support from the Global Facility for Disaster Reduction and Recovery, World Bank, SIDA, UNDP, UNESCO and UNISDR.

The main outcome of the conference was the Thimphu Document, which encompasses practical recommendations in bridging the gap between disaster management and cultural heritage. The document will serve as a key policy input to the upcoming summits such as Climate Summit for a Living Himalayas to be held within this year in Bhutan.

vii. The Search for a Solution to the Humanitarian Problem of the People in the Refugee Camps in Nepal

The issue of the people in the refugee camps remains the biggest political, social and security challenge for Bhutan. Both the governments of Nepal and Bhutan could not find a solution within the bilateral process despite many rounds of talks. Even as Nepal and Bhutan have failed to make any meaningful progress as yet, a group of 9 countries, led by the US have offered a solution through resettlement in third countries. The nine countries including the US are: Canada, Australia, New Zealand, Denmark, Norway, the Netherlands, UK and Sweden. Till the end of May 2011, a total of 45,686 people have been resettled in the US and other countries. The Bhutanese people and the Royal Government are extremely grateful to the host countries for having offered a choice to the unfortunate inhabitants of the camps. On our part, we have offered to resume bilateral talks on the subject with the government of Nepal.

9. Resource Mobilization and Management

As the subject of resources raised both internally and externally as well as the expenditures for the past one year have been duly reported by the honorable minister of finance, I have not included these in my report. However, other developments and achievements in the finance sector are submitted as hereunder:

i. Reforms in Taxation

To improve tax compliance and clarity, the amendment of Sales Tax, Customs & Excise Act 2000 has been submitted for deliberations in the two houses of Parliament.

- i. The third round of Double Taxation negotiation with the Government of India to enhance cross border investment and trade through proper taxing right has been completed. It is aimed to avoid double taxation and fiscal evasion.
- ii. The Refund Manual has been finalized and is ready for incorporation with the Rules on Sales Tax, Customs and Excise Act of the Kingdom of Bhutan and the rules on the Income Tax Act of 2001. The manual has been drafted to provide clearer and proper information on the procedural aspects to the dealing officials as well as the taxpayers availing refund. It will also help to expedite refund process from regional offices, if refund authority is decentralized.

ii. Strengthening of Public Expenditure Management System (PEMS)

With the objective of strengthening our financial management system, the Budgeting & Accounting System (BAS) has been up-graded into a web based system called Public Expenditure Management System (PEMS). The release of funds to the budgetary agencies and banks was taken on-line starting this financial year. Similarly, expenditure submissions from budgetary agencies are also made online, thereby improving the overall financial management of the government. The training of finance and accounts personnel was conducted in January 2011 to familiarize them with the PEMS.

iii. Issuance of Treasury Bills

In order to smoothen the cash flow position of the Government, Nu. 500 million was raised from the market at a discount rate of Nu. 0.50 percent p.a. through the issuance of 91 days T-bill. This was geared towards developing the domestic capital market besides raising funds at highly competitive rates.

iv. Multi-Year Rolling Budget

The development of MYRB system with a web based budgeting and budget management module has been completed, replacing the old stand-alone system of budgeting. This system was adopted to improve budget management and service delivery to line agencies. The MYRB is fully operational and for the first time the budget proposal for the FY 2010-11 from all budgetary agencies have been received and approved through the system. The recommendation and approval of the budget were also done online. The agencies can process supplementary requirements, re-appropriations as well as transfers and withdrawals of funds requisitions on a real time basis and this has reduced not only time but also use of paper.

A hands-on training on MYRB system was provided to all users of budgetary agencies and Post Graduate Diploma in Financial Management (PGDFM) trainees at the Royal Institute of Management. As the users become more acquainted with the system, it is expected to improve efficiency in service deliveries. The integration of MYRB and PLaMS of GNHC will be carried out in the next phase of MYRB system development.

v. Accounting Standards

The Bhutan Board of Accounting and Auditing Standards (BBAAS) has been established to help in developing the Bhutanese Accounting Standards (BAS) for companies.

vi. Regulation and Supervision of the Financial Sector

The Royal Monetary Authority (RMA) Act 1982 was amended and enacted in 2010 to give autonomy and independence to RMA to act on monetary matters and vest it with enhanced powers to oversee the operations of the entire financial system.

The Financial Services Bill 2010 is under consideration of Parliament. Once enacted, the Financial Services Act (FSA) will repeal the Financial Institutions Act 1992 and strengthen the RMA's role as the integrated financial regulator in Bhutan.

