

ROYAL GOVERNMENT OF BHUTAN



**FOURTH ANNUAL REPORT
OF
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TO
THE NINTH SESSION OF THE FIRST PARLIAMENT
ON
THE STATE OF THE NATION**

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THIMPHU

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The Fourth State of the Nation Report is Dedicated to The Joyous Celebration of the Royal Wedding, 13 October 2011

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INTRODUCTION

The past year has been an eventful period. It was made brilliant by the joyful and magical Royal Wedding that was not only celebrated by the jubilant Bhutanese people but by an enchanted world.

Another happy cause has been the ascendance of Bhutan in the international arena as a sovereign nation. Drukgyuel's contribution to a troubled world and its value to the international community was recognized when the UN General Assembly, in appreciation of our guiding philosophy of GNH, passed a resolution on Wellbeing and Happiness as a universal goal. This was followed by the unprecedented honour given to Bhutan to host a most successful high level meeting at the UN Headquarters. The meeting deliberated on the subject of an alternative development paradigm for human society that concluded with a call on Bhutan to further elaborate the proposal so that it may be tabled for consideration by the UN GA at its 68th session in 2013. This awesome responsibility and opportunity to shape the destiny of human society is now being carried out under the direct guidance of His Majesty the King who will be pleased to appoint an international working group of most eminent thinkers, scientists and scholars. On 28th June, last month, the UN General Assembly was further inspired to declare an International Day of Happiness so that the whole of humanity is united in contemplation of the ultimate meaning and purpose of life on the 20th of March each year. Likewise, all world indicators rank Bhutan highly for its governance, ecology, culture and happiness within a peaceful and stable environment. What we have achieved is, indeed, cause for pride and confidence as a people and as a nation.

But the year has also left us with a heavy heart. We suffer the lingering pains of the 18th September earthquake; the predicament of a serious rupee debt; and the tragedy of a great edifice reduced to rubble. We are mindful that these pale to insignificance when compared to the catastrophic proportions of economic, financial, social, ecological, energy, famine and political crises faced by both rich and poor countries all across the world. Yet, for us, these are great challenges that unite us and give rise to our inherent resilience and the indomitable will of the Bhutanese nation. And so, with the blessings of the triple gem, the wise guidance of our beloved King and by virtue of our collective merit, we will rise and recover to continue to flourish in peace and happiness.

In preparing this year's report, I have, as in the previous years, marveled at our amazing achievements within such a short time and under many constraints. In

reflecting on the reasons and causes for such accomplishments, I am reminded, once again, that the credit belongs largely to our highly dedicated and competent civil servants. Likewise, the local governments, the corporations and the business sector are deserving of high praise.

As in the past, this year's report maintains the same format and structure to mirror the four pillars of the Gross National Happiness:

Introduction

- I. Significant Events
- II. First Pillar: Sustainable and Equitable Socio-Economic Development
- III. Second Pillar: Environmental Conservation
- IV. Third Pillar: Preservation and Promotion of Culture
- V. Fourth Pillar: Good Governance

Conclusion

I. SIGNIFICANT EVENTS

1. ROYAL WEDDING

When His Majesty the King announced the Royal desire to bless the nation with a queen during the opening session of Parliament in June 2011, we welcomed it with great joy. The Royal pledge was fulfilled when Her Majesty Gyaltsuen Jetsun Pema became the Queen of Bhutan at the Royal Wedding in October 2011. With Her radiance and grace, Her Majesty instantly won our hearts and all Bhutanese felt truly blessed. While deriving deep satisfaction from appreciating the immense political significance of the event, the historic celebration gave boundless joy to every citizen. The event further strengthened the unity and harmony among our people and gave cause for tremendous pride in being Bhutanese. Beyond this, the international media ensured that the image of Bhutan as a unique culture, vibrant ecology and sovereign nation was further enhanced.

In keeping with Royal Command, the celebrations were kept at a modest scale. And as during the Coronation, the entire country, including individual citizens, the private sector, armed forces, civil servants, students and the Dratsang came together to contribute and participate in the preparations. The old and the religious organizations engaged themselves in offering prayers. And the wedding preparations provided a scene of great harmony and joyful labour. The Royal Government is most grateful to every one and remains deeply moved and inspired by the unity of the Bhutanese people and their love and affection for our King.

2. STATE VISIT OF THEIR MAJESTIES THE KING AND QUEEN TO INDIA

As a tribute to the special relations that we share with the great nation of India, it was the wish of His Majesty the King that the first country that Their Majesties the King and Queen visited after the Royal Wedding should be India. The State visit to India took place from October 23 to 31, 2011 at the invitation of the President of India, Smt. Pratibha Devisingh Patil. The Royal visit marked an important milestone in the close and friendly relations between the two countries and has contributed substantially towards further strengthening the profound friendship, mutual understanding, trust and cooperation between India and Bhutan.

3. STATE VISIT OF THEIR MAJESTIES THE KING AND QUEEN TO JAPAN

The most significant event in our relationship with Japan was the historic state visit of Their Majesties the King and Queen to Japan from 15 – 20 November 2011 at the invitation of Their Imperial Majesties the Emperor and Empress of Japan. His Majesty the King addressed the Joint Sitting of the DIET and received the Honorary Doctorate of Economics from the Keio University of Tokyo.

Their Majesties also visited Fukushima and met with the people affected by the devastating earthquake and tsunami. As a mark of solidarity Their Majesties offered prayers at the disaster stricken area and conveyed the deep sympathy of the government and the people of Bhutan. The Royal visit contributed significantly towards further strengthening the very close ties between Bhutan and Japan.

4. HIS MAJESTY THE KING INSTALLED AS ROYAL BENCHER OF THE HONOURABLE SOCIETY OF THE INNER TEMPLE, UK

This was a special honour offered to His Majesty in November 2011, by the Inner Temple in recognition of Bhutan's significant progress in democracy and the rule of law. Though many British Monarchs have received this honour, His Majesty is the first foreign Monarch to be offered this honour in the eight hundred-year history of the Inner Temple. Their Majesties also met with HRH the Prince of Wales and the Duchess of Cornwall at Clarence House.

5. THE THIRD DRUK GYALPO AWARDED THE 'BANGLADESH LIBERATION WAR HERO' HONOUR

His Late Majesty the Third Druk Gyalpo Jigme Dorji Wangchuck was awarded the Bangladesh Liberation War Honour in Dhaka on 27 March 2012 in recognition of Bhutan's contribution to Bangladesh's Independence War of 1971.

Bhutan was the first country, after India, to recognize independent Bangladesh after the country fought a brief but a bloody war of independence in 1971. Bangladesh was the second country with which Bhutan established formal diplomatic relations in 1973. Since then, the two countries have enjoyed the most cordial relations encompassing a diverse area of cooperation.

6. FOURTH PROF. HIREN MUKHERJEE ANNUAL PARLIAMENTARY LECTURE, NEW DELHI

The Prime Minister was invited by the Lok Sabha Speaker Smt. Meira Kumar to deliver the fourth Professor Hiren Mukerjee Memorial Lecture before the Indian Parliament on 20 December, 2011. The lecture was attended by the Vice President of India, Prime Minister of India, Srimati Sonia Gandhi, the President of Indian National Congress, Leader of Opposition Party, union cabinet ministers and parliamentarians; foreign diplomats and eminent people. This special honour extended to the Lyonchhen is to be seen as a significant development in the nature and quality of relations between our two countries.

7. DISPLAY OF RELICS OF LORD BUDDHA AND HIS TWO DISCIPLES

The relics of Lord Buddha and his two principal disciples, *Saribu and Mougelgibu* preserved in Bodh Gaya in Bihar were brought to Bhutan on 1 October, 2011 for a month long public exposition across the country. This was made possible on my special request as the President of the Mahabodhi Society of India. We are very thankful to the Mahabodhi Society and the Government of India for making the extraordinary arrangement for the loan of the sacred relics to Bhutan. The arrival of the relics was timed to bless and purify the land in preparation for the Royal Wedding.

In order that as many Bhutanese as possible, especially the old, the poor and the infirm, could avail the opportunity to view and pay their respects, arrangements were made to display the Relics in eight different regions in Bhutan viz. Thimphu, Punakha, Tsirang, Trongsa, Trashigang, Pema Gatshel, Samdrupjongkhar and Paro. An unprecedented number of over 500,000 Bhutanese from across the country venerated and received blessings from the sacred relics.

8. HIGH LEVEL MEETING ON WELLBEING AND HAPPINESS AT THE UN HEADQUARTERS, NEW YORK

In my last report, I submitted that I had proposed to the world body to adopt happiness as a development goal that would bind all of humanity, rich and poor, to a timeless vision. This first ever resolution advanced by Bhutan was adopted without a vote by the UN General Assembly. Stemming from the adoption of the Happiness Resolution, our country received the exceptional honour of hosting the historic “High Level Meeting on Wellbeing and Happiness: Defining a New Economic Paradigm” at the

UN Headquarters, New York on 2nd April 2012. The Meeting was attended by a diverse congregation of over 800 participants, comprising political and government leaders, diplomats, UN and other international organizations, civil society organizations, media, scholars, economists, thinkers, scientists, entrepreneurs, and spiritual leaders from the world's five major faiths. The UN Secretary General delivered the Inaugural address, the President of Costa Rica gave the keynote address and the Presidents of UNGA and ECOSOC made special statements of support at the inaugural session chaired by the UNDP Administrator (former Prime Minister of New Zealand).

The High Level Meeting was organized along four thematic sessions: well-being and happiness; ecological sustainability; fair distribution; and efficient use of scarce resources. The meeting was preceded by a workshop, a day earlier, on wellbeing and happiness, organized by the Earth Institute of Columbia University. The participants were mainly scholars and included some 7 Nobel Laureates. After the Meeting, about two hundred participants continued with intensive discussions on 3 and 4 April to synthesize the outcome of the meeting and to initiate a global movement to promote well being and happiness as the *raison d'être* of the much needed new economic paradigm.

The report of the High Level Meeting has been submitted to the Secretary General of the United Nations for distribution to all UN member states. The Royal Government also presented the report at the Rio+20 Conference in June this year.

The Meeting which was broadcast live on the UN Website, was followed by several million people through the conventional and social media. The stories and articles on the international media including a live broadcast by the BBC captured world attention. These have contributed to the realization of Bhutan's core foreign policy goal of contributing to the advancement of human society and have immeasurably enhanced and promoted Bhutan's stature and value to the international community.

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

This section will review the macroeconomic status of the nation. It will then highlight the achievements under the common minimum programme especially designed to accelerate poverty reduction, and also the achievements under another ambitious initiative of the Government, viz., *Accelerating Bhutan's Socio-Economic Development (ABSD)* to generate employment, reduce administrative burden and make public services delivery efficient and effective. The section will then profile progress against the Millennium Development Goals targets before a detailed discussion of sector-related achievements.

1. MACROECONOMIC STATE OF THE NATION: SUSTAINING THE HIGH GROWTH TRAJECTORY

There is currently an economic nervousness in the world, which started with the financial crisis in the US in 2008 and has recently extended to the sovereign debt crisis in the Euro zone - both seriously impacting the global economic growth.

Bhutan with 8.1% growth rate was ranked second in the South Asia after Sri Lanka (8.3%) and 11th in the world by real GDP growth rate for the year 2011 in the list of countries prepared by the US Central Intelligence Agency. The global growth rate for 2011 was only 3.7% with many developed economies showing zero growth or contraction. Regionally, the growth rate was 9.5% for China, 7.8% for India, 6.3% for Bangladesh, 3.5% for Nepal and 2.4% for Pakistan. The growth rate for the European Union was 1.6%, USA 1.5% and UK 1.1%. Japan recorded a contraction of -0.5% and Greece -6%.

According to the 2012 United Nations Economic and Social Survey of Asia and the Pacific, Bhutan is projected to grow at 9.8% in the current year 2012. According to our own forecast, Bhutan's growth is projected at 7.8% for the fiscal year (FY) 2011-12 and higher in the last FY of 10th FYP. The average GDP growth for the plan period is projected at 8.8%, which is very close to the 9% growth that has been pledged.

The International Monetary Fund (IMF) consults annually with each member government, and through these contacts, known as "Article IV Consultations," it assesses each country's economic health and forestall future financial problems. According to Article IV Consultations report for Bhutan 2011, our economic

performance in recent years has been rated as strong and its progress on social indicators as steady.

Growth is currently driven by industry with hydropower constructions contributing 44.1% followed by service sector at 37.4% and primary sector activities including agriculture, livestock and forestry at 15.1%.

The overall balance of payment is positive with a reserve base to meet 19.3 months of total essential imports. However, a negative balance of payment exists with India, a gap that has grown significantly in the recent years, and with whom we have 80% of our trade. This has resulted in rupee shortage with India that is discussed below.

1.1. Rupee Shortage: Causes and Responses

One of the recent challenges faced by the economy has been that of the balance of payments with India. The causes of the problem and the measures being taken have been explained to the general public by the Government and the Royal Monetary Authority through the media. The Ministry of Finance also distributed a booklet to the Hon'ble Members of Parliament.

We have had rupee shortages in the past but the size of the current shortage is far greater than what we have experienced earlier. This is because our consumption rate in recent years has been growing faster than our earning rate i.e., we are in effect, living beyond our means. As a small economy, it is natural that we cannot produce most of what we need, and must therefore, depend on imports. This situation has nevertheless, made us aware of certain weaknesses that need to be addressed. The first is our changing life style oriented towards consumerism. The second is that our agricultural sector in particular, has not received proper incentives to be more productive. The third is the feeling that our plan size, including mega hydropower projects, may have been too large. Similarly, there is the tendency on the part of our people to buy goods from across the border even when they are easily available in the country. All the while, our national instinct to be productive, frugal and self reliant has been on the wane. While this trend is not in keeping with our philosophy of GNH, efforts to enhance national productivity need to be scaled up. Thus, among the various initiatives, the Ministry of Agriculture and Forests is working closely with the farmers to ensure that at the very least, we will become self sufficient in vegetables.

Although government expenditure has not directly caused the rupee shortage, the

Government has taken measures to also rein in its spending. Expenditures are rationalized and as the House has observed, the budget size for the next financial year is less than that of the last year even in nominal terms. The estimated budget deficit has been brought down to 1.56 % of GDP. Import control measures are also being put in place. In this regard, I am thankful to the National Assembly for having approved the levy of green tax on vehicle imports.

One of the biggest concerns was on the cost of borrowing rupees for which efforts have been made to mobilize cheaper financing. In October 2011, the Royal Government requested the Government of India for an enhancement of the Rupee Line of Credit. The Government of India, in spite of its own financial difficulties, has kindly agreed to increase the credit line to INR 10 billion. We remain deeply grateful to the Government and the people of India for this act of generosity. In the meantime, under the aegis of the SAARC central banks, the Reserve Bank of India has offered a currency swap arrangement between the central banks.

We can further take comfort from the comments of many eminent economists including the world renowned Prof. Joseph Stiglitz who have said that the Bhutanese economic fundamentals are sound, and that the current Rupee shortage is not an economic crisis but a symptom of a stress as a result of excessive growth and spending particularly in relation to our trade with India. However, as the Hon'ble members are aware, the Royal government has obtained the views of several other experts and organizations. I understand that the National Council is conducting a thorough study of the problem with the objective of arriving at some concrete recommendations for the government. We appreciate their undertaking such a task and look forward to receiving their advice. In the meanwhile, recognizing the rupee shortage to be a continuing problem, the Royal Government has recently approved the establishment of a High Level Committee to study the feasibility of a stabilization fund for Bhutan.

2. MINIMUM PROGRAMME: ACCELERATING POVERTY ERADICATION

2.1. Motorable Road To Every Gewog Centre

Out of the 49 gewogs in the country that remained to be connected by motorable road in the beginning of the 10th FYP, a total of 22 gewogs have so far been connected with 12 gewogs connected in the past year. As of May 2012, road connections in nine other gewogs are at 70% or near completion stage, and the road construction progress in 14 more gewogs is over 30%. However, the progress with regard to

the remaining four gewogs are 17% for Naro and Lajab gewogs, works have been delayed in Gakiling gewog due to change in realignment, and Bardo gewog does not have the take off point as it is dependent on completion of the Nimshong and Therang road. A total of 776 km of the Gewog Centre roads has been completed against the target of 1138 km, which is 68% achievement.

Following the Mid-Term Review of the 10th FYP in 2010/11, a total of 141.9 km of road constructions was approved in addition to the above planned activities, out of which 81.9 km has been completed, resulting in 57% achievement.

2.2. Electricity For Every Home

In addition to 52% households in the country that received electricity at the end of the 9th FYP, 80% of all families have now received this vital service as of March 2012. Since the beginning of 10th FYP, about 26,524 households have been electrified, out of which 23,858 households have been electrified through grid extension and remaining 2,666 households including 114 public institutions through Solar Home Lighting Systems. The balance 16,462 households will be electrified during the FY 2012/13. All the necessary funds have been secured and the implementation of the rural electrification projects is under good progress.

2.3. Universal Primary School Enrollment

The adjusted net primary enrolment ratio in 2012 was 98%. Adjusted Net Primary Enrolment Ratio looks at all the children of primary school going age regardless of what grade of school or monastic education they are enrolled in and includes even primary school age children studying abroad. The Gross Enrollment Ratio for primary education as of 2011 was 120%.

At the start of the 10 FYP, the Net Enrollment Ratio for primary education (including private schools) was 83.7%. Similarly, the Gross Enrollment Ratio for primary education was 105.7%.

2.4. Minimum Of Three Doctors And Two Ambulances For Every Dzongkhag Hospital And All Communities To Have Easy Access To Basic Health Facilities

Currently, 11 Dzongkhags have at least three doctors each, five Dzongkhags have two doctors each and the remaining four have a single doctor each. The progress on this front has been challenging because, besides the difficulty in new recruitment, a

number of existing doctors are undergoing specialization trainings abroad. However, with an accelerated mobilization programme in place, we are optimistic in fulfilling our commitment by 2013.

With a fleet of 107 ambulances in the country, the target of two ambulances for every dzongkhag hospital has been achieved. Additionally, the government has provided five ambulances for each of the regional hospitals and one each for BHU-I. Further, 15 ambulances are stationed in community strategic areas to facilitate transportation access during emergencies.

In order to free ambulances from allied and administrative duties, one utility vehicle each has been provided to all hospitals and three vehicles to be used as specialized Blood Bank Vans.

2.5. Safe Drinking Water Supply For Every Home

A priority of the government is to ensure access to safe drinking water. The proportion of population with access to safe drinking water increased from 69% in 2008 to 94% in 2011 with improvements particularly noticeable in rural areas.

There are still pockets in the country where supply of safe drinking water through conventional methods has not been feasible. As such, alternative technologies in the form of rainwater harvesting system in Mongar, Pema Gatshel, Paro, Trongsa, Lhuntse, and pumping water supply in Pema Gatshel, Samtse, Chukha were implemented. Technologies such as bio-sand filtration were also implemented to ensure safety of supplied water.

To prevent water borne diseases and enable access to clean and safe drinking water throughout the country, the government developed tools and protocols for water quality testing both in urban and rural areas. Such system for periodic and regular water quality monitoring is being institutionalized.

2.6. Mobile Phone Connectivity For Every Community

In 2011, the Royal Government had approved Nu. 380.51 million government subsidy to the Bhutan Telecom and TashiCell through the Universal Service Obligation (USO) Fund. As a result of the government subsidy, services are now available in most Gewogs including some of the most remote and difficult places such as Lunana and Laya (Gasa), Barshong, Soe, Naro and Lingshi (Thimphu), Merak and Sakteng

(Trashigang), Jomotsgangkha, Lauri and Serthi (Samdrupjongkhar). All 205 Gewog centers now have access to mobile services. As a result of these efforts, there has been a significant jump in the number of mobile subscribers from 56.4% or 394,316 in 2010 to over 68.4% or 484,189 subscribers as of December 2011.

Besides expanding access and coverage by mobile services, the two operators continue to find innovative ways towards ensuring optimum utilization of facilities provided across the country by offering several user-friendly packages and making the services affordable to rural people.

3. ACCELERATING BHUTAN'S SOCIO-ECONOMIC DEVELOPMENT (ABSD)

Good governance remains the hallmark of Bhutanese governance. However, the Bhutanese society especially the common people continue to struggle under the weight of administrative burden from regulations and public service delivery, often resulting in corruption and hindering economic growth. Mindful of the fact that people's faith and confidence in the institution of democracy lies in what it has to offer, we undertook the boldest initiative - Accelerating Bhutan's Socio-Economic Development (ABSD) to accelerate the pace of socio-economic development through improvement in efficiency and effectiveness of public service delivery.

The ABSD initiative focuses in the critical areas of healthcare, school education, tertiary education, vocational training and Government to Citizen (G2C) services. Furthermore, the initiative is also targeted at generating employment in Construction, Tourism, Culture, ICT and Agriculture sectors.

Some of the major achievements include:

- i. The program has helped generate about 21,000 new jobs across five economic sectors namely tourism, construction, agriculture, culture and ICT as of May 2012. This is against the target of 19,200 jobs by June 2012 and the program is on track to achieve the 30,000 jobs by June 2013;
- ii. The program has helped the government streamline procurement of construction materials and several other categories. We have already accrued Nu 112 million of savings from targeted savings of Nu 260 – 340 million by June 2013;
- iii. Against the target of 65,000 tourists in 2011, the total tourist arrival was 100,833 tourists which included 65,756 international and regional high end

- tourists. Similarly, the target for 2012 is 100,000 tourists, and we have already received 18,538 international high end tourist from January to June 2012;
- iv. Domestic air services between Paro-Bumthang-Yongphula started from December 2011. The construction of runway for the Gelephu airport has been completed and will be operational by end of the monsoon season 2012;
 - v. Milk production of 294 k litre has exceeded the target of 120 k litre for June 2012;
 - vi. 1,127 hectares of blue pine forests were thinned under Thimphu territorial division against a target of 1000 hectares;
 - vii. Rice productivity has increased to 3.38 mt/ha against the target of 3.2mt/ha for June 2012. 10 kubota tractors, 10 transplanters, 46 poly house set, four water pumps with engines, 12710 nursery trays and 75 mt high yield variety seeds have been supplied to increase rice productivity;
 - viii. Second international ICT gateway, 50-kilometre Optical Ground Wire fiber network between Gelephu and Bongaigaon, Assam was inaugurated on 26 March 2012. The gateway at Gelephu will complement the only international gateway at Phuentsholing, to help provide better and reliable internet services in the country;
 - ix. Design for pilot Cane and Bamboo craft cluster in Zhemgang has been approved by the Agency for Promotion of Indigenous Craft (APIC) Board and construction is expected to start soon. Cultural Industries has contributed to 477 jobs;
 - x. School rankings for 2011 based on academic learning, enabling practice in teaching and learning, and Gross National Happiness was released in April 2012;
 - xi. Draft National Policy on Early Childhood Care and Development, draft National Policy on Special Educational Needs and draft National Education Policy were finalized and submitted to the government for review and approval;
 - xii. Waiting time at JDWNR Hospital has been reduced to 56 minutes in April 2012;
 - xiii. Laundry service at JDWNRH has been outsourced;
 - xiv. MoLHR and Jai Prakash Associates Ltd. have signed MoU to train 300 Bhutanese youth in hydropower construction training;
 - xv. Criteria for minimum standard for nursing Institute have been developed; and
 - xvi. 23 Community Centers with 62 Government to Citizen Services (G2C) have been established in December 2011. The G2C Services include processing security clearance, passports, forestry clearance, sectoral clearances and trade licenses. They will focus on the most common services sought by citizens at the community level.

4. MILLENNIUM DEVELOPMENT GOALS (MDG)

The MDG are eight international development goals that all 193 United Nations member states and 23 international organizations have agreed at the special Millennium Summit in 2000 to achieve by the year 2015. The aim of the MDGs is to encourage development by improving social and economic conditions in the world's poorest countries. As a member country it is our obligation to fulfill the goals. As evident below we are on track to achieve all targets under the MDG.

MDG 1: Eradicate Extreme Poverty and Hunger: The goal of the 10th FYP is to reduce poverty incidents in the country to less than 15% of households earning less than \$1.25 per day, from the 23.2% in 2007. While observational evidence suggests living standards have been improving among the poorest, this will have to be validated by Bhutan's Living Standards Survey, which should have results available by the end of 2012.

MDG 2: Attaining Universal Primary Education: At the start of the 10 FYP in 2008, the Net Enrollment Ratio for primary education (including private schools) was 83.7%. This has reached 97% in 2011 while the adjusted net enrolment ratio for 2012 is 98%. Similarly, the Gross Enrollment Ratio has increased from 105.7% to 120%.

MDG 3: Promote Gender Equality and Empower Women: Progress towards this goal as measured by girls' enrolment over the last six years has shown a steady increase. With the exception of the higher secondary level, girls' enrolment as a percentage of total school enrolment is about 50%, at every level of general education. The percentage of girls' enrolment in Secondary education has increased from 45% in 2002 to 50.4% in 2011 with an increase of 0.8 % over last year. Girls, therefore, make up more than half the total enrollment at the secondary level. Even at the higher secondary, enrolment of girls has been steadily increasing over the years. Gender equality and empowering women as measured by the proportion of women holding seats in the Parliament which is 14% and the proportion of women holding Local Government seats which is around 6%, is apparently low compared to the critical requirement of 33%. However, since the first elections, with the strong political will and support of the government, the National Commission for Women and Children (NCWC), the Election Commission of Bhutan and the Department of Local Government have taken various initiatives to increase women's participation in politics.

MDG 4: Reduce Child Mortality: Under-five mortality rate has been brought down

from 123 in 1990 to 61.5 per 1,000 live births in 2010. Infant Mortality Rate has been reduced from 90 in 1990 to 40.1 per 1,000 live births in 2010. As such the country remains on track to achieve the MDG target of reducing U5MR by two-thirds in 2015. Immunization coverage has been sustained at above 90% from 84% in 1990. Additionally, immunization coverage levels were also maintained at over 85% for all Dzongkhags. In 2009, Bhutan received the Best Immunization Performance Award from the Global Alliance for Vaccine and Immunization.

MDG 5: Improve Maternal Health: The Maternal Mortality Rate in 2000 was 255 per 100,000 live births. The current estimate of 155 (about 40% decrease from 2000 baseline) indicates that progress is on track to achieve the target of 140 per 100,000 live births by 2015.

MDG 6: Combat HIV/AIDS, Malaria and Other Diseases: The number of HIV cases detected increased from 38 in 2000 to an alarming 270 in 2011. To combat this, a ‘National Strategic Plan for Prevention and Control of STIs, HIV and AIDS, 2012-2016’ was developed. The strategy focuses on additional measures to prevent mother to child transmission, provides treatment and standardized care and support for people living with HIV/AIDS. The number of Tuberculosis and Malaria cases has dropped from 4,232 and 22,126 cases in 1990 to 1,250 and 194 cases in 2011 respectively.

