

Good Governance Plus

in pursuit of Gross National Happiness

11th November 2005

FOREWORD

An Exercise to enhance Good Governance under the themes of efficiency, transparency and accountability was carried out in 1999. Many of the recommendations emanating from this reform have been implemented, but the core issues relating to coordination, quality and delivery of services still prevail. The Good Governance Plus Exercise of 2005 builds upon the earlier initiatives and reinforces stated policies and makes new recommendations to realize the objectives of Good Governance.

The Review is undertaken at a time of major political reforms being introduced in the Kingdom under the leadership of His Majesty the Druk Gyalpo. The new Democratic Constitutional Monarchy form of Government requires fundamental changes in the institutions and system of governance.

The Exercise also takes cognizance of the fundamental shift in the notion and expectations of Governance. Large segments of the Bhutanese society are no longer content to regard the Government as the benevolent benefactor, but expect it to be a responsible and responsive institution that serves the current and emerging needs of the populace towards realizing Gross National Happiness (GNH). Overall, citizens expect higher standards and a greater range of services from the Government, delivered by a small and compact public service and with less intrusions into corporate and private enterprises.

This document provides an honest introspection of the current Government and its constituents and suggests ways of aligning itself to the Democratic Constitutional Monarchy System and new expectations. The document is based on the recommendations of a select group of individuals from across the different sections of the civil service and private sector who conducted a month's intensive deliberations and consultations with diverse groups and individuals in the country. The Report uses as its backdrop the lessons learnt from implementing the Good Governance Report 1999 and seeks to operationalise Good Governance in the new political and social environment. It recommends pragmatic solutions to resolve fundamental issues of form, structure, and sharpening the roles of each institute and defining their interdependence to ensure a unity of purpose in the present and the new Democratic Constitutional System. It also seeks to infuse a new culture amongst the public servants to shed complacency and become more professional and proactive in execution of their responsibilities.

The Report also takes cognizance of an enhanced capacity of the private sector and the civil society in determination of policies and programmes and in their execution thereof.

It seeks to exploit information technology to deliver new services and for sectors to re-engineer the processes of traditional service delivery. Overall, it tries to lessen bureaucracy and reinforce the value of service delivery over form and procedures.

Ultimately the impact of these public administrative reforms is expected to give a new image and character to the public service representing high degree of professionalism and dedication. Its impact is expected to percolate to all the three branches of the Government enabling the country to realize its collective goals of peace, security and prosperity and fulfillment of individual aspirations of the Bhutanese populace.

This whole enterprise is inspired by and dedicated to His Majesty the Druk Gyalpo, who has since 1972 steered this nation to a path of unprecedented progress, peace and prosperity.

(Sangay Ngedup)
PRIME MINISTER

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GOOD GOVERNANCE TOWARDS GROSS NATIONAL HAPPINESS

1. Good Governance contributes to Gross National Happiness (GNH) in the creation of an enlightened society in which happiness and wellbeing of all people is the ultimate purpose. The outstanding features of GNH – sustainable development, Bhutanese ethos, egalitarian distribution of income and cooperation in community life – finds resonance in Bhutan’s Constitution.
2. Basing Good Governance on GNH calls for:
 - i. Establishing indicators of well being, particularly for Bhutan’s rural population for guiding development priorities in terms of resource allocations in the 10th and subsequent plans.
 - ii. Developing Bhutanese Index of GNH as a benchmark for Good Governance and for pursuing holistic developmental goals over and above any of the conventional indicators.

CONSTITUTION AND SYSTEM OF GOVERNANCE

3. The underpinning vision of Good Governance is provided by the Constitution wherein the Druk Gyalpo is the symbol of unity and the source of national identity to all Bhutanese. The Constitution thus ensures the continuity of the very foundation and symbols of Good Governance in the Bhutanese context.
4. The Constitution enshrines public good as the central purpose of Governance and politics, with a corresponding system to realize this aim. It ensures accountability and independence of constitutional offices. It consolidates the rule of law and the legal protection for individual rights. And it ensures responsible and accountable management of state resources.
5. Towards Good Governance as provided under the Constitution, necessary actions need to be ensured well before 2008 in respect to the following:

Elections

- i. Enact Election Act of Bhutan.
- ii. Establish the Election Commission.
- iii. Delimit Constituencies.
- iv. Create awareness among voters and politicians on election laws.
- v. Identifying and training personnel involved in conducting election

Executive

- i. Define the roles and functions of the Cabinet Secretariat and that of the Prime Minister's office.

Judiciary

- i. Establish the Supreme Court.

Legislature

- i. Formulate/enact Rules of Procedure including Code of Conduct for Members of the Parliament.
- ii. Set up infrastructure such as office and residences for the parliamentarians.

Local Governance

- i. Enact umbrella legislation for the Local Governments.
- ii. Enhance administrative and management capacities of the officers at the local level.

- iii. Amend Thromdes Act, amongst others with a view to define:
 - a. Thromdes' status within the structure of Local Governments.
 - b. Its status/responsibilities vis-à-vis the Dzongkhag Administrations particularly with regard to administration/management of public utility services, educational institutions and health services.
 - c. Mayor's position vis-à-vis the Dzongdags.
 - d. Functioning of Thromdes based on its size, resources and capacities.
- iv. Upgrade Thimphu and Phuentsholing Thromdes as autonomous corporations keeping in view its population size, resources and capacity for undertaking urban developmental plans and programmes.

Acts to be enacted before 2008

- i. Procedure for Holding National Referendum.
- ii. Procedure for Impeachment.
- iii. Rules of Procedure for Parliament including Code of Conduct for Parliamentarians.
- iv. Election Act.
- v. Public Election Fund Act.
- vi. Civil Service Act.
- vii. Information Communication Media Act.
- viii. Local Government Act.
- ix. Anti-Corruption Act.
- x. Audit Act.
- xi. Attorney General Act.
- xii. NGO Act.
- xiii. Property Act
- xiv. Contract Law
- xv. Public Finance Act
- xvi. Cultural Property Act
- xvii. Labour Act

Acts/charters to be reviewed before 2008

- i. Lhengye Zhungtshog Chathrim.
- ii. Royal Charters.
- iii. Acts relating to natural and mineral resources.
- iv. Co-operatives Act.

Acts that could be considered for enactment after 2008

- i. Natural and Mineral Resources Act (umbrella Act).
- ii. Militia Service Act.
- iii. Alternate Dispute Resolution and Arbitration Act.
- iv. Business Malpractices and Monopolies Act.

Public Awareness

6. It is critically important that all Bhutanese are made aware of the Constitution and system of Governance under it. His Majesty's visits to the Dzongkhags for reviewing the Constitution with the public will play a vital role in generating such awareness. Nevertheless, the role of all relevant Government agencies and the media, in particular the BBS and Kuensel will be equally necessary for creating greater awareness on the Constitution amongst the voters as well as politicians.

General

7. Additional initiatives shall be undertaken as supporting steps towards preparation for the post-enactment of the Constitution as follows:
 - i. Using heretofore constitutional terminologies where deemed appropriate
 - ii. Establishing or abolishing staff positions in line with the constitutional provisions.
 - iii. Preparing cost-estimates for activities foreseen in the Constitution. This is particularly important to work out the financial implication to the exchequer.

REVIEW OF THE GOOD GOVERNANCE 1999 REPORT (GG99)

As provided for in the GG99, the structural and staffing components of the Government have been carried out. However, more needs to be done in connection with the legal and procedural aspects.

