

**PROCEEDINGS AND RESOLUTIONS OF THE
5TH SESSION OF THE 1ST PARLIAMENT**

(Joint Sitting)

Time 9:50

I. INAUGURAL CEREMONY

The 5th Session of the 1st Parliament of Bhutan commenced on the 16th Day of the 4th Month of the Iron Male Tiger Year corresponding to May 28, 2010. His Majesty the Druk Gyalpo was escorted to the Grand Assembly Hall with the elaborate *Chipdrel* and *Serdrang* Ceremony. The Session commenced with the traditional *Zhugdrel Phuensum Tshogpai Tendrel* ceremony.

II. INAUGURAL ADDRESS BY THE HON SPEAKER

In his inaugural address, the Hon Speaker welcomed His Majesty the Druk Gyalpo, Members of the Royal Family, International Dignitaries, Government Officials, general public, media personnel and all those witnessing the Session on television and radio. The Hon Speaker on behalf of the Members of the Parliament of Bhutan, the Bhutanese people and on his own behalf also extended a warm welcome to Smt. Meira Kumar, Speaker of the Lok Sabha, Sushma Swaraj, Leader of the Opposition and the Indian Parliamentary delegation.

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The Hon Speaker also expressed his profound appreciation and gratitude to His Majesty the Druk Gyalpo for tirelessly travelling and meeting with people of the most remote areas to look into their welfare and grant land *Kidu*. Such a noble initiative from His Majesty would certainly reduce the problems of poverty.

The Hon Speaker expressed his sincere gratitude to His Holiness the Je Khenpo for conducting *Wang, Lung and Thri* in the Dzongkhags which would go a long way in realizing the overarching objectives of Gross National Happiness propounded by our benevolent Fourth King, His Majesty Jigme Singye Wangchuck.

The Speaker expressed his hope that the current Session would yield substantive and meaningful deliberations.

(A copy of the Inaugural address is annexed in Annexure I)

(28th May, 2010 corresponding to 16th Day of the 4th Month of the Iron Male Tiger Year)

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**III. ADDRESS BY HIS MAJESTY THE DRUK
GYALPO**

I would like to extend a very warm welcome to the Speaker, Leader of the Opposition, Eminent Members and important Officials of the Indian Parliament to Bhutan and the 5th Session of the 1st Parliament. I also hope that the existing strong and exemplary friendship between Bhutan and India will continue to strengthen and grow with time.

Firstly I would like to inform that the Supreme Court has been successfully established. The Judiciary is one of the foundations for strengthening the sovereignty of the country and ensuring perpetual happiness and protection of rights of our people. I am satisfied with the successful establishment of the Supreme Court and High Court, the two very important pillars of a democratic system of governance.

I congratulate the Chief Justice, Sonam Tobgye, and all the Judges of the Supreme Court and High Court and I hope that they will continue to shoulder their responsibilities without any dereliction of their duties. I will also be addressing the National Judicial Conference which is to be held soon.

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I would like to commend the successful hosting of the 16th SAARC Summit in April this year in Thimphu. The total population of the 8 member countries who participated in the SAARC Summit is about 1500 million. Further there are 9 countries as observers and 300 media personnels.

Although such meetings have been held in the past, none of them paralleled the meeting held in Thimphu. The participants expressed their immense happiness and appreciation for the substantive deliberations and outcomes of the Summit. They also commended the initiatives of the Monarchs in establishing and strengthening democratic system of governance which is in consonance with the vision of Gross National Happiness. The participants expressed their admiration for the experience, wisdom and capabilities of the Government Ministers, Government Heads, Civil Servants, students and the people.

Although Bhutan is small compared to other countries, it is recognized all over the world and the successful hosting of the SAARC summit has further spread Bhutan's popularity.

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I would like to commend Lyonchen Jigme Y. Thinley for shouldering this additional responsibility despite pressing Government matters at hand. Lyonchen recognizing the importance and benefits of the Summit for the country and the people worked tirelessly making the Summit a success. I also congratulate Lyonchen Jigme Y. Thinley for successfully chairing the SAARC Summit this year.

As I always say, Bhutan is a one of a kind gem in the world and the most precious gem of all is the people of Bhutan with our uniqueness in carrying out our responsibilities and thoughts in serving the country. One of the best examples of such uniqueness was portrayed in the conduct of the Summit where every one selflessly dedicated themselves and worked without any reservation towards ensuring the success of the summit. This is symbolic of the love of the people for their country.

I congratulate the Cabinet Ministers, Members of the National Council and National Assembly, Local Governments, Ministries, Departments, Dzongkhag Administration, Agencies and Corporation, Civil Servants, Zhung Dratshang, Choeday, Goendays, the Armed Forces, School teachers and students, volunteers and the different media organizations for the job well done.

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I also hope that this excellent practice and spirit of solidarity will continue in future. If these good practices are upheld and promoted, the country will have nothing to fear and worry during difficult times.

I have not forgotten my promise to personally meet the people of all the 205 Gewogs. Although there are many important matters here in Thimphu, I visit the villages and meet the people whenever I get the time.

It is important that the Hon Members and the employees of the different Institutions carry out their responsibilities and serve the country to strengthen the democratic system of government which is growing with each passing year. I am satisfied with the efforts made by the government, civil servants and the private sector towards achieving the important goal of sustainable and equitable socio-economic development.

I would like to inform the House that I visited Lhuntse, Mongar, Trashiyangtse and Trashigang and met the people of 88 Gewogs. While meeting the people I granted Land Kidu of 40053 acres to 31,293 households. While handing over the ownership, I prayed that the people will be benefitted for generations to come.

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During my visit to the Dzongkhags I was accompanied by Hon Members of the constituencies. I was accompanied by Karma Rangdol, Tshering Tenzin and Rinzin in Lhuentse, Ugyen Wangdi, Sonam Penjore and Neychung in Mongar, Dupthob, Kezang Wangdi and Kezang Namgyal in Tashiyangtse, Lyonpo Minjur, Lyonpo Wangdi Norbu, Lhatu, Choeki Wangmo and Sonam Kinga in Trashigang, Choeda Jamtsho and Jigme Rinzin in Pemagatshel. The visit helped me clearly understand the important responsibilities that the Hon Members shoulder and I would like to congratulate the Hon Members and I assure them my full support.

Similalry, I have plans to visit the remaining 167 Gewogs within next two years. The Members continue to carry out their responsibiliites in their constituencies. I myself reminded the people that the Members are working hard for the benefit of the people which is evident from the sun burns and their weight loss. I say that this is a good sign which reflects the concern the members have for their people.

I would like to say that the best time I have is the time I spend working together with the people. Although I am advised not to travel during the monsoon as it is risky, I tell them that one should not be worried about the cold

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or the heat and that we should always meet the people to understand their real needs and problems. I will continue to meet the people whenever I get the time.

When I am in Thimphu, I meet with the students and teachers and invite the civil servants for tea every day. I would like to inform that I have met around 2000 civil servants within a short span of time. Considering their importance I intend to continue to visit schools and meet with the students and civil servants.

In conclusion, I offer my prayers for the Long Life of His Majesty the Fourth King and wish the Hon Members of the National Council and National Assembly all the success.

IV. EXPRESSION OF APPRECIATION TO HIS MAJESTY THE DRUK GYALPO

1. His Excellency the Prime Minister

His Excellency the Prime Minister on behalf of the Members expressed his profound appreciation to His Majesty the King for gracing the 5th Session of the 1st Parliament of Bhutan and for his noble words of wisdom. He also expressed his appreciation to His Majesty the King for the establishment of the Supreme Court and for His Majesty's support to the Judiciary.

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The Hon Prime Minister also pledged the support of the legislative branch of the Government to the Judiciary.

He expressed his gratitude to the people of Bhutan, especially the people of Wang Tshogchey Gyed, Bako Tsho Dru, Zhung Dratshang, the Armed Forces, students of Thimphu and Paro, volunteers and Non Government Organizations for making the 16th SAARC summit a huge success. He submitted that this was possible, firstly because of the wise guidance and advice provided by His Majesty the King, secondly due to the blessings of the guardian deities and thirdly because of the existing policies of the Government

Further, on behalf of the Civil Servants, Local Government Leaders, employees of Non-Government Organizations, the Cabinet and the Hon Members, the Hon Prime Minister expressed his gratitude to His Majesty the King for expressing His satisfaction with the performance of the Government in the service of *Tsawa Sum*.

He also expressed his gratitude to His Majesty the King for personally meeting with the people in the Dzongkhags and Gewogs and for not only sharing His personal thoughts but for also providing *Kidu* and

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solving the problems faced by the people. He concluded by offering prayers for the long life of His Majesty the King.

2. Chairperson of the National Council

The Chairperson of the National Council on behalf of the Members expressed his profound appreciation to His Majesty the King for addressing the 5th Session of the 1st Parliament of Bhutan. The Chairperson submitted that the success of the 16th SAARC summit would not have been possible without the continuous support and wise guidance of His Majesty the King, the blessings of the guardian deities, the leadership of His Excellency the Prime Minister, the support of the Cabinet Ministers, Civil Servants, Media, students, Armed Forces and the general good merit of the Bhutanese people.

The Chairperson also expressed his appreciation to His Majesty the King for visiting the remote villages and granting land *Kidu* to the people and solving their problems. Further, the Chairman expressed his heartfelt appreciation to His Majesty the King for appointing a highly experienced and qualified Chief Justice and *Drangpons* to the High Court and the Supreme Court after consultation with the Royal Judiciary Commission.

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The Chairperson also expressed his sincere gratitude to His Majesty the Fourth King, the embodiment of kindness and wisdom, for personally visiting the Dzongkhags in the East affected by the recent natural disasters and granting *Soelra* to the people and sharing with them noble words of wisdom to solve the problems faced by the people.

In conclusion, the Chairperson offered his prayers and hopes that under the protective guardian deities, their Majesties the Fourth King and the King and the good fortune of the people, Bhutan will continue to prosper and perpetually enjoy peace and tranquility. The Chairperson concluded by offering his prayers and *Tashi Lekmon* for the Long life and happiness of their Majesties the Fourth King, the King and the Members of the Royal Family.

3. Leader of the Opposition

The Leader of the Opposition said that although only a little more than two years have passed since the institution of a Constitutional Democratic system of Government in the country, the Bhutanese people are already reaping its benefits. He said that this is attributed to the blessings of *Kenchog Sum* (Triple Gem) and guardian deities, Dratshang and the visionary leadership of their Majesties the Fourth King and the King.

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He expressed his sincere gratitude to His Majesty the King for personally visiting remote Gewogs and villages in the country and granting Land Kidu and legal ownership to 31,293 land owners and for personally meeting and providing for the victims of the natural disasters. Further, he expressed his profound appreciation to His Majesty the King for supporting the Parliament in its functioning and the Judiciary by appointing the Chief Justice and the judges to the Supreme Court and the High Court.

He expressed his heartfelt gratitude to His Majesty the King for granting audience to the civil servants, Gups, Mangmis, and Tshogpas of the Local Government, for supporting the Armed Forces and the Dratshangs and the Goendays. He also expressed his gratitude to His Majesty the King for awarding Nyi Kelma and medals to school teachers, farmers, carpenters and health workers in recognition of their services to the people and the country during the National Day celebration and further for supporting the Media and initiating the Bhutan Media Foundation, granting them the independence in serving the country and strengthening democracy.

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In conclusion, the Leader of the Opposition on behalf of the Opposition Party expressed his sincere gratitude to His Majesty the King for carrying out His Royal duties in accordance with the Constitution of the Kingdom of Bhutan in strengthening the democratic system of Government.

V. VISIT OF THE SPEAKER OF LOK SABHA AND INDIAN PARLIAMENTARY DELEGATION

5.1. Welcome address by the Hon Speaker of the Parliament of Bhutan to Shrimati Meira Kumar, Speaker Lok Sabha

The Hon Speaker extended a very warm welcome to the Hon Speaker of Lok Sabha, Shrimati Meira Kumar, Hon Sushma Swaraj, Leader of the Opposition and the Indian Parliamentary Delegation to the 5th Session of Bhutan's first democratically elected Parliament.

The Hon Speaker said that it was a great honour and such visits by important personalities of the Indian Parliament, marks a significant event in the history of Bhutan and is yet another milestone in Indo-Bhutan relations. The Hon Speaker said that we are confident that this historic visit by their Excellencies will contribute towards further strengthening of the relations

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between our two countries for the mutual benefit of our people. The Hon Speaker wished the delegation a very happy and fruitful stay in the country.

(A copy of the welcome address is annexed in Annexure II)

5.2. Address by the Speaker of Lok Sabha, Smt Meira Kumar of the Indian Parliament to the Joint Sitting of the Parliament of Bhutan.

Hon Speaker of the National Assembly, Hon Prime Minister , Hon Chairperson of the National Council, Hon Leader of Opposition, Hon Ministers, Hon Members of Parliament and Ladies and Gentlemen.

It is a great privilege and honour for me to address this distinguished gathering at the Joint Sitting of the Parliament of Bhutan. I take this opportunity to extend the greetings and good wishes of the members of the Indian Parliament, the Government and the people of India to His Majesty Jigme Khesar Namgyel Wangchuck, the King of Bhutan, His Majesty Jigme Singye Wangchuck, the Fourth King, Hon Prime Minister, Hon Speaker of the National Assembly, Hon Chairperson of the National Council, Hon Members of Parliament, Royal Government of Bhutan and the people of Bhutan. I am delighted to be in the midst of

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the breathtaking beauty and serenity of your peace loving country. I am also touched by your sparkling sincerity, untiring hard work, natural warmth and charm of your people. Bhutan has always been a land of magical transformation. A land that has the capacity to take you on a journey of profound inner reflection. I will not be exaggerating when I say that while the rest of the world struggles to find freshness and uniqueness of experience, your country already have it.

In the last few years Bhutan has rewritten its history. It has gone through momentous changes. Changes, that Bhutan has always brought about in its own incomparable ways and reshaped its future. We, in India, have been following with keen interest and immense admiration Bhutan's smooth and peaceful transition from monarchy to constitutional democratic monarchy, the holding of the first election of the parliament and the adoption of a new Constitution. The visionary and wise leadership of their Majesties, the King and the Fourth King of Bhutan, have been the most effective catalyst to these far reaching changes. I recall the words of His Majesty the King, I quote: "... everyday as an individual I aim at being a good son, brother, friend- a good human being. As a king I always

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find myself humbled by the duty to serve a country and its people. So I strive to do so in the spirit of kindness, integrity and equality. I always seek to discern what is right-what is good for the country and the people-every moment of the day. These values mean everything to me and they will always define me, and my duty to the country.” I unquote.

We are confident that under the guidance of their Majesties and under the able leadership of the Hon Prime Minister, Lyonchhen Jigme Yoeser Thinley, democracy in Bhutan will become a means of transformation and growth. We heartily congratulate Hon Prime Minister, Hon Speaker, Jigme Tshultim and Hon Chairman, Namgay Penjore for the successful completion of two years of the first Parliament and the first democratically-elected Government.

India and Bhutan are bound by strong ties, ties that are historical and also spiritual. As keepers of two ancient cultures, our countries share with each other a deep respect for all forms of life, for non-violence, *ahimsa* and non-attachment. Bhutan has always been a good friend of India. The fragrant bloom of this deep and abiding friendship has remained as fresh since the historical meeting in 1958 of Prime Minister Pandit

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Jawaharlal Nehru and the late King His Majesty Jigme Dorji Wangchuck. As countries and neighbours, India and Bhutan have created an unparalleled bond of friendship, collaboration and cooperation in the region. The signing of India-Bhutan Friendship Treaty in 2007 which provides for perpetual peace and friendship, free trade and commerce and equal justice to each other's citizens is a significant milestone in this direction. And, when it comes to people-to-people contact there can be no better explanation than His Majesty Jigme Khesar Namgyal Wangchuck's own experience of living in New Delhi as a student of the National Defence College.

During the last several decades relations between our two countries have witness a steady growth in diverse spheres, providing many tangible benefits for both our people. Today, it encompasses almost every area of bilateral interactions- be it in hydropower, transport, communications, infrastructure, education, information technology, media, culture, human resource, medicine or agriculture. We have worked closely towards Bhutan's planned development and towards realizing the dream of a self-reliant and prosperous South Asia resulting in the culmination of an Asian Century. This

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has helped us play a more effective role in the international arena especially in the areas of Climate change and sustainable energy alternatives. I also take this opportunity to congratulate Bhutan for hosting the 16th SAARC Summit which most appropriately focused on climate change. Your country has combined development with conservation of environment. We in India applaud Bhutan's unique concept of Gross National Happiness that seeks to balance economic growth with a deep commitment towards the environment and its preservation and an abiding respect for culture and heritage. India, and indeed, the world, has much to learn from you.

Both our countries are actively engaged in providing impetus to our economic partnerships. Our relations with you are based on complete mutual trust and understanding. Our people-to-people contact, cultural and educational exchanges have yielded rich dividends, reinvigoration and nourishing our association with each other. We are happy to know that many Bhutanese students have availed of scholarships under the Indian Technical and Economic Cooperation (ITEC), the Colombo Plan and other Government scholarships offered by India. A Nehru-Wangchuck Scholarship for

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students from Bhutan to pursue studies in leading Indian Universities and educational institutions is in the final stages of implementation. We would undoubtedly be happy to further expand the scope and volume of training of Bhutanese nationals in India.

Excellencies, we deem it a great privilege to extend our cooperation and support to the friendly people of Bhutan in their peaceful march towards democracy. I can truly claim that in India, democratic institutions are our moral backbone. The competence of our democratic setup is time tested. Since our Independence in 1947, the representative character of our democracy has only grown and matured. We have conducted 15 general elections to the Lok Sabha and many more elections to our State Legislatures. The Indian people's proactive and enthusiastic participation in the electoral process bears testimony to their unwavering faith in parliamentary democracy. As the Hon members are aware, the Parliaments and Election Commissions of our two countries have been cooperating on various issues including the conduct of free and fair polls. In this context, it may be mentioned that the visit of our Chief Election Commissioner to Bhutan in October 2009 and that of the Bhutanese Chief Election

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Commissioner to India in January this year, I am sure, proved to be very productive. We look forward to further strengthening institutional ties with constitutional bodies in Bhutan.

Our Parliament is vibrant, dynamic and illustrious. It is our supreme representative institution where members of the two Houses articulate and realize the aspirations of our people, where they voice their grievances and seek solutions to their problems.

One of the distinctive features of our parliamentary system has been the multiplicity of political views of many parties and groups that mirror the diversity of our society. Over the decades, the evolution of the Indian Parliament has been dramatic and spectacular, reflecting the realities of a young nation on the move. The number of political parties in the Lok Sabha in the recent years has been on the rise. At present, there are 38 parties represented in the Lok Sabha- the House of elected members-where we combine our energies to achieve our developmental goals through the process of healthy meaningful debate.

Hon Members, we in India also look forward to greater interaction between our Parliaments and

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We warmly recall the visit of the Hon Speaker Lyonpo Jigme Tshultim to India during August-September 2008. We welcome and greatly value the visits of Parliamentary delegations as they create and osmosis of views on issues of interest. We firmly believe that such exchanges afford both sides the opportunity to learn from each other's experience and also help in further cementing our ties. It is my privilege to announce the setting up of a, "Parliamentary Friendship Group" consisting of young and experienced members from our parliament to facilitate the exchange of legislative experiences aimed at reinforcing and renewing the bonds of friendship between our parliaments.

We have in our Parliament, a Bureau of Parliamentary Studies and Training which has institutionalized arrangements for imparting orientation and training to parliamentarians, legislators, policy-makers, civil servants and others. Hon Speaker, Lyonpo Jigme Tshultim had visited the Bureau during his visit to India in 2008. We are very happy, that the officers of the National Assembly of Bhutan and also the officers of the Royal Civil Service of Bhutan have attended the programs organized by the bureau. We will be very

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pleased to extend in the future our support to parliamentarian and parliamentary officials of Bhutan through the Bureau of Parliamentary Studies and Training.

Excellencies, the members of my delegation, the Leader of Opposition in the Lok Sabha and I express our deep appreciation and gratitude for the generous hospitality extended to us. I am confident that this visit of our Parliamentary Delegation will help in further intensifying parliamentary exchanges between our countries and increase each other's awareness of our shared cultural heritage. We would like to especially thank the people of this land of spiritual treasure for constantly reminding the world of the virtues of living-within-one's means and the dharma of peaceful co-existence. We extend our best wishes for the health and long life of their Majesties the King and the Fourth King of Bhutan and for a prosperous and progressive Bhutan. May our bonds be ever-growing and ever-flourishing.

Thank you.

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5.3. Motion of Thanks to the Hon Speaker of Lok Sabha, Shrimati Meira Kumar.

The Hon Deputy Chairperson of the National Council, Hon Deputy Speaker of the National Assembly and Hon National Council Member from Thimphu delivered the vote of thanks to the Hon Speaker of Lok Sabha, Shrimati Meira Kumar. The Members extended their warm welcome and expressed their deep joy in having the Hon Speaker of the Lok Sabha, Smt Meira Kumar, and Leader of the Opposition, Her Excellency Sushma Swaraj, and the Hon Members of the Indian Parliamentary delegation in Bhutan. Further, the Members expressed their heartfelt gratitude and appreciation to the Speaker of the Lok Sabha for addressing the Joint Sitting of the 5th Session of the 1st Parliament of Bhutan.

The Members expressed their deep gratitude to Shrimati Meira Kumar for expressing her respect and support of the Government and people of India to His Majesty the King, Members of the Royal Family and to the Government and people of Bhutan. The Members expressed their profound gratitude to the people and Government of India for their continued support in every field of development in the country and in

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strengthening people-to-people contact. Further, the Members especially thanked the people and the Government of India for providing financial support during the successful 16th SAARC Summit recently held in Bhutan. The Parliamentarians assured their support to the Government of Bhutan in making efforts to further deepen the existing bonds of friendship between the two countries. The Members said that Bhutanese women and in particular the women parliamentarians of Bhutan took pride in the presence of a Speaker and a Leader of the Opposition who were both women. The Members offered their best wishes and congratulated Smt. Meira Kumar for being the first woman Speaker to be elected after six decades of the inception of democracy and voiced their hopes that the cooperation between the two Parliaments would further strengthen under her leadership.

In conclusion, the Hon Members wished the Hon Speaker of Lok Sabha, Smt Meira Kumar, and Leader of the Opposition, Smt. Sushma Swaraj and the Hon Members of the Indian parliamentary delegation a very safe journey back to India and expressed their hopes that the delegation would again visit Bhutan.

(28th May, 2010 corresponding to 16th Day of the 4th Month of the Iron Male Tiger Year, Time 12:03)

(Joint Sitting)
Time 10:04

VI. RESOLUTION ON SECTION 11 OF THE SERVICE CONDITIONS BILL FOR THE HOLDERS OF CONSTITUTIONAL OFFICES OF BHUTAN, 2009

The Joint Committee had submitted that Section 11 of the Act which states that, “**The salary of the holders of the *Constitutional offices shall be as per Annexure A of this Act.*” be amended to read as, “**The salaries, allowances, benefits and other entitlements of the Holders, Members and Commissioners of the Constitutional Offices shall be as per the Annexure. The Lhengye Zhungtshog of the First Parliament shall determine, as one-time fixation, the salaries, allowances, benefits and other entitlements as provided in the Annexure.**”**

During the deliberation on the issue, some of the Hon Members submitted that it was acceptable to be maintained as provided under Article 30 and Article 31(7) of the Constitution of the Kingdom of Bhutan. The Hon Speaker suggested that the Section could be amended as recommended by the Joint Committee but be reflected as a resolution of the House while deleting

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a part of the recommendation from the Act. The Finance Minister supported the proposal.

The Parliament resolved that the Lhengye Zhungtshog of the 1st Parliament shall determine, as one-time fixation, the salaries, allowances, benefits and other entitlements and the Section 11 of the Act to read as, the salaries, allowances, benefits and other entitlements of the Holders, Members and Commissioners of the Constitutional Offices shall be as per the Annexure.

(3rd June, 2010 corresponding to 21st Day of the 4th Month of the Iron Male Tiger Year, Time 12:45)

Time 12:04

**VII. PUBLIC ACCOUNTS COMMITTEE (PAC)
REPORT (1P5/GR/1)**

The Chairperson of the Public Accounts Committee, submitted a brief report on the Review Report of Pending Audit Reports up to 2006, 2007 and 2008, Performance Audit Report on Operations of the Bhutan Broadcasting Service Corporation Ltd.(BBSC), Farm Roads in Bhutan and Industries on Environmental Compliance. The Committee submitted the report of the committee hearings of the concerned Ministries, Agencies, Corporations to the House held for two weeks

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to the House. Copies of the reports were also distributed to the Hon Members.

The Chairperson informed the House that the Public Accounts Committee hosted SAARC level PACs' seminar from 11-12 May, 2010 to address the issues of 1) Strengthening PAC Secretariat within SAARC region, 2) drafting of the constitution and formation of South Asian Regional PAC Association and 3) to decide the location of South Asian Regional Association for Public Accounts Committees (SARAPAC) Secretariat. The seminar was sponsored by the World Bank and was attended by delegates from 10 countries.

The Chairperson also reported that as per the directives of the Hon Speaker, the Committee conducted public hearings of the 10 Ministries from 13-25 May, 2010. He informed the House that Nu. 0.455m was deposited in the Audit Recoveries Account after the two weeks of hearings conducted by the PAC.

Only the Secretary from the Ministry of Works and Human Settlement was present in the hearing although it is imperative for Secretaries to the Ministries to attend the hearings to take decisions on policies related to the financial irregularities. Therefore, discussion on policies related to the hearing could not be successfully reviewed.

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Based on the above reports, the Chairperson submitted that since the Committee would have to continuously review and conduct hearings and in order to enable the Committee to participate as a member in the South Asian Regional PAC Association, it is imperative that a separate PAC office with its own employees be established under the Speaker's Office. Therefore, the Chairperson submitted that approval be granted by the Parliament to recruit two experienced staff for the office.

While submitting the report on the Performance Audit Report on the Operations of the Bhutan Broadcasting Service Corporation Ltd, it was submitted that the Parliament should direct the Government to review the BBSC's mandate and commercial intent in order to make it more self sufficient and to reduce its losses. Further, the Government should also review the qualification and policies of the Board of Directors and Chief Executive Officer as soon as possible. It was also submitted that if the Multi-Service Operator service is privatized, BBSC, which is already running a loss and is dependent on Government support, would lose its only source of income generation. Further, it was also submitted that the BBSC, the Government and BICMA

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should jointly study and fix the responsibility to repay the public money of Nu. 5.36m incurred as loss.

After deliberating the pending audit report up to 2006, 2007 and 2008 and the Performance Audit Report on the Operations of the Bhutan Broadcasting Service Corporation Ltd in detail, the Parliament resolved that:

1. Secretaries to the Government, Heads of Autonomous Agencies, Constitutional Offices and Corporations should attend the hearings of the Public Account Committee and invariably take the lead role in ensuring zero tolerance to corruption.
2. That a separate Committee Secretariat be established under the Speakers Office Order as submitted by the Committee considering the importance of the PAC as a Parliamentary Committee.
3. The pending audit observations up to 2006 should be resolved within September 2010 by the Committee formed as per the Public Finance Act, 2007 which empowers even to write off. Moreover, according to the resolution of the 3rd Session, the Committee was mandated to resolve the Audit observations of 2006 once and for all.

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4. The pending audit observations of 2007 and 2008 to be resolved by December 2010.
5. Administrative action to be taken as per the list of submitted by the concerned Ministry to the RCSC as referred by the RAA Report and a report to be submitted to the Cabinet for presentation in the next Session.
6. In order to improve the procedures for conduct of hearings, the 11 point recommendations submitted by the PAC is to be reviewed by the Lhengye Zhungtshog and implemented as far as possible and probable reporting to the Parliament.
7. The Government shall review the mandate of the BBSC and suggest ways and means to improve the system so as to keep up with changing times.
8. With the objective to make BBSC self sufficient and self reliant, it was given the license to operate as a multi-service operator (MSO) in 2006. However, till date it has incurred a loss of Nu 5.3 million. Therefore, the Communication and the Finance Ministry should jointly review the privatization of the MSO service as this might lead to more losses by the BBSC.

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The presentation and discussion on the Performance Audit Report on Farm Roads and Industrial Compliance on Environment was postponed to 5th July 2010 in the Joint Sitting of the Parliament.

(4th June, 2010 corresponding to 22nd Day of the 4th Month of the Iron Male Tiger Year, Time 18:09)

Time 10:03

Deliberation on Performance Audit Report of 4th June 2010.

The Chairperson of the Public Accounts Committee (PAC) briefly presented the Audit Report on Performance of Farm Roads in Bhutan and Industries on Environment Compliance on 5th July 2010 as follows:

Performance Audit Report on Farm Roads in Bhutan

The Chairperson of the PAC reported that as per the RAA report 1,065 kms of farm roads were constructed against the initial plan of 597 kms in the 9th Five Year Plan. Although the construction of roads greatly benefitted the rural community, the RAA pointed out 32 findings in their report.

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In order to address the above audit findings and to improve the construction and management of farm roads the RAA proposed 13 recommendations. The PAC recognizing the importance of RAA's recommendations stressed on 5 observations.

The Minister of Agriculture acknowledged that there are many problems with regard to farm road constructions. Firstly there is no clear cut delineation of responsibilities and accountability and secondly there was no quality and standard of road. Now, with the framing of new Guidelines for Farm Road Development, 2009 such problems could be addressed with the strict implementation of the guidelines by all the stake holders.

The Hon Prime Minister expressed his appreciation to the RAA for the comprehensive Audit Report and recommendations submitted to the Parliament. Upon close scrutiny of the recommendations made by the PAC, it is observed that many of these issues are to be dealt by the executive. Therefore, the Government will take the required action as far as possible.

Nevertheless, few Members also expressed their views on the recommendations.

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1. The House stressed that the Government as per the election campaign promises would construct roads in the remaining 64 Gewogs within the 10th Five Year Plan. It was also stressed that the Farm Roads would be constructed as per the planned activities of the 10th Five Year Plan.
2. It was stressed that the implementation of Guidelines for Farm Road Development by the Local Government would be coordinated by the Department of Agriculture.
3. On the issue of ensuring responsibility, professionalism and specialization in farm road construction, the Ministry of Agriculture must be given full responsibility in strengthening the farm road construction services by providing machineries and professionals. With such support from the center, the Local Government can ensure the standard, quality and timely construction of farm roads.
4. It was stressed that annual maintenance and restoration budget would be incorporated into the Gewog Budget and be implemented by the people of the concerned community in order to ensure the ownership, functionality and utility of the existing and new farm roads.

(Joint Sitting)

5. With regard to land compensation for those affected by the farm road construction, there is no existing laws providing for such compensation in any form. Under the devolution and decentralization policy the Local Government may address as per the Guidelines for Farm Road Development, 2009. Unless there is a risk of rendering a family landless, the farm road construction as per the budgetary provisions and specifications drawn up by the engineering cell shall be implemented and the decision of the Gewog Tshogde should be final.