Further, the Corporate Governance regulation and other guidelines for the financial institutions and other public listed companies have been drafted.

vii. Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) Regime

To strengthen AML/CFT regime, Bhutan has prepared regulations and guidelines to prevent money laundering and financing of terrorism. A Financial Intelligence Unit (FIU) was also set up within RMA in 2010. With the enactment of FSA, it is expected to provide the basic legislative authority for the establishment of the FIU and its powers and functions.

viii. Branchless Banking License

In view of the limited access to financial services compounded by a low market penetration, a regulation on Branchless Banking Business has been prepared to license branchless banking business in the country. A Branchless Banking financial service provider (BBFSP) will be licensed within this year to support and supplement the payment systems to help meet the objective of inclusive growth.

VI CONCLUSION

In my introduction, I submitted that the purpose of democracy is good governance. In the preceding pages of this report, I have presented to the august Parliament a basis to assess how this purpose has been served by the Royal Government in the last one year. Although the report may give cause for some satisfaction, I must share my deep fear that the commitment and pledge of the Royal Government to fulfil the primary goal of establishing firm foundations for a true and sustainable democracy may remain largely unfulfilled.

The successful transition to democracy and the current functioning of the government are no indicators of how governments will operate in the future if the very bases of democracy and democratically elected governance are on shaky grounds. Bhutan is, as yet, only an emerging democracy faced with real and immediate risks and uncertainties.

My fear arises from the growing complacency which, among others, is giving rise to a feeling that democracy and good governance is the responsibility of the elected representatives alone and that the role of the electorate is to simply pass judgements or remain passive. There is an excessive reliance on the legal and institutional arrangements that are put in place by the Constitution. But many democracies are failing and have failed not for lack of good laws and governance structures. They fail because parties exist to serve ends that are vastly different from the aspirations and needs of the people. They fail because parties are not accountable to the people.

This complacency has now been propelled to a dangerous level, in particular, by the perceived criminalization of political parties and the initial disqualification of candidates who were ‘tainted’ by some association with parties. The consequence, especially in the aftermath of the recent local government elections, is the near complete separation of the parties that were already dying, from the electorate. It is even likely, that public meetings and events which are chaired by ministers may not be attended by the people for fear of being tainted and thereby be questioned and made ineligible for any public office as indeed, was the attempt on the part of the electoral officials during the last elections. The parties are now untouchables just as the politicians were ostracized by the interim government during the electoral process. But there can be neither democratic culture and polity nor democracy without active party machinery that function at the grass roots. Those who insist that parties are just electoral tools miss the point of party democracy altogether. They

are guided in their judgement by what it is in many unwholesome democracies. We need to understand that parties are institutions that must not come and go. They are institutions that make or destroy democracies.

True democracy is involvement and participation of the people at the grassroots. The party in power and opposition need to be able to hear and be heard. Parties need to be close to the people and make it convenient for the people to hold them accountable. The periodical constitutional visits by MPs cannot substitute this. Parties must not become instruments of the rich and powerful and, the elected, their servants. But from sounds and vibrations that I hear and feel from certain quarters, this will be the fate of Bhutanese parties and the elected as in many countries, including some very mature democracies.

We are a small country, a tiny economy and population. What larger democracies and populations can absorb and tolerate, we cannot and must not. We must not go the way of failed, failing or sham democracies. Parties must be the instruments of the people, poor as they may be. State funding, therefore, is critical and the only way to keep the Bhutanese democracy clean and true to the people. This august house and its members need to ponder and deliberate on this and related issues without being prejudiced by current circumstances. I speak neither for DPT nor against PDP. I speak for the many parties that must rise and serve. I speak for democracy and the future without any motives in respect of the predicament of the two serving parties. Let us wish them success in their endeavours to find solutions without state support.

Before I conclude, on behalf of the Bhutanese people, I wish to take this opportunity to thank all our development partners for their support and generous assistance that made possible the achievements reported herein. In particular, I wish to thank the Government and the people of India for their good will, understanding, and excellent cooperation. Without their generosity and support, much of what we take pride in today would have remained a dream.

Most respectfully, my colleagues in the Lhengye Zhungtshog and I wish to offer to His Majesty the King our heartfelt gratitude for the wise counsel, affection and support that we have always received. With the able support of our highly competent and dedicated civil servants, we pledge to continue with our endeavours to serve the Tsa-wa Sum to the best of our ability.

Finally, I wish to acknowledge the blessings of our Guardian Deities and the collective merit and hard work of all the Bhutanese people for the peace, stability and continued advancement we make toward higher Gross National Happiness.

TASHI DELEK