Restructuring of Central Agencies and Dzongkhags

8. As recommended, all the ministries have adopted a uniform structure. Policy Planning Divisions and Administration and Finance Divisions have been established along with a broad organizational grouping with departments, divisions and sections. The creation of recommended ministries has been undertaken with the exception of the Ministry of Energy and Water Resources. This Ministry has not been created and instead the NEC has been appointed as a

nodal agency with regard to water resources. There is confusion and concerns over mandates in carrying out activities related to water management. The Ministry of Labour and Human Resources (MoHLR) has been created earlier than envisaged indicating the importance Government has placed on the issue of youth employment. However, some important deviations have also occurred.

9. Some ministries have gone beyond the recommended structures. For example, under the Ministry of Information and Communications, Media Authority was created which was subsequently converted to Department of Information and Media. Also under the Ministry of Home and Cultural Affairs, the Department of Civil Registration and Immigration and Department of Local Governance was created to address the emerging priorities and functional regrouping within the Ministry. A number of Divisions were also added under various Departments, particularly under the Ministry of Works and Human Settlement. Similarly, Ministry of Health, Ministry of Education and Ministry of Trade have created a number of divisions that report directly to the secretaries of these ministries.
10. At the same time some of the recommendations were implemented only to be rescinded shortly thereafter. For example, the transfer of UNESCO Commission to Special Commission under Ministry of Home and Cultural Affairs (MoHCA) took place in 2000 but was transferred back to Ministry of Education in 2003. A Finance Committee was established but has become defunct since 2002. Likewise, the Planning Commission, which was reconstituted in 1999 under the chairmanship of the Head of the Government, was dissolved in 2003 and the secretariat was redesignated as the Department of Planning under the Ministry of Finance.
11. The RCSC and the agencies concerned have carried out exercises to fix posts with designations. But maintaining consistency in terms of grades for heads of organizations in the ministries and Dzongkhags remains to be implemented.
12. With hindsight it has been possible to identify a number of gaps in the recommendations that adversely impacted the full realization of the Good Governance visualized in the GG99. Amongst the significant gaps include inadequate detailing of the functional boundaries of the ministries and the Dzongkhags. Many issues pertaining to the strengthening of DYT's and GYT's were not foreseen or adequately addressed. Moreover, there was a lack of clarity in the procedure for reporting and accountability of RCSC viz a viz the CCM. It is also observed that due to significant differences in size and functioning of the ministries and Dzongkhags, the standard structure prescribed for all was found to be constrictive and in some cases even inappropriate.

Promoting Administrative and Financial Efficiency, Accountability and Transparency

Financial

13. The delegation of financial powers as prescribed in the GG99 has been complied with. The aid coordination function has been separated from the Department of Budget and Accounts and this function has been assigned to the Department of Aid and Debt Management.
14. The National Financial Service has been strengthened through in-service training programmes. However, shortage of trained financial managers remains an issue. The use of ICT in financial administration and management particularly in Dzongkhags remains limited due amongst other to inadequate bandwidth and network integration within the Dzongkhags and between the latter and the Ministry of Finance.

Administrative

15. The GG99 recommendation pertaining to personnel administration matters, processing of undergraduate scholarships, visa applications and issuance of import license, including the decentralization of sanctioning of timber/fuel-wood to the Dzongkhags have been complied with.
16. However, the recommendation pertaining to the establishment of a one-window system for availing permits for timber for rural housing and fuel-wood and computerization of security clearance procedures for trainings/promotions remains to be implemented. Similarly the processing of non-academic short-term trainings, workshops and seminars has not been fully decentralized to line ministries by the Royal Civil Service Commission (RCSC).

Management

17. The rationalization of staff and resource optimization such as use of pool vehicles and supporting staff within the ministries has been completed. The multiple hierarchies within ministries/agencies have been reduced. However, not all the ministries have implemented the flow charts recommended in the GG99 towards enhancing accountability and streamlining mechanism for delineation of responsibilities within the Government.

Enhancing Morale and Professionalism in the Civil Service

18. In keeping with the GG99 recommendations, the RCSC has reviewed and instituted a policy to allow civil servants to be seconded to international agencies.

19. New personnel evaluation forms have been introduced but not effectively implemented. The TA/DSA rates have been revised upwards. But the mileage claim is limited to the distance prescribed by the Road Surface and Transport Authority (RSTA) that does not reflect the actual distance covered. Consequently a civil servant either has to sustain financial loss or resort to manipulating the mileage claim. Moreover, as provided in the GG99 recommendations, no systematic training programmes have been instituted for enhancing civil servants morale and professionalism through training in leadership, management and utilization of electronic media. Clearly much remains to be done to enhance the morale and professionalism of the civil servants.

Promoting Integrity in the Civil Service

20. Most of the ministries and departments have started responding to the audit queries within the prescribed time of three months. The system of giving cash incentives to civil servants engaged in levying fines has been abolished. As provided by the Bhutan Civil Service Rules 2002, spouses of civil servants are now allowed to own businesses.
21. Internal audit has been established in most of the ministries, but its effectiveness is yet to be ascertained. The Anticorruption Act, which also covers the civil servants and the requirement for declaring assets by the civil servant have not been enacted/implemented.

Promoting Corporate Management

22. Generally, the Royal Civil Service Commission's secondment rule for civil servants to Government-owned and Government-controlled corporations is adhered to. However, this rule in some cases has been breached, for example, the RCSC has appointed a civil servant as a head of a corporation which is not wholly owned by the Government.
23. The revised Company Act which makes provisions for the management of all Government corporations was enacted in 2000. The Registrar of Companies has done substantial work in bringing corporate management among the registered companies in accordance with the Company Act. A detailed study of corporate management has not been done but efforts from different ministries have brought better understanding and better practices in enhancing corporate management in the country. In particular, the Ministry of Finance has developed guidelines for Government board directors and Ministry of Trade and Industry has framed rules and procedures for election of directors. A draft rules and regulations for the Company Act has also been formulated.

Enhancing Private Sector Development

24. The Consumer Protection Act has not been implemented but is reported to be in an advanced stage of drafting. Steps toward encouraging private sector participation in seminars and short courses outside the country remains to be taken in earnest. Lack of clarity regarding the policies of financial institutions continues to prevail and there is no discernable enhancement of their loan policies vis-à-vis private sector development. Fortunately, significant reductions in the interest rates have taken place primarily due to the establishment of the National Pension and Provident Fund, which started providing housing loans at competitive interest rates to civil servants. This has enhanced greater access to banking systems and made it more proactive in meeting the private sector's needs.
25. The rule on payment of bills within one month has not been enforced and there is no central authority to oversee this implementation. The "one window" system for budget releases requires further strengthening.
26. There were relatively few recommendations specific to private sector development in the GG report. Government has initiated a number of activities to support this sector, e.g. setting up of a committee for private sector development, tax incentives and holidays, clean industry initiatives, employment generation policy for private sector and development of a strategy for private sector. The rules on giving preference to Bhutanese companies with in-house capabilities have been in place. However, in view of fronting and other undesirable practices in the system this rule needs to be reviewed.

Conclusions

27. In short, the GG99 exercise was very useful and brought in many positive changes, some dramatic such as bifurcation of ministries, some less obvious but equally important such as streamlining of the bureaucracy. Clearly, it added a new dimension to the notion of Good Governance in the country. Specifically, the exercise provided a focus on the challenges and constraints in pursuing Good Governance.
28. While seeking to sustain the earlier efforts on streamlining bureaucracy, in line with the expanded mandate, the Good Governance Plus stipulates new actions (*Annexure I*) on wide-ranging fronts to enable the Government machinery to measure up to the expectations of the people and set new standards of services and public goods management.

RESTRUCTURING GOVERNMENT AT THE CENTRAL AND LOCAL LEVELS

29. The organograms in the post-enactment of the Constitution of the Royal Government of Bhutan, and two of the new constitutional bodies that need to be established immediately are provided in *Annexure 7*.