Performance Audit Report on Industries on Environment Compliance

1. On the proposal to relocate the school from Pasakha Industrial area, the Ministry of Education has already initiated the construction in Richending to relocate the school. Therefore, a separate resolution for this issue was not required.
2. With regard to the proposal of streamlining the system of levying penalty as per the environmental policy, the House opined that it was imperative to fix the imposition of penalties as per the gravity of the case and the relevant Agencies should ensure proper monitoring and supervision.

(5th July 2010, corresponding to 24th Day of the 5th Month of Iron Male Tiger Year, Time 11:31)

(Tshogdu)

Time 10:05

**VIII. REPORT ON IMPLEMENTATION STATUS OF
THE RESOLUTIONS OF THE NATIONAL
ASSEMBLY TILL THE 4TH SESSION**

8.1. Rural Housing Insurance Scheme (1P5/GR 2)

In the 2nd Session of the 1st Parliament, the people of Mongar Dzongkhag had submitted that they had not received any compensation for renovation of houses despite paying insurance premium for more than 20-30 years. It was submitted that a compensation policy for the renovation of houses was required for the benefit of the people. The House had resolved that the Finance Ministry should discuss the issue with the insurance companies and present a report in the next session.

Accordingly, the Finance Minister reported that, an insurance scheme is by definition a cover for risks which means unforeseen events. He explained that the deterioration or dilapidation of the houses are neither unforeseen nor a risk and hence do not form a part of insurance. The Rural Housing Insurance Scheme is therefore not meant to compensate for normal wear and tear or other maintenance.

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He also informed the House that the Government had instituted the scheme for the benefit of the rural people with an annual premium of Nu 150 for permanent houses and Nu 60 for semi-permanent houses and a payout of Nu, 100,000 and Nu 40,000 is made respectively in case of losses caused due to natural calamities. Due to the very low premium rates, the total premium collected in any given year does not cover the payouts required. He said that the deficit between the premium collected and payout is provided by the Government as subsidy.

During the deliberation on the report various proposals were submitted by the Members. Some Members said that there is a need to increase the existing annual premium rate of Nu. 150 and Nu. 60 while others suggested that there was a need to review the existing insurance scheme in line with changing times. Some Members also submitted that the Government should allocate some capital fund from where the increased premium insurance can be paid without enhancing the existing premium. The Members also submitted that the feasibility to collect the increased premium from general public should be first studied. Further, it was submitted that the people would greatly benefit if

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different insurance schemes were introduced enabling people to make choices.

The House resolved that the Government and the Finance Ministry should review the Rural Housing Insurance Scheme Policy and formulate new plans and submit a report thereof in the 6th or 7th Session.

8.2 Review of the 9th Five Year Plan of Chhukha Administration as a sample audit conducted by the RAA (1P5/GR 3)

As per proposal 8 of the 9 recommendation made by the Public Accounts Committee Report based on the report submitted by the Royal Audit Authority that conducted a review of the 9th Five Year Plan of Chhukha Administration as a sample audit, the 3rd Session of the National Assembly had resolved that the Cabinet should study the recommendations and accordingly issue directives to other Dzongkhags and Government agencies for proper implementation of their plans and programs.

In response, the Works and Human Settlement Minister said that since the Government always works together with the Finance Ministry to solve financial

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irregularities of those reported in the Annual Audit Report and also other financial issues of the Dzongkhags and Projects raised in the House, it was felt that a separate directive was not necessary.

The Public Accounts Committee Chairperson pointed out that since the Government had not issued any directive and reminders as submitted earlier such problems constantly arises. As such, the Committee is resubmitting 11 points recommendation based on the Audit Report requesting the Government to be mindful of it and provide full support.

The House resolved that based on the Cabinet's submission, a separate directive was not required for the sample audit carried out on the Chhukha Administration however, the Government should consider the 11 points recommendations made by the Public Accounts Committee.

8.3. Revision of Annual Budget Allocation Formula (1P5/GR 4)

During the deliberation on the Annual Financial Statement for the year 2007-08, revised Budget estimate for the year 2008-09 and Budget Estimate for

(Tshogdu)

the year 2009-10, the 3rd Session of the National Assembly of the 1st Parliament had resolved that the annual budget allocation formula should be jointly reviewed by the Ministry of Finance, Gross National Happiness Commission and Public Accounts Committee and a report thereof should be submitted to the House.

Accordingly, the Finance Minister reported that discrepancies observed in allocation of planned budget were mainly due to inclusion of budget for construction of roads and distribution of rural electricity in the Gewog budget. Therefore, he submitted that the budget for construction of roads and distribution of electricity would be henceforth managed by the central Government and delinked from the Gewog budget. He also informed that a separate budget for Constitutional Offices and the three branches of the Government have been allocated and their details would be reported during the presentation of the 2010-2011 Annual Budget Report.

During the deliberation some Members submitted for the need to revise the formula while others thought it was not required. It was also submitted that the

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Government should consider granting other facilities in remote places where construction of roads are not feasible.

The House resolved that the annual budget allocation system would be reviewed during the 10th Five Year Plan mid-term review meeting with the public.

8.4. Implementation of the resolution on Calling Attention (1P5/GR5)

The Member from Kabji-Talo constituency sought clarification on the roles and responsibilities of the National Assembly and National Council which was raised during the discussion under Calling Attention in the 3rd Session of the National Assembly. As submitted by the Hon Prime Minister, the House resolved that the issue would be further discussed and a report thereof should be submitted to the next session of the National Assembly.

In response, the Minister for Works and Human Settlement said that such problems would not arise if the National Council and the National Assembly carried out their responsibilities as per their respective Acts. However, it is viewed imperative that a clear cut procedure was necessary for a conducive working

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relationship between the two Houses. He said that instead of the Cabinet it would be more appropriate if the procedure was drafted jointly by the Hon Speaker, Chairperson and the Secretary Generals of the two Houses. Furthermore, it has been decided that the concerned Minister will attend the National Council Session as per the importance of the deliberations, particularly while discussing issues of national and public interests, Bills and policy matters. He also informed the House that the Minister for Education and the Minister for Labour and Human Resources recently attended the National Council Session.

8.5. Implementation of point 6 of the 9 recommendations made by the Ethics and Credentials Committee on the Annual Anti Corruption Report 2009 (1P5/GR6)

As per recommendation 6 regarding the urgent need to strengthen the Office of the Attorney General during the deliberation of the Annual Anti-Corruption Report 2009, presented by the Chairperson of the Ethics and Credentials Committee, the 4th Session of the National Assembly of the 1st Parliament had resolved that, considering its importance in prosecuting cases related to corruption, it was imperative to establish an OAG

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office in each region as it is not feasible to do so in each Dzongkhag.

In response, the Works and Human Settlement Minister said that it was not feasible to establish an Office of the Attorney General in the Dzongkhag as well as in each region due to acute shortage of lawyers in the country and submitted that it would suffice to strengthen the existing Office of the Attorney General. He said that possibilities of establishing branch offices in the Dzongkhags and Regional Office could be considered in the future according to changing times and needs.

The House resolved that the present Office of the Attorney General should be strengthened while the establishment of its branch offices in the Dzongkhags and Regional Office should be considered by the Government according to its requirement.

(9th June, 2010 corresponding to 27th Day of the 4th Month of the Iron Male Tiger Year, Time 13:44)

(Tshogdu)
Time 10:45

**IX. RE-DELIBERATION ON THE ZHAPTOG LEMI
(REPEAL) BILL, 2009 (1P5/GB 4)**

As per the rationales provided by the Hon Speaker, the House while deliberating the Zhaptog Lemi (Repeal) Bill, 2009, some of the Members submitted that while it was imperative to frame certain rules of procedures to clear the misunderstanding present in the minds of the people, the three important principles of the Bill should be retained. In the event the Act is repealed, a Section on Zhaptog Lemi should be incorporated in the rules of procedures based on the Local Government Act.

Some of the Members said that, the system of Zhaptog Lemi established by His Majesty the Fourth King considering the welfare of the people, continues to benefit the community. In addition, the impressive socio- economic development witnessed over the period of 40 years is attributable to the contribution made by the people in the form of Zhaptog Lemi. Further, it was also submitted that aid was also granted based on the existing system of Zhapto Lemi.

Further, it is important that the people should not be over burdened and the long term benefits should be

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considered. Some Members pointed out that it would be inconvenient to straight away repeal the Act because clear rules and procedures have not been formulated. Therefore, it was submitted that the issue be first discussed with the people and a report be submitted in the next Session.

The Hon Speaker informed the House that the 2nd Session of the National Assembly had unanimously resolved to repeal the Zhaptog Lemi Chathrim, 1996 with the purpose to completely do away with voluntary labour. However, as there are no set rules of procedures for the repeal of the Act, prospect to either repeal or amend the Act is presented. Therefore, the Ministry of Home and Cultural Affairs in consultation with the Local Government Leaders and the people should study the impact it might have on the people if the Act is repealed.

In addition, the Leader of the Opposition submitted that a fourth principle of equitable development should be added to the existing three principles of the Act and the benefits of amending the Act should be studied. The House supported the proposal to formulate rules of procedures for Zhaptog Lemi in line with Section 54 of

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the Local Government Act and relevant provisions of the Constitution of the Kingdom of Bhutan and submit a report thereof in the forthcoming session.

The House resolved that the Ministry of Home and Cultural Affairs should consult the issue repeal of Zhaptog Lemi Chathrim 1996 with the Government, then with the Local Government Leaders and the people and submit a report thereof in the 6th Session.

(23rd June, 2010 corresponding to 12th Day of the 5th Month of the Iron Male Tiger Year, Time 13:33)

Time 11:00

X. POINTS FROM LOCAL GOVERNMENT

10.1. Revision of the System of Rural Timber Allocation (1P5/GR7)

The Hon Member from Chapcha-Bongo constituency submitted that the system of getting permission for rural timber and its marking from the Territorial Range Division through the Dzongkhag is a cause of inconvenience to the people. Therefore, it is submitted that the authority to grant permit and marking of rural timber be devolved to the Dzongkhag administration.

During the deliberation on the issue, some of the Members submitted that the authority to grant rural

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timber and marking should be retained with the Territorial Range Office to avoid indiscriminate felling of trees. The Agriculture Minister reminded the House that the responsibility to maintain 60 % forest cover as stipulated in the Constitution of the Kingdom of Bhutan fell on every Bhutanese citizen. The authority to grant permit and marking of trees was vested in the Territorial Range Office to provide a check and balance on the allocation of rural timber. He said that while some individuals may have problems with the existing system, it is important to keep the overall country's goal in mind and protect its natural resource. He also informed the House that the Government is formulating policies to devolve the authority to mark and issue permit for rural timber to the Community very soon and the establishment of one stop service centers has already started. Further, increasing numbers of people have started to illegally trade timber using mobile chain saws. He said that inconvenience in the issue of permit and marking of timber arose when individuals made their own choice disregarding the rules and regulations of the Forest Department.

Some Members said that formulation of stringent rules regarding the allocation and marking of timber would

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prevent the forest from exploitation irrespective of with whom the authority to mark and allocate rural timber rested. The Members also submitted that the current system was more or less convenient and with the Government's policy to establish one stop service center, it is expected that the problems faced by the people will be further eased. Some others submitted that if the authority to allocate and mark timber was granted to the Dzongkhag, the people themselves as responsible citizens would take on the duty of conserving and making judicious use of the forest.

The Hon Speaker reminded the House that it is important to keep in mind the Government's policy to maintain 60% forest cover as per Article 5 (3) of the Constitution of the Kingdom of Bhutan. Further, the operation of mobile chain saws should be forbidden in and around localities which have established saw mills. If the uses of mobile chain saws are allowed, the Government should consider imposing double taxes. In addition, possibilities of introducing one rate for timber in both towns and rural areas should also be considered so as to reduce corrupt practices. The Hon Speaker also urged the Department of Forest to study the policy of planting 5 saplings for every tree felled.

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Most importantly, the Government should endeavor to formulate policies to solve the problems faced by the people in line with the noble vision of Gross National Happiness propounded by His Majesty the King for the benefit of all Bhutanese.

The House resolved that that the Government should make efforts to solve the problems faced by the people and as per the policy of the Government the establishment of one stop service centre should be expedited for timely provision of public service to the people.

10.2. Expression of Appreciation to the New Government (1P5/GR8)

The Hon Member from Sipsoo constituency on behalf of the people of Samtse Dzongkhag expressed their heartfelt gratitude to the new Government formed under the system of Democratic Constitutional Monarchy for bringing about many new changes and developmental activities in just two and a half years. He submitted that the people further looked forward to receive continued support from the new Government.

The House commended Samtse Dzongkhag for the expression of appreciation to the Government and

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urged the Government to continue to work hard to fulfill the aspirations of the people.

(24th June, 2010 corresponding to 13th Day of the 5th Month of the Iron Male Tiger Year, Time:12:07)

**XI. HUMAN RIGHTS COMMITTEE REPORT
(IP5/GR9)**

The Hon Speaker informed the House that as per the provisions of Fundamental Rights in the Constitution of the Kingdom of Bhutan, the Human Rights Committee visited the prisons and detention centers in the country and a report thereof would be submitted by the Chairperson of the Committee. The Hon Speaker informed the House that henceforth the Committee would submit an annual report to the House. The Hon Speaker then invited the Chairperson of the Human Rights Committee to present the first Report of the Committee to the House.

The Chairperson of the Human Rights Committee presented a brief back ground on the importance of protection and promotion of Human Rights in accordance with the Constitution of the Kingdom of Bhutan and International Laws and Conventions. The Chairperson informed the House that the Committee was constituted with five members during the

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1st Session of the 1st Parliament held in June 2008 in accordance with Article 10 (11) of the Constitution and Section 7 of the National Assembly Committees Act of the Kingdom of Bhutan, 2004. The Committee conducted its first workshop on Human Rights Awareness on 10th February, 2010 with participants from the National Assembly, Judiciary, MoFA, Anti-Corruption Commission, Office of the Attorney General, National Commission for Women and Children and RENEW. The objective of the workshop was to share the views and experiences and to bring together as a team the legislators and law enforcing agencies, which will complement each other and ensure that the people continue to enjoy their rights under the Constitution and other laws at all time. The Committee also visited the Thimphu Police Detention Centre, the Thimphu District Jail and the Chamgang Jail with the objective to observe the conditions of the jails and detention centers and have informal interaction with the inmates and detainees. The House was informed that there were eight jails in the country with the Central Jail at Chamgang, Thimphu and five district jails in Gelephu, Samtse, Trashigang, Thimphu and Samdrup Jongkhar, a Dungkhag jail in Phuentsholing and an Armed Force jail at Rabuna in Wangdue.

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The Committee reported that it observed that many of the jails were overcrowded.

The Chairperson submitted the Committee's observations and recommendations under five headings which are as follows:

1. Infrastructural Facilities

- a. Over crowding of detention centers and prisoners
- b. Need for separate prison for women and juveniles
- c. Inadequate or lack of conjugal rooms in prison
- d. Lack of Toilet facilities during night
- e. Need for adequate space for NFE programs in all prisons
- f. Lack of proper accommodation for jail officers and troops
- g. Lack of security gadgets at detention centers and jails

2. Reformative Activities

- a. Lack of adequate vocational and reformative activities
- b. Need for proper counseling of prisoners, including drugs and alcohol addicts
- c. Distance education for school dropout convicts

3. Institutional Reforms

- a. Establishment of separate department for jails
- b. Separate budget for jails
- c. Recruitment of more jail officers and troops

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- d. Security clearance certificate for ex-convicts
- e. Need for establishment of central forensic lab in the country

4. Legal Aid, Community Service and Probation

- a. Need to introduce legal aid
- b. Need to introduce the concept of community service and probation

5. Miscellaneous matters

- a. Problem of medical treatment of prisoners due to lack of sufficient troops
- b. Under garments and vests, slippers, sanitary napkins for those who cannot afford
- c. Need for more information materials and TVs
- d. More outdoor games for inmates

During the deliberation on the report, the Minister for Home and Cultural Affairs, Ministers and the Members pointed out that the system of detaining people for minor offences should be carefully considered as the people might not take detention seriously and this might lead to increasing number of people breaking the law in the future.

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Further, to ease the problem of prison space, a new reformatory jail is under construction at Dolamgang, Gelephu, and plans are being formulated to repair and construct new toilets and prisoners are provided with television connections as recreation.

It was submitted that there were problems because of lack of separate rooms for women and men and juveniles. There were also problems in providing medical services due to inadequate security personnel. Further, the prisoners did not have proper drug and alcohol counselling services.

Many of the Members opined that detention period were prolonged because the police did not have the authority to free the detainee without any instruction from the court. Further, the person is to be detained till the case is registered in court. This is a cause of inconvenience to the people involved, therefore it is imperative that certain procedures should be worked out between the court and the police to solve such problems.

Some of the Members submitted that the Government should improve the basic facilities like toilets, conjugal rooms, separate rooms for women and juveniles, provision of basic clothings and continuing education as

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these do not necessitate huge budget. The Members also said that it was important to issue security clearance certificate to the ex-convicts offering them the opportunity of employment and a chance to restart their lives. The existing working procedure between the Courts and the RBP should also be reviewed. The Members also said that it was imperative to study the complaints received regarding the poor quality of food, forced labour and denial of health services to the prisoners.

The Members submitted that the institution should be strengthened in addition to development of infrastructural facilities and suggested the establishment of a separate department for jail. The House also opined that in addition to providing outdoor activities and recreational facilities the health officials should increase the frequency of their visits to the prisons. Further, the Judiciary and the RBP should have clear understanding on bail system for detainees to avoid overcrowding of detention centers.

The House resolved that the Government as far as possible should implement the recommendations made by the Human Rights Committee in order to fulfill the

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noble vision of Gross National Happiness and a report thereof to be submitted to the 6th Session.

(24th June, 2010 corresponding to 13th Day of the 5th Month of the Iron Male Tiger Year, Time 13: 33)

Time, 12:01

XII. BUDGET REPORT 2010-11 (1P5/GR10)

The Finance Minister presented the budget for the Financial Year (FY) 2010-2011, the report on the revised budget for the FY 2009-10 and the Annual Financial Statement for the FY 2008-09 on 25th June 2010. He also gave a brief overview of the economic performance in the past two years including tax reforms and incentives.

With the blessings of our revered monarch His Majesty Jigme Khesar Namgyel Wangchuck, the new Government has successfully completed the second year in office under the able leadership of our Prime Minister. Similarly, he expressed his hopes for continued peace and prosperity during the third year of office.

The country witnessed three significant events over the past two years. The country successfully managed the celebration of 100 years of monarchy, the enthronement of His Majesty the Fifth Druk Gyalpo and most recently

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the 16th SAARC Summit under the most able leadership of our Prime Minister Lyonchen Jigme Yoezer Thinley and has also effectively dealt with the effects of the natural calamities of floods, fire and earthquakes, On behalf of the Royal Government, the Finance Minister expressed his deep appreciation to the Government of India for providing financial assistance of Nu. 277.3 million for the various works related to the SAARC Summit. A SAARC Development Fund Secretariat headed by a national CEO was also established in Thimphu fulfilling the aspirations of the 4th Druk Gyalpo. Financial assistance of Nu. 320 m was received for restoration works necessitated by the floods of May 2009 of which the Government of India (GOI) contributed Nu. 100 m and the Government of Kuwait Nu. 165 m. For the restoration work related to the earthquake of September 2009 the Government received an assistance of Nu 392 m of which the GOI and Kuwait contributed Nu. 250 m and Nu. 94 m respectively.

Annual Financial Statement for The FY 2008-09

The Finance Minister reported that in the FY, the fiscal balance was Nu. 1,092.461 m with total realized resource of Nu. 23,442.998 m against expenditure of

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Nu. 22,350.537 m. The year ended with a resource gap of Nu. 126.248m due to the loan repayment of Nu. 2,051.632m which was higher than the fiscal surplus plus the receipt of project tied borrowings of Nu. 832.923 m.

The domestic revenue was able to cover the recurrent expenditure fulfilling the requirement of the fiscal policy and the Constitution. The Domestic revenue also financed 30.5 % of the capital expenditure. The grant assistance of Nu. 6,575.069 m covered about 67% of the capital expenditure of Nu. 9,829.144 m. The total Government debt stood at Nu. 34,759.027 m which was about 60 % of the GDP.

Revised Budget Estimate of the FY 2009-10

The Finance Minister reported that the initial approved outlay for the FY was Nu. 26,304.310 m. However, the budget estimate at the end of March 2010 rose to Nu. 30,451.645 m which is an increase of 15.77%. The revised budget included Nu. 4,147.335 m. The Finance Minister presented the supplementary budget of Nu. 104.323 m under the Royal Government of Bhutan funding for the FY 2009-10 and Nu. 3,162.200 m under external funding for approval by the House.

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Economic Performance in the last two years

The GDP grew by 11.9 % in the FY 2007-08 but fell down to Nu. 6.2 % in the FY 2008-09. However, 6.2 % growth is as substantial as it reflected growth without the hydro power sector. The unemployment rate in 2007 was estimated at 3.7 % and is estimated to have increased to around 4 % in 2009. The country's current account was at 2 % of the GDP in the FY 2007-08 and 9 % of the GDP in FY 2008-09 with a deficit of Nu. 5.4 billion. However, the overall balance is positive with 4 % of the GDP in FY 2007-08 and 9 % in FY 2008-09. The Gross Foreign Reserve increased from US \$ 758 m in end of June 2009 to US \$ 818.59 m in December 2009 which is sufficient to cover more than 19 months of import. Bhutan's total debt stood at Nu. 34.759 billion in the end of the FY from Nu. 33.701 billion which is an increase of 5 %. Debt Service ratio has risen sharply from 18.5 % in FY 2007-08 to 39.6 % in the FY 2008-09. The annual inflation rate was 4.05 % in the year 2009. Total domestic credit increased on an average by 25.25 %. The combined non performing loan came down to 7.43 % in December 2009 from 8.89 % in December 2008. During the FY 2007-08 and 2008-09, 7 FDI projects were approved with an estimated total investment of Nu. 1,935.35 m out of which one has

(Tshogdu)

started operation while six are under construction. During the FY 2009-10, two FDI projects with an estimated investment of Nu. 1,086.06 m was approved.

Overall the past two financial years have witnessed good results except on the employment front.

Budget Estimate for the FY 2010-2011

The Finance Minister informed the House that the key challenges are poverty reduction, creation of jobs and sustainable economic development and therefore, this year's budget is geared towards poverty reduction by pursuing focused socio-economic development strategies within a sound macro-economic framework and guided by the following principles:

- Avoid current operating deficits
- Limit the overall fiscal deficit to GDP at sustainable levels
- Keep outstanding debt at internationally accepted thresholds
- Keep external debt service to export ratio at low levels
- Limit domestic borrowings by the Government to avoid crowding out of private sector borrowings
- Maintain the momentum of investments in the socio-economic sectors
- Investments in industries with potential for significant revenue and employment generation.

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The total resource for the FY is projected at Nu. 26,774.538 million comprising domestic revenue of Nu. 15,816.334 m and external grants of Nu. 10,905.138 m. The domestic revenue is estimated to increase by 2.9 % from the revised revenue estimate 2009-10 mainly due to the broadening and rationalization of the tax system. The total external grant of Nu. 10,905.138 m is estimated in the FY. The total expenditure outlay i.e total expenditure and net lending for the FY 2010-11 is estimated at Nu. 31,579.745 m. This is an increase of 3.7 % from that of the revised expenditure outlay of the FY 2009-10.

Capital expenditure is estimated at Nu. 17,266.288m which accounts for about 53 % of the total expenditure outlay which he submitted is subject to change. Lendings to corporations is estimated at Nu. 1,028.086m of which Nu. 953.391m will be provided to the BPC for rural electrification and the balance is on lending to BDFC for rural credit related activities. Recovery of loans from the corporations is estimated to be at Nu. 1,868.705 m of which Tala Hydro Power project principal loan recovery accounts for 75 %.

For the FY 2010-11a total external loan withdrawal of Nu. 2,270.806 m is estimated along with programme

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borrowing equivalent of Nu. 940 m from the World Bank and Nu. 141m from the Asian Development Bank. If the budgeted activities of the FY are fully implemented as planned, the Government will have to resort to internal borrowings of Nu. 3,801.460 m. The total budget estimates for activities implemented by Dzongkhags and Gewogs come to Nu. 8044.540m.

In the social service, the Health and Education Sector combined has been allocated 23% of the total budget and Nu. 805.466 m has been kept for human resource development which is 10 % of the total budget. A sum of Nu. 48.885 has been earmarked for Department of Agriculture Marketing and Co-operatives. A total of Nu. 740.051m has been budgeted for farm roads and Nu. 26.940 m is kept for maintenance and monsoon restoration works etc. besides Nu. 200 m kept as pool fund.

A sum of Nu. 363.395 m has been budgeted for the trade, industry and private sector development and Nu. 57.598m has been allocated to Department of Cottage and Small Industries under the Ministry of Economic Affairs. The budget for FY 2010-11 covers development and maintenance of industrial sites, revision of

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Company's Act, feasibility studies for set of new industries etc.

As pledged, the Government is committed to put extra efforts for the development of the tourism sector and has allocated Nu. 203.259 m out of which an amount of Nu. 27.519 m covers activities such as development of local festivals and development of tourism in new place. A budget of Nu. 356.680 m has been allocated to vocational trainings and employment.

The total budget provision for Roads sector is Nu. 3,444.806 m which is about 10 % of the total budget. As in the past, in this budget also Nu. 648.150 m is kept for road resurfacing, improvement and maintenance and Nu. 647.078 m for bridge construction and Nu. 2,181.301m for road construction.

For urban development, housing and public amenities Nu. 1,594.593 m is kept during the FY 2010-11 which is about 4 % of the total budget. Nu. 1,061.3m has been allocated to the Communications and transport and Nu. 193.969 m is provided for development of various airports and their operationalisation.

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A sum of Nu. 356.608 m has been provided for Rural Electrification which is for electrification of 16,200 households. A sum of Nu. 883.098m has been kept for the DPRs of more Hydro Power projects and for the sector as a whole a total budget of Nu. 953.391 m has been allocated.

For culture a total of Nu. 1,299.349 has been allocated mainly for new constructions, reconstruction and renovations of some of the old Dzongs including the structures damaged by earthquakes.

A budget of Nu. 2,567.658 m has been provided for Law and Order, the total budget for the RBP stands at Nu. 1,09.669 m. For the general public service a sum of Nu. 193m is provided for the FY 2010-11 including the provision of Nu. 22.286m for the construction of 13 Gewog offices and 2 relocations.

Budget for the Legislative, Judiciary and the Constitutional Bodies

As per Article 14 Section 13 of the Constitution the state is mandated to make adequate financial provisions for the independent administration of the Constitutional bodies.

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The Finance Minister reported that the total budget of Nu. 68.640 m was approved for the National Assembly. The National Council has been allocated a total budget of Nu. 60.926 m. The Anti-Corruption Commission has been allocated a total budget of Nu. 89.135 m. The Election Commission has been allocated a budget of Nu. 53.063 m. The Judiciary has been allocated a total of Nu. 387.752 m. The total budget for the RAA is Nu. 88.498 and the RCSC has been allocated Nu. 127.689m.

Tax Reforms and Incentives

Rationalization of sales tax and customs duty rates

The Finance Minister reported on the review of the structure of existing taxes in the past few months to the House. He informed that the Government approved the rationalization and broadening of the existing tax structure. The main objective of the review was to

- Have a uniform or similar rates for similar goods under different trade classifications, reducing the degree of discretion of tax officials and misclassification thereof.
- Have a situation whereby mis-declaration by importers and incidences of revenue leakages are minimal by removing multiple rates under the same section/chapter of the BTC.

(*Tshogdu*)

Broadening the sales tax base

In order to strengthen the Government's revenue base, the Government has approved a policy initiative to include more domestic goods and services which were earlier exempted from sales tax under Sales Tax. These includes goods such as agro-based products, iron and steel products, cables, polythene products, electricity, municipal sewerage and water services, air travel services, discotheques and *Dayangs* and workshop services.

In carrying out the revision taxes the Government has taken into account certain policy consideration and zero or very low rates are maintained in the areas of services and products beneficial to the socio-economic development, increased taxes have been imposed on products that are harmful to the society and the environment while keeping in mind the need to protect the less privileged segment of the society.

Tax revisions were carried out in line with Part I, Chapter 3 Section 4.2 and Part II Chapter 4 Section 6.1 of the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000.

(Tshogdu)

Fiscal Incentives

A comprehensive package of fiscal incentives supporting the full implementation of Government's Economic Development Policy has also been introduced. This is carried out for the greater economic growth and to create employment opportunities by foregoing revenues by providing fiscal incentives.

Economic Outlook and projection for the FY 2010-11 and beyond

The economy is projected to grow by 9.99 % in the FY 2010-11 and by over 10 % in the following two years mainly due to the commencement of major hydro-power projects and Governments' anticipation of contribution from other sectors. Domestic Inflation in 2009-10 is estimated to be not more than 4.39 % due to sharp drop in global oil and commodity prices. Based on this trend inflation, is projected to be at 4 % in the FY 2010-11.

On the employment front, the Government targets to create some 75,000 jobs leading up to 2013. The overall fiscal balance for the new FY is estimated to be at 6.28 %. The overall debt is projected to grow in the 10th FYP on account of debt for hydro power project while the domestic debt is projected to decline in the last two years of the 10th Plan. The debt service ratio is estimated

(Tshogdu)

to rise to 13.48% in the new FY. The foreign direct investment is expected to increase in the coming years. The overall Balance of payment is projected to grow from 3.5 % of GDP in the FY 2010-11 to 7.1% and 5.3% in the following years.

Report on state-owned enterprises (SOEs) and Government's share in companies

The Government holds share in 16 companies with 12 fully owned and 4 semi-owned. The Government's share of assets in various corporations on net worth basis was Nu. 56,439.60 m as of December 2009. Revenue transmission from the Druk Holdings Corporations to the Government grew by 0.63 % between 2008 and 2009 (Nu. 2,138 m in 2009 from Nu. 2,124.569 m in 2008. with all the power-generating companies operating at their installed capacity, the revenue is not expected to increase till it starts getting returns on new investments.

Report on the National Pension and Provident Fund (NPPF) and the Royal Monetary Authority (RMA)

The NPPF has contributed significantly to the socio economic development of the country since its establishment in 2001. The NPPF generated a return of 6.78 % p.a on the total fund during the FY 2008-09

(Tshogdu)

due to increase in revenue and prudent control of expenses. The RMA's total assets increased from Nu. 26,856.723 m to Nu. 35,667.615m an increase of 32.81 % mainly due to the growth in time deposits with bank and interest accrued on foreign investments.