MDG 7: Ensure Environmental Sustainability: The forest cover has increased from 72.5% in 1995 to 80.89% in 2010. The proportion of population with access to safe drinking water increased to 94% in 2011 with improvements particularly noticeable in rural areas. The MDG target of reducing by half those without access to safe drinking water has already been achieved well in advance.

MDG 8: Develop a Global Partnership for Development: Besides ODA and other high level partnership consultations, the Royal Government plans to conduct minimum of two Round Table Meetings (RTM) in one plan period mainly to foster partnership for development. The RTM is the most important aid co-ordination mechanism and development policy dialogue forum between the Royal Government of Bhutan and its international development partners. The initiatives taken by the Royal Government to foster global partnership extends into active participation and contribution in the SAARC and BIMSTEC processes at the regional level. The encouraging progress being made by Bhutan in persuading the world to adopt an alternative development paradigm that is holistic, sustainable and inclusive toward promoting human happiness and wellbeing of all life forms on earth is perhaps the most significant contribution to promoting global partnership through a common

vision and strategy.

5. SECTOR PROGRESS AND ACHIEVEMENTS

5.1. Agriculture, Livestock and Forests

A. Agriculture

The overarching goal for the 10th FYP for the agricultural development is to reduce rural poverty from 30.9% to 20% through enhanced food security, increased rural income and employment generation. The Bhutan Living Standard Survey (BLSS) 2012 report that will be released later this year will provide a clearer picture of the progress against this objective.

5.1.1 Securing Food Security

Food self-sufficiency for the overall cereal basket is currently 71 % with the total estimated production of all cereals at 143,851 MT. Hence, the 10th FYP target of 150,000 MT is within reach.

As part of enhancing rice production, the five target dzongkhags of Sarpang, Samtse, Samdrupjongkhar, Punakha and Wangdue have seen the productivity increase by 30% from 2.64 MT/hectare/year to 3.38 MT/ha/year.

5.1.2 Horticulture – Furthering Opportunities for Income Generation

The 10th FYP target is to increase horticultural export from Nu. 476 million to Nu. 900 m per year. The horticultural export in 2010 was Nu. 938.89 million already crossing the target. The top earners were:

- i. Orange - Nu. 332.32 million;
- ii. Cardamom - Nu. 222.20 million;
- iii. Potato - Nu. 197.54 million; and
- iv. Apple – Nu. 116.90 million.

5.1.3 Diversification and Commercializing Agriculture

The Government identified and endorsed various strategies to accelerate Bhutan's socio-economic development. Contact Farming is one such initiative to increase

GDP and rural income, improve the value of exports, and enhance employment opportunities and rural income. Eight products were initially identified by this initiative, with the list of products expanding based on market and grower interest.

Seven initiatives have been implemented with four more in the pipeline. These include:

- i. **Mountain Hazelnut Venture Ltd.:** Against the target of planting 10 million hazelnut trees on 25,000 acres in five years time and creating over 200 direct full time jobs, a total of 934 acres have been planted out of 3000 registered with 917 participating farmers;
- ii. **Coffee Plantation:** The plantation of half a million coffee plants over 150 acres of land in Sibsoo, Samtse is currently underway with the first harvest expected by 2013. An agro-processing plant will also be established employing between 75 and 150 people;
- iii. **Samcholing Green Tea, Trongsa:** It is a 20 acre green tea plantation;
- iv. **Tata Chemicals Limited (TCL):** It bought 30 MT of seed potato of Kufri Jyoti variety in November 2011 at a negotiated price of Nu. 19/kg. Its requirement for 2012 is over 300 MT and is expected to increase over the years. Bhutan Alpine Seeds, a collaborator with TCL has already started to produce 300 MT seed potato in the farmer's field. TCL has also expressed its interest to set up a Tata Kissan Sansar in line with our One Stop Farmers Shop concept;
- v. **Anubhav Bio-Tech Pvt. Ltd:** Based on the success of trials, Stevia cultivation (stevioside, a sugar substitute) will be taken up for large scale plantations in farmers' fields;
- vi. **Adani Agrifresh Ltd:** Initial discussions have begun with this major Indian company who are interested in large-scale apple production; and
- vii. **Oil seeds:** A recently signed venture supports sunflower cultivation and processing of edible oil by the domestic firm, Jigme Trading. The aim is to reduce vegetable oil imports, which represent the second highest imported food commodity.

Feasibility study related to organic agriculture, crafts and community tourism efforts has been undertaken in association with Fabindia Overseas Pvt. Ltd. Discussion on finalizing the proposal is underway. Similar discussions are also underway with Chharo Tshongdrel on premium rice marketing.

5.1.4 Citrus, Cardamom and Ginger Rehabilitation

The following measures have been taken to contain the citrus greening disease

‘Huanglongbing’ that threaten citrus industry.

- i. Disease free seedlings are being raised in National Seed Centre, Bhur for promotion to farmers;
- ii. Demonstration orchards showcasing all improved and best management practices were established in major citrus growing Dzongkhags;
- iii. A National Citrus Nursery cum Repository was established in Tsirang with a laboratory facility, nursery and two mother blocks for disease-free rootstock seeds and scion wood;
- iv. The action plan titled “Huanglongbing/Ex-Citrus Greening Disease: Psyllid Management and Control Action Plan” has been developed to provide relevant information and guidance to researchers, extension workers and growers to effectively manage citrus orchards from greening;
- v. In terms of cardamom rehabilitation, disease free cardamom capsules were supplied and distributed to the nursery operators in Samtse and Haa in order to revive the Bhutanese cardamom industry; and
- vi. To promote and encourage ginger production in Samtse and Chukha, ginger seeds were supplied along with the provision of fungicides to help farmers prevent or combat incidences of rhizome rot and wilts.

5.1.5 Accelerating Vegetable Production

Bhutan’s vegetable production has increased nearly six-fold over the past decade, however only 60% of the national needs are being met. To be self sufficient, total national production must reach 54,445 MT per year. The ongoing rupee shortage has heightened the need to work towards self-sufficiency at an accelerated pace. Hence, a budget of Nu 32 m has been allocated for 2012-2013 to accelerate vegetable production and marketing.

A production plan for 13 selected vegetables to substitute imports has been prepared. Furthermore, over 60 groups and cooperatives will be strengthened and linked to big institutions and projects markets. Current efforts include enhancing links to large-scale consumers for example the armed forces, schools, hydroelectric projects and markets like the Centenary Farmers Market in Thimphu. These include:

- i. **Linking consumer groups with vegetable growers’ group:** The annual demand for vegetables by schools is estimated at 2,856 MT, 4,338 MT for armed forces, and 215 MT for the Royal Bhutan Police. Vegetable demand of mega projects such as Punatshangchu is 1,008 MT a year. To reduce these

- imports and to create guaranteed markets for growers, linkages have been set up between big projects and schools with farmers groups;
- ii. **Linking schools with vegetable growers' group:** Two schools in Bumthang and Gyalpoizhing have been linked with farmers groups as a pilot project;
 - iii. **Linking Centenary Farmers Market (CFM) vendors with local producers:** The CFM of Thimphu alone trades in about 10,000 MT of local and imported vegetables annually. Of this, about 5000 MT was imported for the CFM during the lean season (November-April). Therefore, a vegetable production plan for all potentials gewogs of Thimphu, Paro, Haa, Chukha, Samtse and Sarpang has been developed to meet this expected demand of CFM. With the new production plan, about 15,000 MT of summer vegetables and 14,000 MT of winter vegetables will be produced by the six dzongkhags of Thimphu, Paro, Haa, Chukha, Samtse and Sarpang;
 - iv. **Linking West Central Region dzongkhags with the Punatsangchu Hydropower Project, Dagachhu Hydro Power Project and local markets:** 23 gewogs i.e. four gewogs from Punakha, seven gewogs from Tsirang and 12 gewogs from Wangduephodrang dzongkhags have been identified to produce and supply 20 types of vegetables to PHPP;
 - v. **Linking East Central Region with Mangdechhu Hydro Power Project:** In the East Central Region, the Mangdechhu Hydro Power Project (MHPP) will provide the main market for vegetables from Bumthang, Trongsa and Zhemgang. Therefore, large scale cultivation of regularly consumed vegetables will be encouraged in potentials gewogs of Bumthang, Trongsa and Zhemgang. About 692 acres of land are planned to be brought under vegetable cultivation with a total production of 2,221 MT;
 - vi. **Linking Eastern Region with Kholongchu Hydropower Project and institutions:** The Market Access and Growth Intensification Project (MAGIP) will develop linkages of local producers with the hydropower project and schools/institutes in the six eastern dzongkhags. Production of over 1,928 MT of vegetable during summer is expected from this scheme;
 - vii. **Promotion of vegetable as relay crop to rice** will be promoted; and
 - viii. **Promotion of protected cultivation:** Another initiative is promotion of off-season production and production at high altitudes. This includes supply of green house facilities to the farmers. For instance, semi-mechanized green houses worth Nu. 0.70 m were supplied to two vegetable grower groups in Paro and Bumthang. Similarly, three more greenhouses valued at Nu. 0.38 m were supplied to vegetable grower groups in Bumthang.

5.1.6 One Stop Farmers Shop (OSFS)

To enhance access to agricultural services, the concept of One Stop Farmers Shop (OSFS) is being piloted. These are direct-to-consumer centers for multiple types of agricultural products such as meat, eggs, vegetables, while simultaneously acting as a retailer for farm tools, seeds and other products for farmers themselves. As of April 2012, six OSFSs has been established with another 11 planned for the next phase of implementation.

5.1.7 Going Organic – Future of Bhutan’s Agriculture

There are 1,500 households presently involved in organic farming. This includes 37 organic farmers’ groups comprising 881 farmers. A total of 2,043 acres of cultivated land is under organic management. The major agricultural products targeted for organic cultivation are potatoes, vegetables, turmeric, rice, fruits, asparagus and buckwheat.

Organic growers are provided government support in marketing, sales space in the Centenary Farmers’ Market, linkages with companies such as Bio-Bhutan and the Institute of Traditional Medicine Services and procurement of bio-pesticides for research and development. Through the FAD-FAO-organic MADP project, an organic dye unit comprising of pulverisers, extractors, baths and cabinet equipment was established in Trongsa.

5.1.8 Farm Mechanization – Making Farm Life Easier

Our diminishing agricultural population is increasingly feminizing and ageing. Efforts to support farm mechanization are an effort to attract and retain youths and address shortage of labor in the sector.

To support these efforts, the Agriculture Machinery Centre has recently produced and distributed a range of energy saving farm equipment including milk churners, power and pedal threshers, saw dust compacting machines for mushroom production, power tillers and trailers, de-husking machines, and other implements. A total of 339 power tillers have been distributed since 2008.

5.1.9 Irrigation

A total of 164.38 km of new irrigation cannels was constructed and 1013.41 km have

been renovated between 2008 and 2012.

5.1.10 Farm Roads – Lifeline for Rural Development

A total of 2215 km (68%) of farm road have been completed against the ambitious target of 3388 km for the 10th FYP. Furthermore, the constructions of 673 km is currently underway, some of which are nearing completion.

5.1.11 Collection Sheds and Sales Counters – Facilitating Local Production and Marketing

Marketing structures such as collection sheds and sales counters have been constructed to facilitate marketing of local produce. These include:

- i. Dairy and dairy product collection/sales counter in Tashiyangtse, Bajo, Mongar town, Yadi, S/jongkhar, Deothang, Yanangbrangsa and Sakteng gewog, and Zhalaphangma and Poultry sales outlet at Ngatsang;
- ii. Road side RNR sales counter at Gangola, Mongar and Toep Geog, Punakha;
- iii. Vegetable/Mushroom collection shed at Genekha & Organic sales counter at Bumthang; and
- iv. New/renovation of vegetable market structures at Chamgang, Dagapela, Lhuntse, Nobding, Gyelposhing, Chamkhar, Damji, Changjiji, Dagana, Centenary Market, Lingmethang, Gangola and Khuruthang.

B. Livestock

There has been substantial improvement in livestock productions which exceeded its targets by nearly three-fold. This substantial value has been generated through gains in milk production (Nu. 1,286 m) followed by egg (Nu. 195 m). In addition, cattle population has increased by 4%, pig production by 8%, and poultry production by 69%.

5.1.12 Dairy Development

To enhance dairy production, 112 dairy farmers group have been formed, and 33 MPUs and 45 MCCs have been established till 2011. The present national milk production from dairy groups and individual farmers stands at 28,579 MT against the 10th FYP target of 7,897 MT by 2013, which is 361% achievement above the set target. The current production meets 69% of the domestic demand for milk, 86% of

butter and 79% of cheese, resulting in decreased import of fresh milk 15%. Under the ABSD initiative for dairy development, eight western dzongkhags achieved the set target of 100 MT per month

5.1.13 Poultry Development

There are more than 1,030 poultry farms operating today (500% increase from 2008). Currently, the production is 22 mil eggs worth Nu. 219 million and 119 MT of chicken per year. The import of eggs dropped from six million in 2010 to two million in 2011, increasing egg self-sufficiency level to more than 80%.

5.1.14 Other Livestock Initiatives

Other livestock initiatives include diversification of livestock farming with the introduction of chevon (goat) production, buffalos and fish farming. Given the large demand for chevon, the existing goat farming is being up-scaled. The approach includes optimizing the goat farming system within confined areas to minimize environmental effects.

The 2010-2011 FY national fish production from inland aquaculture ponds was 45 MT. Furthermore, a significant amount of fish production is expected to have been achieved with Harachhu Capture Fisheries Management Group, which was initiated in September 2010. Another capture fishery, the Berti Capture Fisheries Group was initiated along the same lines in March 2012.

The Department of Livestock is developing a comprehensive plan for promoting buffalo farming in the southern belt. Under this initiative, 17 buffalo heifers and 10 breeding bulls were supplied and around eight have already calved and are milking.

In terms of livestock input and support services:

- i. Increased land under improved pasture stands at 3822 acres against the 10th plan target of 4637 acres in 2013;
- ii. 210 acres of government land leased to members of farmers' groups and developed into pasture;
- iii. 10 varieties of high yielding fodder successfully developed and currently being promoted as against 10 FYP target of eight varieties;
- iv. 59 MT of high quality fodder seeds produced and distributed to the farmers;
- v. Stall feeding through use of improved fodder species, feed blocks, urea

- mollasses Mineral Blocks (UMMB) increasingly being promoted and vigorously pursued in pilot areas; and
- vi. 88 Artificial Insemination Centres established against the plan target of 50 centres thereby increasing access to mobile AI facilities.

C. Forests

The 10th FYP goals for forestry development are to maintain the minimum forest cover at 60%, enhance forest area under sustainable forest management to 10% from 5% of the total forest area, and community and private forest areas to 4% from the 2007 level of less than 1%.

5.1.15 Sustainable Forest Management

Of roughly 30% of the total forest area available for timber production, about 5.4% has been brought under scientific forest management constituting 14 Forest Management Units (FMU) and five Working Schemes (WS).

The Natural Resources Development Corporation (NRDCL) produces around two million cft annually.

About two million cft of timber are supplied to the rural people annually on subsidized rate for constructing their houses.

Annually about 150,975.15 cft of timber is supplied for repair and renovation of dzongs, lhakhangs and monasteries.

5.1.16 Community Forests – Local Participation in Forest Ownership

The community forestry scheme is of great benefit to poor rural farmers. In the first half of 2012 alone, 73 community forests were established in addition to the 65 community forests established in 2011. As of date, there are a total of 418 community forests in the country covering an area of 447,232 ha benefiting 18,727 households (27% of total rural households).

In addition to meeting the local needs for timber and other forest products, the community forest management groups has a cash balance of over Nu. 10 million.

5.1.17 Mitigating Human-Wildlife Conflict

Every year, farmers suffer significant loss of crops and livestock to wildlife depredation. In recent years, wild boars and elephants have featured regularly in the media for crop destruction. Given Bhutan's strong commitment to conservation, there is no easy solution to the problem. To address these challenges, mitigation measures currently being tested and promoted include animal warning devices such as alarms, electric and chain links fencing, and innovative financing and insurance schemes. 288 households were compensated for livestock depredation by wildlife and a pilot livestock insurance scheme was initiated in Dangchu and Sha Ngawang in Wangdue and Nubi Geog in Trongsa.

To address the people-wildlife conflict on a long-term basis, the Endowment Fund for Human-Wildlife Conflict was launched in April 2011 with seed money of Nu. 1 million. The fund has now reached Nu. 4 million.

5.1.18 Process Leaning

G2C initiatives on process leaning on forest produce and RNR service delivery has been launched. Services rendered by the Department of Forests and Park Services have been simplified and are now delivered following the new simplified procedures. A system has been developed to shorten the turnaround time for all the services by at least 60% for the following services.

- i. Issuance of Rural Timber Permit;
- ii. Issuance of Permit for Firewood, Flag poles and Fencing Poles;
- iii. Issuance of Permit for Leaves, Mould and Top Soil;
- iv. Removal of Forest Produce from Private Registered Land; and
- v. Issuance of Permit for Surface Collection of Sand, Stones and boulders.

D. Promoting Collective Power

5.1.19 Cooperatives

The United Nations General Assembly has declared 2012 as the International Year of Cooperatives, highlighting the contribution of cooperatives to socio-economic development, particularly their impact on poverty reduction, employment generation and social integration.

With the theme of “Cooperative Enterprises Build a Better World”, the Year seeks to encourage the growth and establishment of cooperatives all over the world. It also encourages individuals, communities and governments to recognize the role of cooperatives in helping to achieve internationally agreed upon development goals, such as the Millennium Development Goals

With the Cooperative Rules and Regulations of Bhutan, 2010 and the subsequent guidelines for registration of Farmers Groups (FG) and Primary Cooperatives finalized by the Ministry of Agriculture and Forests in July 2010, there are today 16 registered cooperatives and 64 FGs. These farmers groups and cooperatives have generated more than 200 employment opportunities in the form of salaried managers, sales persons and partially paid chairpersons, secretary and accountant. Additionally, 155 informal groups are registered provisionally.

In addition, there are also 754 informal groups with 485 in forestry, 177 in livestock and 227 in the agriculture sector. These groups are being supported in terms of capacity building, input, technology and marketing.

5.2. Education

The Education Sector has completed many programmes which had been initiated in the previous years and also initiated new programmes towards the achievement of the 10th FYP targets and goals. Along with the regular and planned programmes, the period under review also witnessed two important events:

Royal Wedding

All schools, teachers and students in the country participated in this joyous occasion. The tribute included MTV and music productions and mementos such as drawings, paintings, prose and poetry. The Government launched the Queen’s Endowment for Cultural Studies which aims to revive, preserve and enrich our country’s unique culture.

Sherig Century

The *Sherig Century* was launched on May 2, 2012 to highlight the importance of education, its contribution to the development of the nation and most importantly to remember and honor our monarchs, educationists and students, who have contributed significantly to the growth of the education system. The year-long celebrations will conclude on February 21, 2013, the Birth Anniversary of His Majesty the King, which is also celebrated as the National Education Day, in Haa Dzongkhag, where

the first modern school was established.

The achievements of the Education sector against the 10th FYP goal are as highlighted below:

5.2.1 Roll of Honour

The past year has been a momentous year for the Education sector. Sherig Lyonpo Thakur Singh received the prestigious Gusi Peace Prize for his contributions in the field of academics and education and also the Award for Outstanding Contribution to Education at the First World Education Congress in Mumbai, India; Jigme Losel Primary School received the Wenhui Award for its innovative ‘mid-day meal’ programme for disadvantaged children; Yeshey Pelmo, a teacher from Dampfu LSS received an award from the Asia-Pacific UNESCO office for her project on Education for International Understanding; and three Bhutanese students received medals while forty-seven others received merit certificates for their performance in the IGNOU UNESCO Science Olympiad in New Delhi.

5.2.2 Expanding Access to Education

The number of schools in the country has increased to 553 and extended classrooms to 108 in fulfillment of the government’s objective of providing all children with access to education within an hour’s walking distance.

In terms of enrolment, adjusted net primary enrolment ratio in 2011 reached 97%, while adjusted net primary enrolment ratio for 2012 is estimated at 98%. In fact, Punakha and Bumthang Dzongkhags have declared universal primary enrolment.

In keeping with the objective of providing seats in class XI for a minimum of 40% of class X graduates, the Education Ministry provided scholarships in government schools to 41% of the class X graduates in 2012.

The current teacher pupil ratio stands at 1:32, mainly because there are many small schools located in remote villages with class sizes below 20. However, average class size at the national level is around 36.

5.2.3 Educating for GNH

Educating for GNH initiative continues to make good progress. A Teachers’ Training

Manual on Educating for GNH has been developed based on the five key pathways such as meditation and mind training, bringing GNH into the school curriculum, critical thinking and, media literacy. For the capacity building of teachers to infuse Educating for GNH into schools, a core group of 70 facilitators has been trained on facilitation skills in August 2011. Furthermore, the roll-out workshops on Educating for GNH are underway and making good progress. So far, more than 1000 teachers have been trained in Bumthang, Haa and Chukha Dzongkhags and Thimphu Thromde.

Although the initiative began only about two years ago, the results have been very encouraging. Principals are seen playing a larger role than merely administering schools. With the understanding of the eight dimensions of green schools, the principals and teachers have become more conscious of their conduct and are using their “special capabilities” to be an inspiration and role model to students in making their schools a GNH community where values such as altruism, camaraderie, team spirit, faith, honour, dignity and allegiance are practiced.

5.2.4 Performance Management System in Schools (PMS)

The PMS has been successfully conducted in schools for the third year in a row. For the schools ranked in the bottom ten, Education Monitoring Officers together with Dzongkhag Education Officers (DEO) and Assistant DEO made focused visits to identify the causes for low performance and to provide remedial support.

5.2.5 Curriculum Development

Curriculum is the soul of the education system and as such it is important to ensure that the curriculum offered in our schools is relevant to the changing needs and priorities of the country. Accordingly, the following curriculum reforms are in progress:

- i. Development of science curriculum framework and textbooks and manuals for classes IV-VI have been completed which will be implemented from the academic year 2013;
- ii. The art curriculum framework and syllabus from classes PP to IV have been developed;
- iii. The framework policy for vocational education for Classes IX-XII as an optional subject was developed and introduced in seven schools;
- iv. The new economics curriculum for Class IX has been introduced with effect

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- from 2012 academic session and the new economics curriculum for Class X will be ready for implementation in the 2013 academic session;
 - v. Monitoring for School Curriculum Implementation has been developed; and
 - vi. Continuous Formative Assessment (CFA) is being piloted in 7 primary schools.

5.2.6 Examinations and Assessment

The erstwhile Bhutan Board of Examination (BBE) has been upgraded to Bhutan Council for School Examinations and Assessment (BCSEA) and granted autonomy on July 1, 2011 to ensure that there is a fair and transparent system of assessing the standards and quality of education.

5.2.7 Teacher Morale and Motivation

Teacher quality is widely acknowledged to be the key factor influencing the quality of education. Towards enhancement of teacher morale and motivation, many significant steps have been undertaken. These were:

- i. **HR Policies:** Five policy areas viz. Teacher Career Tracks, Teacher Recruitment; Teacher Performance Management; Teacher Professional Development; and Teacher Deployment have been enhanced in December 2011;
- ii. **In-service Education of Teachers (INSET) Master Plan and Delivery Strategies:** As part of the development and trial of INSET modules, a total of 1000 teachers and 150 principals were trained; and
- iii. **Professional Development of Teachers:** In the past year, two teachers were sent for PhD programme, 52 for Masters, 10 for Bachelors, 17 for Diplomas and Certificates, and 175 for short courses. Additionally, 3440 teachers were provided in-country training which included 30 M.Ed. (Leadership and Management), 243 Bachelors, 45 Post Graduate Diplomas and 3,112 National Based In-Service Workshops.

Furthermore, in order to support our school principals in their transformative role as instructional leaders, all principals have been provided training in Instructional Leadership over the period under review.

5.2.8 Enhanced Teacher Deployment

Teacher shortages and non uniform deployment of teachers are also factors

influencing the quality of teaching and learning. Therefore, the following measures are being taken to address some of the issues related to teacher deployment:

- i. **Community Based Teachers (CBT) Recruitment:** 237 CBTs have been recruited for 2012 academic session. The CBTs are Class XII graduates and the recruitment is decentralized to the Dzongkhags. This has also helped in curbing the migration as candidates are required to teach in their own native Dzongkhags; and
- ii. **Recruitment of Expatriate Teachers:** To meet the shortage of teachers in Maths and Sciences for classes XI and XII, nine Indian expatriate teachers were recruited in March 2012 out of 30 approved posts. There are currently 470 Indian teachers in the country. Furthermore, to overcome teacher shortages and to improve the quality of English as a medium of instruction, 14 native English speaking volunteer teachers have been recruited through the Bhutan Canada Foundation for the 2012 academic sessions.

5.2.9 Chiphpen Rigpel – Building ICT Skills in Teachers and Students

The project has as of date trained over 2500 teachers and set up computer labs in 168 schools. The rest of the teachers will be trained in the remaining project period, which ends in 2014. Similarly, all the 27 training centres have been set up and are fully functional.

It is expected that training of all our teachers in ICT will enable them to enhance the teaching learning process mainly by integrating ICT in education. Moreover, ICT curriculum introduced through the project in all our secondary schools will also ensure that students have adequate IT skills by the time they complete class X.

5.2.10 Non Formal Education (NFE) – Last Mile in Adult Literacy

The NFE is a priority programme towards achieving the goal of 70% adult literacy in the country by 2013. Women constitute 70% of the total participation. To make the NFE programme more attractive and relevant, basic English language for post literacy learners is being piloted in six Dzongkhags. There are presently 954 NFE centres with 13,587 learners.

The growth in learners has reached a plateau in the past few years indicating retreating illiteracy levels due to increased school enrolment over the years.

5.2.11 Continuing Education (CE)

The number of CE centres has increased from 22 to 25 in the past year thereby enhancing access to CE programmes. To date, 1,360 candidates have graduated from the CE programme and many of them have continued on to complete their bachelor's degrees. From among the 821 class XII CE candidates who sat for the examinations in December 2011, 160 candidates qualified for government supported tertiary education in the country.

Meritorious CE candidates are eligible to compete for ex-country undergraduate scholarships from 2012.

5.2.12 Tertiary Education – Aiming Higher

i. Royal University of Bhutan (RUB)

RUB has capacity to accommodate 8,745 students against its 10th FYP target of accommodating 9,700 students. It has 177 self financing students, which is expected to increase to 419 students by July 2012.

A massive infrastructure development and expansion works valued at Nu. 2 billion is underway with over 75% of the constructions completed. The remaining 25% of construction works are progressing well and will be completed by the end of 2013.