Centre Level

Branches of the Government

- i. Executive
- ii. Legislature
- iii. Judiciary

Other bodies/agencies

- iv. Constitutional bodies
- v. Autonomous Bodies

Prime Minister

30. In accordance with the draft Constitution, the Prime Minister shall be held legally and morally responsible for the state of the nation.
31. The constitutional office bearers can be removed through impeachment. The procedure for impeachment is expected to be laid down by the Parliament.
32. Duplications or overlapping of mandates between the constitutional bodies must be avoided. The draft Civil Service Act and the draft Audit Act, which clearly defines the scope and mandate of these two bodies, needs to be enacted before the Constitution is adopted.
33. From a practical perspective, it needs to be assumed that the Constitution is adopted in so far as the establishment and the functioning of the constitutional bodies. This, inter alia, would enable the Government to assess the constraints or the challenges these bodies may encounter in the post-enactment of the Constitution.

Public Service Act

34. In order to maintain uniformity, equity and parity among the service personnel within the Government, uniform norms and standards will be established governing all services such as Civil Service Act, Judicial Service Act, etc. catering to all branches of the government.

Local Level

35. The Constitution provides for establishing Local Governments in all twenty Dzongkhags comprising the Dzongkhag Tshogdue (DT), Gewog Tshogde (GT) and Thromde Tshogde (TT) with a view to “provide democratic and accountable Government for local communities.” However, there are issues concerning local governance which needs to be addressed. Hence, the urgency of enacting a Local Government Act.
36. The proposed Act needs to be formulated covering such issues as: (a) mandate vested on the Local Government under the Constitution; (b) roles and responsibilities of the Chairman of the DT and GT, and Dzongdags; (c) clarifying various issues concerning Thromdes. (d) define the accountability of DT and GT; and (e) in the context of smooth functioning of GT, examine the need for having an executive Gewog officer.
37. In preparation for the post-enactment of the Constitution, the following needs to be undertaken:
 - i. In line with the provisions of the Constitution, Chimis are required to relinquish the membership of the DT.
 - ii. Dzongdags should be in a position to exercise administrative control for all sectoral staff posted in the Dzongkhag Administration.
 - iii. Pending the enactment of the Local Governance Act, the Department of Local Governance under the MoHCA shall continue to function as per its current administrative mandate towards strengthening the local administrations.

Ministries

38. In preparation for the post-enactment of the Constitution, and in view of the evolving priorities and needs of the country, the ministries shall undertake organizational development assessment (ODA) to enhance the productivity of the organizations and improve their delivery of services at the customer level. The exercise shall also account for the outsourcing of functions such as architectural, media and publication services and general support services.

Ministry of Agriculture

- i. The mandate of Ministry of Agriculture (MoA) with regards to environment, forest resources management, water shed management and land use will be expanded. NEC's role in this respect shall be confined to regulatory functions.

Justifications are as follows:

- Forest plays a significant role in protecting environment.
 - Conservation and management of forests and other natural resources contribute to environment protection. It is difficult to separate the two.
 - Water is a very important resource with multiple users, and there is an urgent need for one body to coordinate and rationalize its use.
- ii. The links between the research and extension in the MoA shall be strengthened.
 - iii. MoA shall formulate policies to facilitate restoration of farm land that have been converted into forests or allow cultivation of trees/private plantations

Ministry of Education

- i. Redefine the mandate of DDA to strengthen its role in the area of research, promotion and enforcement of language policies. The membership of the Authority shall include the Minister of Home and Cultural Affairs, and representations from other relevant agencies and civil society. The Authority shall be chaired by the Minister of Education.
- ii. Outsource architectural functions of the School Planning and Building Division and place the division/unit under the Department of School Education.
- iii. Entrust the Department of Adult & Higher Education of MoE for liaisoning between the Ministry of Education & the Royal University of Bhutan in matters pertaining to policies of higher education.
- iv. Explore and outsource functions of the Media Education Division.
- v. Review and enhance "value" content in the curriculum.
- vi. Continue English as medium of instructions for subjects that are not necessary to be taught in Dzongkha.
- vii. Increase boarding education facilities with value based education and life training curriculum.
- viii. Include Constitution in the syllabii of the schools, colleges and institutes.
- ix. Establish more colleges and world-class vocational/ technician/trade institutions which can even cater to training of Bhutanese for employment outside the country.

- x. Undertake a comprehensive review of the curriculum and education delivery system and develop a strategic plan to improve the quality of education at all levels during the 10th Plan.
- xi. Encourage more private schools.

Ministry of Finance

- i. Bifurcate the Department of Budget & Accounts into the Department of National Budget and the Department of Public Accounts.
- ii. Develop more professionalism in the financial sector.
- iii. Strengthen the professional capacity of Department of Planning to address macro economic issues and develop longer-term development policies and strategies for the country. Also strengthen the monitoring and evaluation system and inter-sectoral coordination.
- iv. Revitalize the Finance Committee immediately.
- v. Adopt the revisions of the Delegation of Financial Powers as recommended in *Annexure 2*.
- vi. Amend rules to incorporate all new orders since Financial Rules and Regulation 2001 (FRR 2001)
- vii. Empower the GT Tender committee to award the work instead of the GYT as in the present Chathrim.
- viii. Update FRR 2001 incorporating Geog and Dzongkhag requirements.
- ix. Adopt Medium Term Fiscal Framework (MTFF) as the base for annual budgets.
- x. New activities incorporation shall only extend to Royal Commands, emergencies (force majeure), Executive Orders.
- xi. Study the possibility of Government moving to accrual accounting system.
- xii. Enhance coverage of government assets inventory (civil) to include movable and immovable property.
- xiii. Mandate the Debt Management Committee (DMC) to frame clear guidelines for selection of projects for external loan financing.
- xiv. Adopt long-term aid mobilization policies and strategies including transparent procedures and priorities.
- xv. Define and draw up guidelines for entertainment expenses of ministers.

Ministry of Foreign Affairs

- i. In view of the country's growing interactions with other countries and with the advent of globalization, expansion of diplomatic missions may be necessary.
- ii. Further professionalize the foreign service.
- iii. Upgrade the Protocol Division to a Department.

Ministry of Health

- i. Transfer Epidemiology and Research to the Department of Public Health.

- ii. Place Health Infrastructure and Maintenance under the Department of Medical Services.
- iii. Place International Health unit under the Department of Public Health.
- iv. Bhutan Medical & Health Council should report directly to the Minister.
- v. Place Quality Assurance Section and Quality Control under the Department of Medical Services.
- vi. Club Information Communications Technology (ICT) unit with Tele-Medicine unit under the Department of Medical Services.
- vii. Enhance capacity of JDWNRH to deliver all important diagnostic services for early and correct detection of diseases for effective treatment and minimize adverse economic and avoidable tragedies.
- viii. Place Information Communications Bureau (ICB) under the Department of Public Health.

Ministry of Home and Cultural Affairs

- i. Review policy and procedures to improve:
 - a. Services to citizens.
 - b. Services to expatriates (visitors and workers).
- ii. Introduce professionalism in immigration services to project a better image to earn respectability and compliance.
- iii. Issue new citizenship ID cards to all citizens by 2008.
- iv. Develop a natural disaster management strategy and plan.

Ministry of Information and Communications

- i. Establish a high-level body for coordinating development of e-governance systems throughout the Government.
- ii. Support capacity building of BBS immediately, particularly the radio service given its strategic importance.
- iii. Mandate RSTA for developing surface transport policies and plans since it is an important economic activity, and there is no other agency entrusted with such a mandate.
- iv. Promote eco-friendly mass-transport system in all the major urban areas.