Development in the Financial Sector

The Government approved the establishment of two additional Commercial Banks and one more Insurance firm. The entry of Druk PNB Bank, T Bank and the Bhutan Insurance Ltd. has brought about considerable improvement in their service delivery as envisioned. The paid up capital of the financial institutions has increased by 100 %. Initiatives were taken to revise the Financial Institutions Act, 1992 and a more comprehensive law called the Financial Services Act which was passed by the Assembly this Session for which the Finance Minister expressed his deep appreciation. Efforts have also been made to increase the reach of rural credit to remote parts of the country. A capital of Nu. 100 m has been injected into the BDFC increasing its capital to Nu. 200 m and branches of the corporation have been opened in Phuentsholing, Panbang, Wamrong and Nganglam Dungkhags.

(Tshogdu)

Report on Trust Funds

The Government has established Trust Funds to mobilize and generate funds to carry out specific activities. The Bhutan Trust Fund for Environmental Conservation (BT FEC) has a fund balance of Nu. US \$ 41.190m, which is an increase of US \$ 1.26 m or 3 % from the previous year's balance of US \$ 39.934 m. In the FY 2010-11, Nu. 29.766m has been provided from this fund to the support the Government in its environmental conservation efforts. Bhutan Health Trust Fund's (BH TF) balance is US \$ 24.3m and about US \$ 5.345m has been used to finance the procurement of vaccines and drugs from accumulated funds. The balance of the Cultural Trust Fund (CTF) has increased to Nu. 43.674 m from Nu. 41.596m and increase of 5 %. The fund has not attained its operational status yet as the minimum size of the capital fund is US \$ 5 m to become operational. Universal Service Fund for ICT's total fund has decreased from Nu. 360.182m to Nu. 177.395 m. A sum of Nu. 221.637 m were expensed in several ICT projects during the year such as Rural Communications Project and internet links to all Higher Secondary Schools.

(Tshogdu)

Conclusion

The Finance Minister said that efforts are being made to accommodate all the proposals, especially from the Dzongkhags and Gewogs with special consideration for road connectivity, rural electrification and development of Gewog infrastructure. He further stated that, the successful implementation of the budget depended on the flow of assistance from the development partners as projected in the Budget. On behalf of the Government, he expressed his gratitude to the development partners for their generous assistance. The Finance Minister in conclusion presented the budget for FY 2010-11 a total sum of Nu. 35,796.509 m for approval from the House.

During the deliberation on the Budget Report, the Hon Member from Menjay-Gangzur Constituency pointed out that although it was reported that the pay for the Armed Forces is to be increased it was not reflected in the Budget Report for the current FY. He also submitted that the revision of National Workforce wage rate and salary for civil servants after two and half years are not mentioned in the Budget Report. The Hon Members from Kabji-Talo, Lhamoizingkha-Tashiding constituencies supported the proposal.

(Tshogdu)

The Members said that the Hon Prime Minister had promised a pay revision for the civil servants after two and a half years time, once the economic circumstance of the world has improved. They submitted that two years have already passed and the increasing price of consumer goods necessitated a pay revision.

The Leader of the Opposition in support of the proposal submitted that the decision to merge the allowance to the pay resulted in a reduction of the amount actually received by the civil servants. He submitted that considering the increase in the prices of consumer goods and house rent a pay revision was necessary and justified.

On the issue of the revision of National Work Force Wage Rate, the Labour Minister said that the National Work Force was involved in the construction of basic infrastructure for the socio-economic development of the country. The Druk Phuensum Tshogpa Government accords top priority to the revision of National Work Force wage rate. Therefore, the Labour Ministry with the approval of the Cabinet instituted the National Minimum Wage Rate Committee and is working on the revision of the wage rate.

(Tshogdu)

The Agriculture Minister, Works and Human Settlement Minister and the Finance Minister said that although the Government supports the proposal submitted, it is important to carefully consider the issue of pay revision of civil servants when our country's developmental activities are mainly dependent on external assistance and when the global economy is still recovering from the economic downturn which has a bearing on our economy. The Finance Minister informed the House that the Government could not increase the salary of the civil servants as per the recommendations made by the Pay Commission in the past year and they were instead paid an allowance which amounted to Nu. 350 m. However, it was submitted that the Government will study the possibilities of pay revision and a report will be submitted in the next session

While it is imperative to increase the pay for the civil servants to retain efficient and capable civil servants in the civil service, as per the Constitution of the Kingdom of Bhutan, the Government has to ensure that the cost of recurrent expenditure is met from internal revenue of the country. Therefore, if the revenue from internal resource is used for raising the pay of the civil servants

(Tshogdu)

every time it increases, the policy of self sufficiency and self reliance will be affected.

Regarding the issue of increasing house rents, problems mainly arises due to non implementation of the Tenancy Act, 2004 by the tenants and the house owners. It is hoped that such problems will be solved with the responsibility to implement the Tenancy Act, 2004 now being handed over to the Local Government.

On the issue of supplementary budget, after a thorough deliberation between the Government Ministers and the Opposition, the National Assembly supported the proposal to approve the budget of Nu. 104.323 m and Nu. 3,162.200 received from donors.

Some of the Members opined that the external loans of 60 % of the Gross Domestic Product was very high and a cause of concern and cautioned the Government while seeking external loans in future. The Government reassured the House that the 60 % loan was taken for hydro power projects which are self liquidating and sustainable in the long run.

(Tshogdu)

The Hon Member from Kengkhar-Weringla Constituency pointed out that if the Project Grants provided by the GOI were shown in detail against each project rather than just mentioning the total amount, it would make it more clear and easy to understand for the people. He also submitted that the PAC had submitted a proposal in the 5th Session for the establishment of a PAC secretariat because of which the proposal for additional budget of Nu. 7 m could not be submitted to the Finance Ministry on time. He therefore requested the Finance Minister to approve an additional budget of Nu. 7.034 m for the establishment of the secretariat, procurement of interpretation equipments and travel budget for the Members of the 10th Plan review team.

The Members also opined that the Election Commission's estimated budget requirement of Nu. 239 m for the preparation for conduct of local Government elections, procurement of biometric machines and Nu. 80 m for the establishment of regional offices was not necessary. The Members felt that since the past election were carried out successfully with the use of voter's cards, the procurement of biometric machines was not required and that for the time being there was no need for the establishment of regional offices.

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Similarly, other Members also opined that since experience have been gained with the conduct of the first parliamentary election it was not a cause of concern. It was also felt that procurement of new voting equipments were not required as not many years have passed since the procurement of the equipments used in the past elections. The Members also submitted that it was not necessary to establish regional election offices in the four regions as national elections was held only once in five years. Further, it was felt that additional budget for Election Commission was not necessary as a separate campaign budget for Local Government was allocated.

As submitted by the Members, the procurement of biometric machines was not required and the budget for Local Government elections will be reviewed and approved as per requirement. It was also submitted that a budget of Nu. 7.034 m be granted to the National Assembly.

The Leader of the Opposition pointed out that Government needs to consider the budget allocation formula as there was inequitable allocation of budget in the Gewog and Dzongkhags as reflected in Annexure 1 of the Budget Report 2010-11. Further, he said that

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there was a need to allocate budget to the Fire Fighting Division of the Royal Bhutan Police for procurement of fire fighting equipments. He also said that there was only a meager increase in budget allocated to the Zhung Dratshang from last year and submitted that the recent taxation policy of the Government be reviewed.

The Hon Speaker pointed out that the Zhung Dratshang had not fully utilized the total budget allocated in the past year. It is imperative that the Government review such cases. On the issue of construction of separate building for the National Council, he said that it was observed that it is usually located in one place. Considering the financial circumstance it was suggested that the construction be deferred for one or two years.

The Hon Member from Menbi-Tsengkhari Constituency submitted that the Government should demolish the existing one storied houses in certain places and build multi-storied buildings. As submitted in the 2nd Session, if possible the Government should consider the construction of residence for civil servants on existing Government lands to ease the Housing problem or lease these Government lands to private entrepreneurs. In response, the Minister for Works and Human Settlement informed that the National Housing Development

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Corporation is now a corporate entity which will now be responsible for the repair and construction of Government houses. It has also been decided that the City Corporation will take over the existing Government land currently held by different Sectors and Departments and utilize these lands in line with the town plans. The Finance Ministry is still working on the budget for the construction of 800 residential houses amounting to Nu. 1600 m in the 10th Plan. Since the budget is not finalized it has not been included in the Budget Report.

On the issue of inequitable allocation of budget in the Dzongkhags and the Gewogs, the Finance Minister clarified that the budget allocation were carried out in a balanced and equitable manner in accordance with the resource allocation framework mainly based on the three criteria of budget allocation, which was endorsed by the House.

The Hon Speaker advised that similar to budget allocated for the construction of farm roads in FY 2010-11, budget should also be allocated for repair and maintenance of farms roads damaged by rain during the summer and snow in winter

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With regard to the recent tax revision by the Government, the Finance Minister said that the revision of tax was initiated due to lack of substantial revenue for the Government and to ensure that the recurrent expenditure is met from internal revenue. He also explained the tax categories and imposition system and said that the tax revision was carried out after proper study of tax principles with due consideration of impact on environment and balance of payments. He further said that the tax revision was implemented in compliance with the Part 1, Chapter 3 Section 4.2 and Part II ,Chapter 4, Section 6.1 of Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000.

In response, the Leader of the Opposition said that, the decision to revise tax was not in line with the Constitution and existing laws. He said that it was in contravention with Article 13 (2), Article 14 (1) and Article 14 (9) of the Constitution of the Kingdom of Bhutan. Further as per Chapter III Section 9 of the Public Finance Act, 2007 raising of revenues through taxes shall be authorized by the Parliament and Chapter I Section 2 of the Act states that the Act supersedes all laws that are inconsistent with its provisions, and therefore the Public Finance Act, 2007 should prevail

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over the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000.

The Hon Speaker directed the Member from Chapcha-Bongo Constituency to cross check with the Ministry officials, if the Ministry had broken any law in revising the taxation policy as pointed out by the Leader of the Opposition. The Hon Member after consulting the Ministry officials submitted that the Finance Ministry had revised the taxes in line with the provisions of the Constitution and the Public Finance Act, 2007 and Sales Tax, Customs and Excise Act, 2000 and that there were no inconsistencies between the two Acts.

The Hon Speaker acknowledged that the Ministry of Finance had revised the taxes as per the rules. Further, he said that inconsistencies in past laws and Act if any should be accordingly reviewed and amended by the House. Moreover, the decision to revise the taxes was made in the interest of the public not to burden them. However, the Government should consider deferring the sales tax on electricity and water bill as the high rate of increase in taxes within one year is a cause of inconvenience to the people.

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Further, the decision to revise the taxes was carried out unanimously by the Cabinet. However, since the Economic Affairs Minister has plans to revise the service tax on electricity, the Finance Ministry had decided not to levy any sales tax. The Minister for Works and Human Settlement also submitted that the sales tax on water should be deferred till a time uninterrupted water supply can be provided to the people. With regard to sales tax on wood products, the Agriculture Minister said that this was not a problem because it was not a direct tax on agricultural products.

The Hon Speaker said that the comprehensive stipulation of employment plans and activities in the 10th Plan document and the requirement to submit annual report as per the Local Government Act would not only encourage hard work but also ensure effective shouldering of individual responsibilities.

Therefore, it is important for all the departments to submit a report on the implementation of activities reflected in the 10th Plan similar to the annual reports submitted by the Local Governments.

(Tshogdu)

Resolutions adopted by the National Assembly on the Budget for the Financial Year 2010-11

1. Since the pay revision for the civil servants as agreed to be revised after two and a half years, has not been included in the current budget report, the Cabinet should discuss the recommendations made by the Pay Commission submit a report thereof in the 6th Session.
2. The House resolved that as submitted by the Finance Minister, the provision for the revision of the RBP personnel's salary has been made and will be carried out when the RBA and RBG's salaries are revised since the armed forces have the same pay structure.
3. The House approved the supplementary budget of Nu. 104.323 m from the Government Budget and Nu. 3,162.200 m from External Assistance submitted for approval by the Finance Minister.
4. The Minister for Works and Human Settlement and Minister for Labour and Human Resource reported that decision has been made to revise the National Work Force Wage Rate . With full support from the House it was resolved that the decision should be revised and implemented as soon as possible.

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5. The House approved the budget for the Election Commission as proposed in the Annual Budget Report 2010-11, while it was decided that procurement of biometric machines was not required. The House also approved a budget of Nu. 7.034 m for the National Assembly.
6. The House approved the total budget of Nu. **35,803.543** m for the FY 2010-11 after voting with the show of hands. Of the total Members present, the two Members of the Opposition did not vote for the Budget of the FY 2010-11. They felt that the recent tax revision exercise by the Government was in contravention with the provisions of the Constitution of the Kingdom of Bhutan.
7. The House also resolved that the Government would not levy sales tax on electricity and sales tax on water in the Thromdes would also be deferred till a time continuous supply of water can be provided. Sales tax on wood products would be carried out as per the decision of the government.

The National Assembly commended the staff of the Finance Ministry led by the Finance Minister for compiling a comprehensive Budget Report 2010-11 enabling the Members to have a substantive deliberation

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for 3 consecutive days and accordingly approved the budget as per procedure. Since Bhutan is a developing country with limited source of internal revenue, it depends on external loans to a great extent. This, if carefully considered will greatly affect the policy of sufficiency and self reliance in future.

The Government has made every effort to accommodate the proposals from the Local Governments and the Ministries from both internal and external resources to fulfill the wishes of the people. If the development activities are not successfully implemented it would fail to achieve the goal of Gross National Happiness propounded by His Majesty the Fourth King.

Therefore, as Bhutan is a tiny nation with a small population it is extremely important that every development activity be carried out in the spirit of cooperation and solidarity. In the absence of cordial relations and cooperation our country would get into a difficult situation.

While Bhutan is continuing to experience rapid development in the country with the blessings of the Triple Gem and under the wise Leadership of our Monarchs, all civil servants and every Bhutanese should

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shoulder their responsibilities and render all possible support to the Government without always expecting from the Government. The Hon Speaker commended the Members for participating in the deliberation of the Annual Budget Report 2010-11.

The deliberation on Budget Report 2010-11 concluded on 29th June 2010.

(29th June 2010, corresponding to 18th Day of the 5th Month of the Iron Male Tiger Year, Time 15:03)

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Time 10:09

XIII. PRESENTATION OF THE ANNUAL REPORT ON THE STATE OF THE NATION, INCLUDING LEGISLATIVE PLANS AND PRIORITIES OF THE GOVERNMENT, TO THE DRUK GYALPO AND TO THE JOINT SITTING OF THE PARLAIMENT BY THE HON PRIME MINISTER (1P5/GR11)

The Hon Prime Minister said that it was with with a great sense of honour and privilege that he could report to the 1st Parliament of our Democratic Constitutional Monarchy and through it to his fellow citizens, the State of the Nation, 2009-2010, upon having completed two years of democracy. He said that, as the Royal Government must always be guided by the goal of “Gross National Happiness” (GNH) and, as all state

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endeavors must be to create enabling conditions for the pursuit of happiness by our fellow citizens, the presentation is framed within the four pillars of GNH.

He said that, under each pillar, what and how changes have occurred and what might be expect in the near and distant future would be submitted. By doing so, the Honorable Members and the nation will have an opportunity to assess the performance of the Government and to share their wisdom so that these may further the quality and efficacy of Government policy and action.

The Hon Prime Minister said that, the details of the actual achievements, sector-wise, will be circulated in printed forms and made available on ministerial and Cabinet's websites. Through the Honorable Members, he urged the fellow citizens to read and analyze them so as to exercise one's democratic right to speak one's mind and guide the Government to serve you better.

13.1. GOOD GOVERNANCE

1. Democracy

The Hon Prime Minister said that, he would first report on this subject, as the establishment of firm foundations

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for democracy and a democratic polity/culture comprises the highest priority of the Royal Government.

a. Monarchy

He said that our democracy will always be unique in the way in which our cherished monarchy serves as the supreme moral and ethical force beyond the specific roles defined by the Constitution. The King is an embodiment of compassion and national harmony contributing to national cohesion, security and pride. And as the Bhutanese people learn and practice the ways of democracy, and as we falter sometimes, we are comforted by the knowledge that our King shall always be there as the protector of the Constitution and guarantor of democracy. He said that His Majesty in His boundless wisdom has been the guiding light and inspiration as the sun and moon in the ethereal sky for his colleagues in the Cabinet and himself and all of - the Cabinet, civil and public servants at the national and local levels - are deeply encouraged by His Majesty's words of support and satisfaction in our collective performance in the service of the Tsa-Wa- Sum.

b. Three Branches of Government

The House was informed that all the institutional arrangements as required under the Constitution for the

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three branches of the Government are now complete and fully functioning with the recent establishment of the Supreme Court and the reconstitution of the High Court. In this regard, the Royal Government has fulfilled its role in providing adequate resources without compromising their independence. Likewise, the effective functioning of the constitutional bodies in the conduct of their oversight responsibilities in an atmosphere of complete freedom is a cause for satisfaction.

c. Media

In the course of the period under review, the Royal Government has publicly recognized the media as the fourth branch of governance as it truly must within a good democracy. Respecting its vital role, this is an acknowledgement of the state's obligation to ensure the independent functioning of media as in the case of the other two branches.

He said that he believed that we can agree that the manner in which this vital organ has been growing in number and variety and with a high degree of professionalism to serve our polity in the development of a democratic ethos and culture has been encouraging. That such development should happen so quickly and

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against resource constraints and other limitations is indeed praiseworthy.

In this regard, the Royal Government is very grateful to His Majesty the King for having personally initiated the establishment of Bhutan Media Foundation to promote our media's long-term growth and sustainability.

The media's role in enriching democratic practices and understanding in our society has been complemented by the complete freedom with which external media and their products and services in print, electronic and broadcast are made accessible in the country. The numbers of journalists who have visited Bhutan in the last one year has been unprecedented.

However, even as the media promotes the constitutionally guaranteed freedom of speech and expression, it must also exercise caution to be analytical and competitive in the way the information provided by Bhutanese and outside sources is used.

d. The People

He said, it is not the laws and the institutional arrangements alone that determine the quality and goodness of democracy. We must remember that

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failures of democracy have less to do with weaknesses in the constitutions and structural arrangements which in our case are near perfect. In the end, it is the people, the polity and the way they live and motivate politics. Unless they understand their own power and are capable of exercising it as responsible and intelligent citizens to shape the nature of politics, they will go wrong. They will go wrong in the selection of their representatives and leaders and fail to hold them accountable.

Democracy fails not because leaders are born bad but because of people, who in their hunger for power and privilege, are chosen to positions of leadership. The Hon Prime Minister reminded that the citizens that while they may have elected a national Government that they must hold accountable, they have yet to choose their local leaders whose responsibility it is to serve their every day needs in their Gewogs and villages.

He said that he believed that democracy have given our people growing confidence in the new system gifted by our beloved Kings. Secure in the environment of peace, stability and progressive socio-economic development, our people enjoy a rising sense of pride and confidence in themselves and in the certainty of a good future.

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All the while, his confidence rises in the wisdom and capacity of our people to remain above narrow sensibilities and above material considerations as they imbibe a democratic culture that will sustain the good beginning we have made under the leadership and sacrifices of our Kings.

Yes, democratic values are taking root. But as an emerging democracy, we are vulnerable to the many dangers to which too many far older democracies have succumbed. While our Constitution must surely be among the very best, it will be tested not because of its inherent flaws but by the varying interpretations to which it will be subject. Not the least of the reasons will be the need for various institutions to understand their respective roles, which in turn, may lead to contradictory interpretations.

Already several issues have arisen between the National Council and this House which inevitably raised the question of seeking the guidance of the Supreme Court even before it was established. Now with its establishment, the wisdom of the judiciary too will be tested if indeed constitutional issues are brought before it.

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He expressed his hopes that, through the ongoing dialogue between the two houses, these issues will be resolved without judicial intervention. Even if such recourse were to become necessary, we shall undertake to do so with mutual respect and dignity, mindful of our precedence setting role in the practice of settling irreconcilable differences between the highest institutions of the land.

He said that our people must not be disappointed should this become necessary. They must understand that it is only natural for differences and issues to arise in the course of our nation's journey on the path of democracy. That these should arise now and not later, and that these should be settled within the constitutional framework, is in the best interest of democracy.

2. Governance

While reporting on how the country was governed he said that the purpose of democracy is to enable good governance.

a. Sovereignty

He reminded the citizens that no small country can take its sovereign integrity for granted, regardless of how

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fortuitously it may be situated. Threats and dangers can never be far from both within and outside. In respect of the latter, it is good to be mindful that enmity comes from friendships gone sour. This should serve to remind that even good friendship needs to be nourished.

He informed the House that our relations with both our neighbors to the north and south are in good stead. Our friendship with India is of the kind that endures only between the best of friends because of the persistence and consistency of our mutual efforts in deepening the spirit of understanding, mutual respect, trust and cooperation between our leaders, peoples and countries. This is manifest not only in the many exchange of visits among the leaders of our two countries and cooperation in the regional and international fora but in the unparalleled level of development assistance and support extended by India to the democratically elected Government. No neighbor has given so much as India is giving to Bhutan in the pursuit of its people's aspirations and sovereign will.

With China, good neighborly relations continue in adherence to the 1998 Agreement on Maintenance of Peace and Tranquility along the Sino-Bhutanese Border

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Areas. The Royal Government is now preparing for the next round of meeting between the senior experts during this month as decided at the latest round of bilateral talks last winter.

b. Foreign Relations

Good foreign relations and benefits thereof are the result of diplomacy conducted by a country in the promotion of its national interests. Our Tenth Five-Year Plan, the largest by far, as well as our survival as a sovereign nation depends on the management and advancement of our national interests through foreign policy and agile diplomacy.

In this regard, he said that he was proud of the good work being done by our Foreign Ministry and our diplomats as well as our ministers and senior Government officials in building and strengthening our relations with development partners and the international community in general.

The Foreign Ministry, He said is to be particularly commended for the successful SAARC summit. It was during this event that he had the joy of witnessing, once again, the amazing spirit of patriotism of the Bhutanese

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people and how the entire Government and citizenry can come together in harmony for national gain. The result is to be seen in the growing national prestige and image that translates as tremendous goodwill and development assistance despite multiple global crises faced by the donor community and competing demand for development aid.

He wished us to know that as citizens each of us has contributed in our own ways to the ascendance of Druknyel as a young and exemplary democracy guided by the increasingly admired philosophy of GNH.

In particular, His Majesty's first state visit to India last year after His Coronation was a resounding success. He expressed his hopes that His Majesty finds time to undertake more such visits to other countries as well.

He said that the trips to India, Japan and Italy this year were also very useful in deepening our relations with these countries. Besides south Asian countries which he will be visiting in his capacity as the Chairman of SAARC, he will try to find time to visit several other development partner countries in the coming year.

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c. Delivery of Services

Although not much has become visible, the Royal Government's pledge to deliver services effectively in the shortest time at minimal cost to the state and to the citizens is making good progress. The fulfillment of such a commitment entails a sea change in the ethos and functioning of our system.

As such, a special department comprising some of our brightest civil service professionals has been created to analyze and recommend ways to improve the means by which some 300 types of services from various Government agencies will be rationalized and streamlined. This will result in many permits, licenses and approvals being given at the Gewog and Dzongkhag levels.

Making good use of ICT, many services will be obtainable through mobile phones. That is why for instance, mobile phone vouchers have been given to the Gups. Already, tourist visa, airline ticketing, audit clearance, forestry permit, tax filing, and even security clearance are being delivered online. It is expected that these changes, through one-stop shops and elimination of duplication etc, will lead to considerable savings for

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the Government proving that good governance does not mean big Government.

As further measures to improve and expedite service delivery, six performance compacts have been signed between the Prime Minister and respective Government ministries and agencies. These comprised healthcare, tourism, education, G2C (Government to citizen) service delivery, and civil aviation. Similar compacts are to be signed for construction, agriculture, ICT and access to finance.

d. Enhancing Local Governance

He said that he welcomed the Royal Assent given to the Local Government Bill passed by the Parliament after much deliberation. This makes clear how decentralization can be furthered and genuine power transferred to the people while ensuring the integrity and harmony of our unitary governance system.

Apart from centrally implemented projects, the budget for Gewogs and Dzongkhags amounts to 25% of the total national budget and reflects the importance attached by the Government to decentralization. Gewog budgets do not include expenditures on establishing

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basic standard facilities or services such as RNR services, Gewog offices and roads to Gewog centers for which separate budgetary allocations have been made.

He therefore appealed to all fellow citizens to participate in local governance by staying informed on the plans, programmes and their implementation in one's communities. Toward building a democratic culture and exercising one's democratic rights, one must attend Dzongkhag Tshogdu and Gewog Tshogde meetings as observers so that one can make one's leaders responsible and hold them accountable.

It is particularly important that community leaders and representatives of the two political parties attend these meetings as observers and as community representatives. That is why the Act requires all local Government meetings to be open to the public except under certain conditions.

e. Promoting the Rule of Law

In ensuring that all citizens receive equity and justice, and that power and influence do not place ordinary citizens at a disadvantage, the Royal Government

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continues to frame laws and propose amendments to existing laws for enactment by Parliament.

Since the formation of the new Government, 16 Bills have been enacted, eight regional and international conventions were ratified, eight Bills are under consideration by the Parliament, and 12 Bills are being drafted by relevant ministries and agencies. It is the intention of the Royal Government to complete the enactment of all the important laws by Parliament as required by the Constitution in the next three years. These include Bill on the Declaration of Emergency, Impeachment Bill, Domestic Violence Bill and Bill on the Formation, Functions, Ethical Standards and Intra-party Organization of Political Parties.

In the end, laws are only as good as they are interpreted and implemented. He submitted that while imperfections still prevail, the Royal Government has never and will never knowingly and deliberately act in violation of any law in the discharge of its functions and

He said that at no time has the Government tried to influence and interfere in the workings of the judiciary. He also submitted with pleasure that the judiciary continues to deliver good and prompt justice.

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He submitted to the House that the performance of the Office of the Attorney General in the discharge of its functions has been praiseworthy even as it is determined to undertake many improvements. During the last two years, the OAG has handled 333 cases, all but four of which are related to criminal matters.

The performance of the RBP as a corruption-free organization and their dedication to maintaining law and order as a public friendly service is a matter of deep national pride. The organization continues to draw the support of youth volunteers in schools while undertaking various crime prevention initiatives. Our youth volunteers are also deserving of our appreciation as they go about proudly demonstrating their sense of public duty and service.

f. On Functioning of the Constitutional Bodies

The Hon Prime Minister felicitated the constitutional bodies namely, the Royal Audit Authority (RAA), Anti-Corruption Commission (ACC), Election Commission of Bhutan (ECB) and the Royal Civil Service Commission (RCSC) for their indispensable and dedicated work. They perform without fear and favor

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while zealously protecting their independent mandates. He also reported that the Royal Government considers and has supported the functioning of these bodies as stipulated by the Constitution. Their roles are critical in promoting the highest level of transparency and accountability with which a democratic Government must function.

The annual reports of the ACC and RAA to the Parliament and public access to these documents have been most useful and form the basis for the many efforts being made to improve Government functioning including the hiring of an international management firm to accelerate socio-economic development by incorporating best practice ideas and tools to enhance performance. These have furthered broad-based understanding and appreciation of the degree of corruption within our Government and society and the dangers it poses to our wellbeing.

He cautioned that as the ACC and RAA expose more and more flaws in the management of public resources, including corruption, it will naturally appear that the Government is becoming more corrupt. This would be a misperception. What we can be certain of is that these will also lead to stronger preventive measures and my

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hope is that as we improve management practices with emphasis on performance and clear accountability, we will succeed in rooting out corruption.

g. Role of Civil Society

He said that the role of civil society in a democratic setting is indispensable, as has been demonstrated by just about half a dozen CSOs we have in the country. Substantial contributions have been made by Youth Development Fund, Tarayana Foundation, RENEW, National Commission for Women and Children (NCWC), National Women's Association of Bhutan, Royal Society for the Protection of Nature, Loden Foundation, Bhutan Foundation and others in areas ranging from women empowerment and youth development to containing drugs and substance abuse, poverty alleviation and protection of environment.

Focusing particularly in areas where the Government has not been able to penetrate, the role of these CSOs will only assume greater importance and he assured that the Government will do its utmost to support their growth and expansion in a most meaningful manner.

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He also reminded that ensuring equity and justice in our society is not the sole responsibility and function of state - it is shared in a democracy. As citizens of a democracy, we must always be mindfully aware that the will and actions of the leaders, and in turn, the state are a reflection of the culture and will of the people.

He said that we must not be passive observers passing judgments. We must directly or through our MPs play a role in correcting and changing what is unjust or inequitable. Our duty is to be caring, active, and participative and contribute to the making of our country into a vibrant and sustainable democracy.

As you judge the Government and assess its success and failure, do not fail to see your own success and failures as people who may or could have made a difference.

13.2. SUSTAINABLE AND EQUITABLE SOCIO-ECONOMIC DEVELOPMENT

1. The Minimum Programme

He reported that it is well known that the Royal Government's prioritization of poverty alleviation in the Tenth Five-Year Plan is to reach the unreached, create employment opportunities. It is to give social and

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economic justice and empowerment to make meaningful the political empowerment which the Royal Government targets rural communities where the majority of the poor lives otherwise is compromised in most democracies. It is to these ends that the minimum development programmes.

The progress made in the last one year includes:

a. Connecting All Gewog Centres with Motorable Road

He said that this programme aims at building roads to every Gewog center except for four to five which cannot be connected for reasons of prohibitive environmental, security and demographic costs. Against the remaining 66 Gewogs, five more will have been connected by the end of the financial year and with 29 more roads budgeted to be connected in the New Year, we are well on track to achieve our target to satisfy the most vital need of the people by the end of the plan period.

These are in addition to the hundreds of kilometers of farm roads that are being built and restored after their hurried construction in the last plan period. The august assembly may also note that rural connectivity is not coming at the cost of national highways, Dzongkhag

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and feeder roads that are being improved, built and extended to support the growth and development of our economy. Greater progress has been stymied by the lack of resources as reported in the budget presentation.

b. Electrification of All Homes

The target of providing electricity for all by 2013, the second most important socio-economic need of the people, to every household is set to be achieved as planned. As of now, the electrification of 31,298 households is under various stages of implementation and completion. Where on-grid connection is not feasible, off-grid connections are being made. 16,536 households will be connected to the national grid and 935 given off-grid facilities during the course of the new budget year. This leaves a residue of no more than 8,000 families for the remaining two years. I would also like to confirm that adequate funds have been secured to cover the current and remaining cost of completing this project and thereby fulfill the pledge that was made to the people.

c. Universal Primary Education

For a nation that must depend on a highly educated and talented human resource for its long term sustainability, access to education is of the highest importance.

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He reported that, with universal primary education as our target by the year 2013, 94% of Bhutanese children of school-going age are already enrolled, with 15,841 children admitted in PP this year alone.

This was achieved through the upgradation of 14 primary, lower secondary and middle secondary high schools and the opening of four community primary schools and 24 extended classrooms last year, taking the total ECRs opened so far to more than 60 (latest) in the otherwise remote villages where children had extremely difficult or no access.