Out of 22 new programmes launched across various colleges since 2008, five programmes viz, B.A in Media Studies, B.A in Bhutan & Himalayan Studies, Bachelor of Sustainable Rural Development, B.Sc Nursing, and Diploma in Computer Hardware and Networking were introduced in the past one year alone. Another 13 new programmes will be launched by 2013, which are expected to meet some of the gaps in the human resource needs of the country. In addition to GNH inspired learning environment that is being promoted in earnest in all the colleges, the GNH-values module development is at advanced stage of completion. This module is targeted to be offered to all students in the Royal University of Bhutan as a foundation course by July 2012.

ii. Royal Institute of Management (RIM)

RIM has launched the Masters in Public Administration (MPA) and Masters in Management (MM) in August 2011. There are **30** students enrolled for the two

Master's programme. The launch of the Masters' programme is one of the biggest achievements in the history of the Institute since such programme is the first of the kind offered in the country. Such a move by the RIM is expected to reduce financial burden on the ex-country master programmes and complement the HRD needs of the country effectively. Further, the Institute plans to offer MBA and Master in Supply Chain Management by February 2013 and 2014 in addition to Post Graduate Diploma in Information (PGDMI). One of the unique features of the RIM masters programmes has been the integration of the GNH module which differentiates our programmes from others and provides unique selling point to the international students. Furthermore, the e-learning programme on Ethics and Integrity Management will be implemented soon wherein all the civil servants (23,000 plus) are expected to be covered by such a programme towards promoting higher level of ethical values in the Bhutanese society.

iii. Higher Education Policy and Planning

In order to assure quality of all tertiary education institutions (private and public), the Ministry of Education launched the *Bhutan Qualifications Framework and the Accreditation Principles, Processes and Standards for Tertiary Education Institutions in Bhutan* on 9 June 2012,.

5.2.13 Scholarship and Student Support Services

A total of 114 students were selected for undergraduate scholarships under Government of India (GoI) funding and 45 under RGoB funding in Indian Universities in 2012;

Further, a total of 15 students under the Queen's Endowment for Cultural Studies, 20 candidates under the ICCR scholarships and a few slots under bilateral scholarships from Korea and Sri Lanka have already been nominated.

An orientation programme called "Living the Purpose" was undertaken in June this year and it shall henceforth be an annual feature to prepare students for life outside Bhutan and equip them with skills necessary to make that transition successful.

5.2.14 Youth Issues

The growing incidence of youth violence, indiscipline and unemployment is a matter of serious concern for the government and Bhutanese society. The Ministry of Education has initiated the following steps towards addressing these issues:

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- i. A Multi-Sectoral Task Force formed in all dzongkhags and thromdes to implement the National Youth Policy adopted in 2011;
 - ii. A Framework for School Discipline has been drawn up in 2012; and
 - iii. The Peer Helpers' Programme piloted in select schools with the objective of reaching out and assisting young people cope with the multitude of concerns that they face in their growing years. To ensure that the programme takes firm roots, 57 teacher counselors from these schools were trained.

5.2.15 Policies

The following policies have been submitted to the government for endorsement:

- i. Early Childhood Care and Development Policy;
- ii. Special Needs Education Policy; and
- iii. National Education Policy.

5.3. Employment, Labour and Human Resource Development

5.3.1 Employment

i. Unemployment Rate in Global Context

Thanks to good policies, good governance and sustained high growth rate, the country has enjoyed little or no serious unemployment troubles. The 10th FYP goal is to reduce the unemployment rate from 4.2% in 2008 to below 2.5%. I am happy to report that the results of the Labour Force Survey Report 2012 show the current unemployment rate at 2.1%, lower than the target set, and that youth unemployment rate has fallen from 9.2% in 2011 to 7.3%.

Unemployment in many countries is a serious issue due to global economic turmoil and stagnation. For instance, the unemployment rate in Nepal is 46%, Afghanistan 35%, India 9.4%, Pakistan 5.7%, Bangladesh 5% and Sri Lanka 4.2%. In the developed economies, it is 10.3% for the European Union, 8.2% for US and 8.1% for UK.

The unemployment problem in Bhutan is not due to shortage of job opportunities but primarily due to the unwillingness of job seekers to take up the available jobs for reasons such as aspiration for white collar jobs, poor attitude towards vocational occupations, mismatch of expectations and jobs available and lack of experience and

skills.

A National Employment Policy has been drafted which is currently undergoing the Gross National Happiness policy screening process.

ii. Registration and Placement of Job Seekers

The placement of registered job seekers has increased to 8,174 in 2011/12 as compared to 7,025 for the same period in 2010/11 as shown in Table 1 below.

Table 1: Job seekers registered, placed, referred and vacancies 2008 - 12

Job Seekers	2008-09	2009-10	2010-11	2011-12*	Total
Registered	4586	4900	9671	7342	26499
Placed	3422	5570	7025	8174	24191
Referred	2005	590	419	1363	4377
Vacancies	3034	6655	5537	8481	23707

**Figures for the period July 2011 to 19 June 2012*

The Employment Service Centre from July 2011 to June 2012 also referred 1,203 job seekers to various private and corporate sectors for employment. The total placements of the registered job seekers are as follows (i) hydropower 1,875, (ii) corporations 1,520, (iii) civil service 1,034, (iv) private sector 2,600, (v) RBP 90, (vi) apprentices 430, and direct placement by ESC 615.

Through the Apprenticeship Training Programme, 105 school leavers have completed the apprenticeship programme and 325 classes X and XII school leavers are currently attached with various industries and organizations against the annual target of 400 apprentices.

Under the Pre-Employment Engagement Programme, 925 classes X, XII and university graduates registered with the Ministry, are currently engaged with various agencies for periods ranging from three to six months. The objective of the programme is to keep unemployed youth engaged in a meaningful way while awaiting employment. Towards this end, 78 trainees, mostly women, completed six months training in tailoring out of which 52 of them are employed in the existing tailoring shops. 15 of them have established their own tailoring shops further leading

to additional job creation. The training programme has enhanced their ability to earn additional income. Another 40 are currently undergoing the training. Furthermore, Recruitment and Selection Regulation was also developed in order to streamline recruitment processes in sectors outside the civil service.

iii. Business Start-ups

595 unemployed youth were trained in entrepreneurial skills which are intended to equip the youth with skills necessary to start and manage small businesses of their own. 76 youths were financed through the Income Generation Start-up Support Programme (IGSP) grant for starting 64 small businesses and 58 youths were financed by six financial institutes through Credit Guarantee Scheme for starting their businesses.

iv. Job Fair and Career Guidance

The 9th National Job Fair in Thimphu was organized in October 2011 where 31 exhibitors from the government, corporations and private companies participated. A total of 1,064 employment and training opportunities were displayed by the exhibitors during the job fair.

A nationwide Career Guidance and Counseling Programme was undertaken which was aimed at orienting school students, out-of-school youth, employers and business community, on the job and training opportunities available.

5.3.2 Labour

There are 56,011 foreign workers in the country as of April 11, 2012.

Compliance monitoring of the Labour and Employment Act 2007 has been carried out for 2,961 enterprises in the past year as compared to 1,462 during 2010-11. The department has developed online Labour Inspection and Reporting System where the labour officers and inspectors can submit the inspection reports online. The system was formally launched on April 28, 2012 coinciding with the World Safety Day. 464 routine and follow up inspections and 19 accident cases were reported through the online system.

OHS Policy has been drafted and currently in the process of submitting to GNH Commission for policy screening test. In addition, Regulation on OHS and Welfare

and Regulation on OHS for Construction Industry were also developed and launched. In order to strengthen OHS at workplaces, the department has conducted OHS Management training to 332 workers from private and corporate sector.

A National Safety Day was launched on April 24, 2012 coinciding with the World Safety Day.

5.3.3 Human Resource Development

To achieve the target of providing 60% of school leavers (63,000) with access to Technical and Vocational Education and Training (TVET), the following initiatives have been introduced:

- i. **Expansion Programmes:** All existing Technical Institutes and Zorig Chusum Institutes are being expanded to increase the enrolment capacity to 90% by 2013;
- ii. **Establishment of new Technical Training Institute:** The new Technical Institute at Jigmeling, Sarpang Dzongkhag is expected to be completed by the beginning of 2013. The institute will have a capacity of 288 with boarding facilities for regular courses and more than 200 trainees for short term courses;
- iii. **Village Skills Development Programme (VSDP):** The programme with the objective to raise the living standards of rural people by imparting functional skills that will help open avenues for income generation has trained over 1728 villagers from 175 gewogs as of April 2012;
- iv. **Special Skills Development Programme (SSDP):** The programme has trained over 1451 monks, nuns and armed force personnel with the objective to provide relevant vocational skills that would promote and sustain traditional arts and crafts, thereby generating income and employment opportunities for the target groups;
- v. **Skills Training for Hydropower Projects:** A MoU was signed with the construction companies involved in construction of hydropower projects in Bhutan viz, Larsen and Toubro (L&T), Hindustan Construction Company (HCC), Gammon India and Jai Prakash Associates Ltd to increase access for youth to TVET and to equip them with skills required for employment in the hydropower construction projects. Till date, 238 Bhutanese youths have been trained in collaboration with these companies, out of which 132 are employed;
- vi. **Industrial linkages strengthened:** The involvement of private sector is encouraged in all aspects of TVET such as development of Occupational Skills Standard (OSS) and Curriculum, industrial attachment and on-campus

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- recruitment of the graduates;
- vii. **Advocacy and awareness on TVET:** Advocacy and awareness programmes have been carried out to promote TVET through the four regional offices, institutes and schools. Road shows led by the Labour Minister to advocate TVET were carried out in six Dzongkhags as of April 2012;
 - viii. **Establishment Regulation for Training Providers:** The Establishment Regulation for Training Providers has been developed. A total of 40 proposals have been received for establishment of institutes including driving, ICT, language, media, animation, accounting & management and others. Furthermore, a ‘Minimum Requirement Guidelines for Establishment of Nursing Institute’ was established in collaboration with Bhutan Medical and Health Council (BMHC); and
 - ix. **Regulation for HRD Support to Private and Corporate sector:** Regulation for HRD support to private and corporate sector has been developed to set out HRD implementation procedures and guidelines for the HRD support extended to private and corporate sectors by the government. This Regulation is a revision of earlier HRD Guidelines.

5.3.4 Occupational Standards

The implementation of Bhutan Vocational Qualifications Framework (BVQF) and Quality Assurance System (QAS) has been initiated towards improving and regulating the Technical Vocational Education and Training (TVET) System in the country. The achievements include:

- i. **Standards and Qualifications Programme:** Eleven National Occupational Skills Standards (NOSS) were developed in the past one year, hence adding to a total of 40 NOSS. The NOSS is the basis for Competency Based Training and Competency Based Assessment & Certification.
- ii. **Accreditation of Training Courses Programme:** The courses offered through the training providers are required to be accredited mainly for official recognition. Six courses namely Plumbing NC-1 and NC-2, Masonry NC-1 and NC-2, Carpentry NC-1 and NC-2, Automobile NC-1 and NC-2 and Electrical NC-2) that are offered in the TTIs were accredited as of March 2012. Accreditation of courses offered through private training providers are being initiated for accreditation process.

5.4. Health

The Government has taken numerous initiatives and reforms to improve governance and stewardship of the health system. Major initiatives and achievements in the past year are discussed below:

5.4.1 Health Human Resources

- i. A number of initiatives have been taken to mend the human resource gap as a temporary measure. Over 30 specialists from Myanmar were recruited; health volunteers sourced from foreign countries and national doctors who had resigned or retired were hired on contract;
- ii. In order to retain, recognize and motivate health workers, all clinical staff including drungtshos are now entitled to professional allowances;
- iii. A mechanism to send gynecologists once a month to those hospitals with no gynecologists has been instituted;
- iv. Targeted measures have also been taken to address the pool and quality of nurses. Besides the regular output of nurses from the Royal Institute of Health Sciences, around 200 nurses were trained in India as part of Accelerated Nursing Program;
- v. Nurse Assistants were recruited through a tailor-made crash course to assist nurses in dispensing non-clinical services and enable nurses to focus on their primary purpose;
- vi. Over 100 nurses are trained in specialized nursing care services such as pediatric, critical and emergency nursing through a partnership with Singaporean training institutions;
- vii. The Bachelor of Nursing conversion program has been launched at the Royal Institute of Health Sciences with 23 nurses;
- viii. The Bachelors of Public Health (BPH) program has been launched to strengthen management of primary health care in the decentralized setting;
- ix. A plan to establish private nursing institutions is underway;
- x. Institutional linkages for medical courses were established with institutions in India, Sri-Lanka, Thailand, Bangladesh and Singapore to facilitate ease of entrance of Bhutanese students besides other technical collaborations; and
- xi. A government scholarship has been constituted to provide financial support of Nu.300,000 to privately enrolled student undergoing MBBS courses limiting to 12 students for MBBS and 3 students for BDS per year.

5.4.2 University of Medical Sciences of Bhutan (UMSB)

Parliament in its winter session of 2011 passed the UMSB Act. The preparation works on all fronts - infrastructure, systems and human resources – are in full swing for the launch of the University in July 2012. The project is expected to address, in a substantial way, the long standing issue of human resource shortage in the health sector extending to, besides doctors and nurses, the entire gamut of professional health workers.

5.4.3 Reforms in Procurement

The multi-faceted issue of drug shortage has for over two years plagued the health system. A major initiative towards good governance in the health sector has, therefore, been reform of the procurement system. Given the inherent corruption susceptibility and risks, a number of corrective as well as proactive initiatives have been made:

- i. Development of national inventory on medical equipment;
- ii. Establishment of Essential Medicines and Technology Division;
- iii. Reshuffling of staff in key positions;
- iv. Revision of procurement and distribution systems;
- v. Standardization of contracts, supplies, indents and procurement procedures;
- vi. Guidelines and Monitoring Tools; and
- vii. Follow up on the recommendations of Royal Audit Authority and Anti-Corruption Commission.

As a culmination of all these efforts, the Health Ministry can now ensure a regular stock of at least 95% of all essential medical supplies in health facilities across the country.

5.4.4 Reforms in Patient Referral Abroad

There is an increasing trend in both the volume and cost of patient referred abroad. Recognizing the need to continue providing specialist services abroad which are not treatable in the country while at the same time keeping costs under control, a series of reforms were undertaken. Review of treatment centers, cost control measures and administrative issues were undertaken and new mechanisms established to improve patient experience as well as enhance treatment outcomes.

5.4.5 Healthcare Quality Assurance

In order to enhance services in terms of reliability, efficiency and cost-effective results, thereby achieving consumer satisfaction, the following procedural standards were implemented:

- i. Guideline on Implementation of Quality Assurance System in all Health Facilities;
- ii. National Professional Nursing Service Standard;
- iii. Professional Dental Health Service Standard;
- iv. Biomedical Entering Professional Services Standard;
- v. Radiology Service Standard;
- vi. Service Standard for Basic Health Unit (BHU I and BHU II);
- vii. Traditional Medicine Professional Service Standard; and
- viii. Revised National Referral Guideline for treatment outside Bhutan.

5.4.6 Management and Coordination Initiatives

- i. Monthly Progress Review and Coordination Meeting (PRCM) was instituted to strengthen coordination amongst departments and agencies and also to reflect on activities carried out in a month, challenges faced and activities to be carried out in the forthcoming month;
- ii. Weekly coordination meetings within departments were instituted to streamline departmental activities and focus;
- iii. Open forums were instituted in JDWNRH to lend voices to health workers in the clinical field;
- iv. The Human Resource Committee was restructured and its decisions made transparent;
- v. Policy level national meetings in the form of Annual/Biennial Health Conferences were organized. Clinical Conferences were organized amongst clinicians and hospital based staff to deliberate on technical issues and local researches;
- vi. The web based Hospital Information System (HIS) in the JDWNR hospital on pilot basis was initiated in order to bridge the time gap in reporting and easy retrieval of data. This initial step would be expanded to include all regional referral and district hospitals;
- vii. Publication of quarterly morbidity and health activity status in the form of QMAR reports was initiated to facilitate timely use of health information for decision making; and

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- viii. System reviews in the form of Annual Joint Health Sector Reviews were carried out to review progress and provide critique to systemic aspects of health sector.

5.4.7 Health Infrastructure

- i. There are 428 ORCs with sheds, 89 ORCs without sheds, 169 BHU II, 15 BHU I and 31 Hospitals providing health care services across the country as of 2011 end;
- ii. Construction of 150 bedded regional referral hospital in Gelephu, 40 bedded hospital in Samtse and bio-safety level 3 Public Health Laboratory have been initiated;
- iii. In order to improve access to quality health services, the Health Ministry has established sub-posts in all villages without any health centre and with populations of 200-300. The sub-posts are manned by a health assistant and is equipped with adequate and appropriate supplies; and
- iv. A GIS mapping of health facilities was carried out to provide an overview of health infrastructures, health indicators and accessibility of health services in the country and thereby enhance the planning processes to foster equity of access to health care.

5.4.8 Health Help Center (HHC)

The HHC represents a significant milestone in the development of health services in the country particularly in areas of improving access, services equality, reaching the unreached and acceleration of the MDG achievements. It has enabled people to access the services of health professionals, through a toll free number, within one hour at anytime from anywhere through a telephone/mobile network.

Since its establishment on 2 May 2011 and as on 18 June 2012, it has received 30,187 valid calls with 1,824 service calls and 11,390 emergency calls. Unfortunately 436,728 calls constituted missed calls, nuisance and abused calls, silence and disconnected calls.

We appeal to the people to be responsible and not to abuse this important facility.

5.4.9 Management Transformations in Hospitals

Hospital Administration and Management Transformation (HAMT) was started to

ensure that people across the country have access to best possible hospital services. Initiatives include:

- i. **Day Patients:** Reduce waiting time for patients; improve patient satisfaction related to service delivery;
- ii. **Inpatient/Ward:** Increase efficiency of bed occupancy and minimize waiting time;
- iii. **Surgery/OT:** Improve OT utilization through better appointment system and reducing turnaround time and minimize delays at OT; and
- iv. **Emergency Department:** Minimize time taken for Doctor/Health Worker to attend to patients; Limited time spent at emergency room; Reduce time taken for Ward availability for emergency patients.

The JDWNRH now functions as an administratively autonomous organization managed by an independent Board. This initiative is expected to generate further operational efficiency in the conduct of hospital activities and improve services delivery.

An alternative semi-autonomous management framework with clearly identified services indicators have been piloted in Bumthang hospital. This pilot project would provide valuable insights into the improvement of hospital management in the country.

5.4.10 Special Consultation Services (SCS)

Since its inception one and a half years ago, the SCS has catered to about 2-3% of total out-patient load in JDWNRH. The top three services availed were medical (5.3%), surgical (8.9%) and gynecological (4.6%). The SCS generated total revenue of Nu. 6.2 million out of which Nu. 3.1 million was deposited as government revenue and Nu. 3.1 million distributed as payments to the health personnel.

5.4.11 Nutrition

While malnutrition indicators like underweight prevalence and wasting have improved, stunting prevalence of 33.5% still remains as a major public health issue. Stunting indicates the cumulative deficient growth associated with chronic insufficient dietary intake, frequent infections and poor feeding practices over a long period of time. Initiatives through advocacy, mobilization of cross-sectoral participation, awareness and nutritional supplementation have been rolled out to address this issue.

Micronutrient deficiency of Vitamin A is also no longer a public health problem although iron deficiency anemia among pregnant women still remains a critical concern.

Bhutan has been experiencing sporadic outbreaks of Vitamin deficiencies, particularly Vitamin B1 and B12, since 1998 and occurrences have been recorded almost every year. The recent outbreak reported at Orong, Samdrupjongkhar were assessed and contained. To prevent such outbreaks in the future, menu consultation and vitamin B supplementation have been initiated in schools and institutions.

5.4.12 Immunization

Given the fact that cervical cancer is the number one malignancy diagnosed in Bhutanese women, the nationwide HPV vaccination was launched in 2010 for girls ranging from age group of 12-18 years as a preventive measure against cervical cancer. Despite the substantial cost involved, Bhutan is one of the few countries to include this vaccine as part of routine immunization programme.

The Pentavalent vaccine which is a single dose vaccine containing antigens of Diphtheria, Pertusis, Tetanus, Hepatitis B and Haemophilus Influenza B was re-introduced in 2011.

5.4.13 Non-Communicable Diseases (NCD)

The National Policy and Strategic Framework on Control and Prevention of NCDs has been launched.

The Package for Essential Non-Communicable diseases (PEN) project was launched as a pilot in Bumthang and Paro Dzongkhags. This project explores the feasibility of integrating NCD services into the mainstream Primary Health Care system.

The National Pedestrians' Day instituted on 5 June 2012 is an important initiative which will go a long way to control the NCD.

5.4.14 International Award and Recognition

Sowa Lyonpo Zangley Dukpa was awarded the World No Tobacco Day Award for 2011 by the World Health Organization for his outstanding contributions in the area

of tobacco control. Sowa Lyonpo was also elected as Chairperson to the prestigious Committee A during the 65th World Health Assembly in Geneva in May 2012.

5.4.15 Healthy Ageing - Geriatric Care

Population above the age of 65 years is projected at 200,000 by 2020. The Geriatric Care Program has been established to address the need of the elderly population in the country and promote resourcefulness, productivity, vitality and happiness.

A pilot project was launched in Khaling community to determine the feasibility of providing community based health care for the elderly for two years. Upon completion of the pilot, the project would be rolled out to other areas in phased manner.

Health workers have been trained on elderly medical check-ups, treatment interventions and follow-ups.

5.4.16 Private Sector Participation

A framework guideline for establishment of selective private diagnostic services was approved by Cabinet in keeping with the National Health Policy, following which, the country's first private medical clinic, Menjong Diagnostic Center, was formally opened in the capital on 30 June 2012.

Laundry and parking in JDWNRH have been outsourced to the private sector, while services like patient diet, gardening and cleaning services are at various phases of being outsourced for private sector engagement.

The Ministry in collaboration with the Druk Holding and Investments (DHI) carried out a FDI feasibility study in establishing a tertiary level super-specialized hospital in Bhutan. As this was found to be unfeasible at present, the Ministry is focusing on developing existing facilities within the country as well as exploring prospects in wellness services for foreign markets.

Traditional medicine, spiritual healing, hot stone/spring bath and spas have also been identified and promoted as avenues for commercialization.

5.4.17 Health Trust Fund

The Health Trust Fund released its interest earnings to support procurement of

Hepatitis B and Anti-Rabies vaccines, and provided support to the nationwide Measles Rubella vaccination campaign.

5.4.18 Medical and Health Council Services

The Bhutan Medical and Health Council registered about 90% of health workers in the country. The remaining 10%, mostly foreign health workers, are also being registered with the council. Besides the registration and regulation of professional practice, regulations and guidelines were prepared to improve professional practice. Disciplinary proceedings framework for medical malpractice and negligence has been instituted to provide safety and protection to the general public.

5.4.19 Drug Regulatory Services

The Drug Regulatory Authority registered about 1004 human allopathic medicines excluding the expired list, 88 *So-wa-rigpa* medicines and 65 veterinary medicines.

Inspection of pharmacy shops, hospitals and health centers has been carried out to ensure proper storage and dispensing of medicines.

In order to ensure competency in dispensing medicines by the private sector, training programmes were conducted for private pharmacists along with certification of competent persons.

5.4.20 Narcotic Control Services

A rehabilitation centre for drugs and alcohol dependence has been established at Serbithang.

A Memorandum of Understanding has been signed between Bhutan and India on “Drug Demand Reduction and Prevention of Illicit Trafficking in Narcotic Drugs, Psychotropic Substances and precursor of Chemicals and related matters.”

Inter-country meetings and consultations were held to discuss issues and develop joint interventions on illicit trafficking of controlled drugs and other narcotics and psychotropic substances.

5.5. Communication and Transportation

The achievements of the information, communications and transport sector in the past one year are provided below:

A. Communication

5.5.1 Fixed-Line, Mobile and Internet Subscribers

Fixed-line subscribers peaked at 5.90 per 100 inhabitants in 2004 and since then it has been declining to the present level of 3.88 per 100 inhabitants. This trend is common even in other parts of the world. The decline in fixed-line usage is adequately compensated by huge increase of mobile subscribers to 68.4% in 2011 from 3.7% in 2004. All 205 gewog centers (100%) now have access to mobile services.

Internet subscription has seen a phenomenal annual growth of over 672 % since 2007 with total subscriber number of 139,593 as of May 2012.

The Table 2 below shows the number of fixed-line telephones, mobile and internet subscribers from 2007 to 2012:

Table 2: Fixed-line, Mobile and Internet subscribers in Bhutan, 2007-2011

Year	Fixed line subscribers		Mobile cellular subscribers		Internet subscribers	
	Total subscribers	Subscribers per 100 inhabitants	Total subscribers	Subscribers per 100 inhabitants	Total subscribers	Subscribers per 100 inhabitants
2007	30,279	4.60	148,179	22.50	4,040	0.600
2008	27,937	4.20	228,347	34.30	5,548	0.830
2009	26,348	3.80	327,052	47.80	18,542	2.700
2010	26,292	3.78	394,316	56.40	94,285	13.600
2011	27,490	3.88	484,189	68.4	139,896	19.8
As of May 2012	27,057	3.82	499,198	70.48	139,593	19.71

5.5.2 National Broadband Network

The National Broadband Master Plan Implementation project has reached an advanced stage of implementation. The project aims to establish high-speed fiber optics network to 20 dzongkhags and 201 gewogs. The remaining four gewogs which are off grid will be served by radio technology.

Fiber optic network has been established in all 20 dzongkhags and 110 gewogs. Another 11 Gewogs received their fiber optic network in June this year and the remaining 10 gewogs will get their network by July 2012. The remaining Gewogs will be connected by October 2013 in tandem with the BPC's Rural Electrification project. The OPGW backbone network was officially launched on December 17, 2011. Bhutan Telecom Ltd. and Tashi Cell have already started using the fibers for providing services.

5.5.3 SASEC Information Highway Project

The South Asia Sub-Regional Economic Cooperation (SASEC) Information Highway Project is currently underway. The project's objective is to enhance the socio-economic development and poverty reduction of the SASEC region through establishment of affordable and reliable high speed connectivity.

The establishment of SASEC Regional Network is being carried out. A multilateral agreement by the service agencies of the four countries viz, India, Bangladesh, Bhutan and Nepal has been signed in Manila in April 2012. The project has also equipped 30 Community Centers with equipment and furniture. The project is currently working on establishing connectivity to all 205 Community Centers and on establishing the regional network to directly connect to India, Bangladesh and Nepal with high speed fiber network. Further, the peering of all the Internet Service Providers in the country have also been achieved under this project, leading to more efficient utilization of Internet traffic and bandwidth.

5.5.4 Second International Gateway Connectivity

The second International Gateway from Gelephu has been established in March 2012 to improve the reliability of Bhutan's Internet connectivity. The initiative was critical towards establishing a more reliable international connectivity for the ICT sector in general and for the urgent requirement of the first IT Park of Bhutan. Meanwhile the government is also pursuing with the Government of Bangladesh on

establishing second international redundancy via Cox Bazaar, Bangladesh.