Ministry of Labour and Human Resources

- i. In view of the important role the Ministry of Labour and Human Resources will play in the socio-economic development of the country through employment promotion, human resources planning and development, there is a need to define the roles, responsibilities and mandates of the Ministry. Towards this the MoLHR needs to develop:
 - Labour Administration policy.
 - Vocational Education and Training policy.
 - Labour and Employment Act.

Ministry of Trade and Industry

- i. Provide greater focus to the power sector in order to accelerate the pace of harnessing Bhutan's hydro power potential.

Ministry of Works and Human Settlement

- i. Although the GG99 document has recommended that the engineering services be placed under one Ministry, other agencies shall be permitted to maintain small engineering units for the following reasons:
 - Sector-specific programmes will not receive due attention
 - Human resource development needs are not uniform and therefore, cannot be handled by a single Ministry
 - Specialization of specific skills/technology cannot be achieved.
- ii. Develop greater linkages with other sectors' engineering units/divisions however, to promote greater coordination and control over the construction engineers in order to:
 - a. To avoid duplication of functions;
 - b. To avoid-sub optimal use of this scare resource;
 - c. To ensure coordinated efforts towards physical infrastructure development;
 - d. To forge stronger professional inter-linkage and cohesion among various agencies; and
 - e. To enhance the image of engineering profession and to mitigate corrupt practices in the construction industry.
- iii. Limit the role of all other sectors engaged in construction programmes to planning and coordination of their projects. The other services such as design and construction shall be outsourced to the private sector.
- iv. Further strengthen Dzongkhag Engineering cells.
- v. Promote and monitor engineering standards and ethics.
- vi. Develop and advocate common codes and good practices.
- vii. Establish minimum standards to ensure competence in a global market.
- viii. Corporatize NHDC.
- ix. De-link Thimphu and Phuentsholing City Corporation and allow them to function as per the Municipal Act.
- x. Corporatize Mechanical Division.
- xi. Designate Standard and Quality Control Authority (SQCA), which shall ultimately become the national standards organization, as the focal agency for standards.
- xii. Strengthen Construction Development Board (CDB) and build systems to root out corruption in construction/procurement

- xiii. Organize education, training and schemes to promote incorporation of companies of different scales that will have capacity to take up quality/large project both within the country, in the region and beyond.
- xiv. Review the National and Dzongkhag Road master plan to enhance coordination and avoid duplication.

Constitutional Bodies

39. As per the Constitution there are five Constitutional Bodies:

- i. Royal Audit Authority - Existing
- ii. Royal Civil Service Commission - Existing
- iii. Pay Commission - Not foreseen to be a permanent body therefore, structure not proposed
- iv. Election Commission - To be set up
- v. Anticorruption Commission - To be set up

Autonomous Bodies

40. It is envisaged that the office of Attorney General and the Administrative Tribunal will be established after the enactment of the Constitution. The following have been identified as autonomous bodies, as per the provisions of the Constitution and the GG Plus exercise:

- i. Centre of Bhutan Studies (Accountable to the Prime Minister)
- ii. Attorney General Office (Accountable to the Prime Minister)
- iii. National Statistical Bureau (Accountable to the Prime Minister)
- iv. Administrative Tribunal (Accountable to the Prime Minister)
- v. National Environment Commission (Accountable to the Prime Minister)
- vi. Royal University of Bhutan (Accountable to the Education Minister)
- vii. Board of Corporate Affairs (Accountable to the MTI Minister)

POLICY, PLANNING AND BUDGETING SYSTEM

Public Policy Formulation Process

41. There is a need to strengthen the system of policy formulation and include greater stakeholder consultations and impact assessments. In a post Constitution scenario, the Constitution would act as the legal basis of the institutional structure that would underlie the formulation of public policies in Bhutan. While the Executive body (Lhengye Zhungtshog) would be the lead authority on the public policy formulation, national policies have to reflect and abide by the provisions of the Constitution and may be subject to judicial scrutiny and review if found to be otherwise.

42. Bearing in mind the above, the following shall generally be the procedure for formulating public policies:
- i. An issue that needs to be formulated into public policy will need to be approved by the Lhengye Zhungtshog.
 - ii. In order to involve all stakeholders and to formulate the policy in a fair manner, the Planning Department must take the lead role. The Planning Department shall constitute a Task Force from among the stakeholders, which will include representatives from all interest groups, like NGO, pressure groups, communities, private sector, user groups, etc.
 - iii. While formulating the policy, the Task Force must use authentic data and information. In order to fulfill specific information requirement that is not available, case studies and researches may be done. The policy formulated by such a Task Force shall be put in the public domain and subjected to consultations before approval by the Parliament and adoption by the relevant ministries/agencies (Please refer to *Annexure 3*).
43. Post adoption evaluation shall be undertaken by the Planning Department at output level. The output evaluation shall look into, budget allocations, structural changes made, if required by the policy, and implementation in terms of programs and activities. In addition, evaluation research and outcome evaluation, covering the long-term results, possibly measured against a GNH index and tangible indicators must be carried out either by the Planning Department or by an independent think tank namely, Center for Bhutan Studies. The findings from the evaluation shall be incorporated, endorsed and adopted by the relevant ministries/agencies to complete the policy formulation, adoption and implementation cycle.

Budgeting Process

44. The budgeting and planning process are not merely instruments for resource allocations but serve as primary operational tools for establishing accountability, transparency and decentralization. This part presents a conceptual framework for resource allocation, budgeting and planning in the post-constitution-adoption era, particularly from the perspective of financial decentralization to the Local Governments that is explicitly stated in Article 22.18(c) of the Constitution. It also seeks to bridge the gap that prevails between the characteristically ambitious 5-year plans and the annual budget allocations which is determined by the actual resource envelope and priorities.

Conceptual framework for resource allocation & budgeting in the post-enactment of the Constitution- era

Step 1: Setting Overall Resource Envelope

45. The logical starting point in this entire exercise would be to determine the resource envelope. A fiscal framework such as the Medium Term Fiscal Framework (MTFF) will provide fiscal projections within a macro-economic framework that targets certain macroeconomic indicators such as growth, accounts for all available resources - national revenue and grants - and is consistent with a desired level of spending. The resulting fiscal path, which would also indicate the additional resources required in terms of loans, external and domestic, is derived after ensuring consistency with debt sustainability. The framework is dynamic in that it rolls over every year so that at any given point in time, the framework makes such resource availability projections for the next two years.

Step 2: Resource Allocation between Center and Local Governments

46. The available resources can be divided between the Center, DT, GT and TT.

National Budget = Center Budget + Local Governments

Local Governments = Dzongkhag Tshogdu Budget + Gewog Tshogde Budget + Thromde Tshogde Budget

47. The actual allocation of the resources in the immediate future, however, would have to be based on a number of considerations including national priorities, financial, given our high dependence, in terms of the size and type of donor support i.e. budgetary support versus project-tied support, and other ground realities in terms of capacity.

Step 3: Resource Allocation and Budgeting for Local Governments

48. Based on the adopted formula, the annual grants will be determined from the resource envelope for Local Governments. This could be based on a number of factors. Five of which appear relevant to our context are discussed here. More robust exercises should be undertaken by the Planning Department prior to the selection of a suitable set of factors and assignment of weights. What is discussed below is neither prescriptive nor exhaustive and is only intended to be a guide and to give a flavor of what such an exercise could entail. The five factors are:

- i. Population (recommended to be based on residency)
- ii. Income (Based on Household Income and Expenditure Survey)
- iii. Geographic Area
- iv. Infrastructure Endowment
- v. Environment Index.