With this we have also met the Millennium Development Goal of achieving gender parity in primary enrollment.

d. Improvement of Basic Health Services

Fulfilling the commitment to provide three doctors and two ambulance vehicles for every Dzongkhag hospital has been extremely difficult for two reasons. Firstly, medical professionals in south Asia are no longer attracted to Bhutan given the highly competitive remuneration they earn at home and, secondly, because ambulance vehicles are extremely expensive. However

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till date, more than 35 doctors have been recruited from abroad under various conditions making it possible to reach an average of three doctors in the Dzongkhag hospitals.

Twenty three ambulance vehicles were obtained under various arrangements from development partners in the past year while 20 more vehicles are expected to arrive from Japan later in the year as a result of requests made directly by the Prime Minister. Every Dzongkhag hospital now has minimum two ambulance vehicles while BHU Grade I in critical areas also have an ambulance each making it possible for patients to receive timely attention.

Meanwhile, Health Help Centre which will enable citizens, even in the rural areas, to get access to health professionals within one hour through IT-enabled solutions is making a good beginning.

e. Safe Drinking Water Supply to Every Home

Delivering safe and convenient drinking water to every village has become an extremely difficult challenge in the face of diminishing sources. Nevertheless, substantial progress has been made with the

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Government having built 238 new and rehabilitated 51 schemes during the past year.

f. Nationwide Mobile Phone Connectivity

If mobile phones are a necessity in the urban areas, it is an equally essential tool for the rural population for a host of advantages that the remote populations can enjoy. These include access to vital information and services that can now be delivered by local Governments and extension agents.

The efforts of the Government to facilitate universal coverage have yielded an outcome of 394 new villages having been connected in the last one year. The remaining 497 villages, out of Bhutan's total of 3,021 villages, will be connected by June next year. Overall, there are 327,052 cellular phone subscribers in the country, an increase of 80,754 subscribers (33%) from the past year. In this regard, I would like to thank Bhutan Telecom and TashiCell for shouldering this social responsibility with great speed and efficiency.

It is through this minimum programme that the basic issue of equity is being addressed just as it does the

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enjoyment of basic human rights which must begin with social and economic empowerment.

He said that even as we strive relentlessly to fulfill this pledge, we are not oblivious to the question of the long term sustainability of our achievements. How does a country that builds its infrastructure, its services and its economy through foreign assistance sustain itself without perpetuating such dependence?

It is this concern and the sense of national pride and responsibility that has led the current Government to pave a path that will lead us to the attainment of our long cherished goal of self-reliance within a specific timeframe, ie, by the year 2020. Bearing this in mind, every attempt is being made to accelerate the pace and diversity of socio-economic development while ensuring that these do not marginalize further those who are already at risk of falling behind.

It is in this context that the Royal Government is deeply grateful to our development partners for their generous financial and technical support even as they are themselves faced with economic downturns. He said that he was deeply heartened by the Finance Minister's budget which unfolded to us the news that not only was

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our domestic revenue able to cover the recurrent expenditures as required by the Constitution, but that in the past year, it was able to finance 30.5% of our capital expenditure as well. Although the capital expenditure was low in light of this being the first year of the plan, it nevertheless, is a very significant accomplishment.

2. Macroeconomic Development Architecture

He reminded the Hon'ble Members and his fellow citizens that the goal of achieving self-reliance as defined earlier is the basis for our Government's pursuit of the clear vision of a green, sustainable and inclusive economy that comprise of the following with their respective progress:

a. Accelerated Hydropower Development

In addition to the Puna Tsangchu I and Daga Chhu projects which are making very good progress, the latter after some delay, the foundation stones for Mangde-chu and Puna Tsangchu II projects were laid by His Excellency the Prime Minister of India and myself in April this year. These four projects will generate a total of over 3,000 Megawatts of clean energy.

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The detailed project reports on the remaining projects are being undertaken on a priority basis and we are confident that all the 10 projects spread throughout the country will be initiated in the next three years. Ways and means are being explored to garner additional revenue from these projects by gaining CDM (Clean Development Mechanism) status as in the case of Daga chhu project.

Likewise, the DHI and the DGPC have been directed to initiate steps to complement and supplement hydropower with alternative energy sources including solar, wind and storage systems in the face of uncertainties surrounding the future of our country's hydrology.

b. Promotion of Bhutan as a Regional Hub for World-Class Health and Education Services

It is with some regret that the Royal Government is unable to report on any significant success beyond expressions of interest that we were able to attract. In both the cases, being major investment projects involving large scale FDI, the DHI which is the investment arm of Government, has been appointed the

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lead agency as there were no private sector entities with interest or capacity.

However, our procurement rules and public criticism have greatly hindered any progress especially in respect of the serious interest evinced by an external company to build an education city for some 40,000-50,000 students with the capacity to generate up to 100,000 jobs beyond the project phase. This city is to offer conditions that would attract some of the world-class universities to open branches for students from the region and beyond.

He expressed his hopes that this project will materialize with the involvement of the same or some other investor even though more and more nations, including India and China, are vying to offer attractive incentives with ready domestic markets unlike Bhutan.

c. Making Bhutan a Financial Hub

A modest progress has been made with the emergence of several new financial institutions having begun operation or intending to do so, one with FDI partnership. Of significant noteworthiness is the office of the SAARC Development Fund being headquartered

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here in Thimphu. Having consulted with several financial and economic experts such as Joe Stiglitz and George Soros, both of whom advised against it, the Royal Government has commissioned international experts to conduct a thorough study on the feasibility and desirability of pursuing these goals.

d. Expanding the Tourism Sector

Concerted efforts are underway to increase tourist arrivals up to 100,000 by 2012 while remaining faithful to the policy of high quality, low impact tourism. This project has suffered a major setback from the global economic downturn and the political and security situation in the gateways of Nepal and Thailand. However, the Hon'ble Members may be pleased to note that the actual tourist numbers in spring this year increased by over 12 % over the same period last year.

With the aim to spread the tourists geographically and time-wise over 12 months, a range of strategies including development of new products in the areas of culture, spiritual nourishment, eco-adventure and wellness are being undertaken. At the same time, expansion as well as improvement of the existing services are being regulated and implemented.

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Wherever feasible, as many of the Dzongkhags will be covered while special measures such as farmhouse stays are already being piloted.

Merak and Sakteng will begin receiving tourists from the autumn of this year with preparations being made in terms of route, trails, camp sites, services etc in such ways as will ensure optimal ownership and income for the local communities. Immigration and ticketing procedures have been simplified and credit/debit services will be available by the later part of this summer.

Druk Air will soon begin flights through Guwahati enabling tourists to enter or exit via the east or from the west in Paro. This will be complemented by a domestic air service that should hopefully begin operation in and out of Trashigang and Bumthang by the end of this year if all goes well. In all, the expansion is expected to generate an additional 17,000 to 18,000 jobs in the next three years.

e. IT Enabled Knowledge Economy

The progress in this transformative endeavour has been encouraging. Perhaps, the most significant development

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has been the grant of Nu. 2,050 million by the Government of India and the initiation of the “Chiphel Rigphel” project which was jointly inaugurated by the two Prime Ministers of India and Bhutan.

Aimed at promoting universal IT literacy, i.e across all sections of our society, its components include:

- i. Training of 7,000 leaders across society
- ii. Taking ICT to 168 schools
- iii. Managing e-waste
- iv. Providing employable skills to the unemployed

The construction of the first IT Park has begun and is expected to be completed in time in June of next year. Beginning on a plot of five acres, this will expand into a property spread over 18 acres to attract research and development, data processing and other related activities from players outside the country.

Also, by June next year all the 20 Dzongkhags, including several Gewogs, will be provided with broadband connectivity using the fiber optic facility of Bhutan Power Corporation. Additionally, more Community Information Centers (CIC) have been established to serve, among others, as a single point of contact for the delivery of G2C (Government to citizen) services.

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f. Organic Farming

The Agriculture Ministry has begun the process of promoting Bhutan as an organic brand. While research and planning for the purpose is going on, pilot organic farming has begun in several places and those areas that can be declared organic, never having become chemical dependent, under prevailing norms are being identified. A phased plan involving advocacy and retraining to gradually wean the farmers and produces away from chemicals is being framed. While this would make significant contribution to the health of our environment and people, this will enhance in a substantive way, farm income from a growing market in India alone.

3. Policy and Administrative Regimes to Stimulate Private Sector Growth

One of the main deficiencies in the past has been the lack of a clear and definite policy framework to guide and promote responsible and sustainable growth in the private sector. The “Economic Development Policy” was released in April of this year after thorough discussion with all stakeholders. It is not a comprehensive policy document as I submitted in my first report to Parliament on the progress of the drafting of the EDP. The socio-economic development policies

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and plans of the country are clearly stated in the 10th plan documents.

The policy is complemented by the revised FDI policy and fiscal incentives, both of which have been released subsequently. Related to these is the new procurement rules and standards that, among others, provides opportunities for the new blood and innovative entrepreneurs to enter and compete in large projects. This will free the construction industry from the domination of a few that have at times operated as a syndicate. Further, the Cabinet has recently approved the policy framework on Private Participation in Infrastructure (PPI) which will enable construction and other companies to develop capacities and engage in mega projects.

Together, these Government initiatives remove all the uncertainties of the business environment and make clear the opportunities. The incentives offered provide direction for investment in the green and sustainable areas in socially responsible ways. They signal those areas in which there is no future for growth or expansion.

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The EDP also makes clear the role and responsibilities of the Government, setting standards and conditions for greater transparency and accountability on the part of the Government. It is intended that the EDP and its supporting policies will stimulate sustainable growth in the private sector that is still excessively and directly or indirectly dependent on Government programmes and expenditure. It is aimed at promoting investment in research and innovation and attracting FDI that will bring with it capital, technology, knowledge and market access.

Special incentives are offered for locating activities in the rural areas while protecting and incentivizing local businesses, skills, jobs etc. All these are finally aimed at creating quality jobs for the wellbeing of our people and achieving more quickly the goal of self-reliance.

He said that he was aware that the Government's decision to tax certain consumables labeled as "junk food" will hurt small businesses just as raising taxes for luxury goods will pinch the affluent. He said that he wanted to make it very clear that the motives behind raising taxes for such items are not only to raise revenue. In an economy such as ours, affluence and

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luxury must have its cost. Likewise, the innocence of our children and our simple folks must not be exploited at the cost of their health.

He urged the small businessmen and vendors to understand that much of the food items wrapped in colorful but non-biodegradable wrappings and plastic bottles contain products that are known to be hazardous to health. As parents and as responsible citizens, you must support the Government in its endeavors to protect the health of its citizens.

The FDI policy has been misunderstood by some with regard to land. It does not offer land to foreign individuals or companies. It is in complete adherence to the Land Act and certainly does not create conditions for the erosion of sovereignty over our own territory. Land is the most precious resource of our country. But we need to bear in mind the fragile nature of our mountain ecology as well as the moral responsibility for intergenerational equity. These impose severe limitations on the growth of industry which depend on the exploitation of natural resources.

With the further need to overcome the disadvantages of geography, demography, labour cost, and infrastructure,

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attracting FDI with the conditionalities that we must maintain, is not going to be easy in the first place. Bhutan is not and never will be an attractive destination for the much needed FDI even as we promote our unique selling points. Without FDI there is no possibility for substantial economic growth while the capacity for equity participation and shared ownership by nationals is extremely low. Land, therefore, is the only asset which the Bhutanese must leverage as equity in the most optimal way.

Land thus used for FDI projects does not become the property of a foreign individual or entity. The FDI entities established in Bhutan will not be foreign entities but be Bhutanese as they must be legally registered and incorporated under the Companies Act, 2000. As Bhutanese companies they will then be subject to all the laws, rules and regulations of the country. Conditions for land ownership will be such that no land can be sold or bought for private use and when and if such an entity were to close their business, the land and all the assets on it will revert to the state or the original owner. It cannot be owned and used by foreign shareholders as private property.

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The bottom line is without substantial FDI there will be little growth and without growth there will be unemployment with all the social and political problems in attendance. This will neither be good for self-reliance nor for the long term sovereignty of our country.

Much has been said of the fiscal incentives and tax increases in certain areas. It has been alleged that the Government is being insensitive to the difficulties that these will cause to our poor and ordinary businesspeople and that they will suffer the most. However, one should not allow oneself to be influenced without seeing the full picture. One needs to be also mindful that such opinions could be planted to influence public opinion in order to protect the interest of those who are in positions of power and influence. He said that as this is a serious matter, he would like to explain it in some detail.

No minister or MP who is elected and must return to the voters at the end of his term would want to raise taxes or do things that would reduce his chances of reelection. He does so only when national and public interests far outweigh his own interests. And as he is elected to serve the public interest, a good politician must choose to be faithful to the people before self. Therefore, the people

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need to understand. To do what is always popular is to be irresponsible and unpatriotic.

He said that we need to understand that raising taxes does not, in any way, lead to personal gain for politicians. Levying new or raising taxes is never welcome in any society. It is always bound to create tremendous resentments from the vocal few as he knows this Government is now faced with. We need to understand that external development assistance must be progressively replaced by internal revenues and that our development partners have already made it very clear that they will withdraw development assistance within the next few years having assessed that there is enough potential for increasing tax revenue. They have also pointed out that Bhutanese are continuing to enjoy the lowest tax rates in the world while receiving excessive development assistance that is raised from the taxes of their citizens.

To tax the people beyond what they can pay is wrong especially by a Government that is committed to alleviating poverty and closing the gap between the rich and poor. It is in this context that some have even questioned the Government for giving too many

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incentives thereby reducing the much-needed tax collection, and risking our sovereignty and freedom.

That the EDP and its accompanying measures are pro-poor and pro-ordinary citizens, and that together they are aimed at stimulating economic growth through incentives, even for the rich, is evident in the following examples:

- i.* Commercial farms and related processing facilities are being given a ten year tax holiday with organic farms being given an additional five years tax holiday. In addition, all farm machinery is exempt from import duty and sales tax.
- ii.* With a view to improve access to capital by people in the rural areas, the Royal Government recently recapitalized the BDFC. The new capital structure allows the BDFC to take deposits from the public, and thereby increase its lending to the rural sector.
- iii.* With the intention of encouraging and promoting rural arts and crafts, individual artisans and craftsmen in the rural areas are exempted from customs duty and sales tax on the import of equipment and labour saving devices.

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- iv.* To spread the benefits of tourism to the rural communities, farm stays are being promoted as a tourism product. For this purpose, farmhouses need to only register with the Tourism Council of Bhutan and are exempt from licensing requirements and income tax. Furthermore, guest houses and lodges established between 1 January 2010 and 31 December 2015 which meet the minimum standards specified by the TCB are eligible for a tax holiday for 10 years.
- v.* Small and cottage industries and cooperatives which are established between 1 January 2010 and 31 December 2015 are being given a 10-year tax holiday. The period of tax holiday for such industries established in interior areas will be extended by another 10 years. Furthermore, interest earned on loans given by the financial institutions to small scale and cottage industries is exempt from income tax.
- vi.* New pharmaceutical shops in rural areas will be given tax holiday for five years, while high end private health services will be eligible for a tax holiday of 10 years.

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- vii.** Educational institutions that meet the required criteria set out by the Ministry of Education will enjoy a tax holiday of 10 years. Furthermore, textbooks, library books, journals, teaching aids etc. are exempt from customs duty and sales tax;
- viii.** While luxury and high carbon emitting vehicles will be taxed higher, hybrid/green vehicles will be exempt from any sales and import duties;
- ix.** Buses imported by passenger transport service providers are exempt from customs duties and sales tax while taxi and car hiring companies are given a five-year tax holiday. Earth moving, heavy lifting, drilling equipment and labour saving machinery and construction equipment are also exempt from customs duties and sales tax.

In general, the new tax measures are not aimed at increasing Government revenues, but rather at making use of taxes as an instrument of policy to guide the economy in the desired direction.

He said tha we must understand and empathize with the Government as to why it has not raised immediately the salary to the extent recommended by the Pay

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Commission when it costs nothing to the politicians and when so much of goodwill could have been gained? Why did the ministers not take a pay raise when those of the rest were revised? These and other actions leading to self-reliance are not popular choices and yet they have to be made in the larger interest of the country. It is wrong for us to pretend to be concerned about rising debt and dependence on foreign assistance when in the same breath we oppose taxes simply because it is popular to do so or because the rich and influential will stand to gain.

In the final analysis, the EDP and the taxes that are being raised will contribute very insignificantly to the exchequer. What they however will achieve is setting our economy in the right direction, prevent widening economic disparities, social ills, and help promote an environment-friendly socio-economic development. These will further, and more importantly, help develop and promote a tax-paying culture and thereby cause the citizens to be concerned about how their taxes are utilized by the state. Democracy in the end is about paying taxes and the right to hold the Government accountable by the citizens as tax payers.

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4. Employment

As there were questions on the status of employment or unemployment, he submitted that the latest situation against the Royal Government's commitment to reduce unemployment to levels far below what is normally acceptable anywhere else. In the broadest sense, the main purpose of our minimum programme and the macroeconomic architecture is to ensure full employment.

These are beginning to yield positive results according to the latest labour force survey conducted under international norms and standards. Within the total population estimate of 696,500, the nation's basic human resource consists of a workforce of 331,900. Of these, 97,000 live in the urban areas and 234,900 in the rural areas.

He reported to the Hon'ble Members that a total of 320,900 are now employed. This shows that 96.69% of our workforce is employed leaving an unemployment rate of 3.3%, marking a downward movement for the first time in recent years. This indicates very clearly that this Government is well on track to achieve its ambitious target of 2.5% unemployment rate in the next three years with a huge labour market in the making.

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13.3. CULTURE (Principal Driver of GNH)

He said that as Bhutanese, we have reasons to be happy that our culture is vibrant and proving to be increasingly resilient in a globalizing world. Founded on timeless values, the world sees more and more in the splendor of our culture that has survived against all the odds which eroded much of human cultural heritage and value systems across the world. Perhaps, it is this admiration we receive from the outside world that has strengthened our own esteem for our heritage and the sense of pride in being Bhutanese.

The Royal Government, thus, finds itself in harmony with the general population as it engages in the implementation of its cultural policies and programmes. This, he submitted, is in stark contrast to the concerns expressed from various sections of our society that our language, literature, arts and our general way of life is waning. This leads one to wonder whether such feelings are yet another reason that prevents us from being complacent about our thriving culture.

1. Language and Literature

The essence of a culture rests in its language and literature. It is, therefore, gratifying that our ancient and, until

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recently, an archaic language has developed and continues to evolve as a modern language to effectively keep up with societal changes. Although some do fear that our language is deteriorating, its actual vibrancy is apparent in the fluency and the ease with which Dzongkha is spoken by our students at all levels, using the most traditional and modern vocabulary at the same time. However, faced with the shortage of qualified Dzongkha teachers in schools, ways and means are being explored to overcome the problem.

Publication of books in Dzongkha as well as English has been increasing, a definite sign of literary and intellectual growth in our society. Writing books is no longer a preserve of the learned Lamas as in the past. In the meanwhile, several private establishments have emerged to support the education system in the promotion of Dzongkha.

As the chairman of the Dzongkha Development Commission, he reported that after comprehensive consultations with the public and language experts and teachers in the country, a strategic plan of action is under consideration to define the role and development path for the language. In so doing, the vital importance

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of English as an international language offering the best means to information & knowledge, science & technology, trade & commerce and conduct of foreign & international relations is being fully taken into account.

2. Music and the Arts

These are the media through which our culture expresses itself in forms that are static as well as creative, representing both the religious and secular worlds. The performing arts are thriving with state as well as growing public patronage. However, it appears that these are going through a critical period when what constitutes true creativity and blatant adaptation or dishonest “borrowing,” is a grey area for many. He said that he is hopeful that genuine creativity and, therefore, true advancement and refinement of the performing arts will come to prevail within the bounds of what constitutes authentic Bhutanese music and dance.

He said that the same is to be said of our architecture. However, in the realm of fine art, that is painting and sculpture, tradition still prevails and faces no risk. He specially mentioned the film industry that has

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contributed substantially to our culture and inspires others with their creativity and self-confidence.

3. Identity and National Dress

To many who think wearing Gho and Kira are vestiges of the past to be best laid to rest, and that to be Bhutanese has nothing to do with what one wears, there is the need to understand that form and essence are inseparable. They are mutually strengthening in their presence and mutually weakening in their absence. The Bhutanese identity in terms of one's feeling as a Bhutanese is in many ways anchored on the Gho and Kira. Minus these, not only do we become physically indistinguishable from non-Bhutanese but we begin to feel less so. And the more comfortable we feel about being less, the less Bhutanese we become.

Without form, the essence must vaporize, vanish and be forgotten. Whereas the Government in the past did play a major role in maintaining our traditional dress code, a democratic Government is less inclined to be involved. He appealed to the fellow citizens not to let this very important feature of our culture die, and to be proud of it. He said that as he had appealed to the tourism stakeholders for whom culture is their livelihood, he

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asked that you wear your Gho or Kira to work every weekday as those of us in Government do.

4. Restoration and Creation of Cultural Wealth

He reported that having restored many of our heritage structures in the past, the Government will continue to protect and preserve them. In this regard, restoration work on Wangdue Phodrang Dzong, Daga Dzong, Paro Dzong and Lhuentse Dzong have been initiated among others.

He also reported that, in this regard, many of our monks in the country and those who serve as our spiritual ambassadors abroad are making substantial contributions. They are supporting and initiating many restoration as well as new construction of monasteries, temples, stupas and religious art work.

New cultural wealth is being created with support from various parties both from within and outside. Most noteworthy among these are the Dordenma statue in Thimphu, Rinchen Ling monastery in Wangdue Phodrang, the Guru Nangsi Zilnoen statue in Lhuentse and the giant Thongdroel of Guru Rinpoche measuring 108 ft by 85 ft that was consecrated just a few days ago.

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These are the priceless legacies of our generation for the wellbeing of the Bhutanese people and all sentient beings. The Royal Government support to such projects has mainly been in the form of official recognition and facilitation.

5. Emotional and Psychological Wellbeing

More than in any other country, the emotional and mental wellbeing of our people ought to be very high. This ought to be so not only because we are guided by the philosophy of GNH but because few other countries are as stable and peaceful with a very low unemployment rate and good governance.

But then, imprecise as the reports may be from schools, higher education institutions and urban areas, the incidence of substance abuse and petty crime in particular continue to be disturbing. Government and NGO intervention through counseling, rehabilitation and preventive measures have not been enough.

While school authorities are doing what is possible, one wonders whether we, as parents, are failing our children in providing effective parenting. It is hoped that with increased counseling in schools and outside by school

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authorities and the RBP as well as by some of the NGOs, combined hopefully with more responsible parenting, will yield positive effect.

Likewise, in regard to the serious problem of substance abuse among the youth, the Royal Government will soon be formulating a national drug control strategy that should go a long way in limiting access to drugs and engagement in drug peddling. He said that he believed that the stringent law on tobacco sales is already having a visible impact.

He expressed his hopes that the infusion of GNH values and practices in schools and other institutions will have a good influence, given the very positive feedback that we are receiving. The Educating for GNH programme launched early this year trained all school principals, district education officers, educationists from the parent ministry, teachers and volunteer students on what GNH means and how its values could be strengthened through the school system.

On behalf of the the Royal Government he expressed his appreciation to the Dratsang, religious leaders and volunteers who have intensified their efforts to provide

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spiritual guidance to students and youth. Given the enthusiastic audiences among youth, I am encouraged.

6. GNH as the Symbol of Bhutanese Culture

Human society is being reminded very often that we need to change our way of life.

These messages are coming in calamitous ways making very clear that time is not in our favour. National, regional and global economies are going through a period of great uncertainty. The global economic meltdown and the Greek financial crisis are only the most recent of the many signals that our macroeconomic structures, aimed at continuous and limitless growth, are fundamentally flawed. They are not sustainable. That it is not only the economic systems that are unsustainable in themselves but that these are threatening the survival of life itself is clear in the many disturbing signs that we see and experience every day.

Natural resources are depleting, our water and air are turning poisonous, and climate is changing and natural disasters are occurring with increasing frequency and devastation.

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What is behind all this is the universal culture of greed that is insatiable – the “must have” culture – at the cost of everything including one’s own health and relationships.

For those that are concerned, want to make a difference or simply want to escape, even for a while from the race to doom, Bhutan has become the destination. They see Bhutan as a culture that believes in and knows how to find happiness in a secure and sustainable future.

He submitted that GNH must become the conscious basis of our culture. As we have become a source of inspiration and as we are sought to provide intellectual leadership in the search for an alternative development paradigm we ourselves must not be swayed onto the GNP/GDP path. As we seek to find happiness for ourselves and leave a gift of conditions within which our children and posterity can pursue and find happiness, we ourselves must not go wrong. He said that he is convinced that our culture and all its fine values will survive and flourish as long we as we continue to be guided by GNH. It is indeed in our culture and through it that we will find happiness.

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13.4. ENVIRONMENT

He said that he believed that that the Bhutanese are among the most eco-literate people in the developing world. This truth is to be seen in the way in which our country today has become a leading example of harmonious living between man and nature. And this is not because we have good laws and strategies alone. It is because we have one of the most diverse ecologies in the world as a result of our collective stewardship of our inheritance.

It is our objective and purpose to ensure that in the process of our accelerated development programme, our rich biodiversity will not be compromised and that the forest cover will remain well beyond the constitutional requirement. The Hon Prime Minister also highlighted some of the main initiatives and achievement in the last one year.

1. Bhutan as a Net Carbon Sink

He reported that at the Conference of Parties Summit on Climate Change in Copenhagen (COP 15) last December, Bhutan declared that it will forever remain carbon neutral and serve as a net carbon sink. We did so not because it would make Bhutan famous or that it

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would attract further development assistance. We did so because it is the right thing to do and in the hope that others who were haggling over how much reduction they should impose on each other would be inspired into going a little further to make this world a safer place. We did so because more than most other countries, our fragile Himalayan mountain Kingdom is extremely vulnerable to the effects of climate change. We cannot but preserve our most pristine environment for our own survival.

Already we are suffering the early consequences of climate change. Not the least of these is the loss of life, property and crop to the flood and cyclone we suffered recently. There are also reasons to believe, remote as the possibility is, that the earthquakes which caused so much pain and irreparable loss may also be triggered by the change in the stress levels on the earth's crust and ocean bed caused by the melting of the glaciers and the snow cover.

2. Regional Coordination on Climate Change

He reported that at the SAARC summit, Bhutan was successful in having climate change adopted as the theme. We also succeeded in pushing through the

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Thimphu Statement on Climate Change which requires various inter-Governmental actions to be taken to address the challenges arising from global warming including the development of a common policy and a SAARC action plan.

Deeply troubled by the problem of growing water shortage all across the country and other impacts of climate change, Bhutan will host this year, a summit/conference on the subject for the countries of the eastern Himalayas which comprise Bangladesh, India, Nepal and Bhutan.

3. Mitigation and Adaptive Measures

It will be under the aegis of the SAARC that I shall participate at the COP 16 in Mexico during which a major breakthrough is hoped for in terms of a global agreement on mitigation and adaptation measures.

He submitted that while all the measures being undertaken by the Royal Government as reported last year will continue additional steps are being taken for the information of our Hon'ble Members as follows:

- a. Strict monitoring of pollution levels in the industrial areas has significantly improved the environmental

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performance of the industries. For this and perhaps, similar measures taken across the border, one might have noticed that the sky over our valleys last winter was much clearer than in the previous year. Close monitoring will continue.

- b. The media will be given daily air quality report (SPM) and a monthly report on the average gaseous pollutants across the country. This will be done with the objective of raising public consciousness and participation so that our air quality becomes a matter of public concern and ownership.
- c. Against the target of lowering the Thorthomi glacial lake by five meters, the main and two subsidiary lakes have been lowered by more than 80 centimeters. More could not be achieved due to the effects of cyclone Aila. With the experience gained, we are hopeful of achieving a much higher reduction this year and to that extent mitigate the risks of a major disaster in the valleys of the Puna Tsangchu. In the meanwhile, a fully automatic flood warning system in the valley is being installed to become operational by June of next year.

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- d. A comprehensive earthquake hazard mapping is being initiated along with a strategy to build capacity and expertise to monitor and make rapid response to earthquakes. The Hon'ble Members may well remember, the earthquake of 21 September, 2009, measuring 6.3 on the Richter scale, caused widespread damage to life and property estimated at Nu. 2.5 billion. Twelve precious lives were lost. As reported by the Hon'ble Finance Minister, the international community was quick to respond in both financial and material terms to the appeals of the Royal Government. The Royal Government and the people are deeply grateful to all the countries and the international development agencies for their timely intervention.

He said that the people are immensely grateful to His Majesty the King for the way in which He was there to comfort and aid his subjects in their greatest moment of need.

- e. A wide range of activities were undertaken to mitigate fire hazards using volunteers and the army personnel. Likewise, several initiatives have been taken to prevent landslides through tree planting for slope stabilization.

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4. Incentivizing Green Economy

The Economic Development Policy and its complementary policies are very clear in their intent to ensure the growth and development of a green and sustainable economy. Green technology, products and practices will receive attractive incentives. I need hardly remind that the macroeconomic architecture for Bhutan as submitted in the earlier part of my report is directed toward achieving the vision of a green Bhutan.

In this regard, a very good beginning has been made by the pledge of all the school heads to make their schools green, free of non-biodegradable waste.

5. Green Cities

Green buildings are now being encouraged. To this end, the architects association has already been sensitized. However, a special meeting has been planned for an extensive discussion with the members. This is aimed at promoting a full partnership with the Government to ensure that a high standard will be established to guide and monitor the construction of all future buildings that must incorporate sustainable features including seismic resilience. Already, two model buildings are being constructed, after direct intervention of the Cabinet, in the form of the Office of the Attorney General and the IT Park.

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We are not happy with our water supply and waste treatment systems in the capital as well as other urban areas. While efforts are being made to overcome problems in other parts of the country, I am happy to report that the water supply problem in Thimphu is being addressed with budgetary provisions having been provided.

On the subject of waste management and sewage treatment, we are taking a fresh look with a view to take advantage of the latest and the most efficient and eco-friendly technology available. Funding will need to be explored. He expressed his gratitude to all the students, civil servants and residents of Thimphu for the many times he found them with their sleeves rolled up to keep their city clean.

He also reported that the Government has not given up on its dream to make Thimphu a bicycle and pedestrian city despite the initial setback. Our determination comes from the knowledge that many residents of our capital, young and old, are enthusiastically supportive. At the very least, you will have noticed that bicycle stands which can accept chain-locks have been erected in all key locations in the city. Please use them.

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In conclusion he said that as he has presented to the most esteemed House a broad picture of where our country stands today and where we hope to be in the near and distant future. More importantly, he had endeavored to submit to the Hon'ble Members, and through them to his fellow citizens, how the pillars on which must stand our house of GNH are being raised and strengthened. It is his hope that the Hon'ble Members will find cause for satisfaction and that the people are pleased.