5.5.5 ICT Road Map

A complete government ICT Road Map has been formulated following an ICT diagnostic exercise involving multi-sectoral participation. This will guide the various government sectors in ICT development during the 11th FYP and beyond. The road map will provide a holistic approach to ICT development encompassing the entire government with specific timelines.

5.5.6 E-Waste Regulation

E-waste regulation has been adopted by the government under the umbrella of the Waste Prevention and Management Regulations 2012. First round of awareness was conducted through a panel discussion on BBS television and training on awareness of the e-waste regulation has started for the stakeholders. Strategic roadmap for implementation of the e-waste regulation has also been drawn with effect from 18 April 2012. Actions and interventions to put in place an efficient and cost effective system to collect, transport and treat e-wastes are being currently worked out.

5.5.7 Community Centres (CC)

Against the target to establish a CC each in all the 205 gewogs to provide online public services, the construction of 100 such CCs has been completed. These CCs are equipped with 2-3 computers, printer, facsimile machine, scanner, digital cameras and photocopier machine. Of these, 23 CCs have ADSL broadband connectivity to deliver G2C services. Together with these CCs, 50 Educational Learning Stations (ELS) have also been co-located to enable self-learning for rural children. Additional 85 CCs are targeted for completion by December 2012 and the remaining 20 will spill-over to the 11th Plan. With regard to G2C services, 22 are available through the CCs and 24 from agencies concerned, with many services waiting to be stabilized. The CC was formally launched on December 29, 2011.

5.5.8 IT Park Project

The IT Park Project, the main component under the Bhutan Private Sector Development Project was inaugurated on 1 November 2011.

A number of promotional activities and events have been organized in potential target

markets value propositioning Bhutan as an emerging hub for IT/ITES investments. By June 2012, discussions have reached an advanced stage with WIPRO emerging as a likely tenant.

Bhutan's first Innovation and Technology Center – Bhutan Innovation & Technology Center (BITC), comprising a business incubation center, a shared technology center and a Tier II data center were launched on 7th May 2012.

Currently, eight local companies have started operation as incubatees. Another local IT firm, together with a UK-based company, Burland Technology has signed MoU with TTPL to set-up and operate a data center. In terms of IT/ITES skills development, the project has established strong industry linkages and networks with globally reputable IT/ITES companies in India such as Infosys, Wipro and Genpact. In partnership with these foreign companies and local training institutes 1,030 Bhutanese youth have been trained and 778 (389 male and 389 female) are employed within and outside Bhutan.

Bhutan's first ICT for GNH Conference was also organized in Oct 2011 in partnership with an international PR firm 9dot9 Media Pvt. Ltd. The conference was attended by over 50 top executives from around the region.

5.5.9 Chiphpen Rigpel Project Towards IT Enabled Knowledge Economy

The Chiphpen Rigpel, the largest ICT skill building project in the country with a budget outlay of Nu. 2052.696 million with an implementation timeframe of five years has completed its second year of operation. The project has seven components spread over (i) Ministry of Education, (ii) Ministry of Labour & Human Resources, (iii) Royal University of Bhutan, (iv) Royal Institute of Management, (v) Youth Development Fund, (vi) Department of IT & Telecom, (vii) Dratshang.

The project is well on track to achieve its aim of preparing Bhutanese society to fulfill the national aspiration of an IT enabled knowledge economy. 195 Bhutanese, mostly IT graduates, are currently employed directly by the project.

B. Transportation

5.5.10 Development of Domestic Airports

Huge efforts, attention and resources have been devoted in building infrastructure

and other facilities for the development of domestic airstrips and domestic air services in the country.

Yonphula and Bumthang airports are operational with minor supplementation work being undertaken. Gelephu airport is expected to be operational by end of monsoon this year

5.5.11 Launching of Domestic Air Service

Domestic air service was launched on 17 December, 2011 coinciding with the celebration of the National Day. Druk Air flew its ATR-42 to Yonphula and Tashi Air's Pilatus PC-12 flew to Bumthang. It has significantly enhanced transport connectivity, reduced travel time and promoted regional development, while also providing choice of services.

5.5.12 Paro International Airport

Permanent River Protection Works and the construction of road are currently underway. While the work on the runway construction has been completed, works on the expansion of terminal building, security accommodation and fire station are ongoing. The modernization of voice communication system has also been completed.

5.5.13 International Air Services

Number of air travelers increased to 166,264 in 2011 from 132,615 in 2010, an increase by 25.4%.

In an effort to continue expansion of air route network to improve aircraft utilization and financial performance, as well as to achieve the target of 100,000 tourists by 2012/13, the following activities have been initiated:

- i. Air Services Agreement (ASA) signed with the Maldives on 8 May 2011;
- ii. Amended and signed ASA with Bangladesh on 17 May 2011, allowing Drukair to use all airports in Bangladesh and also operate beyond Dhaka to Singapore, Sharjah (UAE), Kathmandu, Pakistan, and all Indian cities except Kolkata;
- iii. ASA with Singapore signed on 31 August 2011;
- iv. Ongoing discussion to sign ASA with South Korea, Vietnam, Laos, Malaysia, Cambodia and Hongkong; and

-
- v. Signing of ASA with remaining SAARC countries specifically Pakistan and Sri Lanka are being initiated as a larger plan to air-link all SAARC capitals

Furthermore, the achievements of the Drukair Corporation Ltd. in the past one year are highlighted below:

- vi. Revenue passengers increased to 166,264 in 2011 from 132,615 in 2010;
- vii. Passenger revenue increased by 33.05%;
- viii. Cargo revenue increased by 67.14%;
- ix. Safety and reliability improved through safety bulletins and maintained on-time technical reliability of 98%;
- x. Revenue increased to Nu. 2,261.29 m from Nu. 1,704.36 m in 2010, an increase by 32.68%; and
- xi. Profit After Tax increased from Nu. 125.48 m in 2010 to Nu. 255.76 m in 2011, an increase by 103.83%.

5.5.14 Vehicle Numbers

There has been a rapid growth in the number of motor vehicles in the country. The number of motor vehicles registered with RSTA as of 31 December 2011 was 62,707 with 4,856 taxis and 209 passenger transport buses. This figure excludes those vehicles owned by the three armed forces. In the last one year alone, there has been a growth in vehicles by almost 18%. Thimphu region has the highest number of vehicles registered followed by Phuntsholing, Samdrupjongkhar and Gelephu.

5.5.15 Public Transport Services

To meet the increasing demand for public transport services by the general public, a number of new routes were opened and the frequency of services on some routes increased. As a result of 24 new services introduced in the previous year, direct passenger transport services have been made available from Thimphu bus terminal to most dzongkhags except Gasa, Pemagatshel and Samdrupjongkhar. Furthermore, such services have been established between various places in other dzongkhags. Consequently, the number of passenger buses has increased to 209 in 2011/2012 from 185 in 2010/2011.

Since November 2011, a private operator has been providing services between Phuntsholing and Kolkata in addition to the services provided by Bhutan Post.

5.5.16 Improved Rural Accessibility

Keeping in mind the government's policy of enhancing rural accessibility, public transport services using mini trucks have been introduced on a number of farm roads in various dzongkhags. These services have benefitted the rural population immensely by facilitating their travel and transportation of farm products to markets, thus boosting their income and standard of living.

For non-profitable routes, transport operators are provided subsidy in the form of interest-free loan (on 60% of equity). Considering the low or seasonal passenger flow and high operational costs, four non-profitable routes have been currently identified, viz, Singhi – Sarpang, Damphu – Barshong (Gelephu), Trashiyangtse – Samdrupjongkhar, and Pemagatshel – Samdrupjongkhar.

5.5.17 Urban Transport

Bhutan Urban Transport System (BUTS) project to study the feasibility of introducing eco-friendly mass urban transport system using clean fuel for Thimphu and Phuentsholing has been completed. Among many options studied, the Bus Rapid Transit (BRT) technology has been recommended as the best option for Thimphu. BRT buses are high capacity buses (60 seats) which meet Euro standard in terms of emission. This is to be gradually up-graded to hybrid technology. Actual implementation is likely to take some time in view of potentially high investment in BRT-related infrastructure or other civil infrastructure that must be created. This project is proposed under a Public-Private Partnership arrangement.

5.5.18 Bhutan Transport 2040 Integrated Strategic Vision

A study on strategic transport vision which would guide the development of transport sector until 2040 has been completed. Among others, the restructuring of the national transport system is one major recommendation.

5.5.19 Road Safety

Road safety is becoming a challenge particularly in the urban areas because of the ever-growing number of motor vehicles in the country. Road crashes have resulted in the loss of many innocent lives, trauma and distress to the bereaved families and as well as substantial economic loss. With public transport services now available

in most places with motorable roads, priority has now shifted to improving comfort and safety. Future intervention will therefore, focus on public education, safety awareness, and enhancing enforcement of transport and road safety regulations.

Table 3 provides a comparative overview of the number of vehicles and corresponding number of road crashes in the country for the years from 2007 to 2011.

Table 3: Vehicle and Road Statistics

Year	Number of Vehicles	% Increase	Number of road crashes	% Increase
2007	35,703	10	523	-44
2008	40,659	16	995	90
2009	45,819	11	1,436	44
2010	53,282	17	1,260	-12
2011	62,707	17	1,374	9

The safety of the passengers and road users has always been a matter of concern for the government. While the rate of motor vehicle crashes in Bhutan remained at 2.36% and 2.19 % of the total registered vehicles for 2010 and 2011 respectively, the rate of road deaths stood at 15 and 17 per 10,000 registered vehicles for the years 2010 and 2011. These figures are considered high by international standard.

Therefore, progress on the various measures taken to improve road safety, are reported below:

i. Enforcement Measures

The enforcement of regulations, particularly on drunk-driving, speeding, and inexperienced driving is being carried out rigorously along the highways and public roads with the help of radar traps and alcohol detectors to deter unsafe behavior amongst the drivers. In the case of passenger transport vehicles, Motor Vehicle Inspectors are required to undertake pre-departure checks to ensure that the basic transmission and braking system are in safe operating condition. Officials of RSTA and Traffic Police also carry out surprise checks along the highways on various safety aspects such as the condition of vehicle, vehicle documents, driving license, tyre condition, and adherence to the seating capacity regulation. The defaulters penalized accordingly.

ii. Road Safety Education Programs

Periodical awareness and training programs have been organized during the year with the aim of bringing behavioral change in drivers and other road users.

Table 4 shows the number of training conducted during the last three fiscal years.

Table 4: Training conducted for 2008-2011

Year	Categories of Trainees			Total
	Students	Drivers	Traffic Officials and MVIs	
2008-2009	164	483	74	721
2009-2010	-	1257	-	1257
2010-2011	96	759	-	855

With the growing concern for safety on road, it has been made mandatory for all the aspirant drivers to undergo a one-day training to understand the road safety and transport rules.

Since road safety involves multi-disciplinary approach, the report on the Decade of Action for Road Safety (2011-2020) was jointly launched on May 26, 2011 by the Ministry of Information and Communications and the Ministry of Health. The report suggests detailed action plan for road safety including short, medium and long term programs. These included road safety awareness programs to the motorists and rigorous enforcement of traffic rules, jointly by RSTA and Traffic Police. Such rigorous enforcement measures and education programs have been quite effective in reducing the number of road crashes. The road safety promotion measures and others actions highlighted in the Decade of Action for Road Safety will be sustainably pursued through the decade.

5.5.20 Transport Infrastructure

Various infrastructural developments have been undertaken for improving the public service delivery. The construction of bus shed, public toilet and development of bus terminal at Samdrup Jongkhar is nearing completion. The construction of bus terminal in Tashigang is expected to complete within June 2013. Similarly, consultancy service for the construction of bus terminal at Bajo, Wangdue has been tendered out for taking up the construction works during the 11th Five Year Plan.

With the establishment of a base office at Pemagatshel in 2011, Road Safety & Transport Authority (RSTA)'s services are now available in all the dzongkhags except Gasu, where RSTA is planning to establish a Base Office once the road connectivity is completed.

5.5.21 Revenue Collection

There has been a substantial increase in the revenue generated and deposited into the government exchequer. The RSTA for the fiscal year 2010-11 was the sixth highest revenue agency.

The comparative figures on the total revenue collected by RSTA as a whole, mainly by way of motor vehicle registration fees, driver licensing fees, motor vehicle fitness testing fees, and other allied activities, for the past three financial years are as follows:

2010-11	Nu. 236.36 million (36.48 % increase)
2009-10	Nu. 173.18 million (15.92% increase)
2008-09	Nu. 149.39 million

5.6. Trade, Industry, Energy and Mines

In keeping with the Royal Government's endeavour to create an enabling environment by developing the necessary legal framework and establishing infrastructure and institutions to facilitate private sector growth, the achievements in the area during the past year are as follows:

A. Trade

5.6.1 Growth in Trade Sector

The wholesale and retail trade sector share of nominal GDP stood at 5.18% in 2010. The overall target of increasing trade's GDP contribution to 8% seems achievable with increase in numbers of traders coupled with increase in the income level of the people. The trade sector is also the highest revenue contributor with its contribution amounting to Nu. 4,882.968 million during the fiscal year 2010-11. This is an increase from 19.5% in 2007-08 to 27.5% in 2010-11. The set target of 25% has already been achieved. As of 31 December 2011, a total of 20,373 retail and wholesale licenses and micro trade certificates have been issued of which 1,685 were issued between July-December 2011.

5.6.2 Employment in the Trade Sector

Trade is the second largest employer by economic activity with 27,800 people engaged in the wholesale and retail trade as per the MoLHR Labour Force Survey report of 2011. This translates to 8.5% of the total workforce far above the target of 6%.

B. Industry

5.6.3 Strengthening Legal and Institutional Framework for Industrial Development

- i. In order to attract and facilitate foreign investment in the country, the drafting of FDI Rules and Regulations 2012 and FDI Procedures 2012 was completed;
- ii. To encourage industrial infrastructure development in the country, the “Special Economic Zone Policy” is being drafted. This will serve as an apex policy to guide the development and management of industrial infrastructure such as SEZs, IEs, dry ports and service centres;
- iii. In collaboration with the World Bank, the policy on Public Private Partnerships (PPP) is being drafted. The objective of the Policy is to facilitate and promote a structured, capacitated and predictable approach to PPPs; and
- iv. A total of 15,190 industrial licenses were operational as of 31 December 2011. Of which, 2,447 were issued during the last one year.

5.6.4 Development and Management of Industrial Estates

- i. The land substitute for the affected land holders of Jigmeling Industrial Estate under Sarpang Dzongkhag has been completed in March 2012. The land registration is expected to be complete by July 2012;
- ii. A 145.52 acre land for Motanga Industrial Estate in Samdrup Jongkhar Dzongkhag has been acquired and handed over to Druk Holding & Investments (DHI) in January 2012. DHI has initiated the invitation for expression of interest from the interested investors;
- iii. The above industrial estates are to be built under a Public Private Partnership model for which the MoEA has signed the MOU with DHI in January 2011 for the development of the above estates; and
- iv. The topographical survey of the Bondeyma Industrial Estate in Mongar Dzongkhag has been completed in February 2011. The master plan and design, drawing and estimates will be completed within June 2012. The development

will be taken up during the 11th FYP.

5.6.5 Foreign Direct Investment (FDI)

Foreign direct investments' contribution to the national economy has been remarkable despite the country's late opening to FDI and that only a few projects were operating within a short period of time. Following FDI projects were approved during the FY 2011-2012:

- i. Bhutan Concast Pvt. Ltd. (billets);
- ii. Bhutan H2O Pvt. Ltd. (water bottling); and
- iii. Neethsel Pvt. Ltd. (pharmaceutical plant).

In addition, the following FDI proposals were approved in principle:

- i. Snowcem Bhutan Pvt. Ltd. (cement paint);
- ii. Prefab Industries Pvt. Ltd. (prefabricated building materials);
- iii. AdrukA Furniture & Interiors (furniture manufacturing);
- iv. Bhutan Education City (education city); and
- v. Dralha GG Fruit Pulp Pvt. Ltd. (fruit pulp).

5.6.6 Employment in the Industrial Sector

The sector employed 16,900 people or 3.9 % of the total workforce as of 2010 and is on track to meet the plan target of increasing employment to 6% of the total workforce.

5.6.7 Progress of Cottage and Small Industry

A temporary craft *bazaar* at Thimphu operating six days a week has begun. There are 78 registered retailers selling genuine Bhutanese craft products.

To enhance the capacity of existing cottage & small enterprises in the country, intensive demand-based trainings were provided. A total of 168 entrepreneurs had undergone various trainings.

As part of business simplification reform, a total of 11 cottage and small business services are now automated and brought online. With this, applicants can now obtain business license from the nearest Community Centers, instead of having to travel to the Regional Trade & Industry Offices.

The drafting of MSME Policy, strategy and action plan for development of MSME has been completed.

5.6.8 Acceleration of Hydropower Development

The government in December 2011 bifurcated the erstwhile Department of Energy into i) Department of Hydropower and Power Systems (DHPS), ii) Department of Renewable Energy (DRE) and iii) Department of Hydro Meteorological Services (DHMS). With increasing mandate of the energy sector as a result of the accelerated hydropower development initiative of 10,000 MW by 2020, the bifurcation was carried out to, inter alia, emphasize in the development of other renewable energy sources and to have an effective hydro-meteorological services for all users. Some of the notable achievements are:

- i. The Joint Venture Agreements for the implementation of four projects (Kholongchhu, Chamkharchhu-I, Wangchhu and Bunakha HEPs totaling 2,120 MW) between Druk Green Power Corporation (DGPC) and Indian Public Sector Undertakings (PSUs) was agreed to be framed in accordance with the policies and laws of the country. The partners are in the process of finalizing the JV Agreements;
- ii. The Sunkosh HEP will be taken up with an optimized downscaled installed capacity of 2,560 MW. The downsizing was done to improve the commercial viability of the project;
- iii. The construction of PHPA-I & II is well on schedule and works are progressing well. The projects are scheduled to be commissioned in 2016 and 2017 respectively. Similarly, the contract works for the main civil packages of the 720 MW Mangdechhu Hydroelectric Project has been awarded in March 2012 and the project is scheduled to be commissioned in 2017. The three projects together employ a total of 2,853 Bhutanese. The financial disbursements accrued to Bhutanese contractors, agencies and individuals for works, supply of goods and services from the above three projects amounts to Nu. 7,443.46 million (29% of the total project expenditure);
- iv. Kholongchhu, Amochhu, Bunakha, Wangchhu, Chamkharchhu I, and Sunkosh projects are at the advance stage of DPR studies while for Kuri-Gongri project, based on the prefeasibility study completed, the DPR study will be undertaken. The preconstruction works of all above projects except Kuri-Gongri will commence by 2012-2013;
- v. Tala and Kurichhu tariff has been increased by 10% starting 1 December

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- 2011 and the current tariff stands at INR. 1.98 per unit. The tariff increase is expected to fetch additional revenue of INR 139.5 million for the period, 1 December 2011 to 30 June 2012, and INR. 598.5 million thereafter annually;
- vi. Construction of 126 MW Dagachhu Hydroelectric Project, is underway with almost 50% of the civil works completed as of March 2012. The project is expected to be completed by April 2014;
 - vii. DGPC is carrying out the feasibility study of Nikachhu Hydroelectric project and the study is expected to be completed by September 2012; and
 - viii. The Norwegian Government has extended its support to the energy sector through the NORAD Phase IV project for three years (2012-2015), through which capacity building of energy sector and pre-feasibility of three project sites will be undertaken. The Agreement for the project has been signed in May 2012.

5.6.9 Power Transmission

- i. The preparation of a National Transmission Grid Master Plan (NTGMP) which will provide a holistic roadmap for the construction of numerous transmission lines, substations and power pooling stations has been completed and the transmission system for the 10,000 MW projects have been endorsed by the Empowered Joint Group in June 2012;
- ii. The interconnection of the eastern and western transmission grid to form a single national grid for the overall energy security of the nation is underway;
- iii. The Indian part of the Deothang-Rangia transmission line, which was completed in 2009, will be handed over to PGCIL, India. Discussions with PTC India Ltd. are underway for amendment of Kurichhu Power Purchase Agreement to enable export of power through this new line;
- iv. BPC has taken up the construction of power transmission line to the Bhutan-India border for the 1,200 MW Punatsangchhu I HEP and has achieved a progress of 14% as of March 2012; and
- v. To ensure adequate and reliable power supply to Samtse and Gomtu, as well as to facilitate the growth of industries in Samtse Dzongkhag, BPC has undertaken construction of a 220kV transmission line from Malbase to Samtse and 66 kV line from Samtse to Gomtu and Samtse to Sipsoo. The contracts for construction of these lines have been awarded in 2011 and the physical progress achieved as of March 2012 is 13%.

5.6.10 Tourist Marketing, Arrival and Earnings

Tourism sector continues to remain the single most important foreign exchange

earner for the country. A record number of 100,833 visitors, including 65,756 international and regional high end tourists visited the country in 2011 representing an unprecedented growth of 46% from 2010. Gross earnings from international tourism alone reached USD 47.68 million, an increase of about 32% from 2010 with royalty contribution to government amounting to USD 14 million. The sector employed 22,045 people by the end of 2011. The other achievements are:

- i. **Branding Bhutan:** The brand “Happiness is a Place” is being promoted aggressively through various channels worldwide and it is actively incorporated into all promotional items distributed by the Tourism Council of Bhutan (TCB). TCB is also working on increasing brand awareness through social media by collaborating with online influential travel writers/bloggers as part of digital marketing;
- ii. **Development of New Tourism Products:** TCB in collaboration with relevant stakeholders introduced the Haa Summer Festival, Takin Festival, Nomads Festival, Matsutake Festival and Rhododendron Festival. Sites and trails for butterfly tours in the east, central and southern circuits have been identified and surveyed. The Royal Manas National Park has also been opened for tourists;
- iii. **Development of Wellness Tourism:** A guideline/regulation for development of wellness (spa and meditation) are being developed. A documentary on wellness tourism products is being produced. Menchu, tshachu and dotso facilities were developed as wellness products. Dhur hot spring in Bumthang is being promoted under this product line; and
- iv. **Marketing and Promotion:** As part of the initiatives to promote tourist arrivals, TCB has been reaching out to premium international tour operators to explore joint marketing activities. These included:
 - Signed contracts with seven international tour operators to promote Bhutan as a travel destination;
 - Hosted 98 travel writers, filmmakers, photographers and other media personnel from various source markets;
 - TCB together with 63 tour operators and hoteliers participated in major international travel fairs around the world;
 - Websites in Japanese and Russian languages have been developed and monitored by representatives in the two source markets; and
 - Hosted the first ever PATA Adventure travel and Responsible Tourism Conference and Mart 2012 “high value, low impact” foot frame in Hotel Zhiwaling, Paro, from February 3-9, 2012. The event created immense awareness on the tourism sector of the country. More than

150 international participants from tourism industry across the world attended the fair.

5.6.11 Druk Holding and Investments (DHI)

Tax contribution of DHI group increased to Nu.3,297.9 million in 2011 from Nu. 1,873.77 million in 2008, an increase by Nu. 1,424.13 million. DHI remittance (tax plus dividend) to the government increased to Nu. 4,316 million in 2010 and Nu. 4,231.66 million in 2011 from Nu. 2,110 million in 2007. However, there has been a slight decrease in 2011 from 2010 mainly because the remittance from THP decreased by Nu. 114 million. DHI has been able to meet the financial targets set by the Government.

The financial performance of the DHI Owned Companies (DOCs) and DHI Controlled Companies (DCCs) has been significant. The total net worth of the group has increased at Compound Annual Growth Rate (CAGR) of 37.83% from 2008 to 2011. In absolute terms, the net worth of the DHI group has increased by over Nu. 37 billion and profits have increased by over Nu. 3 billion during the period under review.

While all the DOCs have performed well financially, BoB and the STCB, in particular, have performed exceptionally well. BoB saw an increase in total assets and profit after tax at CAGR of 9% and 57%, respectively, while STCB's figures for the same were 45% and 19%, respectively from 2008 to 2011.

5.7. Works and Human Settlement

The achievements in the works and human settlement are discussed below:

5.7.1 Road and Bridges

Roads and bridges being the main element of achieving other socio-economic developments, the main target of the road sector in the 10th FYP is to connect all 205 Gewogs by motorable roads. This is expected to fast track the socio-economic development of rural areas 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 considered important for improving economic growth and trade.

5.7.2 National Highway

A total of 154.99 km of National Highways were constructed during the first four years of the 10th FYP and 38.80 km were constructed during the FY 2011 - 2012 comprising Gyalposhing – Nanglam, Gomphu-Panbang, Samtse–Phuentsholing, realignment of East-West highway between Nangar–Ura, Damji–Zamechu, Zamechu–Gasa, Manitar–Raidak, Raidak– Lhamoizingkha, Samdrupcholing–Samrang and bypass road along Paro International Airport.

5.7.3 Roads Connecting Hydropower Projects

About 108.11 km of roads connecting hydropower projects were constructed comprising Halhalay – Dorokha, Manmung (Redhigang)– Digala, realignment of Tingtibi – Wangdigang, up gradation of Gelephu–Trongsa, up gradation of Sunkosh–Chineything, Tingtibi–Praling, improvement/up gradation of Gelephu–Trongsa, improvement/up gradation of Gelephu– Wangdi, realignment of road from Hiley check post to Sarpang Bazar (embankment works).

5.7.4 Dzongkhag Road/Feeder Road

A total of 76.39 km construction of Drujeygang–Balung, Khodakpa–Khar–Tsebar and Jangchucholing– Tashidingkha feeder/Dzongkhag roads has been completed under the World Bank funded project (RAP II). Another 70.37 km of feeder/Dzongkhag roads comprising Kharungla–Kangpara, Meritshemo–Bongo, Garbagthang–Chali, Autsho– Gumrang, Tekizam–Bjena and Tsebar–Mikuri–Duringri have been were constructed under ADB funding.

5.7.5 Deposit Works

A total of 27.07 km were constructed as deposit works during the first four years of the 10th FYP by the various Field Divisions under the Department of Roads.

5.7.6 Resurfacing of Roads

A total of 607.99 km of road resurfacing works were carried out by the various Field Divisions under Department of Roads during the first four years of the 10th FYP and 104.77 km of road were resurfaced within the FY 2011 -2012.

5.7.7 Monsoon Restoration Works

During the first four years of the 10th FYP, 33.18 km of monsoon restoration works were carried out and 19.31 km were carried out during the FY 2011 -2012 in Sarpang and Jangchubcholing-Tashidingkha road.

5.7.8 Motorable Bridges

A total of 47 motorable bridges were constructed during the first four years of the 10th FYP along various highways/roads, of which 30 were constructed during the FY 2011 – 2012 across the country. Protection works were carried out for 22 bridges.