Weights will have to be assigned to each of these factors.

49. In addition to the annual grants from the center, there could be four other possible sources of funds for Local Governments:
- i. Tied Grants.
 - ii. Rural Taxes.
 - iii. Voluntary and locally mobilized resources/contribution.
 - iv. Contributions from Civil society.
50. The main characteristic of Tied Grants is that the Local Governments will not have autonomy over its use, and in our situation, translates into central activities implemented at the local level. With respect to rural taxes, while shown as a separate source, it will eventually have to be adjusted against the annual grants allocation. With respect to the other sources of funds (iii and iv), the level of autonomy of the Local Governments in its use will depend on the understanding between the providers of the resources and the Local Governments.

Step 4: Release modality for Annual Grant

51. Annual grants shall be released from the center directly and separately to the Local Governments concerned (Department of Budget to DT/TT/GT), based on the adopted formula. Following the direct release of funds to the Local Governments (in annual or bi-annual tranches) by the Department of Budget, it will monitor its use in terms of adherence to the budget and the accompanying work-plans. This is one way in which the center keeps the Local Governments accountable. There will be similar arrangements to ensure accountability wherever Local Governments and central agencies interact e.g. through sectors and Planning Department at the overall level.

Step 5: Expenditure assignments

52. Within the ceiling of the annual grants, Local Governments will make their plans and incur expenditures related to the responsibilities and functions assigned to them. Therefore, Local Governments will exercise their autonomy in respect to the use of their annual grants (*Annexure 4*). This is a modification of the present division of responsibilities between the Centre/DT/GT/TT and could be used as a starting point, and adopted based on extensive consultations with all sectors and Local Governments. New elements which have already been introduced in the table are the assignment of additional responsibilities to TT and a non-specific/Non-sectoral category “Other public goods or services”. The purpose of adding the second category is to keep room for creativity so that the list of responsibilities does not preclude innovative ideas that would be acceptable but which would otherwise be constrained by the objects of expenditure framework. A broad definition for Public Goods would, however, be necessary.

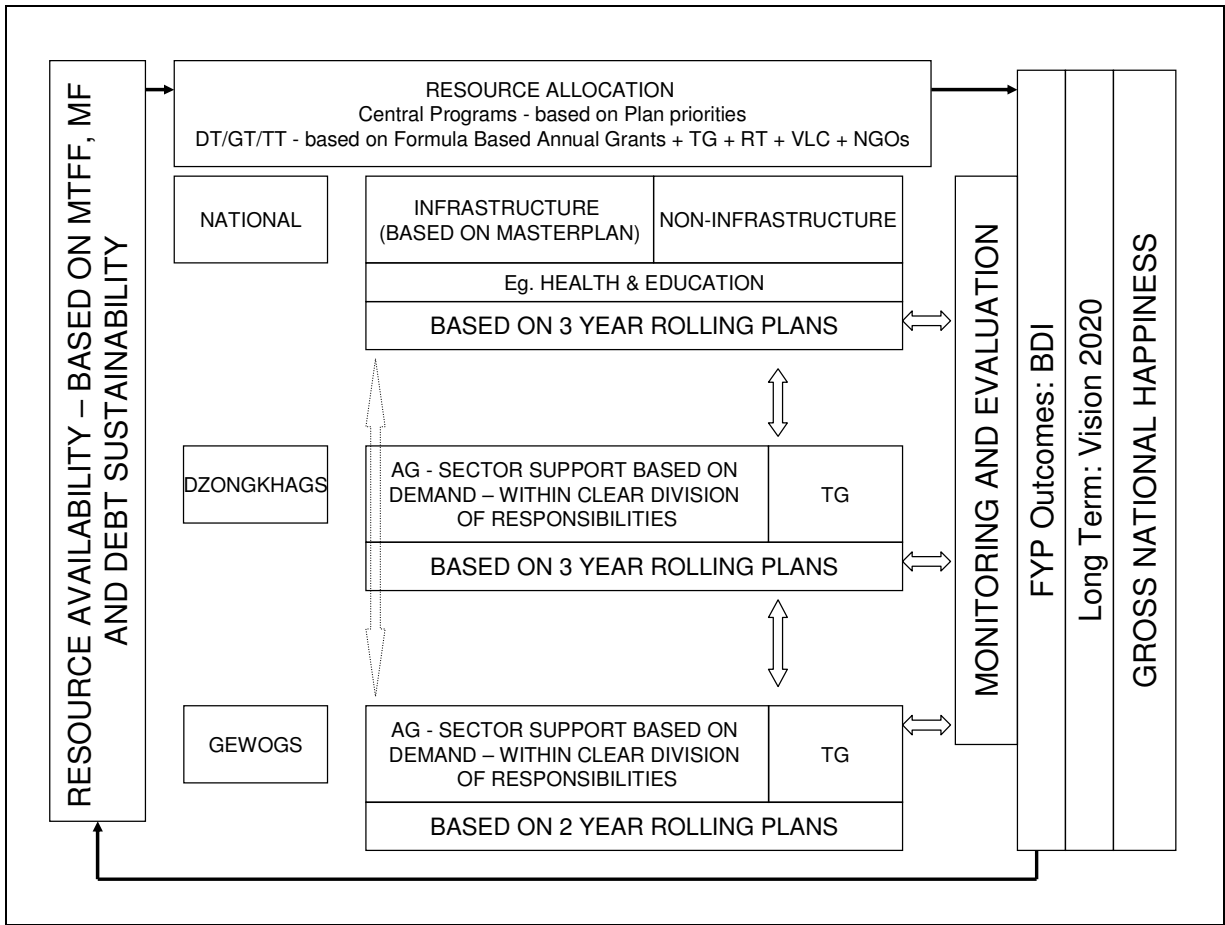
53. The above budgeting system is only suggestive at this stage which requires further analysis and refinement. The Planning Department will build on this conceptual framework including resource allocation based on formulas and a clear framework within which the resources will be used. Furthermore the following shall be carried out:
- i. Review the compulsory labour contribution and take measures to rationalize and reduce its burden to the public.
 - ii. Strengthen and organize information base, including updating, sharing & ensure accuracy of information.
 - iii. Resource mapping of Dzongkhag, Gewog and Thromde.
 - iv. Orient the planning process to the new system and sensitize on the use of GPIS in planning.
 - v. Assess Sectoral ICT systems capability, compatibility and connectivity to facilitate and enhance information sharing and coordination.
 - vi. Prepare position papers for sectoral views on decentralization and devolution of powers and authority within their respective areas and responsibilities and comments, especially with reference to Article 22 (1), (3), (4), (18), (19) and (20) of the Constitution.
 - vii. Assign responsibilities to the central and local government entities through consultative process using Annexure 4 as a basis.
 - viii. Explore possibility of “pooling” of human resources to better support GTs. Also explore linkages with the Integrated Gewog Development Centers that have been established or are being established.
 - ix. Amendments to DYT/GYT Chathrim:
 - a. Consider separation of dual functions of the Gup i.e. executive/administrative functions of Gup and as chairperson of GYT.
 - b. Local Government Act should take stock of the experiences and lessons learned since the implementation of the DYT/GYT Chathrim.

Planning Process

54. The process described above dealt mainly with resource allocation, modalities of intergovernmental fiscal transfers and the objects of expenditure issues. Ultimately these resources must be translated into plans and brought into a framework which must contribute to the development objectives of the country. The Alternative Planning Framework (APF), described below, provides such a framework and is felt best suited to the post 2008 scenario and therefore recommended. It is a result oriented planning framework.
55. In the illustration of the APF provided below, we begin from the left side, i.e. with resource availability which is based on the MTF, the Macroeconomic framework and debt sustainability as explained in para 46. This is a hypothetical

starting point given the causal relationship between Macroeconomic developments and the MTFF.