He thanked all the fellow citizens for the faith they placed in Druk Phuensum Tshogpa and who gave to each of us who are here in this hallowed chamber, the privilege to serve the Tsa- Wa-Sum. He said that he wanted that one to know that we have not forgotten your dreams of our country remaining ever so peaceful and stable, of a better future for our children and the comfort and happiness in which you wish to spend your life with family and friends. He said that we remember very well our own promise that, in order to fulfill your wishes, we will not allow our personal interests to prevail over the larger interests of the country.

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Remaining faithful to our promise, we are resolute and unwavering in our purpose to serve our people in the best ways that we can even when we know that well meaning policy and action may not please the people in the short term. That in fact, is the choice all politicians must make - to do what is popular and win votes at the cost of society or to do what is right even if it means losing in the polls. In truth, it is not a difficult choice.

Once we leave office, we are ordinary citizens who must suffer the consequences of the wrong choice we make. Therefore, what is good for the society is good for ourselves, our family, friends and neighbors. For the wise, there is no doubt that working in the interest of society is working for our own 'selfish' good.

He once again pledged, that the Lhengye Zhungtshog and himself, supported by the dedicated civil servants, will continue with the endeavour to serve our King, people and country with allegiance and devotion. He also reminded that the state of our nation will, for all times, not just be the outcome of what the Government does but that it is the result of our collective efforts. It is the outcome of how our beloved King, the Royal

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Government and the people strive separately and together in the pursuit of Gross National Happiness.

In conclusion on the behalf of the Royal Government and on his own behalf he offered the unwavering loyalty and gratitude to His Majesty the King for the inspiration and wise counsel to which we have been privileged. He thanked the Dratsang and the Chhoedeys for their prayers and good wishes, and the security forces for keeping our country safe and secure. He thanked all the public servants, the private sector, the NGOs and all our local Governments for their contributions to the success of our second year of democracy. Lastly, on he behalf of all the members of the governing party and himself he expressed their deepest appreciation to all the members of Druk Phuensum Tshogpa and the supporters for their continued good work and for the most valuable guidance while discharging their sacred responsibilities under the reign of His Majesty the King. He offered his prayers that the reign of His Majesty Jigme Khesar Namgyal Wangchuck be glorious and bountiful.

(Joint Sitting)

XIV. EXPRESSION OF APPRECIATION TO THE HON PRIME MINISTER

The Chairperson, Member from the Opposition and the Hon Members from Chumey-Ura, Menjay-Gangzur constituencies expressed their appreciation to the Prime Minister on the presentation of the Annual Report on the state of the nation, including legislative plans and the annual plans and priorities of the Government.

The Members expressed their appreciation to the Hon Prime Minister for presenting a comprehensive Annual Report on the State of the Nation framed within the four pillars of Gross National Happiness (GNH). The Members also expressed their appreciation to the Government elected with trust and confidence of the people for carrying out various activities for the benefit of the country and the people within the span of two years. They submitted that the Prime Minister and the Cabinet Ministers ensured enhanced peace, security and socio-economic development after His Majesty the King handed over the reins of Government to the people, dispelling the fears and doubts on the minds of the people about democracy when the nation was gearing for democracy in 2007.

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The Members also submitted that within the two and half years of the first democratic Government the Hon Prime Minister while carrying out his duties, for the present and future welfare, has always followed the good examples set by our Monarchs without solely relying on his individual expertise and authority. Further, he expressed his deep appreciation to the Hon Prime Minister for governing the country with equity and justice and utmost dedication and loyalty without any tinge of corruption.

The Members expressed their profound gratitude to the Hon Prime Minister for opening his presentation with the homage to the Monarchy which is critical for ensuring sustenance of democracy to the posterity. They also expressed their appreciation for Hon Prime Minister's commitment to mutually solve the minor differences between the National Council and the National Assembly.

The Members said that the successful convention of the 16th SAARC Summit in our country is attributable to the wide knowledge of our Hon Prime Minister and offered his profound appreciation to all the participants who were engaged in the Summit. The Opposition also

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expressed their appreciation to the Hon Prime Minister for his comprehensive report on the State of the Nation.

The Hon Speaker said that the three hour long presentation by His Excellency the Prime Minister in line with the report of the State of the Nation which was published and distributed in both Dzongkha and English to the Members of the Parliament clearly indicate the achievements made by the elected Government of Druk Phuensum Tshogpa through the combined efforts made by the Hon Prime Ministers, Cabinet Ministers and the Civil Servants in fulfilling the needs of the people. Further, there is no reason to worry that development activities will not be implemented in the remaining three years which is primarily attributable to good fortune of the people. The Members of the Parliament expressed their deep gratitude to Hon Prime Minister for presenting the annual report and commended the government for the tremendous achievements made.

(1st July 2010, corresponding to 20th Day of the 5th Month of Iron Male Tiger Year, Time 14:00)

(Joint Sitting)
Time 10:05

XV. APPROVAL FOR GEWOG BOUNDARIES AS PER THE ALTERATIONS IN THROMDE BOUNDARIES

The Hon Speaker said that it was imperative to strengthen the Local Governments in order to fully realize the objectives of the Gross National Happiness propounded under the noble vision and initiative of His Majesty the Fourth Druk Gyalpo. Therefore, it is important to elect capable local government leaders to strengthen the Local Governments. The declaration of Thromdes and Boundaries proposed by the Ministry of Works and Human Settlement needs to be approved by the Joint Sitting of the Parliament in line with Article 1 Section 4 of the Constitution of the Kingdom of Bhutan. The Hon Speaker directed that as per the proposal for declaration of new Thromdes and boundaries, the subsequent alterations effected to the Gewog boundaries also needed to be approved.

Presenting the basis of the declaration of new Thromdes and boundaries proposed in the Maps, the Minister for Works and Human Settlement submitted that owing to the economic development of the country more than 30 percent of the Bhutanese population now lives in urban

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areas. This trend of people migrating from the rural to the urban areas is on the rise each year. As per the provisions of the Constitution and the Local Government Act, it was imperative for the Parliament to declare the Thromdes and boundaries and the subsequent alterations effected to the Gewog boundaries.

In this connection, the proposal for declaration of Class A, Class B and Yenlag Thromdes and boundaries in the different Dzongkhags presented before the Hon Members was prepared by the Ministry of Works and Human Settlement in close consultation with the Local Governments. He expressed hope that the Parliament would engage in elaborate deliberations and approve the proposal.

Voting was administered as per Article 1 Section 4 of the Constitution of the Kingdom of Bhutan which states “Alteration of areas and boundaries of any Dzongkhag or Gewog shall be done only with the consent of not less than three-fourths of the total number of members of Parliament”. The entire 68 Members present voted in favour of the proposal on Dzongkhag Thromde in each Dzongkhag. The House approved the list of area of

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Gewogs after declaration of areas and boundaries of
Thromdes as mentioned in the table below:

Sl.#	Dzongkhag	Affected Gewogs	Existing Area of affected Gewogs (Sqkm)	Thromde	Area of Throms (Sqkm)	Area of Gewogs after area of Throm extracted	Thromde Category
1	Thimphu	Chang	156.9	Thimphu	17	139.9	A
		Kawang	297.7		9.1	288.6	
		Total			26.1		
2	Chukha	Phuentsholing	133.6	Phuentsholing	11.3	122.3	A
		Sampheling	74		4.3	69.7	
		Total			15.6		
3	Sarpang	Bhur	54.7	Gelephu	0.7	54	A
		Gelephu	54.5		9.2	45.3	
		Total			9.9		
4	Samdrup Jongkhar	Dewathang	194.9	Samdrup-jongkhar	2.6	192.3	A
5	Dagana	Tseza	594.3	Dagana	0.4	593.9	B
6	Gasa	Goenkhatole	286.9	Gasa	0.4	286.5	B
7	Haa	Uesu	66.5	Haa	0.2	66.3	B
		Katsho	40.6		1	39.6	
		Total			1.2		
8	Lhuntse	Gangzur	535.1	Lhuntse	0.5	534.6	B

9	Mongar	Mongar	73.2	Mongar	1.3	71.9	B
10	Paro	Wangchang	20.6	Paro	0.4	20.2	B
11	Pemagatshel	Shumer	92.2	Denchi	0.5	91.7	B
12	Punakha	Guma	37	Punakha	1.2	35.8	B
13	Samtse	Samtse	115.5	Samtse	3.4	112.1	B
14	Trashiyangtse	Trashiyangtse	275.1	Trashiyangtse	2.6	272.5	B
	Chukha	Bjachho	140.5	Tsimatsham	2	138.5	B
	Sarpang	Shompangkha	21.5	Sarpang	1.5	20	B
		Hiley	142.2		0.9	141.3	
15	Trashigang	Samkhar	90.5	Trashigang	0.4	90.1	B
16	Trongsa	Nubi	558.5	Trongsa	2.1	556.4	B
17	Tsirang	Kikorthang	17.7	Damphu	1	16.7	B
18	Wangdue	Thedtsho	20	Bajo	2	18	B
19	Zhemgang	Trong	359.1	Zhemgang	0.9	358.2	B
20	Bumthang	Choekhor	1530.5	Bumthang	8.3	1522.2	B

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Subsequent to that, the Hon Members submitted the following:

1. It was imperative to maintain Green Areas in and around our Dzongs similar to Tashichhodzong.
2. Henceforth, construction of multi-storied structures surrounding Lhakhangs, Goendeys and cultural heritage sites should be restricted to ensure that the view of such sites of historical and cultural importance are not obstructed.
3. As most of the Bhutanese population is dependent on agriculture for their livelihood, town development activities in wetlands currently falling under the town plan should be discouraged as far as possible. Henceforth, the Government should avoid the inclusion of extensive wetlands under new town plans in keeping with its present and future implications.
4. For the election of Members to Thromde Tshogde and Representatives to Yenlag Thromde, census of at least one member of the family who owns land or house in the town should be registered under the said Thromde.
5. Henceforth, declaration of a Thromde should be based on as per the specified Thromde establishment criteria.

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6. The Parliament acknowledged the simultaneous alterations to Gewog boundaries subsequent to the alterations of Thromde boundaries as reflected in the maps as areas identified for future town expansion, for example in Class B Thromdes of Gasa, Haa, Pemagatshel, Samtse and Trashigang.
7. The Kailashwa Dangra area of 15.3 sq km at Bhur-Tading Gewog under Samtse Dzongkhag was resolved to be maintained as an Ecological Park.

Acknowledging the aforementioned views put forth by the Hon Members, the House directed the Government to carry out the works accordingly.

During the deliberation on the eight Yenlag Thromdes, the House discussed at length on the requirement of one elected representative from Yenlag Thromdes to the Dzongkhag Tshogdu. Members pointed out that the requirement to demarcate boundaries for Yenlag Thromdes was not specifically mentioned in either the Constitution or the Local Government Act.

Voting was administered on the declaration of eight Yenlag Thromdes along with the boundaries as proposed in Maps by the Ministry of Works and Human

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Settlement. Only 53 voted in favour, hence the provision of Article 1 (4) of the Constitution of the Kingdom of Bhutan which states that “Alteration of areas and boundaries of any Dzongkhag or Gewog shall be done only with the consent of not less than three-fourths of the total number of members of Parliament” could not be fulfilled. Therefore, the Parliament could not approve the eight Yenglag Thromdes.

(2nd July, 2010 corresponding to 21st Day of the 5th Month of Iron Male Tiger Year, Time 20:46)

Time 12:05

XVI. REPORT ON THE ANNUAL AUDIT REPORT 2009, BY THE PUBLIC ACCOUNT COMMITTEE (1P5/GR1)

The Chairperson of the Public Accounts Committee presented the Report on the Annual Audit Report, 2009 to the Parliament in four Parts on 5th July 2010.

In the first part of the report on the summary of Audit Findings of 2009, the Chairperson reported that The Annual Audit Report 2009 was compiled from 609 audit reports issued during the year and the total unresolved issues amounted to Nu. 348.340 million.

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He submitted that as compared to the previous two years, irregularities of Nu. 199.08 m in 2007 and Nu. 151.12 m in 2008, the irregularities of Nu. 348.340 million is one of the highest figures reported by the Royal Audit Authority in its annual reports.

In 2009, the sharp increase in the amount of irregularities in the Annual Audit Report is mainly due to huge advances reported in some of the agencies such as in the Education Ministry, Nu. 60.48 m and in the Tourism Council of Bhutan, Nu. 56.597 m. These two agencies alone represented about 60% of the total advances reflected in the report.

Out of the total irregularities of Nu. 348.34 m reported under Fraud, Corruption and Embezzlement, a sum of Nu. 15.98 is reported in the Ministry of Agriculture, Ministry of Education and Ministry of Works and Human Settlement. The highest proportion of irregularities amounting to Nu. 10.574 million is detected in the Ministry of Labour and Human Resources chiefly in the management of Basic Skills Development Project.

In the second part of the report on Certification of the Annual Financial Statements, the Chairperson reported

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that the approved budget for the Fiscal Year 2008-2009 of the Royal Government was Nu. 21,584.720 million and resources of Nu. 18,702.905 million, resulting into a fiscal deficit of Nu. 2,881.815 million and a budget deficit of Nu. 3,182.509 million. At the end of the fiscal year, the approved budget was revised to Nu. 25,466.977 million and a resources of Nu. 24,013.312 million with a fiscal deficit of Nu. 1,453.665 million and a budget deficit of Nu. 1,968.338 million. However, the actual resources realised was Nu. 23,442.998 million with reported expenditure of Nu. 22,350.537 million resulting into fiscal surplus of Nu. 1,092.461 million. The Government debt as on June 30, 2009 was Nu. 34,759.027 million which was about 60% of the GDP.

In the third part of the report on Special audit report on Gaylongkhar-Minjiwoong farm road, the Chairperson informed the House that the 13.774 kilometres of farm road construction from Gaylongkhar to Minjiwoong was contracted out at a contract value of Nu. 9.9 million for a contract duration of 24 months commencing from February 15, 2007 to February 14, 2009. , it was found that despite time extensions and commitments made through various additional agreements, the contractor failed to complete the work within the extended time.

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The contract was consequently terminated on November 6, 2009.

Based on the audit findings, the following recommendations have been made with a view to address the identified deficiencies, lapses, and improve the delivery of services to the beneficiaries.

- Appropriate action should be taken against the Project Management and those responsible for the execution of the defective agreement.
- Strict monitoring and enforcement of contract terms should be ensured besides investigating the causes of inactions against the contractor.
- The adequacy of existing penal clauses in respect of works contract should be reviewed.
- The validity and genuineness of certificates of financial stability issued by the financial institutions should be investigated.
- The need and cost benefit of procuring the Consultancy Services should be reviewed.
- Proper feasibility study and survey should be conducted before the preparation of estimates for the

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- construction of Farm Roads to avoid any cost and time overruns.
- The Dzongkhag Administration should reassess the liability of the contractor in line with the additional contract agreement.

In the fourth part of the report on Performance and Thematic audits, the Chairperson presented a summary of the eight performance audit report carried out by the RAA in 2009 which are as follows:

1. Performance Audit on construction of Sombeykha Farm Road under Haa Dzongkhag
2. IT Audit of electricity Billing and Collection System of the Bhutan Power Corporation Ltd.
3. Performance Audit report on operations of Tala Hydroelectric power project
4. Performance Audit of Chhukha Dzongkhag-9th Plan Review
5. Performance Audit on Health Sector-9th Plan Review
6. Performance Audit of Environmental Compliance by industries in Pasakha and Gomtu
7. IT Audit of Budget and Accounting system
8. Performance Audit on Operations of the Education Development Project, Ministry of Education

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In conclusion, the Chairperson expressed his deep appreciation and commended the hard work of the staff and employees of the RAA under the Auditor General and expressed his hopes that with their continued support and cooperation, the PAC would be able to fulfill the wishes of His Majesty the King and the Government and the people.

The Hon Speaker said that the presentation of the Report on the Audit Report to the Parliament was made possible due to the hard work and efforts put in by the staff of the RAA under the Auditor General. He therefore commended the staff and the Auditor General for their efforts. The Hon Speaker said that despite everyone's hopes for a reduction in corruption, the Annual Audit Report 2009 shows that Fraud, Corruption and Embezzlement is still a main cause of concern.

In addition, it is reported that irregularities of Nu. 53.55 in the Audit Report, 2007 fell under fraud and corruption. This was reduced to Nu. 7.9 m in 2008 but however increased to Nu. 20.768 m in 2009 of which Nu. 10 m is reported in the Ministry of Labour and

Human Resources. As per the report, this is due to managerial lapses on the part of the Heads of the

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Ministry and lack of appropriate action from the concerned Ministries and Commission. In such cases, problems will continue to exist despite all efforts made by the RAA to curb corruption. Therefore, the Hon Speaker reminded that there is a need to discuss these issues in detail as per the report submitted by the PAC.

In response, the Labour and Human Resources Minister submitted that irregularities of Nu. 10.47 m as fraud and corruption in the Ministry has been reported mainly in the Basic Skills Development Project. As per the Audit Report, the Ministry's legal officer has examined the issue with the Project Manager and the case has been forwarded to the Court. He further clarified that the Ministry had felt that administrative actions were not necessary and that it would be carried out as per the ruling of the court.

During the deliberation on the Audit Report 2009, the Hon Members said that it was important to formulate and streamline the different existing rules and regulations to curb fraud and corruption. Further, they submitted that if the responsibilities to curb fraud and corruption are fixed, it would be convenient for the working of the PAC.

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In addition, it was submitted that the Members should be aware that as per Section 93 of the National Assembly Act and Section 80 of the National Council Act, Members shall refrain from referring to any matter in relation to which legal proceedings are active and as per the Royal Civil Service Commission Act, any civil servant whose case has been forwarded to court has to be suspended.

It was also submitted that certain limit on financial irregularities should be fixed by the Parliament for the Public Accounts Committee to report. It was also pointed out that problems in contracting out works arose mainly due to the low quotation of rates by the contractors before carrying out a proper estimate in order to get the contract. Therefore, as per the Procurement Rules and Regulations, in case of additional works provided that the value of the additional work shall not exceed 20 % of the original contract amount or the maximum threshold value for the use of limited tender whichever is lower should be strictly implemented. The Hon Members also submitted that it was imperative that personal audit of the civil servants be conducted by the Royal Civil Service Commission to elucidate the system of promotion,

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transfer, training and further studies of the civil servants. Further, one should carefully consider taking loans from Financial Institutions such as the ADB and other countries in the form of dollar because of the high risks involved due to the fluctuating rates.

The Hon Speaker said that Section 183 of the Public Finance Act, 2007 clearly states that Heads of budgetary bodies shall bear oversight responsibility for any loss sustained by the Government due to lack of (a) proper internal control system in their respective organizations and (b) timely action or direction to check such losses. If the concerned Ministers, Secretaries and Directors are not responsible it clearly reflects that the provisions of the Acts are not recognized. Therefore, the Parliament recognized the importance of fixing the accountability and responsibility for fraud and corruption caused due to negligence of the heads of organization by the RAA and the RCSC.

The Chairperson of the PAC reported that the Committee was not in a position to give explanation on the Annual Audit Report 2009, as it could not carry out any hearings on the report due to lack of time. He said that the Committee mainly reported on the Annual

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Audit Report for the information of the Members and for approval from the Parliament to conduct hearings on it and submit a report in the 6th Session.

The Parliament resolved that the reports of fraud and corruption in the Ministries of Health, Agriculture, Communications, Home and Cultural Affairs, Works and Human Settlements should be strictly dealt with as per the RAA Report by the concerned Ministries and it was imperative that the financial irregularities be settled as soon as possible. Although, the financial irregularities reported in the Dzongkhags are not very huge, the concerned Ministries should carefully study the issue and resolve it.

The Parliament also resolved that the Secretaries of the Ministries, Department Directors, Administrative Officers of the concerned Agencies and Autonomous Agencies, Dzongdas and Gewog Gups should attend the hearings conducted by the PAC and review the financial irregularities in detail and the PAC to submit a report on the hearings conducted on the Annual Audit Report, 2009 in the 6th Session.

(5th July 2010 corresponding to the 24th Day of the 5th Month of the Iron Male Tiger Year: 14:00)

(Joint Sitting)

**Deliberation on Annual Audit Report, 2009
continued**

In the submissions made by the PAC Chairperson, concerned Ministers and the Hon Members during the continued deliberation of the Annual Audit Report 2009, it was pointed out that the Royal Audit Authority reported that the irregularities of about Nu. 11 m was not repaid while the Minister for Labour and Human Resources stated it has been done. It was also submitted that the Public Accounts Committee could not come up with substantive report based on the Audit Report as it did not receive the required support from the concerned agencies and as it was felt that the Public Accounts Committee and its work was similar to that of a private enterprise.

It was submitted that there is a need to carry out a special audit on the construction of Nabi-Korphu farm road as it has been reported that the farm road construction has been delayed because of the failure of the contractor and that the 3 Km road that has been completed is not functional.

The submission to conduct public PAC hearings to enable the people to better understand the proceedings

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was supported by many Members. It was also submitted that motor roads constructed for the *Goendays* should be called religious institution roads or special roads and not farm roads. The Members also opined that it was not proper to mention the names of those involved during the deliberation of the Audit Report. If it was necessary then all the names of those involved should be mentioned to be fair. It was submitted that the construction of Haa-Sombaykha road was progressing well according to the plan. However, it was submitted that the road be identified as Dzongkhag Branch Road and not as a Farm Road as the road is 100 kms long and to avoid problems based on the capabilities of the people and the local government. Further, due to the limited capability of the Dzongkhag it was submitted that the Ministry should take over the responsibility.

Farm roads are considered very important in the country. A loss of Nu. 20 m has been incurred in the construction of farm roads. There is not only the need to review the functionality of the farm roads but it was also imperative to immediately repair the existing 49 farm roads which are currently defunct.

(Joint Sitting)

It was submitted that land substitute should be granted to those affected by the construction of farm roads. For example the livelihood of a person who only has 50 decimal of land would be further affected if the farm road is constructed on their land. Further, it was submitted that while maintaining the quality of the farm road it should also be constructed as wide as possible as all kinds of vehicles big and small ply the farm road once it is completed. It was submitted that the PAC should review the issue as it was felt that disruption in the construction of farm roads were caused mainly due to non compliance of rules by the the contractors.

In response the Agriculture Minister said that till date many of the problems related to construction of farm roads arose because of the poor performance of the contractors. Further, as per the decentralization policy the, the construction works were directly given to the contractors by the Gewog and Dzongkhag administration. Further, he informed that the Ministry did not have any authority to intervene in case of any problem. However, he submitted that there was a risk that many of the roads under constructions could become politically influenced. Therefore, in order to avoid such situations is a need to formulate certain rules

(Joint Sitting)

and regulations. The problems mainly arose while implementing the the rules and procedures for the construction of farm roads, farm road construction policy and due to the policy of outsourcing such activities. Further, he informed only 1 km of road was left with 15 kms of the Haa-Sombaykha road being completed.

The Leader of the Opposition reminded that while Tala Hydro Power Project has hugely benefitted the Government, it was equally important to wisely manage the income generated from it. He also said that it was important that the Members of the Parliament be distributed a copy of the Audit Report carried out on the Project. He expressed his concern regarding the 600% increase in the earlier estimate and reminded that land substitute has still not been granted to those affected by the construction of road for the said project. He said that it was important to formulate stringent procedures to avoid advance payments which amounted to Nu. 390 m as reported in the Audit Report.

In response the Minister for Economic Affairs said that a detailed report of the Project from its commencement to its completion was made. Further, he informed that the

(Joint Sitting)

Project was carried out with minimum expenditure and the Project was successfully completed on time without any reports of corruption. After its completion, its audit was also carried out jointly by the Bhutan and Indian government and the Project has been identified as a model project. Similarly, it is being constantly reminded that the Puna-Tsang Chu Project should be carried out accordingly.

The Hon Speaker said that substantive deliberations regarding the Audit Report took place in 4 days. He said that the irregularities reported in the past reports were mostly recovered and near completion. The Hon Speaker on behalf of the Parliamentarians commended the civil servants for shouldering their responsibilities and for their hard work. Due to their efforts, the Audit Report 2009 did not report any serious incidences of fraud and corruption.

Resolutions adopted on the deliberations of the Annual Audit Report, 2009.

1. On the issue of Gaylongkhar-Minjiwoong farm road in Samdrupjonkhar, the main problem among others reported by the RAA was the failure to complete the work by the contractor within 34 months.

(Joint Sitting)

The House directed the Public Accounts Committee to summon and question the responsible officers and the concerned contractor in a hearing.

2. On the issue of mentioning names in the Audit Report since it is imperative to fix the accountability and responsibility names were required to be mentioned in the reports. However, members should refrain from doing so during the deliberations in the House.
3. The House directed the PAC to conduct hearings on the additional Nu. 7 m awarded to the contractor in the Ministry of Labour and Employment which has been reported under fraud and corruption as the issue has not been forwarded to the court. Further, after conducting a study, the accountability and responsibility should be fixed in accordance with Section 183 of the Public Finance Act.
4. On the conduct of public hearings of the PAC, the House resolved that the Committee would decide in accordance with the provisions of the Committees Act, 2004 in consultation with the Hon Speaker.

(Joint Sitting)

5. The House pointed out that it was important for the PAC to conduct hearings of the Autonomous Agencies and Non-Government Organizations as per the existing incidences of fraud and corruption. Moreover, the concerned Agencies should make every effort to resolve the irregularities as soon as possible.
6. The Government has always supported the recommendations made by the RAA and the PAC and it is hoped that it will continue to do so in resolving the irregularities reported in the Annual Audit Report 2009. The House resolved that all the irregularities reflected in the Annual Audit Report 2009 must be resolved within October 2010.

(6th July, 2010 corresponding to 25th Day of the 5th Month of Iron Male Tiger Year, Time 12:26)

XVII. MOTIONS

17.1. Motion to formulate a Standard Land Compensation Rate (IP5/M1)

The Hon Member from Wamrong Constituency moved the motion to revise the different land compensation and

(Tshogdu)

land prices existing in rural and urban areas. It was submitted that the government should consider applying a uniform land compensation rates throughout the country in the next revision exercise to promote equity and justice.

During the deliberation, Members submitted that in the existing system the government paid compensation for private land acquired by the government when the need arises. However, land compensation rates varied between the Dzongkhags and even within Gewogs which is felt to be unfair to the people. It was therefore submitted that the government consider the submissions made and land substitute should be granted if possible otherwise uniform land compensation rates should be applied as all the different types of Thromdes within the country are the same. It was also imperative to equally revise the compensation rates of land around the Gewogs and not only in the town areas.

With regard to the recently revised land compensation rates, some Members opined that the rates should be fixed in line with the prevailing market rates. It was also submitted that the long delay in providing land substitution and compensation by the Government has caused inconvenience to the people.

(Tshogdu)

The Leader of Opposition submitted that the people of Hejo and Langjophakha preferred and expected land substitution for those private wetlands located at the vicinity of Tashichhodzong and which have been identified as Green Areas by the Government. Otherwise an equivalent monetary compensation adequate to purchase a plot of land within Thimphu Town with enough land for the construction of a house. Likewise, it was also provided in the Constitution that an equivalent compensation should be made to the people when the Government acquires private land.

Furthermore, he submitted that it would be appreciated if the land compensation rates under Thimphu Dzongkhag were revised at par with those of other 20 since the Land Act 2007 does not stipulate provisions relating to Green Areas. He added that land compensation rates should be given as per the prevailing market rates in the event the Government required to acquire private land at Hejo and Langjophaka designated as Green Areas.

Clarifying the issue, the Minister for Works and Human Settlement said that His Majesty the King has been granting generous land *Kidu* since most of the

(Tshogdu)

Bhutanese people are dependent on agriculture for their livelihood. Further, different land compensation rates were maintained in order to facilitate convenience to both the Government and the people while acquiring government or private land. However, the rates have been revised by a great margin and this has immensely benefited the people.

He said that the Government fully supports the submission made by the Members and that a Property Assessment and Valuation Agency (PAVA) has been established as required by the Land Act, 2007. The Authority will thoroughly review and revise the prevailing land rates keeping in mind the land related issues. He added that the Ministry would direct the concerned authorities to carry out its works as per the submissions made by the House.

The Hon Speaker opined that although there were 18 different land compensation rates when Government acquires private land, there was only 3 different land tax rates. He said that the inconveniences faced by the people were due to huge differences in land rates.

(Tshogdu)

For instance, although there were different land compensation rates in different Gewogs under different Dzongkhags, there was only one rate for payment of land taxes irrespective of the type of land. Therefore, it was imperative to revise the land taxes rates while revising the land compensation rates.

The House was directed that during the next revision exercise to be carried out after two years, the 15-16 different existing land compensation rates in Class A and B towns should be reduced to only 3-4 different rates.

The House noted that the Land Act provides for land substitution when the government acquires rural private land. However, there are no provisions relating to land substitution when the government acquires urban private land. Hence it is understood that land compensation will be granted. Therefore, the House reminded that the above submission should be considered during the revision of Land Act in the near future. Further, the House acknowledged that it was equally imperative to bear in mind the concerns and aspirations put forth by the Hon Members on behalf of the people and carry out the works accordingly.

(Tshogdu)

17.2. Motion to allow Vertical extension of Buildings above five storeys (IP5/M2)

In the motion moved by the Hon Member from Menbi-Tsenkhar Constituency, he submitted that due to the problems of limited space and ever increasing population, vertical extension of the buildings above five storeys should be allowed. This would help solve the housing problem in the urban areas in the country.

Deliberating on this, it was submitted that the attics of the buildings were being occupied by low income people and that the lack of standard basic amenities in these attics entailed numerous problems. Henceforth, construction of attics should be prohibited while considering the addition of one storey. Likewise, it was submitted that there was the need to formulate a policy of constructing basements and its utilization while constructing buildings.

Members submitted that buildings with attics should be inspected to ensure that standard basic amenities are provided. Further, it would be beneficial to frame proper guidelines in the sale and purchase of apartment units, its land ownership and its future maintenance.

(Tshogdu)

Members pointed out that installation of water tanks on top of buildings were inappropriate and that it was imperative that the roofs of the buildings are constructed as per our traditional architecture similar to the ones in our Lhakhangs, Goendeys and Dzongs. While allotting plots for construction of houses, these plots should have provisions to house at least one or two households.

Responding to this, the Minister for Works and Human Settlement said that the problems faced currently was due to lack of proper implementation of the legislations and procedures of the Government from the very beginning. Although vertical extension of buildings is favored everywhere in the world, it was however imperative to take into account our country being located in earthquake zone and our mountainous terrain. Our engineering ability to construct quality earthquake resistant buildings similar to those in other countries also required consideration. Further, he added that it was imperative to undertake constructions as per the land terrain since the height of the vertical extension would necessitate equal vacant surrounding land. extent

The government had approved the construction of standard and appropriate attics since it proved difficult

(Tshogdu)

to regulate its construction. He added basements should be constructed considering the availability of land.

Issues pertaining to sale and purchase of apartment units would be addressed by the Tenancy Act and if the Act does not have the provisions, it will be incorporated in the rules and regulations. He explained that only small plots of land were allotted in the towns due to the limited availability of land as against a large number of shopkeepers seeking plots. Further, construction of three or five storied buildings was being approved based on the terrain and location of the plots.