5.7.9 Suspension Bridges

The 10th FYP target is to build 100 trail suspension bridges based on the capacity of the implementing agencies (Dzongkhags). As of now 38 new bridges have been completed, 4 new bridges are almost nearing completion and survey, design, estimation and preparation of drawings for 26 new trail bridges have been completed and tender for the bridge steel parts fabrication has been awarded. 45 existing bridges have been rehabilitated which has greatly reduced the burden on the beneficiaries of maintaining the bridges every one or two years.

About 8,000 households directly benefit from the provision of these bridges and around 20,000 school going children use these bridges every day.

During the FY 2011-12, four bridges in Dagana, two bridges in Paro and Trongsa Dzongkhags have been constructed. Survey, design, estimation and preparation of drawings were completed for 26 new trail bridges and the procurement of bridge steel part fabrication has been awarded. Physical implementation of these bridges are at different stages of construction in various Dzongkhags. Survey of another 27 new bridges have been completed.

5.7.10 Road Asset Management and Maintenance

During the first four years of the 10th FYP, 3.27 km of crash barriers were installed; Bio-Engineering works were carried out for 6.30 km and field accommodation and road side amenities for 227.49 km were carried out.

Road improvement including road geometrics improvement works for 1371.31 km

were carried out during the first four years of the 10th FYP and 358.57 km were carried out in the FY 2011 -2012 consisting of National Highways, Dzongkhag roads and Feeder roads.

Culverts, crib-walls and drainage works were constructed for 8.5 km of road and survey, investigation, design and research works were carried out for 78.20 km.

Routine Road Maintenance

Routine maintenance works worth Nu. 442.04 million were carried out across the country during the first four years of the 10th FYP by the various Field Divisions under DoR. Nu. 88.42 million worth of road maintenance works were carried out in the FY 2011 – 2012.

5.7.11 Routine Bridge Maintenance

During the first four years of the 10th FYP, Nu. 10.72 million worth of bridge maintenance works were carried out and Nu. 1.12 million worth of bridge maintenance works were carried out during the FY 2011 -2012.

5.7.12 Construction of New and Additional Roads

As directed during the 10th Plan Mid-Term Review, the MoWHS has taken up the construction of the following roads and the works are expected to be completed within the 10th FYP:

- i. Shingkhar-Gorgan road (67 km);
- ii. Dorokha-Denchukha 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.

5.7.13 Bifurcation of Department of Urban Development and Engineering Services

The erstwhile Department of Urban Development and Engineering Services (DUDES) has been bifurcated into the Department of Engineering Services and the Department of Human Settlement in September, 2011. This bifurcation would enable the two departments to specialize and focus on their respective areas of responsibilities.

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- i. **Engineering Services:** Carried out preparations of architectural drawing/design and site supervision of departmental constructions such as Town Hall and Royal Audit Authority Training Centre at Tsirang, Center for Bhutan Studies, Royal Supreme Court Complex, Guru Nangsa Zilon Lhakhang at Bumthang, car parking and renovation of the Ministry of Works and Human Settlement, Changlimithang Stadium.
Conducted awareness on construction technology of earthquake resistance houses in rural villages.
 - ii. Carried out various works such as structural designing, review of designs and site supervision for construction of the Royal Supreme Court of Bhutan and houses affected by fire at Haa, conceptual design and drawings of the Royal Guest House, Tendrel thang at Haa and market shed at Bajothang/Wangdue, earthquake damage assessment for UNDP building, old MoWHS office building, swimming pool complex, Changlimithang National Stadium and Royal Audit Authority building.
 - iii. **Human Settlement:** Some noticeable achievements during the first four years of the 10th FYP, amongst others, include revision of the Gelephu Local Area Plan I, adoption of Attic Rules 2009, preparation of Master Plan for Denchi based on Land Acquisition modality and Land Use Plan for the Bumthang valley.
 - iv. Furthermore, achievements during the FY 2011-2012 include finalization of the the plan for Debsi Phakha in Thimphu, finalization of the Local Area Plan for Schemthang, Sarpang, clearance of Gelephu LAP I plots for implementation, handing over of the Gelephu LAP II, etc.

5.7.14 Construction Development Board (CDB)

During the first four years of the 10th FYP, CDB has conducted several stakeholder meetings with various procuring agencies and private sectors for the preparation & finalization of the report on “*Curbing Corruption in the Construction Industry*”. The CDB Manual 2007 was also revised and construction industry information system (CiNET) was improved. CDB conducted Contractor Awareness Workshop to 192 Class C and Petty Contractors in 12 Dzongkhags, trained 725 new contractors on basic construction skills and norms in the construction industry and developed Contractor’s Monitoring System (CMS) to assess the contractors, and establish effective monitoring system towards curbing corruption, fronting and collusion. Point Based System for contractor selection is being implemented along with the development of Arbitration and CDA Acts apart from many other important initiatives.

In addition, the following were the notable achievements during the FY 2011 – 2012:

- i. **Online Services for Database and Industry Information:** Since the introduction of the New Point Based System of evaluation and e-tool, records in CDB show that 1,214 construction contracts worth Nu. 6.30 billion have been awarded;
- ii. **E-tool User Training:** A total of 320 focal persons from 20 Dzongkhags, 10 ministries and autonomous agencies were trained on the E-tool besides which, five batches of training were conducted for 48 participants from Department of National Properties, Construction Development Corporation Limited, Department of Culture, Thimphu Thromde and Department of Livestock;
- iii. **Contractors Awareness and Orientation Programme:** Eight more batches of training on Induction Course for new entry contractors were carried out from August–November 2011 in Thimphu, Trashigang, Phuentsholing and Bumthang. A total of 1,420 took part in the program;
- iv. **Effective Monitoring of Construction/Fronting/Corruption:** The ten enumerators recruited by the CDB for monitoring of the ongoing works has monitored sites in Pemagatshel, Samdrup Jongkhar, Samte, Trashigang, Trashiyangtse, Trongsa, Lhuntse, Mongar and Bumthang Dzongkhags covering 147 construction sites; and
- v. **Strengthening of Industry and Creation of Jobs:** As per ABSD programme and with the implementation of New Classification System and New Point Based System of Contractors from May 2011, certain criteria were set where construction firms must employ local people for all classes of contractors. As of April 2012, 37 contractors were incorporated as capable of executing projects valued at more than Nu 150 million. 4,297 Bhutanese employees have been registered under construction firms and there are 3,399 contractors registered with CDB.

5.7.15 National Housing Development

The National Housing Development Corporation Limited (NHDCL) was incorporated as a limited company in September 2010 and formally delinked from the Ministry of Works and Human Settlement on 1 July 2011.

Housing shortage still remains a critical challenge in the country. During the 10th FYP, NHDCL has undertaken major renovations of 31 residential buildings in addition to maintenance works of 335 buildings including constructing sewer lines to 95 buildings. NHDCL received approval for the construction of 800 units across

the country and Nu. 250 million has been approved for house construction. NHDCL has also successfully completed the construction of the Ministerial Enclave at Motithang.

The construction of 88 units of low cost housing in Thimphu, Samdrupjongkhar and Phuentsholing is being expedited.

The NHDCL has also initiated the transfer of land and buildings in its name. As of 31 December 2011, 110.17 acres of land and 287 buildings (1,528 residential units) which were constructed by NHDCL are finalized for registration in NHDCL's name.

In addition, a proposal for Home Ownership Programme for civil servants is being drafted. All units are planned to be completed by 2013.

NHDCL is collaborating with the Ministry of Labour and Human Resource in an effort to establish home maintenance services which is expected to take care of the minor emergency works such as plumbing and electrical works. This is also aimed at generating employment opportunities for the VTI graduates.

III. SECOND PILLAR: REINFORCING ENVIRONMENTAL CONSERVATION

The pride of Bhutan is the good health of its natural environment. We cannot be greener than at the present time with a forest cover of over 81% much of it in pristine condition, rich biodiversity, clean air and sparkling water. This is the result of translating a deep reverence for our natural environment into deliberate policies that place conservation at the centre of our development strategy.

There are a number of emerging pressures to our natural environment that are the result of multiple interdependent stressors such as rising living standards, urbanization, industrialization, hydropower development, road constructions, vehicular transportation, air pollution, water pollution, sewage and waste disposal. Our natural environment is also threatened by forces beyond our control in relation to climate change and its varied impacts.

The goal of the 10th FYP with regard to the natural environment is to sustain, preserve and fortify the ecological integrity. This includes a range of activities such as protecting our forest ecosystems, maintaining our biodiversity, legal frameworks, environmental awareness and advocacy, institutional capacity building and science-based optimization of natural resource management, and the promotion of partnerships with civil society organizations and communities.

It is our continued desire to be a global leader in environment conservation. We are today member to twelve environmental conventions. We have for the benefit of global community declared to remain carbon neutral at the United Nations Framework Convention on Climate Change Conference of Parties (COP15) in Copenhagen, Denmark in 2009. In this regard, we are proud that 53% of ecosystem services generated by our forests is benefited by populations outside Bhutan thus making Bhutan a net donor in this vital area.

I am happy to highlight the initiatives, progress and achievements in environment conservation for the past one year.

1. ROYAL LAUNCHING OF THE HCFC MANAGEMENT PLAN

Her Majesty the Gyaltsuen graciously launched the HCFC (hydro-chlorofluorocarbon) management plan for Bhutan, September 2011. This is yet another substantive measure being taken by Bhutan to contribute to protect the health of our

ailing planet.

Her Majesty was also pleased to receive recognition and appointment as the United Nation's Environment Protection ambassador for Ozone at the 25th Anniversary of the Montreal Protocol on 17 May 2012. We are confident that Her Majesty will inspire and motivate our people into a greater commitment to preserve this vitally protective layer in our atmosphere.

The Royal Government is grateful to Her Majesty the Gyaltsuen for her personal interest in the cause of environmental conservation.

2. RIO +20 SUMMIT

Twenty years after the 1992 Earth Summit in Rio, where countries adopted Agenda 21 - a blueprint to rethink economic growth, advance social equity and ensure environmental protection - the UN has again brought together in Rio +20 in Rio de Janeiro, Brazil, governments, international institutions and major groups to agree on a range of smart measures that can reduce poverty while promoting decent jobs, clean energy and a more sustainable and fair use of resources.

The two main themes were: how to build a green economy to achieve sustainable development and lift people out of poverty, including support for developing countries that will allow them to find a green path for development; and how to improve international coordination for sustainable development.

Bhutan had a successful participation at the conference managing to put the GNH philosophy in the spotlight as an alternative economic development paradigm. In recognition of our leadership, Bhutan was invited as key note speakers in a number of side events, exhibitions and fairs. Additionally, we held bilateral meetings with many international leaders on the sidelines of the conference.

3. GREEN TAX

The problems created by car ownership and over reliance on the carbon emitting transportation are outweighing their benefits. Modern societies that have built their transport systems around car ownership are waking up to this harsh reality. We have in Bhutan also started experiencing traffic congestion, parking space problems and air pollution. The rupee shortage issue in the past year has woken us up to the fact that the cost of dirty energy imports in general is equivalent to the revenue earned

from export of clean hydro power to India.

I have in the report last year said that we have one car for every 11 citizens or 88 cars for every 1000 citizens, which makes us the country with the highest car ownership in the region compared to 12 for India, nine for Nepal, eight for Pakistan and two for Bangladesh. Yet, as discussed in an earlier section Vehicle Numbers, the vehicle numbers in the country in the past year has grown by 18% to 62,707.

We have no choice but to put in place a rational approach to transportation system in which private car ownership does not dominate our urban spaces and it is in its rightful place as only one among many options for travel, for instance public transport uses space and energy many times more efficiently than cars, and cycling and walking are viable options. Before it is too late, we must work towards a sustainable transport system that meet our needs equitably and foster a healthy environment.

Based on this rationale, the government has proposed the green tax this budget session. I am grateful to Parliament for passing 20% green tax on vehicles above 1800 cc and 5% for vehicles smaller than 1800 cc. The public passenger cars, freight carriers and utility vehicles that will benefit the rural populations are exempt from the green tax.

4. NATIONAL PEDESTRIAN DAY

The rapid increase in vehicular number is impacting on livability in our urban centres besides the rise in non-communicable disease and rise in fuel import causing a serious trade imbalance with India resulting, among others, in the current rupee shortage.

This year, under the direct patronage of His Majesty the King, Bhutan observed the first Pedestrians' Day throughout the country in the core city areas to mark World Environment Day on June 5. Henceforth, Pedestrians' Day will be observed every Tuesday. It has been started so that the Bhutanese will walk for health, experience the joy of walking with friends, family and colleagues, and with the hope that we will seize the opportunity to contemplate the fragile nature of our Himalayan mountain ecology and make a small contribution to its preservation.

The day is observed from 8:00AM to 6:00PM every Tuesday. However, public buses, armed forces vehicle, ambulances, bicycles and taxis are allowed to ply through the core city during the day. Since the start of Pedestrians Day, many citizens have

expressed their solidarity with the initiative but we also have a segment who has expressed frustrations due to inconveniences caused by it.

5. REINFORCING ENVIRONMENTAL CONSERVATION

5.1. Environment Mainstreaming

An Environment Climate and Poverty (ECP) Mainstreaming Reference Group was formed comprising members from GNHC, NECS, DLG (MOHCA), MoAF, and UNDP to assist the sectors in mainstreaming environment, climate and poverty into their sector policies, plans and programmes. Training workshops on ECP Mainstreaming were conducted to sensitize Gewog Administrative Officers, Dzongkhag Planning Officers, Dzongkhag Environment Officers of the selected Dzongkhags and Gewogs. The ECP Reference Group and the Planning Officers of the key sectors were also trained on the application of the Environment Mainstreaming Tool.

The ECP Reference Group members also worked with the sectors and local governments (LGs) to identify environment concerns and opportunities, and mainstreaming options, alternatives and other interventions for the 11th FYP and Annual Plan preparation towards smarter development. This work exercise is documented in the ‘Framework to mainstream environment, climate change and poverty and other cross-cutting issues in the 11th FYP’ which is expected to inform and guide the sectors and LGs for formulation of an ECP integrated plan and to enable a “Green” 11th FYP.

5.2. Capacity Development Assessment of Training and Educational Institutes in the area of Environment-Climate Change-Poverty Mainstreaming

The capacity development assessment in the areas of Environment-Climate Change-Poverty was conducted for nine institutes namely the College of Natural Resources, College of Science and Technology, Gaeddu College of Business Studies, Institute of Management Studies, Paro College of Education, Royal Institute of Management, Royal Thimphu College, Sherubtse College and Ugyen Wangchuck Institute for Conservation and Environment.

Capacity constraints at the institutional level are characterized by inadequate coverage and focus of ECP mainstreaming in existing curricula and modules, lack of teaching and knowledge resources for ECP mainstreaming training. At the individual

level, existing faculty members have very limited specialization training in subjects related to ECP mainstreaming.

The study has proposed a list of recommendations to address the capacity constraints.

6. STRENGTHENING LEGAL FRAMEWORK

6.1. Water Act

The Water Act, 2011 was enacted in July 2011. The regulations to enable effective enforcement and implementation of the Act are being drafted.

6.2. Waste Prevention and Management Regulation

The National Environment Commission endorsed the Waste Prevention and Management Regulation in February 2012. Prior to its implementation and enforcement, a total of 18 sensitization programmes for the public were carried out both on television and radio in March and April, 2012. Furthermore, various teasers and short video clips with clear messages of penalties applicable under the Waste Prevention and Management Regulation, 2012 were publicized through BBS TV as well as local cable networks. Finally, an integrated management strategy to facilitate agencies to effectively implement the Act and its regulations is being drafted.

7. TRAINING ON ENVIRONMENTAL IMPACT ASSESSMENT

In seeking to develop the capacity on environmental assessment of projects and activities in the country, a weeklong training on Environmental Impact Assessment was organized for officials from all relevant agencies.

8. ESTABLISHMENT OF COMPLIANCE MONITORING DIVISION

A Compliance Monitoring Division was established at the National Environment Commission Secretariat with the responsibilities of monitoring compliance by implementing agencies and industries to the terms and conditions of environmental clearances; providing guidance to other government agencies and stakeholders concerning actions required to achieve environmental protection objectives, including specific measures for compliance with environmental clearances; informing operators whose activities have a significant impact on the environment; and informing the public of the environmental impact of their activities and products

9. INSTALLATION OF CCTV AND TOLL FREE NUMBER

A CCTV network system with night vision cameras has been installed at Pasakha Industrial Estate to closely monitor and thereby improve compliance by industries. Depending on success and resource availability, similar systems will be soon installed at other industrial areas in the country. Furthermore, toll free numbers have been introduced in March 2012 to facilitate public participation in environmental protection in the country.

10. ENVIRONMENT SERVICES AND MONITORING

10.1. Revised EA Sectoral Guideline and EA Reviewers Guideline

Revision of eight sectoral guidelines for the application for environmental clearance has been finalized. The sectors are hydropower, roads & highways, tourism, forestry, power transmission lines, urban development, mines & quarries, and industries.

Similarly, in an effort to enhance guidance to the public in processing for environmental clearance, new guidelines have been developed for housing colonies, hotels & resorts and farm roads.

With the objective of making the environmental clearance process more professional, efficient and consistent, a Guideline has also been developed for reviewers of applications for environmental clearance.

10.2. Environmental Clearances (EC) of Projects and Compliance Monitoring

There were a total of 296 project proposals for environmental clearance in 2011, of which, 203 were cleared. The Terms of Reference for conducting Environmental Impact Assessment of 13 projects were issued. The environmental considerations by the projects were found to have improved compared to previous years. However, there were instances of non-compliance and a total of Nu. 2 million was collected as penalties from 41 projects.

11. WATER RESOURCES COORDINATION AND MANAGEMENT

11.1. Water Quality Monitoring

Regular water monitoring exercises by the NEC Secretariat in all the major river

basins showed no significant changes in the quality trend of water. More detailed monitoring was conducted in the urban centers where the pollution is a problem due to drains and overflow of septic tanks.

In a weeklong training in March, 2012, technicians and participants from relevant stakeholder agencies including hydropower projects measured the physical, chemical, microbiological and biological characteristics of the Wang Chhu at Cheri, Babesa, and Khasadrapchhu. Results revealed 428 CFU/100 ml *Faecal coliform* at Babesa against the 200 CFU/100 ml considered safe for drinking whereas at Khasadrapchhu it showed indication of recovery measuring 46 CFU/100 ml water. The high degree of organic pollution at Babesa is primarily due to the discharge of effluent from the sewerage treatment. However, the standard of the effluent was found to be within permissible levels.

11.2. Formation of National Water Resources Board (NWRB)

A 12-member Board was formed to facilitate the NEC Secretariat in overseeing the implementation of the Water Act, related regulations and bylaws, submit recommendations to the NEC to ensure smooth implementation of water resources activities, policies and programs, act as a technical advisory committee to the NEC on water resource protection, development and management, recommend on matters pertaining to water of national and international importance for consideration by the NEC in its capacity as the National Apex Body on environment including water resources; be a forum for discussion and coordination of water resources activities and sharing of information to avoid duplication of efforts and resources, co-ordinate the institutional linkage mechanism within and beyond the water resources sector, and advice on issues related to water resources.

12. AIR QUALITY

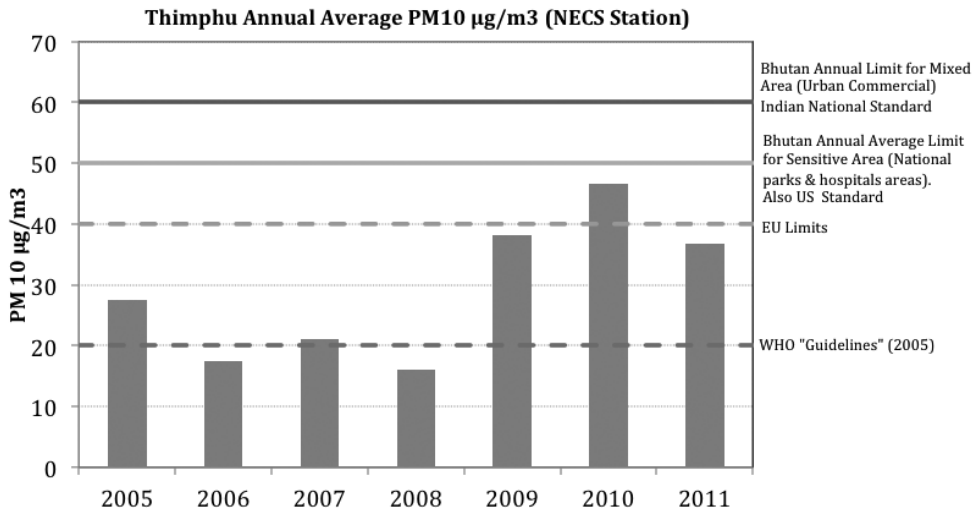
12.1. Air Quality Information

The NEC Secretariat has stated monitoring concentration of respirable dust particles smaller than 10 micro meters (PM10) at various locations in Bhutan. PM10 comprises dust particles smaller than 10 μm and contains various pollutants, dust and water and can be inhaled by people and cause health problems. Monitoring is carried out in partnership with various institutes at Kanglung (Sherubtse College), Rinchending (College of Science and Technology), Pasakha (NECS and MOEA), and Gomtu (PCAL). The data is now broadcast on the BBS TV since February 2012.

Overall, PM10 levels remain below national levels. Figure 1 shows data from Thimphu which has the longest records.

There is a trend of deterioration of PM10 levels (increasing pollution) in Thimphu although the levels still remain below national and other international limits.

Figure 1: Annual PM10 levels. Trends in Thimphu



For other areas, levels remain below national limits, except for Rinchending which exceeds national limits as the area might be influenced by both Pasakha industries and trans-boundary air pollution from India.

12.2. Road Transport and Vehicle Emissions

Rapid urbanization and rising income levels have led to an explosive increase in the use and number of private vehicles. A recent study carried out by the NEC on the present transport emission situation in Thimphu vis-à-vis the impact on air quality and possible mitigation measures demonstrated that as traffic increases, so does the consumption of fuels and corresponding green house gases (GHG) such as CO2 contributing to Climate Change and decline in quality of life. A “technical driving booklet” and “trainers’ handbook for eco-driving” have also been developed through the same study to promote eco-friendly driving along with trainings conducted to implement the ideas.

12.3. Transport Emission Reduction Proposal in Thimphu

A task force has been formed comprising officials from NEC, RSTA, Bhutan Post, Royal Bhutan Police and Thimphu Thromde to develop a project proposal to reduce transport emission and traffic congestion in Thimphu.

13. UPGRADATION OF CLIMATE CHANGE UNIT

The climate change unit at the NEC has been up graded to Climate Change Division with the responsibility to provide relevant guidance on climate change to the Government, address vulnerability areas and adaptation measures for Bhutan through climate data analysis and modeling, adaptation planning, meet Bhutan's commitment to Carbon Neutrality; meet NEC's core mandate for air quality by ensuring ambient air quality emissions, establishing relevant standards and monitoring of non-GHG pollutants that have more local impacts; report to national and international forums and bodies on climate change in Bhutan.

The development of a Carbon Neutral Strategy for Bhutan was carried out through a combination of technical assessment and consultative process. This was in keeping with the declaration made by the government at COP15 of the UNFCCC in 2009. The report projects emission scenarios in Bhutan in 20-40 years from now including a baseline and alternative scenarios with use of energy efficiency and alternative energy measures.

14. VIENNA CONVENTION FOR THE PROTECTION OF OZONE LAYER AND MONTREAL PROTOCOL ON SUBSTANCES THAT DEplete THE OZONE LAYER

After successfully fulfilling its obligation in phasing out 100 % of the CFC by 2010, Bhutan has now embarked on the obligation to accelerate the phase-out of HCFC by 2025 instead of 2030 like other developing countries. Towards this, the HCFC Management Plan of Bhutan was prepared and launched in September 2011 by Her Majesty Gyaltsuen Jetsun Pema Wangchuck.

15. UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC)

The Second National Communication (SNC) to UN Framework Convention on Climate Change (UNFCCC) was completed and submitted as part of national

obligations to the UNFCCC. The report communicated information such as assessment of greenhouse gas emissions from Bhutan; mitigation actions being taken by Bhutan to manage greenhouse gas emissions; an assessment of vulnerability to climate change including climate change scenarios and an adaptation plan; and crosscutting issues including needs for capacity building, awareness on climate change and technology transfer. The preparation of the national report was carried out in a participatory consultative manner which also provided training and awareness on climate change among various stakeholders in the country.

As an obligation to the UNFCCC, Bhutan has started the Technology Needs Assessment for mitigation and adaptation for climate change funded by GEF.

16. NATIONAL ADAPTATION PROGRAMME OF ACTION (NAPA) UPDATE AND PREPARATION FOR PROJECT IMPLEMENTATION

The NAPA for Bhutan has been updated to include new climate hazards of cyclones and windstorms and costs of priority projects revisited. The revised NAPA has been submitted to the UNFCCC in May 2012. Based on the revised draft, preparation of implementation of remaining priority adaptation projects has also started with a target to access \$12 million from the LDC Fund. Towards this end, the Project Identification Form (PIF) is under preparation and is expected to be ready for consideration by the LDC Fund by June 2012.

17. CLEAN DEVELOPMENT MECHANISM

The NEC Secretariat as the Designated National Authority (DNA) for the Clean Development Mechanism (CDM) organized a capacity building workshop for stakeholders on CDM toolkit and adaptation road mapping. The DNA with support from the Multi-Sectoral Technical Committee on CDM issued the Host Country Approval (HCA) for Punatsangchhu I hydroelectric project which is a requisite for any project pursuing CDM.

18. LDC EXPERT GROUP MEETING

Bhutan hosted the 21st meeting of the Least Developed Countries Expert Group (LEG) of the UNFCCC from 9-13 March 2012 in Thimphu. During this meeting, LEG members and representatives from the UNFCCC, GEF and other UN agencies interacted with the members of the Bhutanese NAPA implementation project (Thorthormi GLOF project, early warning system and community disaster response

in Punakha-Wangdue Valley). The LEG and other participants of the meeting were better able to understand the successes and challenges of this NAPA project which is viewed as a success story of the NAPA implementation under the UNFCCC adaptation programme. This project is often used as a model example by the GEF and UNDP in highlighting implementation of the NAPA by LDCs.

19. SUPPORT TO MEASURE CARBON SINK CAPACITY BY HOKKAIDO UNIVERSITY

During the COP 17 of the UNFCCC in Durban, Hokkaido University expressed its interest to support Bhutan in measuring the carbon sink of Bhutan using satellite imagery. The team from Hokkaido University visited Bhutan on a scoping mission from 3-10 March 2012. The NEC conducted a meeting on 5 March 2012 with participation of representatives from relevant sectors.