The Alternative Planning Framework



Guide: The arrows between the resource availability and plan outcomes reflect the causal relationship.

The broad arrows show linkages for monitoring and evaluation and coordination.

The dotted arrows show the possibility for direct linkages between the GT and the center.

Note: In view of the lack of clarity on the status of Thromde, it has been left out of the framework. Once the status is clarified, the APF can accommodate it accordingly.

56. In the APF, the five-year timeframe will still be retained but not as five year plans - in terms of projects and programs – as with the past plans. Its purpose is to provide a medium term perspective, and be used mainly to identify priorities or thrusts for five years. These priorities will primarily influence resource allocation among central agencies. DT, TT, GT will receive formula-based annual grants and use it as explained in the earlier section. Actual planning in terms of programs and projects will be limited to 3 years (recommended 2 years for the Gewogs to start with, in view of capacity constraints). This is simply dictated by the MTFF which provides resource availability projections for three years. While the projections are shorter, it is expected to be more certain. The plans will be

rolled over from year to year such that at any given point in time, plans and programs for the next two years would have been made (1 year for Gewogs) in line with the MTFF (this is already a requirement as per the FRR 2001).

57. An important feature of the APF is to view development plans from a infrastructure/non-infrastructure perspective since that is what all the programs and projects of the plans translate into. For infrastructure development such as rural electrification, hydropower generation, roads, telecommunication, industrial estates, it is recommended that a “master-plan” approach be adopted. This will also provide a framework for Local Governments which should enhance their planning and priority setting for infrastructure development (e.g. plans for national highways, that remains the responsibility of the center, is necessary for the DTs/GTs to plan their infrastructure needs due to the physical linkages – feeder roads plans of the DT and farm /tractor/tiller roads of the GTs).
58. Among sectors, one approach could be for the center to retain some amount of centralized planning for the social sectors, since this is one area where the government has taken on some explicit constitutional obligations (Article 9.16 and 9.21 of the Constitution) and thus, in a sense precludes decision making to some degree since it will largely be a function of population growth, age-cohorts etc. Resources for such programs at the Local Government level could be provided as Tied Grants. Similar approach could also be used to support our pledge to eternally retain 60% forest cover (Article 5.3 of the Constitution). As far as other sectors are concerned, they should undertake national programs only (some of which could be implemented by Local Governments in which case the activities would have to be accompanied by the necessary resources in the form of Tied Grants). As far as their general involvement in programs at the Local Government levels, it would be based purely on demand as Local Governments enjoy greater autonomy in terms of priority setting and activity selection within their annual grants ceiling.
59. The APF supported by the clear division of responsibilities, also provides the framework within which sectoral plans of the center and area development plans of the Local Governments synchronize, so that there is harmony between top-down planning and bottom-up planning, both of which are essential for attaining our development goals.
60. The APF also provides a basis for monitoring and evaluation, and ensuring coherency in the disparate efforts so that ultimately, development objectives are achieved. This will be pursued through a combination of output and outcomes monitoring and evaluation at sectoral and Local Government levels. This will be further complemented by the monitoring of the annual budgets by the Department of Budget and overall monitoring through MTRs by the Planning Commission. In this manner, at the national level, both outputs and outcomes will be monitored between the Department of Budget and Accounts and the Planning Commission. There can be more levels of monitoring and evaluation

but at the least, the three levels of monitoring and evaluation discussed are recommended.

61. To reiterate, eventually all the efforts at the central and local levels must come together such that desired outcomes are attained. This in turn implies that final outcomes must be defined in terms of measurable goals and targets, but which is still placed in a five-year context. This is proposed to be based on the Bhutan Development Index (BDI), which could build upon the United Nations Human Development Index (UNHDI), an index that measure development in terms of three major components – social sectors in terms of gross primary enrolment ratio, adult literacy, life expectancy, and overall, in terms of income. This is recommended purely as a starting point. Eventually this should be replaced by an index that better reflects GNH – the ultimate objective of our development.
62. The importance of the development of an index that better captures GNH cannot be overstated. For instance, using the BDI based on the UNHDI will mean that the social sectors (including social infrastructure) and economic infrastructure will receive the most emphasis (and correspondingly resources as they have tended to do) simply because they are most likely to have greater impact on meeting the targets based on this index. Non-infrastructure, which would cover the rest of the development activities, such as research, regulatory functions, cultural promotion activities and even environmental conservation etc. are likely to receive inadequate emphasis, unless an expanded GNH based Index is developed.
63. The above planning system requires to be refined further. The Planning Department will be entrusted to build on the Alternative Planning Framework and if found feasible, to be implemented in the Tenth Five-Year Plan (TFYP). Furthermore the following is required to be undertaken to implement the new planning system.
 - i. Develop the Bhutan Development Index led by Centre for Bhutan Studies.
 - ii. Adopt the BDI through a nation-wide consultative process lead by the Planning Department.
 - iii. Harmonise/screen existing targets based on the adopted BDI index, establish baseline and set outcome targets for the Tenth Five Year Plan.

GOOD GOVERNANCE AND THE DEMOCRATIC CONSTITUTIONAL MONARCHY

Enhancing a Culture of Professional Excellence

64. Values have an important role to play in the organization and administration of a nation; they help to shape and nurture the development of the highest possible standards of behavior. It is therefore imperative for all to reflect and translate

their understanding and practice of the positive values in their work and conduct. Founded on such Bhutanese values as Tsa-Wa-Sum, Lay Jum Dray and Thadamtshig, employees need to imbibe and manifest these values in their attitude and behavior as follows:

- i. Personal values such as integrity, trust, responsibility, discipline, dedication, diligence and cooperation.
- ii. Customer focused values such as care, courtesy, patience, politeness fairness and friendliness.
- iii. Professional values such as knowledge and skill, creativity, innovativeness, accountability and impartiality.
- iv. Leadership values such as visionary, dynamism, receptiveness and approachability.

65. These can be inculcated through the following:

Human Resource Development

- i. Introduce induction programmes for new recruits including provisions for counseling, mentoring and operationalizing a system whereby senior officials are required to act as role models for promoting right values and professionalism.
- ii. Conduct training programmes on Code of Conducts.
- iii. Incorporate the employee's behavior towards the public as one of the elements in the personnel performance evaluation.
- iv. Conduct continual in-service education and training to ensure updating of professional knowledge and skills including enhancing the ability of civil servants to analyze and draw conclusions, as well as to promote understanding of national goals and consensual direction.
- v. Introduce personnel development activities such as retreats and meditation practices.
- vi. Institute a process of systematic grooming and selection of leaders/managers at all levels.

Professionalism

- i. Appoint the right person for the right job.
- ii. Institute in-house programmes for frontline employees to instill customer-friendly skills.
- iii. Encourage professional bodies such as Association of Engineers, Teachers, Health and Medical professionals, Finance and Accounts etc. to enhance professionalism and ethics in their respective fields.
- iv. Publicize values and work ethic through news bulletin/ other publications of Government agencies, and the media to check corrupt practices.
- v. Institute award system for innovation

Motivation

- i. Improve the working conditions and facilities that impact staff performance and motivation.
- ii. Create a merit based system where high performers are rewarded and non-performers are penalized. This shall be in contrast to the present system of time bound promotions and will also impact in dispelling the largely held view of permanence in the civil service.
- iii. Encourage employees to make professional judgments and exercise innovations and judicious discretion when warranted. This contrasts with the current practice of strictly observing procedural requirements.
- iv. Enhance difficult area allowance and free housing with minimum basic facilities in rural areas.
- v. Make it mandatory for all civil servants being considered for promotions to grade V and above to work in Dzongkhags and Gewogs for a minimum of one to two years. This however shall not apply to those who are already in these grades.