The Hon Speaker noted that most of the Members were of the view that construction of attics should be prohibited and vertical extension of buildings by one additional story should be permitted. Since it was mostly the civil servants of lower grades and low income people that rented attics, it was imperative to ensure that basic amenities were adequately provided in the attics. Besides, the trend of constructing attics at present was primarily due to the restriction on the number of stories.

The Hon Speaker said that as moved by the Members and supported by the Government, it was imperative to consider approval for the vertical extension of buildings

(Tshogdu)

above five stories in order to prevent such undesirable trend. However, while vertical extension of buildings is permitted it is imperative to consider that there is provisions for parking space and children's park.

The House reminded that construction of multistoried buildings in the vicinity of Dzongs, sacred *Nyes*, Lhakhangs and Goendeys should not be allowed. The House noted that it was imperative for the Government to bear in mind the submissions made by the Members and carry out its works accordingly.

17.3. Motion to amend the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan 2000 (1P5/M3)

The Hon Member from Dremetsi-Ngatsang Constituency moved the motion to amend the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan 2000.

Deliberating on the issue, Members submitted that the Royal Government is given the authority to fix the rates of Sales Tax and any revision thereof as per the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan 2000. However, the Constitution states that taxes, fees and other forms of levies shall not be imposed or altered

(Tshogdu)

except by law. Therefore, in accordance with Article 1 (10) of the Constitution, it was proposed to the House that the relevant agency make necessary amendments to the Sales Tax, Customs and Excise Act and submit it to the next session of the National Assembly for amendment.

The Hon Prime Minister said that some Members raised doubts on how taxation and revision thereof was being carried out and also that there were conflicting clauses in different Acts related to taxation. Therefore, he supported the motion put forth by the Dremitse-Ngatshang Constituency Member and submitted that the House direct the relevant agency to make necessary amendments in consultation with legal experts and submit it for amendment in the next session of the National Assembly. He added that it was imperative to resolve such inconsistencies within the tenure of the 1st Parliament.

As submitted by the Hon Prime Minister, the House resolved that the concerned agencies shall propose necessary amendments to the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan 2000 and table it in the 6th Session of the National Assembly.

(Tshogdu)

17.4. Motion to amend the Land Act 2007

The Hon Member from the Dremetse-Ngatsang Constituency moved the motion for the amendment of Land Act 2007.

During the deliberation the House agreed that its amendment was very pertinent and therefore, resolved that the relevant agency should make necessary amendments and table in the 6th Session of the National Assembly.

(13th July 2010, corresponding to the 2nd Day of the 6th Month of the Iron Male Tiger Year, Time: 16:21)

(Joint Sitting)

Time 10:00

XVIII. CONCLUDING CEREMONY OF THE 5TH SESSION

18.1 Expression of Appreciation

During the concluding ceremony of the 5th Session of the 1st Parliament, the Hon Deputy Chairperson of the National Council and Hon Members from Goen-Khatoe-Laya and Drakteng-Langthel Constituencies on behalf of the Parliament expressed their profound appreciation to His Majesty the King.

(Joint Sitting)

While addressing the National Judicial Conference on June 11, 2010, His Majesty the King said that in order to achieve the noble goal of creation of a society based on justice, equality and fairness firstly people need to understand the importance of law and the need to respect it, secondly Law is like the air that every person breathes at every moment. Its presence is unnoticed but its absence will be lethal and therefore law must be respected and upheld. Thirdly, His Majesty said that it is not enough to have a strong legal system that enforces justice and therefore, we must not tolerate disregard for law and we must not tolerate the wrongful application of law and fourthly His Majesty the King said that as Bhutan is now a democratic country it is imperative to work in accordance with the provision of the Constitution.

If the Judiciary respected the valuable advise of His Majesty the King and strived to achieve it, the noble aspiration of His Majesty the King to create a society based on justice, equality and fairness can be fulfilled. The people and the Members of the National Assembly and the National Council expressed their profound appreciation to His Majesty the King for the wise advise and guidance.

(Joint Sitting)

Further, they expressed their appreciation to His Majesty the King for making the first State Visit to India after his ascension to the Throne further strengthening the existing friendly ties between the two countries. During the visit to India in 2009, the Indian Government agreed to provide Nu. 2 Crores for the Total Solutions Project in Bhutan and Nu. 250 m for the rehabilitation and reconstruction works caused by the natural disasters. They also expressed their deep appreciation to His Majesty the King for awarding medals to the heads and teachers in recognition of their work which further encouraged them to work hard with dedication.

The Members of the Parliament expressed their appreciation to His Majesty the King for the continuous guidance and advise which has helped in laying a strong foundation of democracy within two years of introduction of democracy in our country. The Opposition also pledged to serve the people and the country with dedication and loyalty in shouldering important constitutional responsibilities.

In the 5th Session the two Houses based on mutual respect and understanding has been able to pass several Bills and adopt substantive resolutions due to the merit

(Joint Sitting)

of Bhutanese people, good conduct of the Members and the benevolence and wise guidance of His Majesty the King. The people expressed their unwavering faith and offered prayers for wellbeing of His Majesty the King to always remain as the precious refuge of the Bhutanese people.

18.2 Closing Speech by the Hon Speaker

In his closing address, the Hon Speaker said that the 5th Session of the 1st Parliament which commenced from 28 May, 2010 concludes today on a very auspicious day.

The Hon Speaker, on behalf of the Members of the Parliament and on his own behalf, offered their profound gratitude to His Majesty the Druk Gyalpo for gracing the closing ceremony.

He also expressed his appreciation to the Members of the Royal Family, civil servants, dignitaries from the international agencies and media personnel for coming to witness the closing ceremony and all other Bhutanese who were watching and listening on radio and television.

He said that as His Majesty reminds us, our country is like a gem in the world and the most precious gem of the

(Joint Sitting)

all is the people of Bhutan. As law is the foundation of ensuring peace and prosperity for our people, the Parliament is always striving to serve through formulation of strong and effective legislations.

Moreover, His Majesty on witnessing the way in which the Members of Parliament from relevant constituencies render their service while accompanying His Majesty during the Royal visit to the eastern Dzongkhags expressed his appreciation to the Members of Parliament. These kind words from His Majesty symbolize his confidence in the Parliament. Therefore, we would like to offer our sincere thanks to His Majesty. The Hon Speaker also expressed his gratitude and appreciation for granting continued opportunity to Members of the Parliament to accompany His Majesty during the Royal tour in the Dzonkhags to look after the welfare of the people.

The Hon Spekaer said that, unlike in the past, the 5th Session based on the National Assembly Act and legislative procedures saw very effective and systematic deliberations as per the daily business order.

Since the Annual Report of the Prime Minister reflects the performance of the government in the past one year, it will be presented on 1st July every year. Accordingly,

(Joint Sitting)

it has been possible to report on the state of the nation, including legislative plans, priorities of the government and results of the socio-economic development carried out primarily for the benefit of the people of all the twenty Dzongkhags to the Joint Sitting of the Parliament for the year 2009-2010.

Since the financial year of the National Budget expires in June and the new budget has to be approved within July, the National Assembly endorsed the budget for the financial year 2010-2011 as per the National Budget report submitted by the Finance Minister.

According to the provision of the Constitution, it was resolved to establish a Dzongkhag Thromde each in all twenty Dzongkhags.

With regard to the demarcation of boundaries of proposed eight Yenlag Thromdes, the House while casting vote could not secure $\frac{3}{4}$ majority. Therefore, establishment of Yenlag Thromde could not be approved. However, the Parliament resolved that the most important Local Government elections should be conducted at the earliest.

As per the provisions of the National Assembly Act, the Committees and the Joint Committees reviewed the

(Joint Sitting)

Bills and the Joint Sitting of the Parliament passed the following Bills;

1. Tobacco Control Act of Bhutan
2. Royal Monetary Authority of Bhutan Act
3. Service Conditions Act for the Holders of Constitutional Offices of Bhutan
4. Bhutan Standards Act
5. Bhutan Civil Service Act

Since it is important to abide by the laws in everything we do, the Acts have been passed bearing in mind the ultimate interest of the people and to ensure peace and prosperity in the country as per the functional responsibility of the legislature. It is hoped that the ministries and agencies while executing their functions according to these legislations would find it convenient and practical.

Similarly, it is hoped that the following Bills presented by the National Assembly to the National Council can be passed in the winter session;

1. Financial Services Bill of Bhutan
2. Water Bill of Bhutan
3. Personal Income Tax (Amendment) Bill

The National Assembly also ratified and presented the Convention on Anti-Doping in Sports and SAARC Convention on Co-operation on Environment to the National Council.

(Joint Sitting)

In conclusion, the Hon Speaker said that the successful conclusion of the 5th Session is attributable to the blessings of triple gem, the grace of His Majesty and merit of the Bhutanese people. The success is also chiefly due to the support and co-operation rendered by Members of the Parliament during the deliberations according top priority to the ultimate interest of country and the people under the able leadership of His Excellency the Prime Minister of Bhutan.

The Hon Speaker expressed his profound gratitude and offered *Tashi Lekmoen* for the long life of His Majesty the Druk Gyalpo and Members of the Royal Family and prayed for the continued peace and security in the country for all times to come.

(14th July 2010, corresponding to the 3rd Day of the 6th Month of the Iron Male Tiger Year)



14th July 2010

**(Jigme Tshultim)
SPEAKER**

XIX. DOCUMENTS DISTRIBUTED

1. Child Care & Protection Bill of Bhutan, 2010
2. Child Adoption Bill of Bhutan, 2010
3. Water Bill of Bhutan, 2010
4. Financial Services Bill of Bhutan, 2010
5. Income Tax (Amendment) Bill, 2010
6. Tobacco Control Bill of Bhutan, 2009
7. Royal Monetary Authority of Bhutan Bill, 2009
8. Bhutan Standards Bill, 2009
9. Service Conditions Bill for the Holders of Constitutional Offices of Bhutan, 2009
10. SAARC Convention on Co-operation on Environment to the National Council
11. Convention on Anti-Doping in Sports
12. Budget Report for the FY 2010-11
13. Pending Audit Report upto 2006-07-08
14. Thromde Boundary Demarcation Maps
15. Annual Audit Report 2009

List of the Hon Members of the National Assembly who participated in the 5th Session of the 1st Parliament

1. Speaker, Jigme Tshultim, Radhi-Sakteng constituency, Trashigang Dzongkhag
2. Prime Minister, Jigme Yoezer Thinley, Nanong-Shumar constituency, Pemagatshel Dzongkhag
3. Lyonpo Yeshi Zimba, South Thimthrom constituency, Thimphu Dzongkhag
4. Lyonpo Khandu Wangchuk, Lamgong-Wangchang constituency, Paro Dzongkhag
5. Lyonpo Wangdi Norbu, Bartsham-Shongphu constituency, Trashigang Dzongkhag
6. Lyonpo Zanglay Dukpa, Khar-Yurung constituency, Pemagatshel Dzongkhag
7. Lyonpo Minjur Dorji, Kanglung-Uzorong constituency, Trashigang Dzongkhag
8. Lyonpo Thakhur Singh Powdyel, Dorokha-Tading constituency, Samtse Dzongkhag
9. Lyonpo Dr.Pema Gyamtsho, Choekhor-Tang constituency, Bumthang Dzongkhag
10. Lyonpo Nandalal Rai, Shompangkha constituency, Sarpang Dzongkhag
11. Lyonpo Dorji Wangdi, Panbang constituency, Zhemgang Dzongkhag
12. Leader of Opposition, Tshering Tobgay, Sombeykha constituency, Haa Dzongkhag

13. Deputy Speaker, Yangku Tshering Sherpa, Kilkhorthang-Mendrelgang constituency, Tsirang Dzongkhag
14. Karma Wangchuk, Chumey-Ura constituency, Bumthang Dzongkhag
15. Ugay Tshering, Bongo-Chapcha constituency, Chukha Dzongkhag
16. Chencho Dorji, Phuentsholing constituency, Chukha Dzongkhag
17. Sonam Jamtsho, Drujeygang-Tseza constituency, Dagana Dzongkhag
18. Hemant Gurung, Lhamoizingkha-Trashiding constituency, Dagana Dzongkhag
19. Kinley Dorji, Goenkhamy-Lunana constituency, Gasa Dzongkhag
20. Damchoe Dorji, Goenkhatoe-Laya constituency, Gasa Dzongkhag
21. Karma Rangdol, Minjay-Gangzur constituency, Lhuentse Dzongkhag
22. Tshering Tenzin, Menbi-Tsengkhar constituency, Lhuentse Dzongkhag
23. Ugyen Wangdi, Dremitse-Ngatshang constituency, Mongar Dzongkhag
24. Sonam Penjor, Kengkhar-Weringla constituency, Mongar Dzongkhag
25. Chencho Dorji, Doga-Shaba constituency, Paro Dzongkhag

26. Choida Jamtsho, Nganglam constituency, Pemagatshel Dzongkhag
27. Tshering Penjor, Kabji-Talo constituency, Punakha Dzongkhag
28. Namgay Wangchuk, Lingmu-Toewang constituency, Punakha Dzongkhag
29. Ugyen Dorji, Dewathang-Gomdar constituency, Samdrup Jongkhar Dzongkhag
30. Norbu Wangzom, Jomotshangkha-Martsala constituency, Samdrup Jongkhar Dzongkhag
31. Prahlad Gurung, Pugli-Samtse constituency, Samtse Dzongkhag.
32. Durga Prasad Chhetri, Sipsu constituency, Samtse Dzongkhag
33. Lila Pradhan, Ugentse-Yoeseltse constituency, Samtse Dzongkhag
34. Prem Kumar Gurung, Gelephu constituency, Sarpang Dzongkhag
35. Choeki Wangmo, Thrimshing constituency, Trashigang Dzongkhag
36. Lhatu, Wamrong constituency, Trashigang Dzongkhag
37. Drupthob, Bumdeling-Jamkhar constituency, Trashiyangtse Dzongkhag
38. Kesang Wangdi, Khamdang-Ramjar constituency, Trashiyangtse Dzongkhag

39. Rinchen Dorji, Drakteng-Langthel constituency, Trongsa Dzongkhag
40. Nidup Zangpo, Nubi-Tangsibji constituency, Trongsa Dzongkhag
41. Nar Bahadur Gurung, Patalay-Tsirangtoe constituency, Tsirang Dzongkhag
42. Pasang Thrinlee, Athang-Theedtsho constituency, Wangdue Phodrang Dzongkhag
43. Gyem Dorji, Nyisho-Sephu constituency, Wangdue Phodrang Dzongkhag
44. Tshering Dorji, Bardo-Trong constituency, Zhemgang Dzongkhag

List of Members absent during the 5th Session of the 1st Parliament

1. Lyonpo Ugyen Tshering, North Thimthrom constituency, Thimphu Dzongkhag (Medical Leave)
2. Ugen Tenzin, Bji-Katsho-Uesu constituency, Haa Dzongkhag (Medical Leave)
3. Karma Lhamo, Mongar constituency, Mongar Dzongkhag (Maternity Leave)

ANNEXURE I

Speech delivered by the Hon Speaker of the Parliament during the opening ceremony of the 5th Session of the 1st Parliament (28 May, 2010)

Today, on this auspicious day, the 5th Session of the 1st Parliament commences under the grace of His Majesty the King with *Zhugdrel Phuensum Tshogpai Tendrel*.

We would like to welcome Members of the Royal Family, International Dignitaries, Senior Government Officials, general public, media personnel and all those witnessing the session on television to the opening ceremony. In addition, on behalf of the Members of the Parliament of Bhutan, Bhutanese people and on my own behalf, I would like to thank Smt. Meira Kumar, Speaker of the Lok Sabha for kindly accepting our invitation to be with us today and would like to offer our warmest welcome to the inaugural ceremony.

Similarly, we would also like to welcome Smt. Sushma Swaraj, Leader of the Opposition, Lok Sabha and other Hon Members of the Lok Sabha.

I would also like to express my appreciation to the Hon Members of our Parliament led by His Excellency the Prime Minister of Bhutan for your presence at this august gathering.

Since the Legislature, from the three branches of Government, is mainly responsible for legislating laws, it is crucial to pass the following Bills in the 5th Session that could not be endorsed in last Session;

- a) Civil Service Bill of Bhutan, 2009
- b) Tobacco Control Bill of Bhutan, 2009
- c) Royal Monetary Authority of Bhutan Bill, 2009
- d) Bhutan Standards Bill, 2009
- e) Service Conditions Bill for the Holders of Constitutional Offices of Bhutan, 2009.

Similarly, the Parliament has received the following five Bills;

- a) Child Care & Protection Bill of Bhutan, 2010
- b) Child Adoption Bill of Bhutan, 2010
- c) Financial Services Bill of Bhutan, 2010
- d) Disaster Management Bill of Bhutan, 2010

From the above Bills the following Bills will be deliberated in the National Council and rest will be tabled in the National Assembly.

- a) Child Care & Protection Bill of Bhutan, 2010
- b) Child Adoption Bill of Bhutan, 2010

It is hoped that the Bills could be deliberated thoroughly as per the procedures of respective Houses and be endorsed accordingly.

As per the provision of the Constitution of Bhutan The Prime Minister shall present an Annual report on the state of the nation, including legislative plans and the annual plans and priorities of the Government, to the Druk Gyalpo and to a joint sitting of Parliament

In addition, the Annual Budget report by the Finance Minister and Audit Reports will also be deliberated by according adequate time.

While some of the motions submitted by the Local Governments and the Hon Members will be tackled through Question Hour Sessions, others will be tabled as motions to be moved as per the order of business of the House.

Since most of the issues are referred to the respective relevant Ministries, it is hoped that they would take expeditious action to address the problems faced by the people.

Before, I conclude my submission, If I may submit few important issues, on behalf of the Parliament, we would

like to express our appreciation and gratitude to His Majesty for tirelessly travelling and meeting with people of the most remote and inaccessible areas to look into their welfare and grant land *Kidu*. We hope that such a noble initiative from His Majesty would certainly reduce the problems of poverty.

The visit of His Holiness the Je Khenpo in the Dzongkhags and conduct of *Wang, Lung and Thri* would go a long way in realizing the overarching objectives of Gross National Happiness propounded by our benevolent Fourth King His Majesty Jigme Singye Wangchuck. To this, we the Members of the Parliament would like to offer our sincere appreciation to His Holiness the Je Khenpo.

The South Asian Association for Regional Co-operation (SAARC) was established on December, 8, 1985 with objectives of fostering good relations between the member countries and to encourage rapid economic development through mutual assistance. The successful convention of 16th SAARC Summit in our country is attributable to the tireless efforts rendered by our Prime Minister. It not only symbolizes the development of our country but will also go down in our history as one of the events to be proud of.

The ability to host the Summit is mainly due to the leadership of His Majesty the King and excellent arrangements made under the supervision of the Prime Minister. The leaders of the SAARC member countries were fully satisfied and returned safely to their homes after the successful convention of the 16th SAARC Summit coinciding with the Silver Jubilee of the Association.

The successful conclusion and happy returns of the delegates is attributable to the blessing of protective guardian deities of Bhutan propitiated by the *Dratsang* and other religious bodies. It is also due to the support and cooperation rendered by all the Ministers, defense personnel, civil servants, private sector and youth, to whom we would like to express our appreciation.

One of the responsibilities of the Members of Parliament is to fulfill the pressing needs of the people and it is important for the Members to strive hard in meeting the needs of the people.

It is hoped that the 5th Session would also conclude successfully, due to the blessings of the *Triple Gem*, guidance of His Majesty the King and collective merit of the Bhutanese people coupled with support and

cooperation rendered by His Excellency the Prime Minister and Hon Members.

Lastly, on behalf of the Hon Members and on my own behalf, may I express our profound gratitude to His Majesty the King, Members of the Royal Family, distinguished guests and all the people watching the proceedings on television for gracing the opening ceremony of the 5th Session of the 1st Parliament.

Kadinche.

ANNEXURE II

Welcome address by the Hon Speaker of the National Assembly of Bhutan to Shrimati Meira Kumar, Speaker Lok Sabha

Hon Speaker Lok Sabha, Her Excellency Meira Kumar, Hon Prime Minister of Bhutan, Members of Parliament and Ladies and Gentlemen .

On behalf of the Parliament of Bhutan and on my own behalf, it gives me great pleasure to extend a very warm welcome to Shrimati Meira Kumar, Speaker of Lok Sabha of India to the 5th Session of Bhutan's 1st democratically elected Parliament.

It is a great honour to have your Excellency in our midst to address the Parliament of Bhutan. It is indeed a historic visit as Your Excellency's visit is the first ever visit to Bhutan by the Speaker of Lok Sabha.

We extend a very warm welcome to the Leader of the Opposition in the Indian Parliament, Her Excellency Sushma Swaraj. This is also a first ever visit to Bhutan by the Leader of the Opposition of India. We also welcome the other Hon Members of Lok Sabha and officials of the Indian Parliament.

The present visit by the important personalities of the Indian Parliament marks an important event in the history of Bhutan and is yet another milestone in Indo-Bhutan relations.

Your Excellencies,

Bhutan and India are bound by historical ties, cultural affinities and common geography. Today, our relations are an example of good neighbourly relations between a large and powerful country and a small landlocked country. The foundations of our present bilateral relations were laid by Pandit Jawaharlal Nehru and His Majesty Jigme Dorji Wangchuck, the Third Druk Gyalpo in 1958 when Pandit Nehru visited Bhutan. Over the past five decades, with India's generous assistance, Bhutan's socio-economic development has made tremendous progress. Our relations have been nurtured at the highest political levels. The signing of the Indo-Bhutan Friendship Treaty in February 2007 was yet another watershed event which guarantees peaceful co-existence and mutual respect for each other.

Under the farsighted and dynamic leadership of His Majesty the Fourth King, Druk Gyalpo Jigme Singye Wangchuck in pursuit of GNH, Bhutan initiated the process of a written Constitution in November 2001.

The drafting committee reviewed numerous constitutions of the world and consulted many renowned constitutional experts. Most importantly our Constitution derived valuable inspiration from the Constitution of India, the world's largest leading democracy.

Taking a significant step forward in the process towards establishing parliamentary democracy in our country, the polling for the National Council was conducted on December 31, 2007 and the National Assembly elections was conducted on March 24, 2008 respectively. The newly elected Government under the new Constitutional Democratic Monarchy was instituted in April 2008.

Your Excellency,

On 17th May 2008, Dr Manmohan Singh, the Hon Prime Minister of India graciously addressed the Parliament of Bhutan as the first ever Head of Government during which time he said, I quote, "Democracy is not merely about holding elections, Democracy requires sustained commitment to tolerance and the judicious exercise of power as a societal trust to be used for public good. It requires a deep commitment to the rule of law. It requires the building of strong institutions of

governance and respect for others view points” – I unquote, it is indeed great words of wisdom that we treasure to steer us forward in our effort to lay a firm foundation for our fledging democracy.

Bhutan is now the world’s youngest democracy. We shoulder very heavy responsibility to ensure a strong foundation for the success of democracy in our country for generations to come. To this effect, I as the Speaker of the first ever democratically elected Parliament of Bhutan, had the opportunity to visit Indian Parliament from August 25th to September 4, 2008 and met with the Speaker of the Lok Sabha, Parliamentarians and great leaders of the Indian Government. Having said this, we would like to solicit, Your Excellency, the Speaker of India, the Government and the people of India for your continued support and assistance for the success of parliamentary democracy in Bhutan. We are confident that the present visit of your Excellencies will herald a fruitful and mutually satisfying relation between the two Parliaments of our countries in the years ahead.

It is a matter of great satisfaction that Indo-Bhutan relations today are stronger than ever before. Our destinies are inexorably linked. We are confident that

this historic visit by Your Excellencies will contribute towards further strengthening of the relations between our two countries for the mutual benefit of our people.

Finally, may, I also take this opportunity to wish Your Excellencies a very happy and fruitful stay in our country.

I now invite Your Excellency, the Hon Speaker of Lok Sabha to kindly address the Joint Session of the Parliament of Bhutan.

**OPENING ADDRESS BY THE SPEAKER TO THE
JOINT SITTING OF THE PARLIAMENT**

*Date: 31st May 2010
10.00 am – 1.30 pm*

Hon Speaker in his opening address to the Joint Sitting said that the Joint Sitting was being convened to pass the following Bills that the two Houses could not agree.

1. Tobacco Control Bill of Bhutan
2. Royal Monetary Authority Bill of Bhutan
3. Bhutan Standards Bill of Bhutan
4. Service Conditions Bill for the Holders of Constitutional Offices of Bhutan and also to deliberate on the review Report of Pending Audit reports of 2006, 2007 and 2008.

He said that the Bills were discussed in both the Houses as per the procedure set out for passing of Bills but during the deliberation the Members could not reach to consensus on some sections of the Bill. Therefore, as per Article 13 (8) of the Constitution of the Kingdom of Bhutan, it was submitted to His Majesty the Druk Gyalpo. On the 30th Day of the 1st Month of the Iron Male Tiger Year, His Majesty the Druk Gyalpo, as per Article 13 (8) of the Constitution of the Kingdom of Bhutan commanded that the Bills be discussed in a Joint Sitting of the Parliament. Hon Speaker informed the House that on receiving the Command, a Joint Committee for each Bill comprising of

the Hon Members from both the Houses was formed following which the Joint Committees thoroughly deliberated the Bills. He also informed that the House will deliberate on the recommendations submitted by the Joint Committee.

Before the Chairperson and Members of the Joint Committee of the Tobacco Control Bill made their submissions, Hon Speaker elucidated a few points on the Tobacco Control Bill as follows:

TOBACCO CONTROL BILL, 2009

The Bill was first deliberated in the National Council during the 3rd Session. It was then transmitted to the National Assembly for adoption. The Bill was thoroughly discussed by the National Assembly and was re-transmitted to National Council.

The Bill was then discussed in the National Council and could not concur on 10 sections in the Bill. The differences in the Bill between the two Houses were submitted to the Druk Gyalpo by the National Council.

His Majesty the Druk Gyalpo, as per Article 13 (8) of the Constitution of the Kingdom of Bhutan commanded that the Bills be discussed in a Joint Sitting of the Parliament.

On receiving the Command, a Joint Committee comprising of Hon Members from both the Houses was formed to discuss on the Bill.

After the Hon Speaker's address, the Chairperson and the Members of the Joint Committee presented their recommendations to the Parliament and the Bill was adopted with the following amendments:

Section 13

A person importing tobacco and tobacco products for personal consumption shall pay duties and taxes as specified ~~by the Government~~ **per the existing Law in the rules.**

Section 26 (b)

Board shall ~~have the authority to~~ designate smoking rooms/areas in public places under section (3) from time to time;

Section 35 (a)

Members deliberated extensively on this section and finally adopted the section by show of hands. Out of 66 members present, 54 Members voted for the clause as recommended by the Joint Committee and 13 Members voted for the clause as in the draft. Thus section 35 (a) was adopted as follows:

Enforce ~~quota~~ **quantity** limitation on import of tobacco and tobacco products across borders at the entry points;

Section 48

A person smoking in any non- smoking area designated under section 3 shall be ~~punishable as violation under with~~ngultrum for the first offence and ~~with fines which may extend to~~ ngultrum for second offence and subsequent offence shall be penalized as per the Penal Code of Bhutan **fined with an amount specified by Tobacco Control Board 2004**

Section 49

In a public gathering place the person in charge/proprietor shall designate an area for smokers. If this is not specified and if a person is found smoking in non- smoking area, a the person in-charge of that place shall be fined with an amount specified by Tobacco Control Board

Section 50

Any person who contravenes the provision of section 11 (a) and (b) shall be punishable with a ~~of misdemeanor and shall be~~ **felony of the fourth degree** ~~penalized~~ as per the Penal Code of Bhutan 2004.

Section 51

Members deliberated extensively on this section and was finally adopted the section by show of hands. Out of 66 members

present, 63 voted for “YES” and 3 Members voted for “NO”. Thus section 51 was adopted as follows:

Any person who contravenes the provision of section 11(c) shall be punishable with **misdemeanor if the source of supply is revealed. If the accuse fails to disclose, he or she shall be liable for the offence of smuggling in addition to the offence of misdemeanor.**

Section 52

Any person found smuggling tobacco or tobacco products shall be guilty of an offence of smuggling and **shall be punishable with minimum sentence of felony of fourth degree.**

Section 53

Any person who contravenes the provision of section 19 shall be punishable with a petty misdemeanor as per the Penal Code of Bhutan-2004

Section 54

Any person found with more than the permissible ~~quota~~ **quantity** for personal consumption under section 12 shall be guilty of the offense for smuggling and ~~shall be penalized as per the Penal Code of Bhutan 2004 under section 279.~~ **shall be punishable with minimum sentence of felony of fourth degree.**

After extensive deliberation on the Tobacco Control Bill 2010, Hon Member at 10.45 am on June 1, voted for the Bill to turn into Act. 61 out of 65 Members present voted for “YES” with Hon Member of Sombaykha, Hon Member of Goenkhatoe-Laya, Hon Member of Chapcha Bongo and NC Member Karma Damcho Nidup voting “NO”.

ROYAL MONETARY BILL OF BHUTAN

June 1, 2010

11.00 am -1.00pm

The Hon Speaker informed the Parliament that the Royal Monetary Authority Bill, 2009 was deliberated in the National Council during its 3rd Session and was submitted to the National Assembly as per article 13(5) of the Constitution. Subsequently, the Bill was deliberated in the 4th Session of the National Assembly and was forwarded to the National Council for re-deliberation. However during the re-deliberation, the National Council could not resolve on 11 sections of the Bill. Thus, it was reviewed in the joint committee of the Parliament and tabled during the current Session of the Parliament for adoption.

After the Hon Speaker’s address, the Chairperson and the Members of the Joint Committee presented their recommendations to the House and the Bill was adopted with the following amendments:

Section 32 (c)

~~Four other members appointed from outside the Authority~~

Four other members appointed by the Government from outside the authority shall include ~~at least~~ one member from the Ministry of Finance.

Section 33

- a) The Governor shall be the Chairperson of the Board;
- b) The Board shall elect the Deputy Chairperson from among the members excluding the two Deputy Governors;
- c) The Board shall designate one of the Deputy Governors as Member Secretary.

Section 49

The quorum for a meeting of the Board shall be ~~four~~ **five** members, ~~of which the governor and one of the two deputy governors shall be present.~~

Section 68

The ~~Authority~~ **Board** shall determine the salaries, allowances and benefits of the officers and employees of the Authority. The ~~Authority~~ **Board** shall ensure that these arrangements are fully appropriate, having regard to remuneration for comparative work in the public and private sectors.

New Section after Section 76

Integrity

The members of the ~~b~~Board and the ~~e~~Executive members shall not be influenced ~~by~~ in any manner whatsoever by an individual or body of individuals in *the* discharge of their official duties.

New section

Responsibility;

The members of the ~~b~~Board and the ~~e~~Executive members shall ensure that their conduct is consistent with the dignity, reputation ~~and~~ and integrity of the ~~a~~Authority and the sovereignty of Bhutan.