20. GEO-SPATIAL DATA AND INFORMATION FOR TOPOGRAPHIC MAPPING FOR BHUTAN

In March 2012, NEC with technical and financial support from Thailand's Geo-Informatics and Space Technology Development Agency (GISTDA) conducted a high level meeting and a capacity building workshop on Partnerships for Improving the Performance of RS GIS and Use of Geo-Informatics System for Bhutanese scientists from 19-23 March 2012.

21. JOINT NETWORK MEETING ON OZONE FOR SOUTH ASIA AND SOUTH EAST ASIA AND THE PACIFIC

Bhutan hosted the Joint Network Meeting on Ozone for South Asia and South East Asia and the Pacific from 15-18 May 2011. The meeting deliberated on issues relating to implementation of the HCFC Phase-out Management plan that are required to be undertaken by all countries around the world to meet the obligations of the Montreal Protocol to phase out HCFC from countries by year 2030.

22. UNITED NATIONS CONVENTION ON BIOLOGICAL DIVERSITY

Bhutan as a party to the Cartagena Protocol on Bio-safety under the Convention on Biological Diversity submitted the Second National Report to the Cartagena Protocol on Bio-safety in December 2011 to the Secretariat of the Convention on Biological Diversity. This report was prepared after formation of a core group comprising all

relevant stakeholders.

23. THE NINTH SAARC ENVIRONMENT MINISTERS MEETING

Bhutan hosted the Ninth SAARC Environment Ministers' Meeting and Fourth SAARC Fourth Technical Committee on Environment and Forestry Meeting in September 2011.

The Ministers' meeting endorsed the recommendations of the Fourth Meeting of the Technical Committee on Environment and Forestry and underlined the need to ensure timely follow-up and implementation of the various decisions/directives.

The meeting also decided on formulating and presenting a common SAARC statement at COP 17 (Durban, South Africa, November 2011) as was done at COP 15 and COP 16.

24. THE NATIONAL FOREST POLICY 2011

The National Forest Policy 2011 has been approved by the Cabinet. The revised policy calls for scientific management of forest based on the functionality of the landscape to ensure sustainable delivery of social, economic, ecological and cultural benefits for the well being of society. In addition, the policy also emphasizes on integrating traditional local knowledge with scientific knowledge and encouraging people's participation in managing forest resources. The people's participation in managing forest resources is showcased through the establishment of Community and Private Forests.

The first draft of the Forest and Nature Conservation Act 2011 has been prepared in order to align with the National Forest Policy. Further, the final draft of the Protected Area (PA) and Wildlife Bill 2011 is also being drafted.

Further, the final draft of subsidized rural timber and other forest produce allotment policy 2011 has been prepared to prevent illegal operation of timber. This policy is geared towards enhancing the availability, accessibility and affordability of timber and other non-wood forest resources in the market without compromising the conservation objectives.

25. ESTABLISHMENT OF RECREATIONAL PARKS

25.1. Kuenselphodrang Recreational Park (KRP)

The park is dedicated to the Royal Wedding and was officially inaugurated in November 2011. KRP is the second recreational park to be established in the country after the Royal Botanical Park in Lampelri. The park has around 650 acres and provides recreational opportunities to the growing urban population of Thimphu. The park provides recreational facilities like walking trails, gazebos (sun shades), picnic tables, resting benches, toilet, garbage bins, and water tap. The park also harbors wildlife such as musk deer, Himalayan black bear, barking deer and bird species such as Himalayan monal, blood pheasant and other species. The park is also culturally rich and diverse. The ancient ruins of Kuenselphodrang palace, the one time palace of Sherab Wangchuk, the 13th Druk Desi is located above the Buddha Dordenma statue.

25.2. Phajoding Recreational Area

The proposal includes development of campsite with traditional designs and basic facilities such as camping areas, toilets, resting benches, cooking sheds, canopies/sun shades, waste bins, interpretive signage, fencing, water supply and walking paths. The monk body from the monastic school will be made responsible for management of the facility. The revenue generated through user fees shall contribute towards cultural preservation besides the upkeep of the facilities.

The project will be the first pilot recreational project to be managed by the monastic body that can contribute to both natural and cultural heritage conservation.

26. ECOTOURISM PROGRAM

In order to benefit rural communities from ecotourism/nature tourism activities in Protected Areas and Government Reserve Forests, the community based ecotourism program has been identified as a priority program in the 10th FYP.

Currently, community based ecotourism programs have been initiated in the five protected areas of Jigme Singye Wangchuck National Park (JSWNP), Royal Manas National Park (RMNP), Thrumshingla National Park (TNP), Wangchuck Centennial Park (WCP) and Sakteng Wildlife Sanctuary (SWS). Community based ecotourism programs are also being planned for Bumdeling Wildlife Sanctuary, Jigme Dorji National Park, Phibsoo Wildlife Sanctuary and Toorsa Strict Nature Reserve.

One of the innovative concepts to promote parks for ecotourism is the annual park festivals. The annual park festivals have been introduced since 2009. The nomad festival in Wangchuck Centennial Park, Mushroom Festival in Thrumsingla National Park and Takin Festival in Jigme Dorji National Park are now a regular feature.

27. PAYMENT FOR ENVIRONMENTAL SERVICES (PES)

Payment for Environmental Services (PES) has emerged as a means to provide incentives for good stewardship of natural resources by local communities. The basic idea behind a PES approach is that external beneficiaries of environmental services make payments to local landholders and users in return for adopting practices that secure ecosystem conservation and restoration.

PES is being piloted at one location at Yukpugang, Mongar for drinking water; and another two have been identified to explore the potentials in hydropower sector and ecotourism. The experience and lessons from the pilot phase will afford the needed expertise, experience and information in scaling up, as well as seeking out other promising and potential ecosystem services.

28. AFFORESTATION / REFORESTATION PROGRAMME

As of 2011, a total of 57,146 acres as against target of 4,223 acres of land was brought under afforestation and reforestation programme. Major initiatives have been launching of THPA funded Wangchu basin plantation and PHPA funded compensatory plantation along Punatsangchu; and BTFEC funded cypress, national tree reforestation project across country.

29. BIO-DIVERSITY CONSERVATION

The rich biodiversity has a unique role to play in maintaining the genetic material required to guarantee food supplies for a growing world population as well as for development of new pharmaceutical products. Our rich biodiversity may confer upon us a distinct comparative advantage in the development of new and clean industries based upon bio-prospecting and genetic engineering industries. For example a Bhutanese plant extract is a principal ingredient in the beauty product REDEEM produced in Switzerland.

To promote sustainable utilization of biological resources, the bioprospecting laboratory was operationalised and documentation of traditional knowledge (TK)

related to biological resources completed in five communities. Further, the Access and Benefit Sharing (ABS) fund supported the establishment of three orchid houses and two community management groups.

A total of 2,448 germplasm samples of traditional varieties of crops were collected of which 1,268 accessions representing 20 genera were processed and conserved in the Crop Gene Bank.

The National Animal genebank presently holds a germplasm collection of 5,434 doses.

30. BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION (BT FEC)

The BT FEC which was established in 1992 was the world's first environmental trust fund. We received lot of international attention for starting this innovative mechanism of sustainable financing of environmental conservation.

The BT FEC began with an original endowment of \$ 20 million which today has grown to \$ 46.15 million. It uses its annual investment income to finance conservation activities. Grants are awarded to Bhutanese individuals and institutions to support environmental research, environmental education and awareness, conservation programmes, civil society development and infrastructure development. It has so far disbursed \$ 11.84 million with \$ 1.5 million made available every year for financing environmental conservation activities.

Some of the key projects approved for financing in the past year include:

- i. Solid Waste Management in Bajothang, Wangdue Dzongkhag;
- ii. Black-necked Crane Habitat Reclamation Project, Bumdelling, Trashiyangtse Dzongkhag;
- iii. Improved Fuelwood Cooking Stoves;
- iv. Local Stewardship of Forests through Alternative Roofing in Merak, Trashigang Dzongkhag;
- v. Door to Door Waste Management Services, Thimphu;
- vi. Water Resources Inventory;
- vii. Comprehensive Assessment of Climate Change Impacts on Endemic Plant Diversity; and
- viii. Forest Plantations by Farmers' Group in Phongmey and Radhi Gewogs, Trashigang Dzongkhag.

31. ROYAL SOCIETY FOR PROTECTION OF NATURE (RSPN)

The Royal Society for Protection of Nature (RSPN) established in 1987 was one of the pioneer NGOs in the country after the National Women's Association of Bhutan (NWAB). This year it marks 25 years of dedicated service in inspiring personal responsibility and active involvement of citizens to live in an environmentally sustainable society.

The RSPN has been successful in establishing nature clubs in schools and training institutes and local conservation support groups in the communities. It has generated knowledge and awareness on critically endangered species such as the Black Necked Crane and White Bellied Heron. It started the 'Clean Bhutan' programme to address the solid waste problem in urban centres. It promoted alternative energy, eco-tourism, organic agriculture, women empowerment and community capacity building programmes to incentivize local participation in conservation.

RSPN's history and achievements will be documented in a book to be released at the time of its silver jubilee celebration in October 2012.

32. SECOND JIGME SINGYE WANGCHUCK OUTSTANDING ENVIRONMENT STEWARDSHIP AWARD

The award instituted in honour of the Fourth Druk Gyalpo who is the Father of environment conservation and hosted by Bhutan Ecological Society is given every two years on World Environment Day to Bhutanese who have made outstanding contributions in environment conservation in the country.

The first award in 2010 for Policy Leadership was awarded to Dasho Paljor J. Dorji, the founder of RSPN and the first Field Leadership went to Sonam Phuntsho for his works in forest plantations.

This year the awards went to Rebecca Pradhan, an ecologist with Royal Society for Protection of Nature, and Raling Ngawang Drukdra from the Department of Forests and Park Services.

The awards were conferred by Her Royal Highness Princess Chimi Yangzom Wangchuck, Royal Patron, Bhutan Ecological Society.

We congratulate the winners and their works shall be an inspiration for all people.

33. BIKING TRAIL

A full detailed construction proposal (with design and drawings for the trail and amenities) for the first segment of 4.43 kms from Kuenselphodrang to Debtshig, has been developed after detailed survey works. The projected budget required is approximately Nu.11.9 million for construction of trail and resting amenities (8.5 m), boundary demarcation (1.6 m) and creation of fire line (1.8m).

The fund required for construction of the first segment has been incorporated under the upcoming project being funded by EU Global Climate Change Alliance and to be implemented from July 2012.

Lack of committed funds and dedicated expertise has been a major constraint thus far. As per estimates drawn up for the first segment, a total of approximately Nu. 163 million will be required for construction of the entire stretch of 76.4 km around the city.

The Tourism Council of Bhutan is planning a biking trail of 7 km from Tshogchagsa to Shegana and 7.5 km from Samdingkha to Punakha Dzong and 7 km from Bepzur to Chamkhar in Bumthang Dzongkhag.

According to the Department of Revenue and Customs, a total of 1,577 bicycles were imported in 2010 and 1,447 in 2011.

34. PROMOTION OF RENEWABLE ENERGY

Study for the development of a 360 kW Pilot Wind Power Project in Rubesa under Wangdue Dzongkhag supported by ADB is underway.

As an import substitution measure and to reduce fuel wood consumption, about 100 biogas plants have been installed as of March 2012 in Samtse, Tsirang, Chukha and Sarpang Dzongkhags. About 1600 biogas plants are planned to be installed by end of March 2014.

35. GEOLOGICAL MAPPING

The Government since 2001 has been carrying out systematic geological mapping on 1:50,000 scale and so far has completed 18 out of 88 toposheets. The geological mapping covering parts of Samdrup Jongkhar, Pemagatshel and Mongar Dzongkhags

are ongoing. In the last one year, an area of about 200 sq km has been covered.

36. GEOTECHNICAL/STABILITY STUDIES

During the year, geo technical and slope stability/ hazard studies were carried out along the Phuentsholing–Samtse Highway. Engineering geological and geophysical studies were also carried out for DGPC’s proposed project at Nikachhu. A Geotechnical study of the stability of Wangduephodrang Dzong is being carried out. The study will assess the risk triggered by submergence of the area due to river back flow created by ongoing PHPA HEPs downstream. The mitigation measures such as rock bolting, construction of retaining structures and grouting wherever required will be recommended after completion.

37. SEISMOLOGY

Plans are underway to establish the first ever earthquake monitoring station in the country in collaboration with the National Research Institute for Earth Science and Disaster Prevention (NIED), Japan. Active fault mapping of major part of southern Bhutan was completed.

38. GLACIOLOGY

The excavation works on Thorthormi glacial lake have progressed well despite various challenges posed by natural conditions. The overall water level of the lakes was lowered by 3.68 m against the target of 5 m. With assistance from JICA, a new inventory for glaciers and glacial lakes in Bhutan were developed using high resolution satellite images and ground truthing. The findings are that most of the glacial lakes categorized as potentially dangerous in the earlier inventory are quite stable at the moment but requires continuous monitoring.

39. DISASTER MANAGEMENT

Bhutan lies in one of the most seismically active zone in the world, classified under seismic zone IV and V. Given the threats from the Glacial Lake Outburst Flood (GLOF), the series of incidents of major floods, fire and windstorms in the past few years, it is clear that Bhutan is exposed to multiple hazards and an increased risk from these disasters.

The recent spate of disasters such as the massive flood triggered by Cyclone Aila

on 25-26 May, 2009, 21 September 2009 and 18 September 2011 earthquakes, tragic fires accidents at Bumthang, Haa and Wamrong, and the ill fated forest fire in Thimphu, which took away two precious lives, were grim reminders for the country to address the existing gaps in mitigating vulnerabilities and exposures to disaster risks and being prepared and responding to disasters.

Major initiatives and achievements in the preparedness and response to general disasters in the past year were:

- i. Tabling of Disaster Management Bill of Bhutan 2012 in Parliament;
- ii. Workshops on Disaster Preparedness and Response for Safe School/Safe School Initiative/Program and conduct of Mock Drills were undertaken to make students and teachers prepared and able to cope with disaster. The program trained more than 700 school teachers;
- iii. Conducted Community-based health and first aid (CBHFA) aimed at building community capacity in terms of health and first aid in collaboration with the International Federation for Red Cross and Red Crescent Societies;
- iv. A National Search and Rescue Team was formed to provide effective search and rescue support during disaster situations;
- v. Early warning system for Glacial Lake Outburst Floods (GLOF) has been installed in Punakha, Wangdue and Chamkhar Valleys. The communities in the vulnerable zones have been made aware of impending threats from GLOF;
- vi. Numerous trainings on Earthquake Safe Construction Practices were conducted in order to encourage local artisans to incorporate earthquake resilient designs and construction methods using locally available materials. The training covered 10 disaster affected Dzongkhags;
- vii. Developed the Disaster Information Management System (DIMS) and provided each Dzongkhag with a set of basic search and rescue equipments. Further, a post-disaster emergency needs assessment tool called the Bhutan Disaster Assessment (BDA) Tools and Standard Operating Procedures (SOPs) has been developed;
- viii. Recognizing outbreak of pandemics and epidemics as serious hazards in the country, the Government conducted Multi-Sector Pandemic Preparedness workshops and a National Simulation Exercise on Multi-sector Pandemic Preparedness; and
- ix. During the spate of disasters that struck the nation in the last four years, the government was able to mobilize resources as well as financial aid amounting to Nu. 950 million, approximately. The resources were utilized to provide relief and reconstruction materials and financial endowments to the affected households and public infrastructure reconstruction and services restoration.

IV. THIRD PILLAR: PRESERVATION AND PROMOTION OF CULTURE

Our rich cultural heritage is the source of peace, stability and sovereignty in our country and therefore its preservation and promotion is vital to the continued wellbeing of our people. Deliberate policies and programs are essential to preserve this heritage as the strains and temptations of modernization, while bringing material benefits, can bring about unwanted changes that impact on our spiritual, emotional and psychological wellbeing.

Today, our culture is alive and well - evidenced by the innumerable religious monuments and structures that continue to be preserved, renovated and newly constructed across the country. Increasing numbers of people are visiting lhakhangs, offering prayers and engaging in religious discourses and activities.

The success here has been due to the Royal Government and the citizens of Bhutan playing their part equally and thus contributing to the living and thriving culture. The initiatives and achievements in this important sector the past year are reported below.

A. SPIRITUAL GROWTH AND NOURISHMENT

1. CONTRIBUTION OF HIS HOLINESS THE JE KHENPO AND ZHUNG DRATSHANG

Bhutan's spiritual identity is deeply rooted in many centuries of Buddhist philosophy, culture and practice. The GNH framework nurtures and supports these underpinnings. We recognize that deliberate policies and programs will be essential to preserve this identity, as the strains of modernization and shifting values, while bringing material benefits, can easily result in spiritual impoverishment. In Bhutan, innumerable religious monuments and structures continue to be preserved, renovated and newly constructed across the country. Increasing numbers of people are visiting lhakhangs, offering prayers and engaging in religious discourses and activities.

The Royal Government and the people are deeply grateful to His Holiness the Je Khenpo, the five venerable Lopoens and the monks of the *Zhung Dratshang* (Central Monastic Body) for their continued efforts towards safeguarding and strengthening our spiritual tradition. His Holiness the Je Khenpo undertook country-wide tours and conducted several religious ceremonies and *Kurims* for the well-being of the King, country and all sentient beings thereby providing opportunities for thousands

of people to receive blessings and spiritual empowerments.

Today, as I have every year, thank truelkus, lams, masters, monks, nuns, gomchens, spiritual practitioners and religious associations for their prayers and blessings that help our people to accumulate merit to earn the blissful state we enjoy.

2. CAPACITY DEVELOPMENT WITHIN THE MONASTIC ORDER

The Tshangkha Zorig Lobdra in Trongsa, a traditional arts and crafts centre for monks, opened on March 2012 with 28 students and nine instructors.

The construction of Centre for Astrological Studies in Gom Kora, Trashiyangtse is under progress. Even as the construction work is ongoing, it currently has about 10 students and two *lopens*. The total enrolment capacity once completed will be 100 students. The opportunities for studying astrology will be also given to laymen.

The *Zhung Dratshang* has introduced Basic English literacy and computer knowledge for its novice monks.

3. FIRST NATIONAL CONGREGATION OF HEADS OF RELIGIOUS ORGANIZATIONS

The *Chodhey Lhengtshog* (Commission for Religious Organizations) established in 2009, held its First National Congregation of Heads of Religious Organizations from 24-25 March 2012, to discuss the role of religious organizations in safeguarding the spiritual heritage of Bhutan and the issues and challenges faced by religious organizations in the country. A total of 164 lams, khenpos, trulkus, anims and pundits took part in the Congregation.

The Chodhey Lhentshog has already prepared a draft curriculum framework to maintain a degree of uniformity across Buddhist traditions and schools and is also in the process of preparing a Manual for implementation of the Religious Act 2010. The Lhentshog has also delegated to Dzongkhags, the authority to approve the conduct of *Wang Lung Thri Sum* by national religious teachers.

In addition to the 36 organizations registered in 2009, 20 more bodies are awaiting registration as religious organizations.

The Lhentshog has also translated the book “*Choe Lu Jugpai Lam*” into English for

distribution to schools, hotels and institutions in the country.

4. EXPOSITION OF PRECIOUS RELICS

During the year there were two significant expositions:

First, as discussed in the beginning under the chapter Significant Events, the precious relics of Lord Gautama Buddha and his two principal disciples were brought to Bhutan from Bodhgaya, India in October 2011. The display of these important relics were organised in seven different places around the country so that thousands of people were able to receive blessings from the precious relics.

Secondly, on the command of His Majesty the King, a 74-day exposition of Sangay Wedhsung's Tooth Relic was organized in Thailand. The relic was displayed in four venues around the country, which attracted thousands of devotees.

5. EXHIBITION ON BUDDHISM IN RUSSIA

The National Museum in collaboration with the Nehru-Wangchuck foundation organized the exhibition on "Buddhism in Russia" in November 2011 in Thimphu and Paro. On display were 19th and 20th century photographs depicting Buddhist monasteries in Kalmykia, Buryatia and Tyva, and 3D images of Buddhist relics that were presented to Russian Czar Nicholas II. The exhibition has built and strengthened the goodwill and cultural relations between Bhutan and Russia.

6. RELIGIOUS DISCOURSES

In pursuit of spiritual wellbeing, many private organizations and individuals are hosting spiritual talks and conducting religious discourses. Furthermore, the Choedhey Lhengtshog has also initiated airing of religious discourse on national television (BBS) every morning.

Many schools across the country have introduced basic mediation practices, cultivating respect for others and preserving our culture and tradition as part of the program of infusing GNH values into the curriculum.

B. TRADITIONS AND VALUES

7. DRIGLAM NAMZHA

The Bhutanese code of conduct is a valuable cultural heritage that has guided us safely thus far in our dealings with society and the world at large. Given the benefits to individuals and society, efforts are underway to instill the values of “*Tha Damshe Le Ju Dre, Jampa Da Nyingje, Za Cha Dro Sum*” into our social and educational systems as a tenet that guides our daily thoughts and actions.

To date:

- i. More than 2,300 individuals from the civil service, corporations and private employees have participated in the basic Driglam Nagzha training since 2010;
- ii. A review of the existing Chadri Guide “Zhungdrel Chadri Lamtoen” has been undertaken to clarify certain ambiguities in the chadri arrangements;
- iii. First biennial conference for Dzongkhag Cultural Officers discussed issues related to culture preservation and promotion in the Dzongkhags; and
- iv. A standardized Driglam Namzha book has been published and distributed to all ministries and institutions.

C. PRESERVATION AND PROMOTION OF INTANGIBLE CULTURE

Cultural practices such as language, music, dance, crafts, rituals and festivals are the physical representations of our shared spiritual culture and the government has initiated many programs to promote and preserve these.

8. PROMOTION OF NATIONAL LANGUAGE

- i. A survey looking at the standard of Dzongkha knowledge of the class X students was completed in which 7,967 students from 75 schools took part;
- ii. Work on the collection of unique terms from the Kangyur Chenmo has been initiated for incorporation into future edition of dictionaries. To date, volumes from ‘Pa’ to ‘Ba’ have been reviewed;
- iii. The preliminary research and collection of the terminologies of thirteen arts and crafts of Bhutan has been carried out for making pictorial dictionary of the thirteen arts and crafts;
- iv. 2000 different traditional Dzongkha terminologies have been compiled from various villages in the country. The terminologies were not available in the existing Dzongkha dictionaries and books;

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- v. Etymology of names of places was compiled in four Dzongkhags including Trashigang, Sarpang, Bumthang, and Trashiyangtse. The names will be further standardized and codified;
 - vi. The dictionary titled, ‘English-Dzongkha Pocket Dictionary’, was printed and distributed to over 71,576 students from class VII to undergraduates;
 - vii. A pop up digital Dzongkha dictionary, titled GoldenDict, which incorporates the three core dictionaries to be used offline, was developed. The soft dictionary can be used in Personal Computers, laptops, ipads and itabs, and mobile phones. Furthermore, the manuals for Pecha template and digital GoldenDict dictionary for computers and mobile phones were written;
 - viii. A digital dictionary for children titled, ‘Electronic Children’s Dictionary’, has been prepared and CDs distributed;
 - ix. A look up digital Dzongkha-English and English-Dzongkha dictionaries for mobile phones were created;
 - x. Dzongkha support in phones with Maemo software (eg. Nokia 900 series) has been completed;
 - xi. Dzongkha keyboard layout in phones with Android software has been completed.
 - xii. Additional Uchen characters, for the mantras and abbreviations, were made and incorporated in the DDC Uchen font repository for the computers; and
 - xiii. Dzongkha advocacy campaigns were carried out in seven ministries, 16 Dzongkhags, 72 schools, two Constitutional bodies, and the Armed Forces.

9. PROMOTION OF LITERATURE

9.1. Third Edition Mountain Echoes

Bhutan successfully hosted the third Mountain Echoes edition, an annual literary festival, on the literature, poetry, art of and from the Himalayan region from 20-24 May 2012. The three-day festival was attended by literary celebrities from India with over 25 Bhutanese making presentations or leading discussions.

Literary activities are a mark of country’s rich literary tradition and civilization. Every edition of Mountain Echoes has brought excitement and enrichment to Bhutanese literary society. We are grateful to Her Majesty the Queen Mother Dorji Wangmo Wangchuck and the Ambassador of India, His Excellency Pavan K. Varma for advancing literary growth in the country.

The highlight of the festival was the launch of the book, Bhutan: Through the Lens

of a King by His Majesty the King.

9.2. Collection, Printing and Archiving of Historical Books

Bhutan is making solid advancement in the preservation and promotion of our literary, cultural and religious heritage. The collection of scriptures and documents in our library and archives is a national treasure and a fundamental source for Bhutanese history, religion, medicine, arts and culture. The collection, despite several constraints, continues to grow with addition of a large number of manuscripts, books, scriptures and written documents as well as a large number of hand-carved wooden blocks for printing traditional religious books. Significant achievements are highlighted below.

- i. A new library system has been installed with data input of 7,818 book titles.
- ii. More than 207 books have been acquired in addition to the existing 229 titles received as donation;
- iii. 510 different titles of printed and non-printed material under the Legal Deposit Act 1999 have been received;
- iv. The Drugi Choesi Ki Rab (Bhutan History) in Dzongkha has been published.
- v. The cataloguing and re-cataloguing of data input both in Dzongkha and English is in process;
- vi. Fumigation treatment, preservation and conservation of the existing documents in the Archives have been carried out;
- vii. A bill on the Archive of Bhutan is being formulated to strengthen and protect the archive system in the country; and
- viii. About 800 books under the Legal Deposit Act have been collected, registered and preserved.

10. OPENING OF THE COUNTRY'S FIRST CRAFTS BAZAAR

Bhutan's first ever Craft Bazaar was opened in Thimphu on 9 October 2011 to showcase a wide range of authentic Bhutanese art and craft products. The 80 stalls carry all types of traditional art and crafts designed for contemporary use.

The bazaar, by creating a viable market for rural artisans, promotes Bhutan's craft industry and thus acts to preserve and promote Bhutan's unique culture. The initiative is also expected to bring about equitable socio-economic development in the country.

11. ANNUAL TEXTILE FASHION SHOW

The Royal Textile Academy organized a Fashion Show on May 15, 2012 to showcase products from the National Design Competition organized by the Textile Museum as well as to provide a platform for local designers to showcase their latent talents. This annual event encourages weavers to design quality weaves in traditional as well as innovative modern designs and patterns and designs.

There were a hundred entries to the competition this year including ghos, kiras and embroidery works sent in from all over the country.

The Textile Museum has so far conducted 10 National Craft Festivals, 10 National Design competitions and 10 National Exhibitions for the promotion of Bhutanese weaving culture in the last few years. Besides national exhibitions, the Textile Museum has also held textile exhibitions in Germany in 2008 and Ahmedabad, India in 2011.