Transparency

- i. Create a system of posting grievances to give a proper hearing to the problems of employees.

Accountability

- i. Encourage decision making by fixing responsibility and accountability both at the systems and individual level and introducing a proper system of monitoring following the mechanism of delegation of responsibility and accountability as shown in ***Annexure 5***.
- ii. Review the existing committees in each agency to ensure that accountability is not compromised and decisions are not delayed. A system for follow up of the decisions of the committees and the meetings must be institutionalised/coordinated to realize the optimal benefits from the decisions.
- iii. Undertake proper/complete handing/taking over at the time of transfer, resignation, superannuation, termination, etc.
- iv. Improve the Government agencies' system of inventory of both movable and immovable assets procured/inherited under RGOB or donor funding

- v. Review delegation of financial and administrative authority in the Financial Manual and institute a system of Performance Auditing.

New Public Service

66. Crucial to Good Governance is the role and character of Public Service. The new Public Service must be based on the notion that the public administration is there to serve the public and the end object of all national policies is to nurture the GNH state.
67. Towards operationalizing the New Public Service, the Position Classification System (PCS) shall be introduced by January 2006. The PCS is being introduced by the RCSC during the most momentous occasion in the country's political history- the imminent enactment of the Constitution. The new Public Service under the PCS will impact positively in promoting meritocracy, professionalism and esprit-de-corps. It is intended to bring out the best in the civil servant in the service of the Tsa-Wa-Sum.
68. With regard to the civil service administration, the proposed Civil Service Act is expected to be administered by an independent and apolitical RCSC. After the adoption of the constitution, the RCSC should function as the central policy making authority for the civil service. It shall be responsible for developing a dynamic civil service system and a merit based civil service administration worthy of the trust and confidence of the Royal Government. It shall ensure the effective implementation of the policies and programmes by professional civil servants efficiently organized in agencies and functional units.

Right sizing the civil service

69. There appears to be a lack of a clearly spelt out strategy for right-sizing the civil service. Therefore it would be necessary to incorporate in the proposed Civil Service Act, provisions requiring all Government agencies to undertake an Organizational Development (OD) exercise every 5 years. The outcome of the OD of the respective agencies shall be the basis for all decisions with respect to restructuring of agencies and capacity development including staffing (***Annexure 6***).

Royal Audit Authority

70. The Royal Audit Authority (RAA) while performing its mandate must also ensure that it does not hamper the efficient functioning of the agencies in the Government and the Corporate Sector. In this regard RAA shall:
 - i. Share negative list with RCSC with the provision that Audit Clearance is required only if name is reflected in the negative list

- ii. Take a more positive approach in its functioning. The RAA shall be sensitive to the constraints faced by organizations and make allowances for positive contributions
- iii. Institute at least one round of operational and high level consultation between the RAA and the Auditee organizations to resolve issues failing which RAA may take actions as appropriate.
- iv. Extend the time for replying to audit memos from 3 months to 6 months.
- v. The Ministry concerned, Royal Audit and Finance Ministry will take the final decisions on unresolved audit issues.

Service Delivery

71. To enhance the standards and quality of services, the following needs to be undertaken:
- i. Inter-agency coordination: There is a need to set up a clearly defined system for enhancing inter-agency coordination for minimizing wastage and duplications of efforts and resources and ensuring timely delivery of high quality services to the public. The Planning Department shall be the lead agency for formulating the above system and for ensuring its implementation. Such coordination will be particularly necessary in the planning and execution of road network, communication, rural and urban infrastructure, public utilities and gup's office/RNR centre.
 - ii. One-window services: Counter services or front-line services, where the public directly interacts with Government officers, shall be provided through a "one-window" service or at one centre. These services could include "one-stop bill payment centres", "one-stop licensing services", and "one-stop investment centre (facilitating processing of applications for investment)".
 - iii. Inter-agency system integration: This will be necessary to facilitate the exchange of data/information and for enhancing coordination particularly between the regulatory and security agencies. Such integration amongst others should manifest in a one-window checkpost that could carryout the documentation works for RBP, Forest, Customs and Immigration.
 - iv. Customer Oriented Service: All agencies shall excel in improving service delivery. Every agency shall spell out the procedural requirement to avail of their service and set standards which include the time required to provide the service to its customers. This shall be made public through a client charter.
 - v. Every Ministry will be required to establish a Quality Assurance Group coordinated by the internal audit which will assess the compliance of the service provider through internal checks and feedback from the public. This shall be further supported by Standard and Quality Control Authority (SQCA) of MoWHS which shall act as the focal agency to coordinate with the various sectors engaged in the development of and assessment of goods and process standards.

- vi. Inadequate knowledge of rules and procedures on procurement results in not only non-compliance of rules and acceptance of substandard and substitute goods thereby impacting effective decentralization within the organizations and quality timeliness of service delivery. In order to address this shortcoming, the Ministry of Finance with assistance from MoWHS shall conduct regular education on rule and procedures and adopt a system of certification of quality of goods being imported. Further, MoF shall introduce mechanisms to ensure full compliance of the rules.
- vii. Streamline the pension claim procedures to make it more service oriented. Amongst others, it shall consider creating facility or designating contact point at the nearest reasonable place of the pensioner. E.g. Post Office, banks, etc.
- viii. Further review and streamline the court procedures especially criminal cases to give timely justice.
- ix. Chadri: It has become almost a ritual to conduct chadris for just about every official function often disrupting the services within the Government, some of which are quite critical for the public. This has also trivialized chadri and added another burden to the public. Therefore chadris may be limited as recommended hereunder:

Position	Suwa/Zhabkyal/Reception
Prime Minister	Dzongdag/Dzongrab, DT Chairperson and few Dzongkhag staff
Chief Justice/ Speaker/Ministers	Dzongdag/Dzongrab, Cultural Officer and concerned Sector Heads

Note: Suwa/Zhabkyal - Tea and snacks normally-lunch to be arranged where appropriate.

Governance in Corporate Sector

- 72. With respect to the government corporations, there is a need to strengthen reporting procedures and accountability system. Towards this, the Government will strictly implement the Guidelines for the Boards of Government Corporations, Ministry of Finance (2004). In addition, CEO recruitment for the Government corporate boards shall be through open competition, and not seconded from the civil service henceforth.
- 73. A Board of Corporate Affairs (BCA) shall be set up to oversee the corporate governance of all companies registered under the company act with representatives from Industry, Communications, Labour, Finance, Agriculture, Work and Housing and the private sector.