New section

Personal Conduct:

The members of the ~~b~~Board and the ~~e~~Executive members having been entrusted with sacred responsibility to serve tsa-wa sum, ~~they~~ shall not: ~~refrain from:~~

- ~~Indulging~~ **indulge in ~~bad behaviours~~ such conduct that ~~infringe~~ impinges the performance of official duties or ~~tarnish~~ tarnishes the image of the ~~a~~Authority or the country.**

- Open or operate Bank accounts in any country outside Bhutan.
- ~~Abuse of his office power or~~ Misuse official position. ~~any act prejudicial to the right of any person, or contrary to any government policy.~~

New section

Conflict of Interest:

The ~~Board of Director~~ four appointed members of the Board ~~and the Executive members~~ shall ensure that no conflict of interest arises between his public duties and private interest, financial or otherwise and shall: ~~the member of the Board and the executive committee members shall~~

1. declare income, assets and liabilities including the income, assets and liabilities of their spouses and dependants within three months after the appointment in compliance ~~to~~ with the Anti-Corruption ~~Commission~~ Act and
2. ~~Not undertake any private business or commercial activity.~~
3. ~~Maintain the highest degree of incorruptibility and;~~
4. Not make any unauthorized commitment or promise that purports to bind the government

New section

~~Any person who breached this code of conduct may be removed from the office.~~

New Section

Accountability

The members of the Board and the eExecutive committee members shall have the duty to account and be held accountable for policies, decisions and actions of the aAuthority.

New Section after Section 111

Priority Sector consideration

The Authority may, from time to time, prescribe the terms and conditions associated with lending activities of financial institutions towards priority sectors as may be determined by the government from time to time.

New Section after Section 141

The Royal Government may, from time to time, issue such directives to the Authority, as it may consider necessary after consultation with the Governor, in the public interest. Any directives issued under this Section shall be reported to the Parliament.

Section 156

The accounts of the Authority shall be subject to audit at least once every year by suitably qualified ~~external auditor~~ **audit firm** appointed by ~~the Board from an empanelled list of audit firms maintained by the~~ **Royal Audit Authority.**

Section 157

Notwithstanding the provision in Section 156, the Royal Audit Authority may also audit the ~~accounts and operation~~ of the Authority.

New Section added under Section 179 (n) as (o)

It was resolved that the abovementioned Section to be deleted.

Section 180

Unless the context clearly otherwise requires, wherever used in this Act, ~~the masculine pronoun includes the feminine, and~~ the singular includes the plural.

After extensive deliberation on the Royal Monetary Authority Bill 2010, Hon Member at 10.45 am on June 2 voted for the Bill to turn into Act. All the 66 Members present voted and endorsed the Bill unanimously.

**ENTITLEMENT AND SERVICE CONDITIONS BILL
FOR HOLDERS, MEMBERS AND COMMISSIONERS
OF THE CONSTITUTIONAL OFFICES 2010**

June 3, 2010

10 am – 12.30 pm

The Hon Speaker informed the House that the Service Conditions Bill for Holders, Members and Commissioners of the Constitutional Offices, 2010 was deliberated in the National Assembly during its 3rd session and was forwarded to the National Council. Subsequently, the Bill was deliberated by the National Council and then re-transmitted to National Assembly on 24th July 2009 for re-deliberation. During the re-deliberation in the National Assembly, the House could not concur on 2 sections. Thus, it was reviewed in the Joint Committee and tabled during the current session for adoption.

After Hon Speaker's address, the Chairperson and the Members of the Joint Committee presented their recommendations to the House and the Bill was adopted with the following amendments:

Section 5(f)

In the government or public service for minimum of 20 years for the **Members and Commissioners** and 25 years for the Heads of Constitutional Offices.

Annexure

SALARY, ALLOWANCES, BENEFITS AND OTHER ENTITLEMENTS

- i. Salary
- ii. Accommodation
- iii. Water and Electricity
- iv. Telephone
- v. In-country Travel DSA
- vi. Travel Abroad DSA
- vii. Leave Encashment
- viii. LTC
- ix. Gratuity
- x. Provident Fund
- xi. Pension
- xii. Discretionary Grant
- xiii. Expenses for carriage and personal effects
- xiv. Leave
- xv. Group Insurance Scheme

Due to the changes in the above two sections, the following sections in the Bill were also amended accordingly:

Section 4

A person appointed as the Holder, Member and Commissioner of a Constitutional Office shall resign with from his/her previous office ~~if any upon appointment to the Constitutional offices~~ with post service benefits.

Section 11

The salaries, **allowances, benefits and other entitlements** of the Holders, **Members and Commissioners** of the Constitutional Offices shall be as per the Annexure.

*In Section 11, amendment which read as “**The Lhengye Zhungtshog of the First Parliament shall determine, as one-time fixation, the salaries, allowances, benefits and other entitlements as provided in the Annexure.**” was resolved to be inserted in the proceedings resolution.*

Section 13

~~The allowances of the holders of the Constitutional offices, **member or the Commissioner** shall be as per Annexure A of this Act.~~

It was resolved that the abovementioned section to be deleted and inserted in the Annexure.

Section 14

~~The holders of Constitutional Offices, **member or the Commissioner** shall be entitled to a free accommodation or a house rent allowance as stipulated in Annexure A.~~

It was resolved that the abovementioned section to be deleted and inserted in the Annexure.

Section 16

The **Holders, Members and Commissioners** of the Constitutional Offices shall be entitled to receive such other benefits as ~~applicable to civil servants from time to time~~ **deemed necessary from time to time in accordance with the Constitution.**

Section 17

~~The Holders, Members and Commissioners of the Constitutional Offices shall be entitled to the following categories of leave;~~

- ~~a. Casual Leave,~~
- ~~b. Earned Leave,~~
- ~~c. Maternity Leave,~~
- ~~d. Paternity Leave, and~~
- e. Medical Leave.

It was resolved that the above-mentioned section deleted and inserted in the Annexure.

Section 18

~~The holders of the Constitutional Offices, *members of the Commissioner* shall be entitled to telephone allowance as per Annexure A.~~

It was resolved that the abovementioned Section to be deleted.

Section 21

Removal of Holders of the Constitutional Offices shall be as per the Constitution.

New Section after section 21

Removal of Members and Commissioners shall be as per the relevant laws.

Section 22

~~The holders of the Constitutional Officers, *members of the Commissioner* shall be entitled to retirement benefits such as provident fund, gratuity, journey and transport as per the prevailing rules and regulations applicable to civil servants. However, with regard to gratuity, where an appointment is from among civil servants and the tenure of such appointee expires five years or more before his/her superannuation age in the civil service, she/she shall be entitled to the maximum ceiling upon his/her retirement from the constitutional post.~~

It was resolved that the above-mentioned section to be deleted and inserted in the Annexure.

Section 23

The Holders, **Members and Commissioners** of the Constitutional Offices, shall not be entitled to retirement benefits ~~mentioned under section 22~~ of this Act in the event of impeachment or removal.

New Section after section 23

~~**The rules under this Act shall be framed collectively by the constitutional bodies.**~~

It was resolved that the new section after section 23 proposed by the Joint Committee to be deleted.

After extensive deliberation on the Entitlement and Service Conditions Bill for Holders, Members and Commissioners of the Constitutional Offices 2010, Hon Member at 11.05 am on June 4 voted for the Bill to turn into Act. 65 out of 68 Members present voted “YES” with NC Member Hon Karma Yoezer Reddy voting “NO” and Hon Karma Damcho Nidup and NC Member of Bumthang abstaining.

CIVIL SERVICE BILL OF BHUTAN, 2009

July 7, 2010

10.30 AM

The management and administration of the civil servants were based on the Royal Charter of 1982 and thus the Commission submitted Civil Service Bill to the National Assembly during its 87 session. However, the Bill could not be passed and so after the new Government was formed, the Bill was again submitted as Urgent Bill during the 3rd session of the First Parliament. National Assembly deliberated on the Bill and was transmitted to National Council.

National Council deliberated on the bill and could not concur on few points. Thereafter, as per the provisions of the Constitution, the Bill was submitted to the Druk Gyalpo. Druk Gyalpo commanded that there should be proper procedure for identifying urgent bills, thus the bill was deferred.

However, the Bill was re-introduced as a new Bill as per the procedure during the 4th session of the First parliament. National Assembly deliberated on the Bill and was transmitted to National Council. National Council deliberated on the bill and accepted 4 out of 8 amendments made by National Assembly. National Council re-transmitted the Bill to National Assembly along with 50 amendments.

National Assembly while discussing the Bill couldn't concur on few sections. Thereafter the differences in the Bill between the two Houses were submitted to the Druk Gyalpo for command of Joint Sitting. Druk Gyalpo commanded the Bill to be deliberated in the Joint Sitting. Thus, it was reviewed in the Joint Committee and tabled during the current session for adoption.

After Hon Speaker's address the Chairperson and the Members of the Joint Committee presented their recommendations to the House.

Preamble

Retain as in the draft

Section 2

Retain as in the draft

Section 4

Retain as in the draft

Section 5

Retain as in the draft

Section 6

The purpose of this Act ~~is~~**shall be** to:

- (a) establish an independent and apolitical Royal Civil Service Commission **responsible** to manage the Civil Service of the Kingdom **of Bhutan**.
- (b) provide an umbrella Civil Service Act to ensure parity, consistency and uniformity of personnel actions throughout the civil service;
- (c) define the powers and duties of the Commission;
- (d) establish a unified apolitical and merit based Civil Service that is professional, efficient, effective, transparent and accountable in the service of the *Tsa-wa-sum*;
- ~~(e) prescribe Civil Service values; and~~
- ~~(f) prescribe duties and rights of a civil servant.~~

Section 8

Moved after Section 21

Section 10

Retain as in the draft

Section 13

Upon assuming Office, the Chairperson and members of the Commission shall take an Oath or Affirmation ~~and Secrecy~~ in the form and manner prescribed by law. **in Third Schedule of the Constitution of Kingdom of Bhutan.**

Section 22(e)

~~The Chairperson and members of the Commission shall~~ not make any unauthorized commitment or promise that purports to bind the Commission or the Royal Government.

Section 32

Moved before section 30

Section 33

~~Powers and~~ Functions of the Commission

The **Royal Civil Service Commission as the central personnel agency of the Government** shall:

- (a) **administer and enforce all statutory provisions of this Act;**

- (b) **prescribe, amend and enforce rules and regulations for carrying into effect the provisions of this Act;**
- (c) **promulgate policies, standards and guidelines for the Civil Service and adopt plans and programs in consultation with the agencies to promote efficient and effective personnel administration in—~~the~~ government;**
- (d) appoint, promote and transfer civil servants except as specified otherwise in this Act;
- (e) **formulate, administer and evaluate programs pertaining to the development and retention of qualified and competent work force in the civil service;**
- (f) ~~endeavour to~~ promote and maintain the highest level of prestige, morale and well-being of the civil service;
- (g) **conduct periodic HR auditing across all agencies;**
- (h) **conduct special investigation on HR actions where necessary.**
- (i) ensure establishment of a human resource committee/council in each agency with standard functions and responsibilities to ensure proper personnel administration and human resource development, and monitor their functions;

- (j) **prescribe, enforce and review code of conduct for the civil servants;**
- (k) **manage Civil Service selection examinations;**
- (l) **review**, plan, coordinate, facilitate and monitor general civil service training and development programmes;
- (m) maintain up-to-date personnel information on all civil servants as prescribed in the BCSR;
- (n) exercise general disciplinary control over civil servants **through the enforcement of all rules, regulations and relevant laws.**
- (o) provide administrative and legal support to civil servants in respect of decisions taken in good faith or **intent intended** pursuant to official duties; and
- (p) perform any other functions to discharge its mandates.

New section after 33

Powers of the Commission

The Commission:

- (a) **may require free access to all information and records of agencies that relate to HR management and to inspect and inquire into and call for any information arising from those accounts and records;**

- (b) **may revoke any HR actions taken by implementing agencies if found in contravention to this Act and BCSR.**
- (c) **may call upon any entity or official in government to assist the Commission in the preparation and conduct of Civil Service selection examinations.**
- (d) shall require ~~aAll Agencies and~~ civil servants and agencies **to shall** provide the Commission with such facilities, assistance, information and access to their respective Offices as the Commission may require for the performance of its duties.
- (e) may delegate its **functions** ~~powers~~ in writing and subject to such conditions to be prescribed in the rules and regulations, to a person, agency, authority or entity including its secretariat from time to time as appropriate
- (f) ~~The Commission~~, in consultation with the agencies, shall:
 - (i) determine staffing pattern and strength of an agency;
 - (ii) reate, abolish or classify positions;
 - (iii) enhance capacity through Human Resource Development Programmes; and
 - (iv) carry out organizational development reviews at regular intervals.

Section 35

The Commission shall, as per the decision of the Lhengye Zhungtshog create, abolish, upgrade or alter organizational structures in ministries and autonomous agencies, including names in consultation with line Agencies. Likewise, the Legislature and Constitutional bodies **shall** carry out such organizational changes in consultation with the RCSC.

Section 36

Retain as in the draft

Section 37

Moved under chapter XI

Section 47

Retain as in the draft

Section 49

A civil servant shall **not**: ~~abide by the code of conduct and ethics as prescribed by the BCSR.~~

- (a) be eligible to be a candidate for any election conducted under the electoral laws of the Kingdom or hold any paid or unpaid post in any political party;
- (b) canvass for the political party or any candidate in an election conducted under the electoral laws of the Kingdom;

- (c) **engage in any corrupt activities;**
- (d) be a member of, belong to or take part in a society, assembly or association, except as may be permitted under the rules and regulations;
- (e) instigate, involve or participate in a strike, demonstration, marches or other similar activities;
- (f) engage in proselytization;
- (g) engage in sexual harassment; **and**
- (h) act against the interest of *Tsa-Wa-Sum*.

New Section after 49

A civil servant shall abide by any additional code of conduct and ethics as maybe prescribed by the BCSR.

New Section

Breaches of Code of Conduct

A Civil servant who is found to have breached the Code of Conduct shall be subject to the following sanctions.

- a. Termination**
- b. Compulsory retirement;**
- c. suspension;**
- d. withholding of promotion;**

- e. demotion;**
- f. re-assignment of duties;**
- g. reduction in salary;**
- h. deductions from salary, by way of fine;**
- i. a reprimand; or**
- j. any other sanction**

The extent and degree of sanctions shall be as prescribed in the BCSR.

Section 53

Retain as in the draft

New Section after 54

Prohibition on patronage, favoritism and nepotism

A person exercising powers under this Act or the regulations in relation to the human resource management and development of civil servants shall do so without patronage, Favoritism or nepotism.

Section 55 (h) (j) and (k)

This section is covered under Code of Conduct, therefore it is deleted from here.

Section 56(d)

Retain as in the draft

Section 61

A secretary to the Government shall be the highest position in the civil service and may serve a maximum term of five years or until the superannuation age, whichever is earlier, ~~and each term shall consist of five years.~~

New Section after 63

Except for EX1 positions and for appointments as provided in section 58 of this Act, the Constitutional offices shall, in accordance with the BCSR, make recruitment, selection and appointment against a vacant position in all categories.

Section 64

A person may be appointed on contract on competitive basis to meet specialized or short-term human resource needs of an agency in accordance with the BCSR. **However, exceptions to this section may be made in specialized fields for time bound assignments by the HR committee with approval of the concerned Minister.**

Section 66

Retain as in the draft

Section 70

This section is deleted since it is already covered under Functions

Section 73

Except for executive (EX) and specialist (ES) positions, all regular promotions, in keeping with the BCSR, shall be administered by respective agencies through human resource committees/councils with due notification to the RCSC. ~~All promotions to executive positions must include proven leadership and positive feedbacks.~~

New Section after section 73

In case of Constitutional Offices, except for EX1 positions, all regular promotions, in keeping with the BCSR, shall be administered by respective Constitutional Offices through human resource committees/councils with due notification to the RCSC.

New Section

All promotions to executive positions must include proven leadership and positive feedbacks.

Section 78

Retain as in the draft

New section after 79

Any transfer to and from Constitutional Offices shall be made by the RCSC in consultation with the concerned Constitutional Offices.

Section 80

Notwithstanding section 79, the *Lhengye Zhungtshog* Cabinet shall determine and approve the inter-ministry and inter-dzongkhag transfer of secretaries and dzongdags in the same positions in consultation with the Commission.

New Section after 84

The appellate authority shall be vested in the Ministries, Royal Civil Service Commission, and the Administrative Tribunal.

Constitution of the appellate authorities and process for appeal shall be as prescribed in the BCSR.

Section 99

Retain as in the draft

Section 102.1

Retain as in the draft

Section 102.4

Retain as in the draft

Section 102.7

Retain as in the draft

Section 102.9

Retain as in the draft

Section 102.29

~~**Organization** means an entity outside the jurisdiction of the Commission, whether fully or partially funded by the Government.~~

Section 102.33

Royal Government includes ~~all the three branches of the Government, namely~~ the Legislature, the Executive and the Judiciary.

After the presentation by the Hon Chairperson, Hon Member at 12.30 am on June 7 voted for the Bill to turn into Act. 66 Members out of 68 voted 'yes' for the Bill with NC Member Kuenlay Tshering voting 'NO' and NC Member of Thimphu abstaining from voting.

BHUTAN STANDARD BILL OF BHUTAN

June 2, 2010

11.05 am

The Hon Speaker informed the House that the Bhutan Standards Bill, 2010 was deliberated in the National Council during its 3rd session and was forwarded to National Assembly. Subsequently, the Bill was deliberated by the National Assembly and then re-transmitted to the National Council for re-deliberation. During the re-deliberation in the National Council, the House could not concur on 5 sections. Thus, it was reviewed in the Joint Committee and tabled during the current session for adoption.

After Hon Speaker's address, the Chairperson and the Members of the Joint Committee presented their recommendations to the House. During the discussion, Hon Members deliberated extensively on section 3 but could not come to a consensus. Members also submitted that due to section 3 all the remaining sections had to be amended, thus it was resolved that the Bill be re-committed and report back in the next Joint Sitting.

June 7, 2010

10.00 am

The Hon Speaker informed the House that the Bhutan Standard Bill, 2010 was deliberated in the National Council during its 3rd session and was forwarded to National Assembly. Subsequently, the Bill was deliberated by the National Assembly and then re-transmitted to the National Council for

re-deliberation. During the re-deliberation in the National Council, the House could not concur on 5 sections. Thus, it was reviewed in the Joint Committee and tabled during the current session for adoption.

After Hon Speaker's address the Chairperson and the Members of the Joint Committee presented their recommendations to the House.

Section 3

There shall be a Bhutan Standards Bureau which shall be an autonomous body.

Section 7

~~The Minister shall, on the recommendation of~~ The Royal Civil Service Commission **shall** by public notice, appoint a person suitably qualified, scientifically and technically, as the Head of the Bureau who shall be the Chief Executive Officer of the Bureau, subject to the general superintendence of the Bureau.

Section 8

The terms and conditions of service of the Head and employees of the Bureau shall be such as may be prescribed under the Civil Service Act of Bhutan.

Section 10

The Bureau may appoint or hire on contract such officers and staff of the Bureau as the Bureau may deem necessary for the proper performance of the functions of the Bureau under Civil Service Act of Bhutan.

Section 29(a)

~~a balance sheet showing in detail the assets and liabilities of the Bureau as at the end of that year;~~

After the presentation by the Hon Chairperson, Hon Member at 10.35 am on June 7 voted for the Bill to turn into Act. All 68 members present voted and thus endorsed the Bill.

RE-DELIBERATION ON THE CIVIL SERVICE BILL, 2010

The management and administration of the civil servants were based on the Royal Charter of 1982 and thus the Commission submitted Civil Service Bill to the National Assembly during its 87 session. However, the Bill could not be passed and so after the new Government was formed, the Bill was again submitted as Urgent Bill during the 3rd session of the First Parliament. National Assembly deliberated on the Bill and was transmitted to National Council.

National Council deliberated on the bill and could not concur on few points. Thereafter, as per the provisions of the Constitution,

the Bill was submitted to the Druk Gyalpo. Druk Gyalpo commanded that there should be proper procedure for identifying urgent bills, thus the bill was deferred.

However, the Bill was re-introduced as a new Bill as per the procedure during the 4th session of the First parliament. National Assembly deliberated on the Bill and was transmitted to National Council. National Council deliberated on the bill and accepted 4 out of 8 amendments made by National Assembly. National Council re-transmitted the Bill to National Assembly along with 50 amendments.

Hon Chairperson of the Legislative Committee presented the amendments made by National Council and adopted the Bill as follows:

Preamble

Whereas, the Constitution requires the Commission, as the central personnel agency of the **Royal** Government and in the interest of promoting merit, productivity and equity, to ensure that uniform rules and regulations prevail throughout the civil service on recruitment, appointment, staffing, training, transfers and promotion;

Parliament of the Kingdom of Bhutan ~~do~~ hereby enacts the Civil Service Act at its ~~Fourth~~**Fifth** Session of the First Parliament as follows:

Section 1(a)

be called the CIVIL SERVICE ACT OF BHUTAN, **2010** ~~2009~~;

Section 2

Any provision in other laws, rules and regulations pertaining to civil servants, so far as they are inconsistent with this Act, are hereby repealed.

Section 3

This Act shall apply to **the Royal Civil Service Commission** and all civil servants of the Kingdom of Bhutan.

Section 4

To retain as in the Bill

Section 5

To retain as in the Bill

Section 6

To retain as in the Bill

Section 7

To insert sub title “Establishment and Composition”

Section 8

To retain as in the Bill

Section 10

To retain as in the Bill

Section 11

A person To be eligible to hold Office as a **Chairperson** and a member of the Commission, ~~a person~~ shall:

- (d) not have been terminated from **Government or** Public Service; (*as per Entitlement and Service Conditions Act for the Holders, Members and Commissioners of the Constitutional Offices of Bhutan 2010*)
- (g) have rendered a minimum of 25 years of service in case of the Chairperson and 20 years for other members ~~with a clean record either in Government the Civil Service or Public Service Sector~~; (*as per Entitlement and Service Conditions Act for the Holders, Members and Commissioners of the Constitutional Offices of Bhutan 2010*)
- (j) **have proven leadership qualities.**

Section 13

Upon assuming Office, the Chairperson and members of the Commission shall take an Oath or Affirmation ~~and Secrecy~~ in the form and manner prescribed by law. **in Third Schedule of the Constitution of Kingdom of Bhutan.**

New section after section 13

The Commission shall be supported by a permanent Secretariat.
(*Section 8 of draft moved here*)

Section 15

The salary, tenure, discipline and other conditions of service of the Chairperson and other members shall be as prescribed by **the Entitlement and Service Conditions Act for the Holders, Members and Commissioners of the Constitutional Offices of Bhutan 2010**. ~~law, provided their salary and benefits are not varied to their disadvantage after appointment.~~

Section 16

Amended in Dzongkha text

Section 22

The Chairperson and members of the Commission shall;

- (a) ~~ensure that their~~ conduct themselves **in a manner that** is consistent with the dignity, reputation and integrity of the Commission. ~~and the sovereignty, security, unity and integrity of the country.~~
- (b) uphold the sovereignty, security, unity and integrity of the Country.
- (c) ~~The Chairperson and members of the Commission~~ shall not hold any post in a public or private company or a non-governmental organization or such other organization whether it carries remuneration or is honorary, other than as may be required in their

official capacity as the Chairperson or as a member of the Commission. *(section 23 of draft)*

- (d) ~~The Chairperson and members of the Commission shall ensure that no~~ **refrain from and prevent** any conflict of interest **in discharge of their** ~~arises or appears to arise, between their public~~ **official** duties and **responsibilities.** ~~their private interests, pecuniary or otherwise.~~ *(section 24 of draft)*
- (e) ~~The Chairperson and members of the Commission~~ shall not make any unauthorized commitment or promise that purports to bind the Commission or the ~~Royal~~ Government. *(section 25 of draft)*
- (f) ~~The Chairperson and the members of the Commission~~ shall maintain confidentiality in cases where, decisions, documents and deliberations should not be disclosed in the public interest. *(section 26 of draft)*
- (g) ~~The Commission shall~~ uphold the Civil Service Values and Conduct set out in this Act. *(section 27 of draft)*
- (h) ~~The Commission may~~ prescribe additional values and code of conduct. *(section 28 of draft)*

Section 32

To retain as in the Bill

Section 33

Retain as in the bill except for section 33(d) which the National Assembly resolved to delete it.

Section 36

To retain as in the Bill

Section 37

To retain as in the Bill

Section 47

To retain as in the Bill

Section 49

To retain as in the Bill and new sections proposed by National Council after section 49 was not accepted.

Section 53

To retain as in the Bill

New Section after 54

New section after section 54 proposed by National Council was not accepted.

Section 55 (h), (j) and (k)

To retain as in the Bill

Section 55 (o)

appear before Disciplinary Committee or Administrative Tribunal or Court **or any other lawful entities** as and when summoned;

Section 56 (d)

To retain as in the Bill

Section 61

A secretary to the Government shall be the highest position in the civil service and may serve a maximum term of five years or until the superannuation age, whichever is earlier.

Section 64

A person may be appointed on contract on competitive basis to meet specialized or short-term human resource needs of an agency. **However, exceptions to this section may be made in public interests by the HR committee with special approval of the concerned Minister.**

New section after section 65

A civil servant shall be entitled for leave and other benefits as prescribed in the BCSR.

Section 66

The Commission, as the central personnel agency of the Royal Government, shall prescribe rules and procedures for career and

professional development of civil servants through continuing education and training to develop capacity and maintain competency and professionalism in the Civil Service, as specified in the BCSR.

Section 69

The Commission ~~may shall~~ identify one or more of ~~the existing~~ Colleges/Institutes in the Kingdom for conducting pre-service and in-service trainings of civil servants

Section 70

To retain as in the Bill

Section 78

To retain as in the Bill

Section 80

Notwithstanding section 79, the *Lhengye Zhungtshog* ~~Cabinet~~ shall determine and approve the inter-ministry and inter-dzongkhag transfer of secretaries and dzongdags in the same positions ~~in consultation with the Commission.~~

New section after section 84

New section proposed by National Council is not accepted by National Assembly.

Section 90

Sub title before section 90 “**Agency Severance**”

Section 91

A civil servant shall be terminated from service if he or she is convicted by the court of law for a criminal offence of misdemeanor and above for offences related to **discharge of** official functions.

Section 92

A civil servant shall be compulsorily retired from service with post service benefit if he or she is convicted by the court of law for a criminal offence of misdemeanor and above for offences not related to **discharge of** official functions.

Section 93

The Commission may institute a scheme for recognizing and rewarding excellent performance or outstanding contributions. The recognition may be in the form of civil service awards, honours, promotion and financial reward as may be prescribed ~~by the Commission.~~ **in the BCSR**

Section 94

An Agency shall maintain a safe and healthy working environment including health, safety and welfare of its civil servants as prescribed by ~~rule and law.~~ **prevailing laws and by-laws.**

Section 97

The Commission shall protect a civil servant ~~or an agency~~ from false allegation or defamation leveled by any person or party while discharging his/her duties and responsibilities in accordance with rules and regulations.

Section 99

To retain as in the Bill

Section 102.1

To retain as in the Bill

Section 102.3

Appellate Authority means the Administrative Tribunal for appeal cases from the **Royal Civil Service Commission RCSC**, the **Royal Civil Service Commission RCSC** for appeal cases from Ministries and Agencies, and the Ministry for appeal cases from Departments and Dzongkhags.

Section 102.4

To retain as in the Bill

Section 102.7

To retain as in the Bill

Section 102.9

To retain as in the Bill

Section 102.14

Criminal Offence means any ~~serious~~ offence as defined by the Bhutan Penal Code.

Section 102.16

~~102.16 Dzongkhag Tshogdu~~ has the same meaning as in the Local Governments Act.

Section 102.20

~~102.20 Gewog Tshogde~~ has the same meaning as in the Local Governments Acts.

Section 102.21

~~Head of Agency~~ means the Head of Legislature, Judiciary, Ministry, Constitutional Bodies, Autonomous Agency, Dzongkhag, Gewog, Thromde or a statutory body of the Royal Government

Section 102.22

~~Head of Ministry~~ means the Minister in charge of the respective Ministries.

Section 102.23

~~Head of Gewog~~ means the Gup.

Section 102.24

~~Head of Thromde~~ means the Thrompon

Section 102.29

To retain as in the Bill

Section 102.33

HR Personnel Auditing means assessment of the implementation of all HR actions by the Agencies as per the provisions of the Constitution, the Civil Service Act, the BCSR and the other relevant rules with the view to ensure fairness and objectivity in the Civil Service.

Section 102.36

To retain as in the Bill

After submitting their general views, Member In-Charge of the Bill moved the motion that the Bill be passed. Out of the 38 Members present, 37 voted “YES” with 1 member abstaining and thus adopted the Bill on June 23, 2010 at 10.30 am.

WATER BILL OF BHUTAN, 2010

The Minister for Works and Human Settlement, Member In-Charge of the Bill, moved the motion for leave to introduce the Bill and adoption for discussion on June 7, 2010. The Member In-Charge highlighted the importance of the Bill and also the reasons and objects for drafting the Bill. The Bill was then adopted for discussion after no objection was raised to introduce the Bill.

The Member In-Charge moved the motion for the second Reading of the Bill on June 7, 2010

Hon Minister said that the main purpose of the Bill is to prevent problems related to water and also to make a system to paying water tax as per the Water Act. He also informed that in order to conserve and manage the water resources, plans were important. Hence a National Water Resource Management plan shall be formulated as per the Bill. The Bill contains provisions on management, financial mechanism and research mechanism related to Water.

Hon Minister of Agriculture said that it is important to know the problems related to water faced in the other countries while reviewing the Bill. To this, Hon Member of Lhamoizingkha-Tashiding submitted that right to have water by the entire citizen should also be kept in mind.

Subsequently the Bill was referred to the Environment Committee for discussion.

Hon Members of National Assembly deliberated on the Water Bill, 2010 for Third Reading on July 9th to July 13th, 2010 and adopted the Bill with the following amendments:

Preamble

Recognising the threat of climate change on water resources **and considering** adaptation and mitigation measures ~~are~~ **as** necessary for the management of this resource;

Section 2

This Act hereby repeals the **provisions of the Land Act 1979 and section 267 of the Land Act 2007 on water channel and embankments**, any other Acts, regulations and administrative instruments which are inconsistent with this Act.

Section 7

A person polluting water resources shall be responsible for the cost of containment, avoidance, abatement, mitigation, remediation, restoration and compensation **for any loss damage or injury.**

Section 8

A person abstracting **or using** water shall pay a charge as prescribed by this Act and its Regulations.

Section 10

The National Environment Commission shall be an independent authority ~~established by an Act of Parliament and shall exercise~~ **in exercising** the powers and **discharging the** functions conferred under this Act.

New section after 13 (h)

The relevant local Governments in collaboration with religious bodies and Ministry of Home and Cultural Affairs for protection of therapeutical waters such as Menchu, Nyechu Drupchu and Tshachu.