The Royal Government is grateful to Her Majesty Gyalyum Sangay Choden Wangchuck for the patronage in the promotion of textile tradition and art in the country.

12. INITIATIVES BY THE NATIONAL LIBRARY AND ARCHIVING

The National Library of Bhutan has printed a booklet on the traditional art of pottery making. It is also initiating nationwide survey and documentation on Intangible Cultural Heritage.

13. THE FILM INDUSTRY

The Bhutan film industry has produced 146 films and 390 music albums since Bhutan's first film *Gasa Lamai Singye* in 1988.

In 2011 alone, 20 films have been produced. The local film industry has completely edged out foreign films from our cinema halls and has been an effective medium in popularization and promotion of the national language, culture and traditions, at a time when our youths are particularly vulnerable to the influences of external cultures. Filmmakers use the medium to draw attention to modern youth issues like HIV, drugs, gangs and prostitution.

The Motion Picture Association of Bhutan with support from the Department of Culture conducted its 11th National Film Awards on 2 May 2012.

D. PRESERVATION AND PROMOTION OF TANGIBLE CULTURAL PROPERTY

The Government continues to support the preservation of Bhutan's rich tangible cultural heritage such as dzongs, palaces, monasteries, temples, monuments, religious objects and relics in the form of manuscripts and statues. The following are some of the achievements towards preserving the tangible cultural heritage in the country:

14. CONSTRUCTION OF WALKING BUDDHA STATUE

A first ever 45 feet tall walking Buddha statue has been built at the Centenary Park in Thimphu. Sponsored and built by the Thai devotees at the cost of over Nu. 8.0 million, the statue stands as the Symbol of Friendship between Bhutan and Thailand.

15. DESTRUCTION BY 18 SEPTEMBER 2011 EARTHQUAKE

The 18 September 2011 has destroyed 55 Chortens, 280 Lhakhangs and damages were caused to six Dzongs, amounting to total loss of Nu. 1,197.63 million.

16. TRAGEDY BEFALLS THE 300-YEAR OLD PAGA LHAKHANG, CHUKHA DZONGKHAG

Fire consigned to ashes and ruin the 300-year old Paga Lhakhang under Chapcha Gewog, Chukha Dzongkhag on 29 February 2012. The lhakhang was built by Lam Kuenga Jamtsho and consecrated by Zhabdrung Jigme Norbu. It was an immeasurable cultural loss, but the Royal Government is committed to restore to its former glory.

Fortunately some main *nangtens* were salvaged. These included:

- i. 8 pairs of brass and 2 pairs of silver *Dungs*;
- ii. 7 pairs of *Posang Roelms* (Cymbals), 3 *Beroel* & 5 *Silnyen*;
- iii. 3 male/female pairs of wooden Masks;
- iv. 40 *Nyoelkong*;
- v. 2 precious manuscripts of founder Lam Kuenga Jamtsho's *Sungbum* & the
- vi. Lhakhang "*Karchhag*"; and

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- vii. The precious Choeten holding the remarkable Uthoe of Lama Tempa.

During the recovery, more than 60% of registered items have been found, most of which are partially or severely damaged by the fire. The recovered items have been recorded and handed over to Paga Lam at the site by the Recovery Committee.

17. CONSTRUCTION, RESTORATION AND CONSERVATION OF HISTORICAL MONUMENTS

- i. An inventory of national heritage sites was prepared so that they may be reviewed and potentially nominated as World Heritage Sites. This list has been accepted by the Convention on Conserving the Protection of the World Cultural and Natural Heritage under UNESCO, hence creating a possibility of nomination;
- ii. Guideline for conservation of heritage sites has been completed and is being implemented in the ongoing dzong conservation projects to ensure that standardized methods of executing conservation principles are applied on all heritage sites in Bhutan;
- iii. Conservation projects of Paro Dzong, Lhuentse Dzong, Dagana Dzong and Wangduephodrang Dzong are due to be completed by June, 2013. These activities contribute to supporting architectural and conservation skills within the country, while also incorporating structural features that make these sites resilient against risk of fire and earthquakes;
- iv. The institutionalization of archaeology has been initiated for the first time in Bhutan with the establishment of an archaeology unit in the Ministry of Home & Cultural Affairs;
- v. The Drapham Dzong Archeology excavation project has been successfully completed;
- vi. The approval of works on heritage sites in all the twenty Dzongkhags is now issued online. This has resulted in effective and expedited service delivery in assisting the local communities to process for any works relating to heritage sites in Bhutan;
- vii. The process for the construction of new Pemagatshel Dzong as a part of the new township has begun with the land acquisition and demarcation process; and
- viii. The new Chukha Dzong, which was constructed at a cost of Nu. 280 million has been finally completed and inaugurated in March, 2012. The Dzongkhag administration offices have already shifted to the new dzong.

18. TSHECHUES, FOLKLORE AND DANCES

18.1. Dochula Druk Wangyel Festival

Under the royal patronage of Her Majesty, the Queen Mother, Ashi Dorji Wangmo Wangchuck, a new tsechu, the Dochula Druk Wangyel Tsechu was inaugurated on December 13, 2011 in the grounds of the Druk Wangyel Lhakhang. The temple and the 108 Druk Wangyel Chortens were built as a tribute to the leadership of the Wangchuck dynasty and His Majesty King Jigme Singye Wangchuck. It is fitting that the Dochula Tshechu, a prayer offering for peace and harmony should be held within these very sacred grounds. The Tshechu has been appreciated by many citizens as a very significant contribution to the enrichment of our cultural heritage. The Royal Academy of Performing arts (RAPA) and Royal Bhutan Army (RBA) participated in the program.

18.2. Punakha Tshechu Festival

The Punakha Tshechu which was started a few years ago to commemorate and celebrate the life and legacy of Zhabdrung Ngawang Namgyal has been further elaborated and embellished to include several important events that could not be depicted earlier. Given the significance of this festival which is the only one of its kind that pays homage to the great founder of our nation, it has been decided that the main role in the festival will be played by the Royal Academy of Performing Arts in the future. A few more scenes and further improvement in the choreography will be undertaken in the coming year.

18.3. Performing Arts

The National Museum of Bhutan, Paro organized a permanent display to showcase the different types of mask dances practiced around the country.

Further, The National Museum and Royal Academy for Performing Arts (RAPA) have researched and documented different mask dances, folklores and songs that are performed in the country.

Graduates from the Royal Academy for Performance Arts (RAPA) are being deployed in the different institutions and schools across the country as cultural instructors.

E. PRESERVATION AND PROTECTION OF MOVABLE CULTURAL PROPERTIES

19. RESTORATION WORKS

Movable Cultural Properties are the material representations of the aspirations, achievements and expressions of our ancestors and historical figures from the past many centuries. Achievements towards protection and restoration of these treasures are highlighted below:

- i. A re-verification and detailed inventory of the movable cultural property has been completed for Punakha Dzong, Tashichhodzong, Lhuntse Dzong, Gasa Dzong and Zhemgang Dzong;
- ii. Out of the 600 wooden printing blocks of Peling Chagzo (16th century) belonging to Kunzangdra Lhakhang, Bumthang, more than 450 wooden blocks have been conserved and restored. Similarly, works on the preservation of the Golden Manuscript of Getongpa of Kilung Lhakhang under Lhuentse dzongkhag has also been completed;
- iii. The second phase of conservation of the wall painting at Wangditse Lhakhang, the first phase conservation of wall painting at Talakha Lhakhang, and detachment of wall painting inside Dhukhang at Wangduephodrang Dzong will be completed by mid 2013;
- iv. Research and documentation work on sacred sites/Nye of Bhutan is underway. At present, Neyig of Lhuntse, Mongar, Tashiyangtse, Tashigang, Pema Gatshel, Samdrup Jongkhar and Bumthang have been completed and published; and
- v. Workshops for Lhakhang caretakers have been conducted in most of the Dzongkhags to educate them on daily care of *nangtens*, especially with focus on sensitisation on thefts, fire and other deteriorating agents.

20. COLOUR GUARD CEREMONY AT TASHICHHODZONG

A special Colour Guard Ceremony was introduced at the Trashichhodzong to commemorate the Royal Wedding in October 2011 and to honour the symbol of our statehood.

From the past simple practice of furling and un-furling the National Flag by one person, it is today a colourful ceremony performed by a contingent of specially uniformed colour guard, led by pipers and by monks who perform the daily ritual of consecrating the sacred flag.

The National Flag measuring 5 x 3 meters is stored at the end of each day in the inner chamber, *Dukhang* of Trashichhodzong.

21. CONTRIBUTION OF CULTURE IN SOCIO-ECONOMIC DEVELOPMENT

One of the visible contributions of cultural heritage is the growth of cultural tourism. Bhutan received 100,833 visitors, including 65,756 tourists in 2011, recording 46 % growth, the highest in the Bhutanese tourism history. Bhutan's rich culture and traditions undeniably stand as the main attraction among tourists. It was found that 77.09 % of the high end tourists rated culture as the main reason for their visit, followed by 18.74% who said they came for nature-based activities. In cultural tourism, the biggest beneficiaries are the local communities and the nation at large. Tourism generates employment and income in local communities and is in keeping with the overall goal of the 10th plan to reduce the poverty level to 15% by 2013.

22. PROMOTION OF SPORTS

Under the leadership of HRH Prince Jigyel Ugyen Wangchuck, His Majesty's Representative in the Bhutan Olympic Committee (BOC), the sports sector has seen tremendous growth. His Royal Highness's keen leadership has strengthened not only goodwill and diplomacy in sports but has also strengthened the institutional capacity. During the last year, the following key achievements were made:

22.1. Promotion of Institutional Capacity

The BOC signed a MoU with the Korean Olympic Committee in December 2011 and National Olympic Committee and Sports Confederation of Denmark in April 2012.

22.2. Participation at International Events

- i. Bhutan was given three seats in the Standing Committees of the Olympic Council of Asia namely in the *Peace Through Sports Committee*, *Information and Statistic Committee* and *Sport and Culture Committee*. Appointments in these 3 high level OCA Committees were a reflection of the immense confidence and faith that the OCA had in the BOC under the leadership of HRH. It also reflected the growing status of Bhutan within the Asian Olympic family;

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- ii. In August 2011, the BOC received US\$ 100,000.00 from the Olympic Council of Asia under the Incheon 2014 vision to build a golf driving range for the youth of Bhutan and to develop and promote the sport of golf in Bhutan; and
 - iii. Bhutan participated in the SAARC Golf Championship which was held in Jaipur, India in November 2011. The event is recognized by all the official golf associations in the SAARC region and endeavors to foster greater friendships among the golfing fraternity in the region.

22.3. National Events and Initiatives

- i. While in the past, the Olympic Day celebrations were limited to organizing a marathon and few other events, the BOC celebrated the day on the 11th of September 2011, in Sherubtse College, Kanglung where over 3,000 participants from 18 schools participated in various activities organized by the BOC and the 15 affiliated National sports federations (NSFs). The BOC showcased all the different sports to create awareness on the benefits of sports, to the individual, to the community and to the nation;
- ii. The Olympic Council of Asia under its ‘Olympasia Project’ granted the BOC a sum of USD 100,000.00 to help build a multi sports hall. The BOC identified Trashigang Dzongkhag as the beneficiary, given the size of its population and the complete lack of sport facilities in the town, and construction is now under way;
- iii. The second Tour of the Dragon mountain bike race from Bumthang to Thimphu, covering a grueling 268 kilometer, took place on the 17 September 2011 with great success. Nine teams comprising of three riders each, took part in the race. This year saw Yeshey Dema, the first and sole female participant. Sonam Tshering finished the race in a record time of about 11 and half hours. While there was only one international participant, it is anticipated that there will be more international participation. This initiative is one of the ways to place Bhutan on the world map as an adventure sport destination;
- iv. The first synthetic athletic track and field was inaugurated in Lungtenzampa, Thimphu in February 2012. The facility has now been opened to schools and will soon be opened for the residents of Thimphu; and
- v. A delegation from the Federation International de Football Association (FIFA) comprising of the President, Mr. Joseph S. Blatter and the Acting President of the Asian Football Confederation (AFC) Mr. Zhang Jilong arrived in the country for a two day visit from 7– 8 March 2012. During their visit, Mr. Joseph S. Blatter, the FIFA President laid the foundation for the astro turf synthetic football at the Changlingmethang National stadium. Furthermore,

he also pledged to provide another full sized astro turf at Chang Jiji and two smaller futsal pitches in Thimphu.

22.4. International Honour and Awards

- i. Grand Master Younten Tharchen, the General Secretary of the Bhutan Taekwondo Federation was accepted into the Taekwondo Hall of Fame in 2011. The official Taekwondo Hall of Fame was established to recognize those individuals who have made a significant impact or contribution to the art of taekwondo;
- ii. Four athletes from Special Olympics team Kungzang, Tashi Om, Darjay Wangdi and Pelden won the Gold Medal in the mix relay event at the 13th Special Olympics World Summer Games held in Athens from the 20 June to 4 July 2011;
- iii. Boxers Singyel Phub and Tashi Norbu, represented the country in the 21st President Cup Boxing Tournament in Jakarta, Indonesia from 2 to 9 July 2011 and won bronze medals;
- iv. Dago Pema Retty won a bronze medal in taekwondo during the 9th International Club Taekwondo Organization in Vietnam from the 22 to 24 July 2011; and
- v. In the ACC U-19 Women's Cricket Championship in February 2012, in Kuwait, the Bhutanese team won the 3rd position. Nine countries participated in the championship.

V. FOURTH PILLAR: CONSOLIDATING GOOD GOVERNANCE

Bhutan Vision 2020 states that we will be self-confident and proud citizens of a self-reliant nation. It also states that as we fiercely guard and maintain our cultural identity we will be equipped with the full range of institutions required of a modern state and knowledge economy. It further states our aspiration to serve as a beacon to the world towards a new development model guided by the GNH philosophy. Having just passed the mid-point of the vision period, we are witnessing the national aspirations coming to fruition. The long golden period we have enjoyed and continue to enjoy is because of good governance under the guidance of our selfless monarchs.

Given the heavy burden placed upon us as the first elected government, we have endeavoured to maintain the highest standards set by our beloved Kings. I am happy to report on the many good governance initiatives and achievements in the country in the past year.

1. MAINSTREAMING GNH – PUTTING PUBLIC POLICIES TO TEST

In order to ensure that GNH values are mainstreamed into policies and programs, GNH Commission Secretariat screens all public policies using the GNH policy screening tool. The screened policies are then submitted to GNH Commission for further scrutiny.

Already five policies have been assessed using the GNH policy screening tool and approved by the Royal Government in the past year. These are: (i) National Youth Policy 2011, (ii) National Health Policy 2011, (iii) National Land Policy, 2011, (iv) National Forest Policy, 2011 and (v) National Irrigation Policy, 2011.

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

2. RULE OF LAW: ESSENCE OF GOOD GOVERNANCE

Rule of law removes inequity and unequal protections in the society.

I want to take the opportunity to express the deep gratitude of the Royal Government to all the Hon'ble Members of the two Houses of our great Parliament for the successful conduct, passage and adoption of a record number of bills.

The First Parliament till date has adopted the Constitution of the Kingdom of Bhutan; passed thirty (30) Bills; and ratified 11 international legal instruments.

i. Laws Made in Last One Year

I am pleased to report that during the last one year, twelve (12) Bills and three (3) Conventions were passed and ratified respectively as laws. They include:

A. Seventh Session

1. *Child Care and Protection Act of the Kingdom of Bhutan 2011;*
2. *Penal Code (Amendment) Act of Bhutan 2011;*
3. *Anti-Corruption (Amendment) Act of Bhutan 2011;*
4. *Civil and Criminal Procedure Code (Amendment) Act of Bhutan 2011;*
5. *Water Act of Bhutan 2011;*
6. *The Financial Services Act of Bhutan 2011;*
7. *SAARC Convention on Co-operation on Environment; and*
8. *Convention on Anti-doping in Sports.*

B. Eighth Session

1. *Sales Tax, Customs and Excise (Amendment) Act of Bhutan, 2012;*
2. *Public Finance (Amendment) Act of Bhutan 2012;*
3. *Child Adoption Act of Bhutan 2012;*
4. *Tobacco (Amendment) Act of Bhutan 2012;*
5. *Consumer Protection Act of Bhutan 2012;*
6. *University of Medical Sciences Act of Bhutan 2012; and*
7. *RAMSAR Convention on Wetlands.*

C. Ninth Session Bills

During the 9th Session of Parliament, the two Houses also deliberated on thirteen Bills and three Conventions.

Bills: The deliberated Bills include:

1. *National Flag Bill (National Assembly);*
2. *Parliamentary Entitlement (Amendment) Bill of Bhutan (National Assembly);*
3. *Disaster Management Bill of Bhutan (National Assembly);*
4. *Education City Bill of Bhutan (National Assembly);*
5. *Druk Gyalpo's Relief Fund Bill of Bhutan (National Assembly);*
6. *Contract Bill of Bhutan 2011 (National Council);*
7. *Alternate Dispute Resolution Bill of Bhutan 2011 (National Council);*
8. *Druk Gyalpo's Relief Fund Bill 2011 (National Council);*
9. *Education City Bill of Bhutan 2011 (National Council);*
10. *Disaster Management Bill of Bhutan 2011 (National Council);*
11. *Domestic Violence Prevention Bill of Bhutan 2012 (New Bill);*
12. *Land Bill of Bhutan 2012 (New Bill); and*
13. *Road Bill of Bhutan 2012 (New Bill).*

Conventions: The Conventions deliberated include:

1. *SAARC Seed Bank Convention;*
2. *Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising From Their Utilization To the Convention on Biological Diversity; and*
3. *Cape Town Convention and Aircraft Protocol.*

i. Legislative Plans

This Government will continue to propose laws that enhance good governance on priority basis.

I am happy to report that several of the constitutionally required laws that the government undertook to propose in the past year have been introduced. However, a few proposed Bills such as *Declaration of National Parks, Wildlife Reserves, Natural Reserves, Critical Watershed; Bill on the Formation, Functions, Ethical Standards and Intra-Party organisation of Political Parties* will not be introduced as the subjects are covered by existing legislations.

ii. Bills Under Drafting Process

The Government continues to work on other Bills for tabling at future Sessions of Parliament. These Bills include:

1. *Bill on Declaration of Emergency;*
2. *Impeachment Bill;*
3. *Explosives Bill;*
4. *Limitation Bill;*
5. *Tourism Bill;*
6. *Essential Services & Maintenance Bill;*
7. *Administrative Tribunal Bill;*
8. *Working Parents Incentive Bill;*
9. *Militia Services Bill; and*
10. *Local Government (Amendment) Bill.*

3. ADMINISTRATION OF JUSTICE

The judicial system is to be commended for the efficiency with which justice is being dispensed. The number of cases registered and decided by the courts over the country in 2011 is as follows:

- i. 1,650 cases were brought forward from 2010;
- ii. 13,215 new cases were registered. The highest number of cases were recorded in Thimphu with 1,345 cases and the second highest was recorded in Paro with 886 cases;
- iii. 13,637 cases were decided. Out of which, 9,695 cases were decided within 108 days while 1,860 cases were decided in more than 108 days but within 365 days;
- iv. 224 cases were appealed to the High Court; out of the 41 cases appealed from the Larger Bench of the High Court to the Supreme Court, 10 cases were admitted; and

- v. Out of the 1,228 pending cases, 93 cases have been pending beyond 365 days. The Phuentsholing Court has done well to decide 1,345 and 836 cases respectively.

The comparative case statistics of 2010 and 2011 shows that:

- vi. There was an increase of 7.3% registered cases in 2011;
 vii. The Courts rendered 13,637 decisions, an increase by 8.2%; and
 viii. There were 3,497 matrimonial cases not including the application for marriage certificates and 1,875 monetary matters.

The Royal Government is grateful to the Royal Courts of Justice for their endeavour for speedier justice.

4. MAINTENANCE OF LAW AND ORDER

The Royal Bhutan Police (RBP) continues to maintain law and order in the country and to undertake a massive public relation initiative. Its achievements in the past year include:

- i. Introduced the concept of community watch centres in Thimphu;
 ii. As part of the Year of Partnership with the Youth, RBP met with over 7530 Tertiary and Higher Secondary School students and sensitized them on the ‘Role of Youth on Crime Prevention’, ‘Common Habits of Youth in Conflict with Law and its Penal Provisions’ and ‘How to Combat Formation of Gangs and Groups’. The first ever ‘Police and Out of School Youth Partnership Program’ was conducted for 48 out of school youths. The Police Youth Partnership Program has been institutionalized to feature as a regular annual program and the sixth phase of the program was launched nationwide with the participation of over 734 students in all the 20 Dzongkhags;
 iii. Introduced a crime reduction competition amongst the various divisions and stations to assess crime prevention success with the aim to motivate the officers and men to work harder at crime prevention;
 iv. Conducted education/awareness on road safety for 3,360 participants while it continued to carry out nationwide highway patrolling. A total of 111,646 vehicles were checked and a total amount of Nu. 3.87 million was raised from the penalty imposed on defaulters; and
 v. There were 4,697 cases reported out of which 1,090 have been charge sheeted while 1,524 have withdrawn and 1,912 remain pending.

5. TRANSPARENCY AND ACCOUNTABILITY

5.1. Royal Audit Authority (RAA) and Anti-Corruption Commission (ACC)

The RAA and ACC are required as per the provisions of the Constitution to submit reports to Parliament. Like every year, the reports this year of these two oversight agencies mandated to ensure prudence, effective and lawful use of public offices and resources received not only the detailed scrutiny and attention of members of Parliament but of media and the general public. Every year we are on the path to greater transparency and accountability.

As there has been intense debate brought live on TV and in print media, I shall not discuss on the achievements of these two instruments of public accountability but limit myself in expressing the Government's gratitude and appreciation for their devotion, dedication and professionalism in carrying out their mandates.

5.2. Gyalpoizhing Land Allegation

The Opposition Leader and certain sections of the media, in the past year, have alleged that powerful people have grabbed lands from common people in Gyalpoizhing, Mongar in which I and few of my cabinet colleagues have been implicated. The allegation pertains to urban plots allotted by the Mongar Municipal authority to over a hundred applicants a decade ago at rates prevalent at the time.

In pursuit of the government's policy of zero tolerance to corruption, I have not only personally requested the ACC for investigation of the allegation but have made myself available for questioning by the ACC investigators. In many countries, there is no tradition of a sitting PM being investigated but I was happy to do so. I am also happy at the thought that we have one of the strongest anti-corruption laws in the world where the anti-corruption agency has the power to initiate *suo-motu* action or receive complains of corruption from the general public, power to initiate prosecution of anyone found guilty, have police powers and protection of whistleblowers.

As desired by many in the country, I would like to request the ACC to bring out the investigation report at the earliest.

5.3. Media Landscape

There are in the country today one national TV, 7 radio stations and 12 newspapers.

This government is committed to creating and nurturing conditions for growth of a vibrant media. The Prime Minister and whole Cabinet have been religiously following the schedule of Meet the Press, the last was the 22nd Meet for the Year.

5.3.1 Media Literacy Education

The objective of media literacy education is to train people to think critically and be more engaged in the democratic process. Citizens are encouraged to be not just consumers of media but also producers of media and engage meaningfully in public discourse. It aims at empowering people to make the right choices which are crucial in a democratic society.

Media Literacy continues to be carried out through three broad programmes, media literacy for the public, media literacy in schools and institutions and capacity building of teachers and development of a curriculum to integrate media literacy into the national curriculum.

Following are the list of activities carried out for implementation of Media and Information Literacy Program:

- i. Piloted information and media literacy in the Baylling Higher Secondary School in Tashiyangtse Dzongkhag;
- ii. A four-day training on media literacy was conducted for Media Focal Persons and Principals of pilot schools around the country. The training was organized in collaboration with the Project Look Sharp, Ithaca College, NY United States;
- iii. Final year teacher trainees of Samtse College of Education and Paro College of Education are being trained annually on Media Literacy;
- iv. Media literacy training was also conducted for the principals of Trashiyangtse Dzongkhag during the Dzongkhag level annual education conference; and
- v. Audio visual programme on Media Literacy was aired using BBS TV to sensitize the public on cyber crime and internet spam scams. This programme was found useful in making media audience more critical and building the culture of investigation and navigation.

5.3.2 Training, Study Visits, Seminars, Film Festivals and Workshops

With the objective of strengthening capacity of media personnel and enhancing their professionalism, numerous trainings, study visits and workshops have been

organized.

Six trainings, five workshops & seminars, two conferences, and two film festivals were facilitated for media personnel in the past one year alone.

5.3.3 Circulation Auditing of Print Media

Advertisement is one of the biggest sources of revenue for media organizations. In Bhutan, close to 90 % of advertisement comes from government agencies, making it the biggest advertiser. Hence a broad guideline for awarding government advertisement to the print media has been issued, which requires advertisements to be awarded based on the reach of the paper for greater audience and impact of advertisement.

In support of the above guideline, the Circulation Audit for Print Media was initiated in collaboration with the Audit Bureau of Circulations (ABC), a professional organization for auditing of print media circulations based in Mumbai, India to find out the reach and circulation figures of each media house in Bhutan so that the Government advertisements are distributed accordingly.

The third phase of circulation auditing for print media was carried out in April, 2012 with five papers agreeing to undergo circulation auditing. Circulation auditing will be made mandatory for newspapers to be eligible to receive Government advertisements. Furthermore, an advertisement guideline is under preparation.

5.4. Civil Society Organizations (CSO)

The participation of civil society in enhancing the well being of the nation is growing steadily. There are so far 26 registered CSOs, excluding the 36 religious organization registered. In the past one year alone, 12 CSOs (nine Public Benefit Organizations and three Mutual Benefit Organizations) have been registered.

The CSOs are playing an important role in complementing the Government in key areas like education, health, women, children, culture, environment and private sector development.

Bhutan in April 2012 became the 216th member of the Rotary International which is a worldwide network of clubs that help build goodwill and peace in the world.

6. IMPROVING PUBLIC SERVICE DELIVERY

6.1. Speedier Immigration, Census and Civil Registration Services

The following are some of the key achievements in the past one year:

- i. The Immigration Rules and Regulations have been revised;
- ii. The Bhutan Civil Registration System (BCRS) has been upgraded and enhanced to a web based online system. From January 2012, all services relating to census and civil registration services have been made available at Community Centers (CC) and Dzongkhag Civil Registration and Census Offices (DCRCO), thereby drastically reducing the runaround time for individuals in availing of these services;
- iii. The 3rd Generation (3G) Citizenship Identity Card is being introduced;
- iv. The Standard Operating Procedures (SOP) for birth and death registration has been developed. This would enable the Government to carry out comprehensive registration of every birth and death. Furthermore, the SOP is also expected to guide all online birth and death registrations; and
- v. The Census Committee was set up in the Ministry of Home & Cultural Affairs and mandated to review census appeal cases.

6.2. G2C Services

The first phase of G2C services was launched on December 29, 2011 at Eusu Gewog, Haa. Currently, the following G2C services shown in Table 5 are online and available from the various dispensing points (headquarter, district offices, gups' offices and the community centers (CCs) with Internet connectivity:

Table 5: G2C services that are online

Sl. No	Department/ Agency	No. of services	Remarks
1	Department of Civil Registration and Census, MoHCA	19	Made online on 14/02/12; 6 services accessible from CCs.
2	Bureau of Law and Order, MoHCA	5	Made online on 20/02/12
3	Department of Culture, MoHCA	3	Made online on 29/02/12
4	Department of Trade, MoEA	18	Made online on 19/03/12
5	Department of Cottage and Small Scale Industry, MoEA	11	Made online on 19/03/12
6	Department of Industry, MoEA	9	Made online on 19/03/12
7	Department of Forests and Park Services, MoAF	5	Made online on 13/03/12
8	Department of Livestock, MoAF	3	Made online on May 2012
9	Department of Agriculture, MoAF	8	Made online on May 2012
10	Department of Protocol, Passport Service, MoFA	1	Made online on 26/03/12
11	Drug Regulatory Authority	8	Made online on May, 2012
12	G2C Common Web Portal	1	An integrated common portal that houses all the G2C services
13	Voice of Customer (VoC) system	1	Grievance Redressal
14	Payment Tracker System	1	For monitoring of the services from the dispensing points
15	Dashboard	1	
12	Royal Audit Authority System	1	Agency's initiative with technical support from G2C
13	Security Clearance System	1	
14	BAFRA	9	
15	RSTA	9	
	Total	114	

Apart from the above mentioned services, systems such as the Voice of Customer (VoC) have been developed to gather feedback/ suggestion/ comments/ complaints from citizens on the G2C services. This system also ensures timely monitoring on the services with escalation of authority from the lowest dealing officer to Prime Minister. Every user is provided with proper authentication to ensure security of the system.

By the end of 2012, all the 200 G2C services and sub-services are expected to go live. The development of the phase-II services is already underway.

6.3. Responding to Citizens' Queries and Concerns

The public grievance cell at the Prime Minister's office had received 287 grievances from April 2011 to June 2012. 360 cases including the pending ones have been addressed. There still remained 123 cases for the period to be resolved, thus totaling about 350 cases since 2008. The cases registered were broadly in the categories of seeking employment, support for scholarship, land issues, security clearance and census and miscellaneous.

6.4. Grievance Management System

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

7. PROMOTING NATIONAL INTEREST THROUGH DIPLOMACY

The guiding principles of our foreign policy are to promote and protect Bhutan's sovereignty and territorial integrity and to advance her national interests. Relations with India, which is based on age-old ties of friendship, cooperation and mutual respect, remain the cornerstone of our policy.

The past year has been a significant year for Bhutan's foreign policy:

- i. Their Majesties the King and Gyaltshen paid a state visit to India soon after the Royal Wedding in October 2011 at the invitation of the Government of India. This was the first visit abroad after the Royal Wedding;
- ii. Their Majesties the King and Gyaltshen paid a historic state visit to Japan from 15-20 November 2011 at the invitation of Their Imperial Majesties the Emperor and Empress of Japan;
- iii. Their Majesties the King and Gyaltshen met with the Prime Minister of Thailand Ms. Yingluck Shinawatarata in November 2011;

- iv. Lyonchhen visited Japan to deliver the key note address at the World Architecture Forum in Tokyo and also visited Fukushima, October 2011;
- v. Lyonchhen led the Bhutanese delegation to the Maldives for the 17th SAARC Summit held in Addu City, Maldives, 5-11 November 2011;
- vi. Lyonchhen delivered the 4th Prof. Hiren Mukherjee Annual Parliamentary Lecture, Lok Sabha, New Delhi, India on 20 December 2011;
- vii. The UN General Assembly passed a resolution on wellbeing and Happiness in July, 2011;
- viii. Bhutan hosted the High Level Meeting on Wellbeing and Happiness at the UN in New York on 2 April 2012; and
- ix. The UN General Assembly passed a resolution declaring 20th March as the International Day of Happiness in June this year.

7.1. Expanding Diplomatic Relations

Bhutan has established diplomatic relations with 14 additional countries between the end of 2011 and March 2012 viz. Cuba, Morocco, Luxembourg, Czech Republic, Serbia, Indonesia, Fiji, Mongolia, Vietnam, Myanmar, Argentina, Costa Rica, Andora and Mauritius.

Bhutan appointed six Honorary Consuls in Europe and North America viz. Spain (Madrid), Austria (Vienna), Germany (Baden-Wurttemberg, Bavaria, Rhineland, Saarland-Stuttgart), Canada (Toronto), United States (Washington DC) and Australia (Brisbane) while two European countries and Bangladesh appointed Bhutanese nationals as their Honorary Consuls in Bhutan.

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

7.2. Visitors Programme for Ambassadors

In an innovative foreign policy measure intended to foster greater understanding and cooperation between Bhutan and the international community, the Ministry of Foreign Affairs in collaboration with Druk Air and the Tourism Council of Bhutan, has introduced for the first time, a Visitors Program for Ambassadors based in neighbouring countries. Extended to all Ambassadors, the three day visits scheduled in May and June 2012 are designed to provide the opportunity for familiarization with Bhutan, her policies, social and economic development initiatives, as well as

customs and traditions. The program includes official engagements that will provide visiting dignitaries with a firsthand perspective of the country, thereby laying the foundations for greater cooperation and collaboration. These visits will contribute significantly to promoting greater awareness and understanding of Bhutan at the international level, and bilaterally, also contribute to the promotion of Bhutan as a tourist destination, and partner for economic investments.

Since the first Visitors Programme for Ambassadors from 25-28 May 2012, one group visit by Dhaka based and six group visits by New Delhi based Ambassadors have taken place up to end of June 2012, representing 44 countries. In the meanwhile, we have received indication of interest from more ambassadors in New Delhi and a request to extend the programme till August 2012. The Visitors Programme for Ambassadors has been made possible with the valuable support of the Hotels Association of Bhutan, as well local tour companies.

7.3. Candidature for UN Security Council

Another major foreign policy undertaking in the past year has been Bhutan's candidature for UN Security Council for the term 2013-2014, elections for which will be held this fall at the 67th UNGA. This is by far one of the boldest foreign policy initiatives undertaken by the RGOB and it is the first time that Bhutan has presented its candidature for a non-permanent seat at the UNSC. Bhutan continues to pursue a vigorous and concerted campaign. We have received encouraging responses from member states to our candidature during the process of campaigning. However, elections to the UNSC are highly contested and as a small developing country with limited means, the contest between three states for a single vacancy in the Asian region is going to be extremely difficult and challenging. The RGOB has, however, attached tremendous importance and value to not just the end result, but equally on the process of launching a credible campaign. In the process, Bhutan has been able to achieve tangible benefits. Our UNSC candidature has enabled us to interact with many countries, with whom we would have not had the opportunity to otherwise interact. Our UNSC campaign has greatly enhanced our visibility and image in the international arena and has successfully conveyed to the world the importance we attach to multilateralism and international relations.

7.4. People in the Camps in Nepal

The Royal Government is deeply grateful to the Core Group of countries led by the US for the compassion and generosity with which they continue to resettle the people

in the refugee camps in Nepal. Those who have been resettled in the eight countries send heart-warming reports of having found a new and dignified life of hope and confidence in the future. The total number of people who have been resettled is 65,000 as of May 2012, with 54,000 in the US alone, and the rest have been resettled in Canada (4,673), Australia (3,492), Denmark (621), New Zealand (653), Norway (509), Netherland (509) and UK (224).

7.5. SAARC Meetings Hosted by Bhutan

Bhutan successfully hosted the following ministerial and other high level meetings in the past one year:

- i. Fourth Meeting of the SAARC Immigration Authorities, 21 July 2011;
- ii. Fourth Meeting of the SAARC Home/Interior Ministers, 23 July 2011;
- iii. Ninth Meeting of the SAARC Environment Ministers, 29 September 2011;
- iv. Seventh Meeting of the Heads of University Grants Commission, 19-20 April 2012; and
- v. Meeting of National Focal Points to develop the Terms of Reference for strengthening of SAARC Mechanisms, including the Secretariat and the Regional Centres, 23-24 May 2012.

7.6. International Conference Hosted by Bhutan

- i. Indo-Bhutan International Conference on “Advances in Environmental Sciences”, May 11-12, 2012, organized by Sherubtse College;
- ii. Sixth International SAARC Oncology Conference, 5-6 December 2011;
- iii. More than 25 professors and Buddhist practitioners from America, Canada, Japan, China, Taiwan, Korea, Australia, Germany, Switzerland and Thailand attended the three-day international conference on globalised Buddhism in Bumthang on 21 May 2012. The conference with the theme ‘Buddhism beyond borders’ explored various aspects of Buddhism and its practice in day to day life;
- iv. More than 184 tour operators from 14 countries including 21 from Bhutan attended the third PATA Adventure Travel and Responsible Tourism Conference in Paro on 7 February 2012. The event was designed for tourism professionals who are dedicated to the growing niche segment of adventure and responsible tourism. The conference was focused on attracting high end international buyers in selling brand Bhutan in their markets;
- v. Around 70 architects from India, Bangladesh, Pakistan, Nepal and the

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- Maldives and more than 60 Bhutanese architects participated in the South Asian Association for Regional Cooperation, SAARC, of Architects Council meeting and conference in Thimphu on 10 February 2012. The meeting was hosted by the Bhutan Institute of Architects, an association of architects, with the theme ‘Cultural Continuum and Architectural Identity in Dynamic South Asia’;
- vi. With five of the seven species of medicinal plants identified in the region by the Doha conference of 2010, in Bhutan, a three-day regional workshop was held in Thimphu in May 2012 to ensure legal, sustainable and traceable trade of medical plants. Over thirty representatives of scientific and management authorities from the SAARC countries are attending the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) workshop; and
 - vii. The largest information communications technology (ICT) conference was held in Bhutan from 30 November 2011. A total of 75 international participants, representing some major companies in South and South East Asia, participated at the conference to look at how ICT is strengthening and sustaining economic development, ensuring good governance, and empowering citizens in the creation of a knowledge based society.

8. MANAGING CIVIL SERVICE IN DEMOCRATIC BHUTAN

The most significant milestone in the history of Bhutanese civil service is the enactment of the Civil Service Act of Bhutan 2010 with the grant of the Royal Assent by His Majesty the King on 20th May, 2011. The Act now clarifies the mandates, powers, role and functions of the Royal Civil Service Commission and civil service in democratic Bhutan. The key initiatives and achievements in the efforts towards excellence in civil service were:

- i. Bhutan Civil Service Rules (BCSR) 2010 is being revised following the enactment of the Civil Service Act 2010, and the revised BCSR 2012 is scheduled to be launched later this year;
- ii. First Annual HR Conference with the theme “Managing Civil Service in Democratic Bhutan” was held in Thimphu from 29 March to 2 April, 2012;
- iii. Leadership workshop for all senior servants in the executive category from 25-26 October 2011 and good governance training to 37 officers in P1 and P2 levels from 15-16 November 2011. Further, 55 HROs were trained on the Civil Service Information System (CSIS);
- iv. 1,577 new civil servants were recruited into the Civil Service;

- v. 386 civil servants availed long term training: PhD (3), Masters 165, Bachelors (185), Diploma 18;
- vi. 4,798 received short-term training with ex-country (3,071) and in-country (1,727);
- vii. Created five new Departments, two Division/Unit, and 319 posts created;
- viii. Royal University of Bhutan and National Housing Development Corporation delinked from the Civil Service;
- ix. 1,686 appeared Preliminary Examination and 929 graduates obtained 54% and above in the Preliminary Examination, which was set by the Commission to qualify for the Main Examination. Only 825 graduates appeared for the Main Examination, out of which, 719 graduates obtained 50% and above making them eligible to be appointed against 424 vacancies according to merit ranking. The remaining graduates would be eligible for recruitment against vacant S1 positions;
- x. Conducted for the first time BCSE for the B.Ed graduates and recruited 331 graduates in P5 Position Level. Henceforth, this will become an annual feature; and
- xi. The total strength of the Civil Service is 24,808 with 23,337 regular civil servants and 1,471 on contract as of 30 June 2012.

It is matter of pride for Bhutan that the Royal Civil Service Commission was awarded the Special Partner Appreciation Award by the Singapore International Foundation (SIF) on 21 October, 2011 during its 20th Anniversary Celebration.

9. NATIONAL STATISTICAL BUREAU

The following projects were carried out in the past year:

- i. **Urban Listing:** The urban listing activity was carried out in all twenty Dzongkhags in February 2012. All households in urban areas were listed and the information was used for sample design for the Bhutan Living Standards Survey 2012. The listing is expected to be a good source of information for future surveys till 2015;
- ii. **Bhutan Living Standard Survey (BLSS) 2012:** The third living standard survey is underway and the final report is expected to be ready by December 2012. One of the main objectives of the survey is to serve as basic data source in the estimation of the poverty profile for the country and in monitoring various poverty and related indicators that will reflect Bhutan's progress in achieving the Millennium Development Goals (MDGs);

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- iii. **Consumer Price Index (CPI):** Consumer Price Index, which measures inflation, is currently produced on a quarterly basis. The first report, with 2012 as the base year, will be released by 1st Qtr. 2013;
 - iv. **Producer Price Index (PPI):** An initiative to develop and introduce PPI was undertaken in May 2011. PPI will measure the price movements of domestically manufactured goods and services in the country, and will serve as the lead indicator of inflationary trends, contract escalation index, deflator of economic series, and business analysis and policy making purposes. Quarterly data collection from 3rd quarter, 2011 till the 1st quarter, 2012 has been completed and the first draft quarterly PPI report will be released in the 2nd quarter, 2012;
 - v. **Construction Material Index (CMI):** In order to show trend in the construction costs of building roads, bridges, and civil works, the development of CMI has been initiated in February 2012. CMI will be used primarily for analysis of price movements of construction materials, indexing price escalation factors in construction contracts and others. The draft quarterly CMI report is expected to be released during the 1st Quarter 2013; and
 - vi. **Full Benefit-Cost National Accounts:** In February this year we released the first natural, human, and social capital results of our new National Accounts, which will form the basis for a truly GNH based holistic accounting system. The new accounts will change the way we present our annual budgets, as we account for the health of our forests, water sources, communities, and a wide range of natural and social assets and report on how economic gains and changes we make result in depleting or adversely affecting the value of our other assets. It will make our policy making much more informed than it can possibly be when we rely on narrow market measures alone. For instance, it is through this system that we have come to learn that our forests provide more than 14 billion dollars a year worth of ecosystem services – four times more than our whole GDP, more than half of which benefit others outside Bhutan, thus making Bhutan a net donor country. In this regard, it is most heartening that the World Bank, encouraged by our action has announced recently that it would like to support 50 countries and 50 business entities to develop natural capital accounting, of which Bhutan will be a participant.

10. NATIONAL CADASTRAL RESURVEY PROGRAMME (NCRP)

The NCRP which commenced in June, 2008 has now been completed in 15 Dzongkhags viz. Lhuentse, Mongar, Trashigang, Trashigang, Pema Gatshel, Bumthang, Trongsa, Paro, Wangdue Phodrang, Punakha, Gasa, Ha, Thimphu,

Chukha and Samtse. The resurvey works in Samdrup Jongkhar, Dagana, Tsirang and Sarpang Dzongkhags is in good progress.

His Majesty the King had granted excess land Kidu in Lhuentse, Mongar, Trashigang Yangtse and five geowogs (Bidung, Bartsham, Yangnyer, Merak and Sakteng) of Trashigang Dzongkhags benefiting 31,329 households. The kidu land beneficiaries include the Religious Institutions, No Thram Land, Bukzhing/Zhungsa and Khimsa.

11. NATIONAL PENSION AND PROVIDENT FUND (NPPF)

The main objective of the National Pension & Provident Fund is to ensure that the Pension Scheme is sustainable while providing adequate benefits and that pension benefits are delivered to the members with care and efficiency. The plan also mandates post retirement savings under a provident fund scheme.

It is today an important institution as it provides a safety net to members in their old age. With its huge fund base, the NPPF has made significant contribution to socio-economic development of the country with investments in productive sectors. As of March 2012, the National Pension and Provident Fund covered 46,026 members, marking an increase of 3.9% from June 2011. The number of pensioners increased from 2,897 during the last financial year to 3,061 with a pension payout of Nu. 431.67 million until March 2012.

It is the third largest institutional investor with a fund size increasing from Nu. 10.781 billion in June 2011 to Nu. 12.014 billion as of March 2012. This represents a growth of 11.44% during the period June, 2011 to March 2012 which can be attributed mainly to the growth in membership, enhanced returns on investments and increase in contribution rate from 16% to 22% in 2010. All investment plans of the NPPF are aimed at sustaining the pension scheme. Today NPPF faces challenges as investment opportunities are not commensurate with the growth of the fund. In order to maximize returns, the NPPF is always exploring opportunities to participate in a broad range of productive investment avenues. Despite the challenges, the NPPF has been declaring a consistent return of 6.5% percent over the past years.

The NPPF has taken advantage of the G2C Project to make its services easily available at the grass root level. In order to provide wider choices in pension delivery system, Pensioners can now avail of ATM services of the banks. It is also taking initiative to introduce new retirement savings schemes in an effort to foster greater income security for most if not all the salaried employees in Bhutan. Accordingly,

the Government Pension Working Committee, where NPPF is a member is in the process of drafting the National Pension Policy and the National Pension Act.

12. TOBACCO CONTROL

The Tobacco Control Act 2010 is under full implementation with effect from 1st January 2011. However, having put these Tobacco control Act 2010 and Rules and Regulations 2011 into effect for one year, some difficulties were found in implementing the existing Act. Considering these difficulties the Act has undergone some amendment in the last session of the Parliament in January 2012 as the emergency bill and the Royal Assent is awaited.

Under the tobacco control services, initiatives include the establishment of a Tobacco Control Board (TCB) and Demand and Supply Reduction Committee. Other initiatives include extensive advocacy and awareness programs for all the newly elected local leaders and Gewog Administrative Officers of all 205 gewogs, school councilors and teachers Desuup. Furthermore, advocacy and awareness programs were conducted through media forums and training law enforcement agencies.

BNCA has also developed and printed Information Education and Communication (IEC) materials on the ill effects of tobacco use and is ready for mass advocacy program.

13. NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES (NDPS) 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 policy initiatives, advocacy programmes, rehabilitation & outreach services and law enforcement measures are being carried out.

Sensitization on NDPSSA Act 2005 and harmful effects of drug use was conducted for 139 local government officials in different Dzongkhags. Similar sensitization and advocacy programmes were conducted for 245 teachers and teacher counselors and for 700 students.

To enhance reaching out to drug dependents, the number of BNCA Peer Counselors working at the Drop-in Centers was raised from 10 to 15. BNCA has provided training on outreach and counseling to all Peer Counselors, including the ones of

Youth Development Fund and Chithuen Phendhey Association. Regular training and coordination meetings are conducted to update the knowledge on counseling and to coordinate their outreach works.

In collaboration with the Detox unit of JDWNRH, 250 males and 42 females drug and alcohol dependents were detoxified while Serbithang rehab centre has rehabilitated 56 male and 25 female from January to December 2011.

Drug detection test kits have been provided to RBP to carry out the testing of urine samples of the drug addicts. Furthermore, payment of incentives to informers, and sensitization and destruction of marijuana plants at various dzongkhag administration involving volunteers from the local communities are being carried out.

Furthermore, in order to prevent the diversion of precursor chemicals from licit use to illicit purpose, BNCA carried out awareness programme on the control of precursor chemical for Customs Officials followed by the inspection of chemicals used by the industries at Samtse, Gomtu, Phuentsholing, Pasakha, Gelephu and Samdrup Jongkhar. From the inspection, it is observed that the chemicals imported are used for industrial purpose.

14. NATIONAL PLANNING AND RESOURCE MOBILISATION

14.1. Round Table Meetings, 1 - 2 September 2011

The Round Table Meeting (RTM) is the most important aid co-ordination mechanism and development policy dialogue forum between the Royal Government of Bhutan and its international development partners and is held once every two and a half years. It is a forum for the Royal Government and its' development partners to:

- i. Deliberate on issues of mutual interest and concerns to further strengthen development co-operation;
- ii. Review the progress of the current FYP; and
- iii. Find areas of co-operation and support in the upcoming FYP.

The key theme of the RTM was on the development challenges confronting Bhutan which appropriately reflected the challenging context Bhutan is in as it seeks to consolidate development gains, address emerging constraints and challenges and strengthen its nascent democracy. The recommendation of the development partners on a number of important issues such as gender parity, cultural tourism, youth

employment, private sector development, malnutrition of children, climate change and adaptation to it as well as on matters concerning the rights of minorities and the need to continue the dialogue with Nepal to resolve the matter regarding the people in the camps were noted and in fact most of the issues are under various stages of being addressed.

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

14.2. Guideline for the 11th Five Year Plan

Through an extensive consultative process which began in August 2011, the guideline for the preparation of the 11th FYP was finalized with the overall Goal of 11th FYP as “Self Reliance and Inclusive Green Socio-Economic Development” with the theme of “rural prosperity, urban wellbeing”. 16 National Key Results Areas (NKRA) have been identified under each of the five pillars of GNH. Poverty Reduction, Private Sector development/PPP, Human resource development, Balanced Regional Development, ICT & Media have been identified as the 5 key strategies to achieve the NKRA.

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

14.3. Resource Allocation Formula (RAF)

The Resource Allocation Formula for the 11th Five Year Plan for the local governments was reviewed keeping in mind the comments from many stakeholders. The revised RAF includes new criteria such as Multiple Poverty Indicators (MPIs) and Transportation Cost Index (TCI). Inclusion of these criteria will make the RAF more robust and equitable.

14.4. Mobilization of Resources under the Small Development Projects of GoI for Local Governments Plans

As of March 2011, 4.2 billion (61%) from the total commitment of 7.0 billion have been spent on SDP funded activities. The request for the remaining SDP funds has

been made. This has been able to successfully plug the resource gaps for Local Government Plans and Programmes of the 10th Plan.

14.5. Monitoring, Coordination of Projects and Programmes, and Mobilization of Resources from Development Partners

The GNHC managed and coordinated twelve Country level donor missions and annual reviews of projects and programmes. Through these various coordination and monitoring forums, GNHC has been able to realign sector proposals to the priorities of the Government in the 10th FYP. GNHC has also successfully instituted the Delivering as One (DAO) mechanism for all UN agencies in the country, thereby tapping into extra funding windows available for countries under this mechanism. GNHC has also been able mobilize Euro 4.3 million as budgetary support for the RNR sector under Climate Adaptation funding and is currently pursuing US 12.75 million for Climate induced Disasters through Global Environmental Facility (GEF).

14.6. Implementation of Poverty-Reduction Interventions

Under the targeted poverty initiative, GNH Commission effected the Rural Economy Advancement Program (REAP I) in 2009. Under REAP I, poverty interventions were carried out in 10 poor villages in the country and is expected to be completed by December 2012.

Under REAP II, 116 villages were surveyed to assess the socio-economic conditions for preparation of intervention plans and evaluation baseline. Currently, the village communities are preparing their Village Development Plans (VDPs) based on guidelines and survey findings prepared by GNH Commission.

14.7. Mainstreaming of Cross-cutting Issues in Policy and Planning

While centrally defined procedures can mandate mainstreaming requirements in plan and policy making, it is recognized that the successful implementation of mainstreaming requires that there be expert assistance, capacity building and advice available to all agencies until they have developed their own capacities for Environment, Climate Change and Poverty (ECP) Mainstreaming. Towards that purpose an ECP Mainstreaming Reference Group was formed with representation from NEC, DLG, MoAF, UNDP and GNHC. Besides several sensitization and capacity building workshops, the Reference Group has:

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- i. Conducted detailed analysis of Policy and Plan making processes at both central and local levels in Bhutan to identify windows of opportunity for the integration of ECP issues and mainstreaming approaches;
 - ii. Mainstreamed ECP, gender and other cross-cutting issues in the 11th FYP Guidelines; and
 - iii. Developed the “Framework for Mainstreaming Environment, Climate Change and Poverty in the 11th FYP” to serve as a guide for mainstreaming ECP in the planning process.

Discussions with various training institutes are underway to include ECP in the training curricula towards ensuring sustainability in mainstreaming efforts.

14.8. Reports on International and Regional Development Goals

- i. **SAARC Regional Poverty Profile Report:** Pursuant to the directive of the Second SAARC Ministerial Meeting on Poverty Alleviation (Male, 27 May 2008), GNH Commission, the national focal agency of Bhutan for SAARC poverty, submitted the Regional Poverty Profile 2009-2010 for Bhutan with the theme ‘food security challenges for the poor and social inclusion’ to SAARC Secretariat in August 2011. The member states and SAARC Secretariat are currently finalizing the SAARC Regional Poverty Profile 2009 -2010 which will then be published; and
- ii. **SAARC Development Goals:** As per the directive of the Fifteenth SAARC Summit (Colombo, 2-3 August 2008), GNH Commission, being the national focal agency of Bhutan for the SDGs, submitted SDGs midterm review report 2011 to SAARC Secretariat in November 2011.

VI. CONCLUSION

The submission of the *State of Nation Report* to Parliament and the nation is always a solemn occasion for the Royal Government to reflect on the year that has ended and to prepare for the ensuing year. As in the preceding years, the past year has, indeed, been a period of most rewarding endeavours towards our shared goal of a self-reliant and happy nation.

It is due to the blessings of the Triple Gem and Guardian Deities, the wise counsel of His Majesty the King and the collective merit of Bhutanese people, that we have cause for satisfaction and pride in our achievements.

For all these, I, on behalf of the Royal Government and Cabinet colleagues take this opportunity to express heartfelt gratitude to His Majesty the King for His wise guidance and selfless service to the nation. We wish His Majesty the Druk Gyalpo and Her Majesty the Gyalsuen long life and great happiness.

I also wish to take this opportunity to convey our deep appreciation to His Holiness the Je Khenpo, venerable Lopens, truelkus, lams, monks, gomchhens and nuns for their prayers and blessings and for the spiritual nourishment that they give to our people.

We offer our heartfelt thanks to our development partners for their continued support and generous assistance that make possible the translation of our plans into reality. In this regard, the Royal Government and people of Bhutan would like to express special gratitude to the Government and people of India for their extraordinary good will and unfailing support in all our national pursuits.

I would also like to take this opportunity to pay our heartfelt tribute to each and every civil servant, local government leaders and to our armed forces for their dedication and loyalty in the service of the Tsa-wa Sum.

Finally, the Royal Government would like to salute the Bhutanese people for their unwavering loyalty to our beloved King, devotion to our country, and for being such wonderful citizens.

TASHI DELEK