Section 16

The Competent Authorities in conformity **with this Act and** other relevant laws may:

Section 23 (c)

Existing developments at the time of commencement of this Act shall be allowed to continue, subject to such ~~reasonable~~ terms and conditions as the Commission **shall** impose to safeguard the integrity of the bed and banks of watercourses and the free flow of water therein.

New section after 26

Customary Rights or Practices of Water Use.

Customary rights and/or practices of water use may continue provided that the rights are fair and acknowledged by a Water User's Association or other local beneficiaries group in the area.

Section 33 (a)

In dealing with applications under preceding sections, the Commission and **the Competent Authorities** shall observe the following order of priorities:

Section 34

- a) Except as otherwise provided in this Act, all effluent discharge shall be in compliance with **the Effluent**

Discharge Standard and the provisions of the Environmental Assessment Act.

- b) **Effluents must be treated using best available technology before discharging into the environment.**
- c) **Notwithstanding any other provisions, it shall be unlawful to discharge any chemical, radiological, radioactive, medical or any other hazardous waste into water bodies.**

Any person discharging effluent shall be liable to pay a charge as prescribed in the regulations under this Act. *(Sub-section (b) of original draft)*

Section 35 (d)

If there is a risk of contamination of a water resource allocated for drinking purposes, the Commission ~~may~~ **shall** declare relevant area as **Watershed protection** ~~Management~~ Area.

Sub heading of section 36

Irrigation ~~Channel~~-Water

Section 36 (b)

Change made in Dzongkhag

Section 36 (e)

Blocking or otherwise altering an irrigation channel ~~flowing~~ **running** through one's property shall not be allowed without

the consent of the users of that channel, even where the channel is not required by the property owner.

New Section as 36 (k)

If an irrigation channel has remained idle for more than five years, the same shall not be considered under customary rights.

Sub heading of Section 39

Change made in Dzongkhag

New section after section 42 (b)

A group of Water Users' Associations using a particular water supply scheme for their water supply needs may liaise with each other to coordinate the activities.

Section 44

~~Federation of Water Users' Association~~

~~a) A group of Water Users' Associations using a particular water supply scheme for their water supply needs may federate to coordinate the activities.~~

~~b) The provisions of Sections 42 and 43 shall apply to the Federation of Water Users' Associations.~~

Sub-Section of 51

Change made in Dzongkhag

Section 51 (d)

The settlement of the mediation process shall be reported to the relevant Competent Authority ~~and shall be enforceable through the Court of law provided the relevant legal requirements are fulfilled.~~

Sub heading of section 52

~~Administrative Decisions Appeal~~

Section 52 (b)

A person who is not satisfied with a decision or order of the Commission under this Act may appeal to the **Court of Jurisdiction** ~~High Court~~ within 10 working days from the date of decision or order.

Sub heading of Section 53

~~Procedure for Monitoring and Inspection~~

Section 56

The Commission and the Competent Authorities ~~may~~ **shall** issue administrative orders to persons in violation of the provisions of this Act or its regulations.

Section 69

Existing Rights to Discharge Effluent

~~A person who at the commencement of this Act has discharged effluent without Environmental Clearance shall be granted a period of 24 months from the commencement of this Act to come under the purview of this Act.~~

Section 75.2

~~Act means the Water Act of Bhutan.~~

Section 75.7

~~Competent Authorities means the Ministries or Agencies listed under Section 13 of this Act, which are either responsible for the implementation and enforcement of this Act under a delegation of authority from the Commission, or which assist the Commission, in the implementation and enforcement of this Act.~~ **local authorities, committees, NGOs, CSOs and any others as may be determined by the Commission as the competent authority to carry out its functions.**

Section 75.19

Pollution means any direct or indirect alternation of the physical, thermal, chemical, biological, or radioactive properties of any part of the ~~environment~~ **water resources** by the discharge, emission, or the deposit of wastes so as to effect any beneficial use adversely or to cause a condition which is

hazardous or potentially hazardous to public health, safety, or welfare, or to animals, birds, wildlife, aquatic life, or to plants of every description.

Section 75.23

Royal Government means ~~Royal Government of Bhutan~~

Section 75.26

~~**Thromde** means a large urban area as defined in the Local Government Act, 2009~~

Section 75.27

~~**Throm** means a small urban area as defined in the Local Government Act, 2009.~~

New definition

State agency means an agency of the Royal Government of Bhutan

General

Ministry of Agriculture to be changed as Ministry of Agriculture and Forest.

After submitting their general views, Member In-Charge of the Bill moved the motion that the Bill be passed. All the 37 members present voted “YES” for the Bill and thus adopted the Bill on July 13, 2010 at 1.54 pm.

INCOME TAX (AMENDMENT) BILL OF BHUTAN, 2010

The Finance Minister, Member In-Charge of the Bill, moved the motion for leave to introduce the Bill and adoption for discussion on June 7, 2010. The Member In-Charge highlighted the importance of the Bill and also the reasons and objects for drafting the Bill.

Some of the Hon Members opined that besides the three sections of the Bill tabled for amendment, other sections of the Income Tax Act may also be deliberated. Hon Member of Drametshe-Ngatshang submitted that the Bill be tabled during the winter session so that other sections can be amended as well.

To this, Hon Finance Minister informed the House that the current amendment has been tabled given its urgency and will not affect other sections of the previous Act. He also informed the House that the other sections of the Income Tax Act, 2001 will be reviewed and present to the House in the next session.

Subsequently, the Bill was adopted for discussion with more than 90% of the Members voted in favour for deliberation.

The Member In-Charge moved the motion for the second Reading of the Bill on June 7, 2010

Hon Minister informed that as per the announcement made on the 2nd of April, 2010 to allow expenses according to the

Economic Development Policy, the Act needed to be reviewed. Accordingly, the proposal for the revision of entertainment expenses up to 5% was aimed to increase the quality of hospitality and related services to the tourists.

On the amendment of Section 18.2, it was informed that the 3% tax deduction at source was started in order to impose tax on the non-import companies for their income within Bhutan. In addition, the 3% tax deduction at source for the commodities in general involving foreign distributors was incorporated to the actual price of the commodities creating tribulations for the Bhutanese companies & traders. In view of this, besides increase in the actual price of the commodities there were no benefits for our private traders. Hence, it was proposed to revoke 3% tax deduction at source and the 3 % tax exemption shall be applicable only on the purchase of commodities. Further, regarding services, the 3 % tax deduction at source shall be as usual since there was no problem regarding tax procedures.

The amendment was proposed in the bid to replace the phrase **consultancy and professional services** with the phrase **other services**. It was also informed that the system of taxation was in accordance with the regional system.

On Section 31, it was informed that penalty for non-filing was currently charged at 100% of the gross income which was high

on the taxpayers, and compliance with this provision was very poor. Currently, the fine for concealment of income was two times the tax amount on income sought to be evaded. Thus, it was felt that the fine for non-filing should be at least three times the assessed tax amount, which was more than income concealment fines. It was then informed that the minimum amount of fine payable for non-filing of tax return was to be fixed at Nu.50,000 in order to ensure that taxpayers on tax holiday and those submitting loss accounts are also penalized for committing the offence of non-filing. Therefore it was proposed to be amended.

To this, the Hon Dy. Speaker set forth that though the Bill was to be reviewed by the Public Accounts Committee, given their excessive work load, the Bill shall be referred to the House committee. Consequently, the Bill was referred to the House committee after its Chairperson expressed thanks and ensured to review the Bill.

Hon Members of National Assembly deliberated on the Income Tax (Amendment) Bill, 2010 for Third Reading on June 23, 2010 and adopted the Bill with the following amendments:

Section 14.2

Entertainment expenses directly related to sales promotion of the business shall be allowed as deductions on actual expenses incurred or 2 per cent of assessed net profit, whichever is lower.

However, for tour operating businesses it shall be 5 % of the assessed net profit or actual expenses incurred, whichever is lower.

Section 18.2

Tax shall be deducted from the contractors under limited tax liability for construction, logging work, transportation works, management works, including other services. The tax shall be deducted at the rate of 3 % of the gross amount and treated as final.

Section 31

A fine equal to three times the assessed tax amount shall be imposed for non-filing. However, to those people who are not liable to pay the actual tax before the due date and those bearing losses, a fine of Nu. 30,000 shall be imposed.

Non-filing of tax return shall mean tax return not filed after 3 months from the due date.

After submitting their general views, Member In-Charge of the Bill moved the motion that the Bill be passed. All the 40

members present voted “YES” for the Bill and thus adopted the Bill on June 24, 2010 at 10.41 am.

FINANCIAL SERVICES BILL OF BHUTAN, 2010

The Finance Minister, Member In-Charge of the Bill, moved the motion for leave to introduce the Bill and adoption for discussion on June 7, 2010. The Member In-Charge highlighted the importance of the Bill and also the reasons and objects for drafting the Bill. The Bill was then adopted for discussion after no objection was raised to introduce the Bill.

The Member In-Charge moved the motion for the second Reading of the Bill on June 7, 2010

Hon Minister said that a financial service is inevitable in the economic development of the country so it is important that the financial institution’s responsibility to be carried out in efficient and transparent manner. He also said that the bill has been drafted in order to make the working environment easier and for the customers to get proper service. The Bill is also for prevention of money laundering and black money.

Financial Services Bill, 2010 contains provisions on rules of a financial service provider and also offences and penalties related to it. Most of the sections from the old act have been amended and the present Financial Services Bill includes 20 chapters with 107 sections. Some of the important chapters in

the Bill are chapter on Royal Monetary Authority, Licenses, Offences, Banking, Insurance Services and Security business.

After deliberating on the general principles of the Bill, it was referred to Legislative Committee for discussion with additional Members from Public Accounts Committee.

Members of National Assembly deliberated the Financial Services Bill of Bhutan, 2010 for the Third Reading on June 30, 2010 and adopted the Bill with the following amendment:

Title

Changed in Dzongkha

Section 9

The Authority, its directors, officers and employees shall not be liable to any action in damages for anything done or omitted to be done in the intended exercise of any power or performance of any duty conferred or imposed by or under this Act or regulations made under it, unless the act or omission is shown to have been in bad faith **or caused by gross negligence.**

Section 11

No person shall offer financial services as a business without obtaining the appropriate license under this Act or the regulations under it; nor shall any individual fulfill a function on behalf of a financial services business without the licence or

registration, if any, required by this Act or the regulations under it. ~~To the extent consistent with justice, a court may decline to enforce against a customer financial services contracts made in violation of the licensing requirements of this Act.~~

Section 12

A licence granted under this Act shall specify the type of financial service or services that the licensee is permitted to undertake, and **the** licensee shall **not** engage in ~~no~~ other financial services business ~~and, where this Act or the license so specifies, no other business.~~ **However**, the Licensees may apply under this Act for additional or expanded licenses, and persons subject to registration may also seek additional or expanded functions consistent with this Act and the regulations under it.

New Section after 12

Licensees permitted to engage in more than one business may be required by regulation or as a condition of the license to take prescribed measures for financially or organizationally separating a licensed activity from other activities so as to facilitate effective supervision and compliance with this Act and the regulations there under.

Section 14

Any person who ~~knowingly~~ engages without a license or registration required under this Act in activity for which such is required, commits an offence and is liable on conviction to a

fine ~~not exceeding~~ **the total amount of the daily minimum national wage rate at the time of the crime for a maximum period of thirty years** ~~Ngultrum one million~~ or imprisonment or both.

Section 23

~~If the Authority has neither denied nor approved an application referred to in Section 22 within six months of the date of its receipt, the application shall be deemed to be refused.~~

Section 24

The Authority shall refuse an application for a license if it cannot **fulfill the requirements** under ~~reach the conclusion in~~ section 19-21 or it may restrict or condition the license in such a way as to resolve such a problem.

Section 25

A license granted by the Authority under this Act is ~~personal to the applicant and~~ **non transferable**.

Section 30

In determining whether a person is a fit and proper person to hold any particular position or status, ~~regard shall be had to the~~ person's honesty, respect for law, competence and qualifications for the position and any conflict of interest potentially detrimental to customers that might arise from his holding that position **shall be considered**. Where the person is

not an individual, the fit and proper character of its control persons shall also be considered.

Section 34

A chief executive officer of a licensed financial institution shall be ~~a in the whole~~ **full-time employment employee** ~~of such financial institution~~ and shall hold office for such period, not exceeding five years at a time, and ~~shall~~ **may** be eligible for reappointment for one more consecutive term.

Section 36

No licensee, ~~and no~~ **or a** controller of a licensee, shall appoint a person as director or chief executive officer except in accordance with ~~the criteria set out in this Act~~ **Part IV**. It and shall thereafter notify the Authority ~~The Authority who~~ shall have the right to annul any appointments **not in accordance with this Act** ~~which is not in line with the criteria set out.~~

Section 40

Where an order under section 37 has been made, the Authority's Board, by order in writing, appoint suitable person in place of the chairman or director or chief executive officer ~~or other officer or employee~~ who has been removed from his office under section 37, with effect from such date as may be specified in the order **but such person** shall, hold office for the interim period not exceeding **six months** ~~five years~~ at a time as the Authority may specify.

Section 50

No person shall hold more than the following percentage of interest in shares of a financial institution:

- (a) in case of an individual, 10 percent,
- (b) in the case of a company not being a financial institution, 20 percent,
- (c) in the case of a company being a financial institution, as per the limit provided under subsection 4 below, ~~and~~
- (d) in case of a foreign financial institution, as per the RMA regulations in line with the foreign direct investment policy; **and**
- (e) **in case of Ministry of Finance, RGoB, 75%.**

Except where the Authority on being satisfied that it would not be prejudicial to the promotion of a sound financial system in Bhutan may permit a higher limit **subject** ~~However, such limit shall not exceed~~ to maximum of 20 percent for an individual and thirty percent for a company which is not a financial company and **100% for Ministry of Finance, RGoB.**

Section 51 (a)

For the purpose of section 50 (a);

- (a) Individual includes spouse, ~~the individual's~~ dependent children **or other dependents of a person** being of the same household-

Section 52

This section divided into two sections as:

A financial institution shall not, directly or indirectly, without written approval from the Authority, own shares in a company in excess of 20 percent of its capital fund.

New section

The Authority shall, at no point of time permit the financial institution to invest in a company in excess of 25 percent of its capital fund.

Section 54

No ~~foreign~~ financial institution shall have share ownership of a financial institution in Bhutan in excess of the limits provided under Section 50~~(d)~~, except under the following circumstances:

- (a) to rectify the financial institution's financial condition;
- (b) merger and acquisition; or
- (c) to maintain the overall Bhutanese financial system stability.

Section 55

~~To have legal affect~~, the acquisition or merger of a financial institution shall require the prior authorization of the Authority.

Section 57

Subject to section 58, a person who contravenes this chapter by failing to give the notice required by section 42-49, shall be fined an appropriate amount as prescribed in the regulation issued by the Authority.

Section 59

Each financial institution shall have an audit committee **and** ~~each~~ shall also maintain an internal audit and risk management function of a size and capability appropriate to its business or as specified in regulations adopted by the Authority.

Section 60(b)

The board of directors of the financial institutions shall be responsible for supervising the implementation of the board ~~policies~~ **directives**.

Section 64

The financial institution's control persons shall notify the Audit Committee of any **material** errors, misstatements or **omissions** which they become aware in the institution's accounts or reports under this Act ~~which includes Notification to the Audit Committee should be in relation to material errors, misstatements or omissions.~~

Section 91

If a person knowingly:

- (a) destroys, conceals, mutilates or improperly alters any record or account required to be kept or maintained under any of the provisions of this Act or of regulations made under it; or
- (b) sends or attempts to send or conspires with any other person to send out of Bhutan any such record or account, with intent to defraud any person, or to prevent, delay or obstruct the carrying out of an examination, investigation or audit, or the exercise of a power under this Act or under regulations made under it,

he commits an offence and is liable on conviction to a fine ~~not exceeding~~ **the total amount of the daily minimum national wage rate at the time of the crime for a maximum period of thirty years** ~~Ngultrum one million~~ or imprisonment or both.

Section 92

Within one month after being licensed under this Act, a financial institution shall have appointed an auditor **empanelled by the RAA** ~~approved by the Authority~~ to audit its accounts in accordance with the generally accepted accounting principles and shall also be independently audited in accordance with the generally accepted auditing standards.

Section 101

If an auditor appointed under this Act, ~~in the course of his duties as an auditor of an institution~~ **shall immediately report the matter to the Authority, if he is** satisfied that—

- (a) there has been a contravention of any provision of this Act or that any offence which relates to dishonesty or fraud has been committed by the institution or by any other person;
- (b) losses have been incurred by the institution which reduce its capital funds to an extent that the institution is no longer able to comply with the specifications of the Authority under section 25(1);
- (c) any irregularity which jeopardises the interests of depositors or creditors of the institution, or any other serious irregularity, has occurred; or
- (d) he is unable to confirm that the claims of depositors or creditors are covered by the assets of the institution.

~~he shall immediately report the matter to the Authority.~~

Section 116

Any person who ~~knowingly~~ violates this section commits an offence and is liable on conviction to a fine ~~not exceeding the~~ **total amount of the daily minimum national wage rate at the**

time of the crime for a period of seven years to fifteen years
~~Ngultrum seven hundred thousand~~ or imprisonment or both.

Section 138

The Authority may adopt regulations defining false or deceptive practices relating to financial services, including conduct by customers, ~~the knowing violation of which will subject the violator to the penalties in subsection (2~~

Section 139(c) iv

~~a judge, a court,~~ a law enforcement agency or a supervisory body inside or outside the Kingdom of Bhutan;

Section 139 (f)

To retain as in the draft

Section 140

The Authority is responsible for ensuring that the FIU performs its functions properly, efficiently and effectively and must appoint legal or other officers ~~to be members~~ of the Financial Intelligence Unit. The Authority has the power to co-opt officers from other supervisory authorities and law enforcement agencies in Bhutan. The Authority also has the power to share information and cooperate in all ways necessary with other supervisors both domestic and foreign for purposes of combating money- laundering and the financing of terrorism.

Section 145

Any person who ~~knowingly~~ fails to comply with sections 139, 141 or 142 or regulations issued under section 144 commits an offence and upon conviction shall be liable to a fine ~~not exceeding~~ **the total amount of the daily minimum national wage rate at the time of the crime for a maximum period of thirty years** ~~Ngultrum one million~~ or imprisonment or both.

Section 146

This section is divided into two sections as:

The offence of Money-laundering shall be punishable as provided in the Penal Code of Bhutan-

New Section after section 146

Attempts to conceal the connection of funds or other assets to the financing of terrorism, if done with adequate reason to know the nature or likely nature of such attempts, ~~shall upon conviction be liable~~ **shall be punishable as per the Penal Code of Bhutan.** ~~to a fine not exceeding Ngultrum five million or imprisonment or both~~

Section 149

To retain as in the draft

Section 151

Any person who, without reasonable excuse, fails to comply with a restriction, instruction, condition or other order issued

under section 147-150 commits an offence and is liable on conviction a fine ~~not exceeding~~ **the total amount of the daily minimum national wage rate at the time of the crime for a period of seven years to fifteen years** or imprisonment or both.

Section 160

A decision of the Board on an adverse action may be appealed within 21 days to ~~the High~~ **a Court of jurisdiction**. ~~The High Court may reverse or modify a decision of the Board only if it finds that the decision of the Board was clearly erroneous in its factual determinations or legal rationale. It may also remand the matter to the Board, in whole or in part, for further elaboration of the factual record and evidence.~~

Section 162

The principles of the Penal Code of Bhutan as to culpability for involvement in criminal acts and as to relative responsibilities of individuals and business entities for unlawful conduct shall generally apply to offences specified under or pursuant to this Act, except that where ~~knowing~~ **intentional** conduct is required herein for an offence to exist, the individuals involved must have acted knowingly, with respect both to a finding of individual culpability and to the imputation of an individual's conduct to a business entity.

Section 163

Offences under this Act may be prosecuted by **the Office of the Attorney General** in the Royal Court of Justice or by the Authority in such court, where and to the extent that the Attorney General appoints the Authority as a special prosecutor for the particular case. ~~Appeals of judgments may be taken as provided in the criminal law.~~

Section 164

The Authority may impose upon licensees for offences to an appropriate fine specified by the Authority in the regulations issued by the Authority under this Act in its own proceedings conforming to chapter X and subject to appeal as provided therein; it may further by regulation specify particular regulations **for the knowing intentional** violation of which may be penalized within the limits of this subsection.

Section 186

The Conservator shall be liable for unlawful conduct in the course of his Conservatorship to the same extent as a director and shall be subject to the restrictions upon and duties of a director under ~~sections 87 and 91~~ of the Companies Act. The Conservator shall enter no contract that would be governed by ~~section 89 of that~~ **the Companies** Act were he a director except with full disclosure to the Authority of the nature and extent of his interest and with the consent of the Authority. The

application of ~~section 91~~ of the Companies Act to the Conservator shall allow him to consider the interests of the licensee's customers and creditors. The Conservator shall not be liable for actions taken in good faith to implement the directions of the Authority.

Section 193

No A financial institution shall;

- (a) make ~~no~~ sale of its assets exceeding 10 percent or such lower number as the Authority may by regulation prescribe without 45 days notice to the Authority;
- (b) ~~Nor shall it~~ make an application under Part VIII of the Companies Act or it or its directors any resolution or application to wind up the company but upon similar notice;
- (c) ~~Nor shall it~~ but upon similar notice make any amendment of its articles, enter into any merger or reorganization or issue securities; provided further that any issue of debt securities should be approved by the Authority as not jeopardizing the institution's ability to comply with this Act and the regulations there under and that any prospectus for such an issue be approved by the Authority as to the adequacy of the disclosure therein; and

(d) ~~Not shall it~~ fail to report forthwith to the Authority any application under Part VIII of that Act or winding up application of which it is the subject.

Section 194

~~A knowing~~ **Violation of section 193 by a financial institution shall be fined knowingly violation of shall be an offence subject to an appropriate amount specified in the regulations issued by the Authority.**

Section 195

If it appears to the Authority that it is desirable for the purposes of this Act to do so, the Authority may present a petition for an Order of Adjudication in accordance with the Bankruptcy Act ~~of the Kingdom of Bhutan 1999~~ against an individual licensed under this Act ~~if he~~ has committed an act of bankruptcy within the meaning of that Act. ~~and that~~ **Bankruptcy Act of Bhutan** shall, with any necessary modifications, apply in relation to any such petition as it applies in relation to a petition presented by a creditor.

Section 196

A petition for opening of bankruptcy in a financial institution filed under the Bankruptcy Act ~~of 1999~~ shall not be admitted for hearing by the ~~High Court, Dzongkhag Courts~~ **of jurisdiction** or any other adjudicating body established by the Royal

Government of Bhutan unless the Authority has granted approval for the petition to go forward. Every financial institution and any other licensee that is the subject of a bankruptcy petition shall forthwith notify the Authority, subject in the case of a financial institution to the penalties of section 194.

Section 212

A person who ~~knowingly~~ contravenes section 209 commits an offence and is liable upon conviction to a fine ~~not exceeding~~ **the total amount of the daily minimum national wage rate at the time of the crime for a period of seven years to fifteen years** ~~Ngultrum five hundred thousand~~ or imprisonment or both.

Section 216

A person who ~~knowingly~~ contravenes subsection (1) commits an offence and is liable upon conviction to a fine ~~not exceeding~~ **the total amount of the daily minimum national wage rate at the time of the crime for a period of seven years to fifteen years** ~~Ngultrum five hundred thousand~~ or imprisonment or both.

Section 228

Any person who ~~knowingly~~ contravenes section 227 commits an offence and is liable on conviction to a fine ~~not exceeding~~ **the total amount of the daily minimum national wage rate at**

the time of the crime for a maximum period of thirty years
~~Ngultrum one million~~ or imprisonment or both.

Section 240

Any person who, without reasonable excuse, contravenes the prohibition in section 238, commits an offence and is liable on conviction to a fine ~~not exceeding Ngultrum five hundred thousand~~ **the total amount of the daily minimum national wage rate at the time of the crime for a period of seven years to fifteen years** or imprisonment or both.

Section 353

Any person who knowingly violation violates the order shall be an offence upon conviction and subject to a fine ~~of not more than Ngultrum one million~~ **the total amount of the daily minimum national wage rate at the time of the crime for a maximum period of thirty years** or imprisonment or both.

Section 354

A person who ~~knowingly~~ commits conduct in section 349 (a), (b), (c), (d) or (e) that has caused or could potentially cause substantial damage to investors commits an offence and is liable on conviction to a fine ~~not exceeding Ngultrum one million~~ **the total amount of the daily minimum national wage rate at the time of the crime for a maximum period of thirty years** or imprisonment or both.

Section 368

Adverse action means, ~~with respect to~~ **an** action of the Royal Monetary Authority of Bhutan, **for** refusal, restriction or conditioning of a license or permission required by this Act or ~~the its~~ regulations ~~under it~~, including a failure to decide such a matter within a legal time limit, refusal or revocation or partial revocation of an exemption (~~but not failure to impose a rule or adopt a regulation to provide an exemption~~), imposing a fine, ~~action under section 41 generally~~ intervention under this Act, but not under section 93, foreclosure upon any deposit or effectuation of any other security device required as a condition of a license, or any other action specifically stated herein to be governed by the provisions relating to adverse action.

Audit committee means directors of a company acting as a committee of the whole board of directors (~~subject to such requirements as the Royal Monetary Authority may by regulation adopt as to expertise, independence of judgment and number of members or meetings~~) responsible for supervising audit-related matters and reports and such other matters as provided in this Act or **under its** regulations ~~under it~~.

Auditor means an auditor ~~who is registered with the panel of auditors of~~ **empanelled** the Royal Audit Authority, who is not an employee of the person audited and satisfies such other criteria of independence, integrity, diligence and skill as required by ~~applicable~~ law or regulation or ~~set forth~~ in

regulations adopted by the Royal Monetary Authority with respect to audits of persons licensed under this Act or audits prescribed in the listing standards of a securities exchange.

Companies Act means the Companies Act of the Kingdom of Bhutan, 2000 ~~as it may be modified from time to time; reference to specific section of that Act in this Act shall be deemed to take account of any later re-numbering.~~

Composite insurance company means an insurance/reinsurance company doing both life and general insurance businesses.

Confidential means, ~~with respect to information,~~ an information ~~of a type not commonly~~ disclosed for reasons of individual safety or privacy or of commercial competitive or similar disadvantage, but not evidence of crime furnished to the appropriate authorities.

Control person means a director, shadow director, manager, significant owner; ~~including it also includes~~ **including** any person, or group of persons acting cooperatively, whose direct or indirect equity holdings in, or control over votes in the general meeting of, a company or its affiliate give it substantial influence over the conduct of the company's business.

Customer means a consumer or ~~in the appropriate case~~ potential consumer of the financial services regulated under this

Act or an insurance policy beneficiary. In section 40(4) the meaning is the more general meaning of common usage.

Deposit means ~~with respect to the banking business and section 61 of this Act~~ a sum of money delivered for the purpose of safekeeping, possibly earning interest or similar return, repayable on demand or at a future time.

Document means information recorded in any form, ~~provided that where documents are required to be furnished under this Act and information is recorded otherwise than in legible form, the information must be rendered legibly if possible.~~

Foreign financial institution means an enterprise similar to a financial institution and licensed as such in its home country.

Financial services means banking business, insurance business, securities business and all other services designated in a regulation adopted by the Authority as a financial service, ~~provided that such services shall be predominantly financial in character and shall deal with the public as customers or as sources of funding or shall be designated by the Authority as of special significance to the stability of the nation's financial system.~~

Immediate family members means the spouse, children, ~~adopted child, step child, brother, sister and parent and dependent.~~

Insurance agent means a person licensed under ~~Section 75~~ **this Act** to receive or agree to receive payment by way of commission or other remuneration in consideration of his soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance.

Insurance broker means a person licensed under ~~Section 74~~ **this Act** who, on the basis of the interests of the insured, negotiates an insurance contract or provides related services and collects a commission or remuneration and shall include a reinsurance broker.

Life insurance, ~~also known as long term insurance~~, means the business of effecting contracts of insurance upon a human life, including any contract whereby the payment of money is assured on death or the happening of any contingency dependent upon a human life, and any contract which is subject to payment of premiums for a term dependent on human life and is deemed to include (i) the granting of annuities upon a human life; (ii) the granting of health benefits where a person becomes incapacitated for a period of not less than five years, until retirement or without limit of time; (iii) the granting of superannuation allowances and annuities payable out of a fund applicable solely to the relief and maintenance of persons engaged or who have been engaged in any particular profession, trade or employment or of the dependents of such persons.

Manager means a ~~chief executive or~~ **senior officer** *or* person who, under the immediate authority of a director, directors or chief executive of a company,

- (i) exercises managerial functions; or
- (ii) is responsible for maintaining accounts or other records of the licensee;

and such other persons exercising managerial functions as may be defined in regulations adopted by the Authority.

Terrorism means terrorism as defined in the Penal Code of Bhutan, ~~except that (and without prejudice to interpretation of that Code) as used in this Act terrorism shall not be limited to~~ including acts against ~~Bhutan~~ **foreign nation**.

After submitting their general views, Member In-Charge of the Bill moved the motion that the Bill be passed. Out of the 38 Members present, 37 voted “YES” and 1 member voted “NO” for the Bill and thus adopted the Bill on July 9, 2010 at 10.30 am.

CONVENTION ON ANTI-DOPING IN SPORTS

Education Minister while presenting the Convention submitted that the General Conference of the UNESCO ratified the Convention in October 2005 at its 33rd session.

In 2007, Bhutan became a signatory to the Convention. Hon Minister said that the main purpose for becoming a member was

to prevent doping in sports and also to develop education related sports. Hon Minister also informed the House that through the convention procedures, training, experiences and ideas relating to sports can be exchanged between the countries. Thereafter, all the 35 members present unanimously voted for the International Convention against Anti-Doping in sports and was adopted on July 12, 2010.

SAARC CONVENTION ON COOPERATION ON ENVIRONMENT

Hon Minister while presenting the convention submitted that the Third Meeting of the SAARC Environment Ministers adopted the SAARC plan of Action on Environment on October 15-16 held at Male.

During the Thirteenth SAARC Summit held in November 2005 at Dhaka, the Leaders called for considering the modalities for having a Regional Environment Treaty in furthering environmental cooperation among the SAARC Member States.

The Eighth Meeting of the SAARC Environment Ministers held at Delhi from 20-21 October 2009 appreciated the draft “SAARC Treaty on Cooperation in the field of Environment” prepared by the Government of India and agreed to finalize the draft Treaty during the meeting to be held in Delhi on January 18, 2010.

Thereafter, the Convention was signed on April 29, 2010 by the Foreign Ministers of the Members States during the Sixteen SAARC Summit held in Thimphu.

All the 35 members present unanimously voted for the Convention and was adopted on July 12, 2010.



14th July, 2010

**(Jigme Tshultim)
SPEAKER**