74. The Registrar of Companies and the RSEB shall be further strengthened.

Private Sector

75. The Royal Government made a strong commitment to private sector development starting from the sixth five year plan (1987-1992) with re-activation of BCCI as the forum for the private sector followed by privatization of Bhutan Carbide and Chemicals Ltd (BCCL), Bhutan Board Products Ltd (BBPL) and Gedu Wood Manufacturing Corporation (GWMC). However, the sector remains weak and is nowhere near its expected position of providing employment to the increasing number of educated Bhutanese youth, estimated to reach 50,000 by the end of the ninth five year plan.
76. In order for private sector to grow and assume its expected role, the Government needs to chalk out a clear policy for the sector and create the enabling conditions towards realizing the full potential of private sector as an engine for national development. A 'comprehensive policy on private sector development' which shall be drawn through a consultative process involving the stakeholders could include the following:
- i. Dual track development strategy: The development strategy for the private sector have to be based on the country's socio-economic strategies and due cognizance of this sector's strength and potential in relation to the external conditions and advantages. The border areas have easy access to markets and thus ideal for developing industries and other related sectors. In the up-country region, niche marketing including high-tech industries and tourism aside from trade, commercial and other service industries should be promoted with favorable schemes and support measures.
 - ii. Review of Industrial Location Policy. The location of industry inside 3 km from the international boundary may be revisited to accommodate location in suitable areas in the southern border.
 - iii. Infrastructure development issues. This would include power supply, communication facilities, industrial estates for service and manufacturing, satellite towns in all Dzongkhags, dry port in Phuenstholing & Gelephu and review of the industrial lease rent.
 - iv. Outsourcing of non-core functions of the Government agencies. Within a competitive framework, Government should outsource non-core functions in the field of design, maintenance, machinery, transport, IT services & office automation, basic training, etc. to the private sector.
 - v. Privatization and Norms. This should cover issues pertaining to privatization of government holdings in the corporations, leasing of Government land & properties, BOT norms in FDI.
 - vi. Creation of enabling environment to facilitate private sector development. This could include single window for obtaining licensing, import license, permits, clearance and/or all business related transactions with the Government.

- vii. Rural enterprise development. Promote and support rural enterprise through activities such as:
 - a. Resource inventorying (mapping) for enterprise development
 - b. Promoting niche marketing of natural and organic products
 - c. Promoting commercial/corporate farming through amongst others, adoption of new technology and access to credit facilities.
 - d. Re-vamp the farm mechanization programmes
 - viii. Power Issues (firm generation of electricity). There is need for greater policy clarity keeping in view availability of power supply, equity issues and cost-benefit analysis of the current tariff rate of the power supplied to the industries vis-à-vis export earnings. Feasibility study of the power sector covering buy-back issue, tariff stability including FDI under BOT norms with Indian counterpart is recommended.
 - ix. Taxation Policy. This will include long term taxation policy, tax free zones and exemption on equipments for product development or service deliveries for service industries.
 - x. HRD and labour related issues. This would include firm commitment of the HRD for private sector and review of ceiling for foreign workers in the country.
 - xi. ICT sector. Promotion of ICT sector for generation of employment to the literate youth.
 - xii. Moral & ethical issues. Address the issue of fronting, corruption, illegal practices, etc.
77. While the above policy development recommendation would take time, the Government shall address immediate bottlenecks that affect this sector through the following:
- i. Critically review the management of FDCL, regulate the price of timber and ensure full domestic supply.
 - ii. Enhance the availability of indigenous construction materials such as sand, stones and timber required by the housing and construction industry through increase in the number of quarries and necessary changes in the current regulations to make these materials available at competitive rates.
 - iii. Establish a think tank within BCCI to discuss and formulate plans and strategies for the private sector development including strengthening of the BCCI to cater to imparting services to the private sector.
 - iv. BCCI and other business associations to sensitize business communities on matter relating to fronting and unethical business practices.
 - v. Promote micro, cottage & small business activities by de-licensing of investment up to one million Ngultrum and through setting up of fast-track registration system of such businesses.
 - vi. Upgrade Tourism Development Committee as Tourism Development Board with a mandate to promote Bhutan as a tourist destination, provide negative list to the tour operators, open Samdrupjongkhar for both entry/exit, and opening of Manas Wildlife sanctuary, Merak & Sakten.

- vii. Simplify the TDS certification process.
- viii. Enhance professionalism in the private sector through OJT/ATP programmes on specific skills development.
- ix. Operationalize the proposals for setting up of a Labour Recruiting Agency for foreign workers as well as export of national workers.
- x. Enhance the availability of financing to private sector through:
 - a. Review of consortium lending ceilings by the Royal Monetary Authority (RMA).
 - b. Introducing new financial tools such as leasing financing, private-debt markets and electronic banking.
 - c. Setting up a Credit-rating System.

GOOD GOVERNANCE THEMES

Corruption and Anticorruption Measures

78. Corruption occurs in many forms. It may arise in executive offices, legislative bodies, judiciary, corporate bodies or private organizations. Corrupt practices are manifesting both at the policy level as well as the implementation/operational level. Preventing corruption through a holistic and integrated anti-corruption strategy is of vital importance. The following shall be implemented to address corruption at all levels and across different sectors, including the private and corporate sectors:

Laws, rules and regulations

- i. Legislate an Anti-Corruption, Audit, Attorney General and Information and Media Acts.
- ii. Continue updating of the existing Civil Service Rules and Regulation on Code of Conduct and Ethics (incorporate a conflict of interest clause including definition of relationship) and Financial Manuals.
- iii. Review and update all Rules periodically to ensure that they do not constrain the effective implementation of programmes and management. It shall also be ensured that no exceptions to rules is made at any level.
- iv. Strengthen the asset registration and declaration rules and regulations.

Effective enforcement

- i. Establish an independent Commission to enforce the Anti-Corruption Act. An interim Anti-Corruption Committee shall be established immediately.
- ii. Professionalize the Judiciary and the Office of Legal Affairs by enhancing their enforcement capacity by inducting legal experts and appropriate training.

- iii. Operationalize the internal auditing system by enhancing staff capacity and making the system an integral part of the Ministries' business process. Identify the Head of Internal Audit Unit as the focal person in creating an anti-corruption coalition in the organization.
- iv. Establish a system which will make it possible for civil societies or the people to demand and promote transparency in disputed decisions emanating from the legislature, judiciary and executive.

Focus Integrated Anti-Corruption Efforts on Agencies Vulnerable to Corruption

79. Organizations involved in procurement, construction and development projects have been recognized as vulnerable to corrupt practices such as bribery, fraud, embezzlements, manipulations, misuse/mismanagement, nepotism in various forms. Public officials in Customs, Taxation, Forestry, Immigration, Land Record, Audit, Labour and Human Resources, City Corporation and Trade and Industrial Licensing organizations featured as high risk and prone to corrupt practices. The following are the specific steps to be undertaken in these agencies:
- i. Develop specific action plans to mitigate corrupt practices in these organizations.
 - ii. Institute a proper M&E system in the vulnerable organizations to carry out evaluations on an ongoing basis on the success and failures of specific plan of actions adopted to address corruption and malpractices.
 - iii. BCCI, Construction Association of Bhutan (CAB) and Construction Development Board (CDB) and such other organizations shall sensitize the private sector on the risk of corrupt practices such as fronting, bribing, collusion and syndication in businesses. These organizations also should come out with specific plan of actions to address the risk of corrupt practices.
 - iv. Institute systems for taking prompt and severe action on corrupt practices.

Strong Public Awareness

80. The general public has a paramount role in addressing corruption. Strong public awareness should be created to make corruption so unacceptable that the stigma of corruption cannot be washed away by mere serving of sentences or paying back misused funds. Public has to be brought on board to provide and be given space for a proactive role in combating this malaise through the following:
- i. Institute a national anti-corruption advocacy plan.
 - ii. Ensure that leaders assume role models and that their actions more than comply with the organization and societal code of conduct and ethics.
 - iii. Ensure that leaders in organizations and society strive to be accountable and objective, examining their decisions for consistency and compliance with the rule of law.

- iv. Use of mass media to highlight the issues of corruptions and their redressal. In particular, the media should report high profile corruption cases to promote transparency and complement the national coalition against corruption.
- v. Recognize and reward citizens of high integrity.

National Security and Good Governance

81. In the context of Bhutan, National Security can be defined as preserving its sovereignty, independence, territorial and cultural integrity. Good Governance can contribute to some of these elements, but it alone is not sufficient to ensure full security of the country. The following are the types of threats that the country could face and for which a coherent strategy needs to be in place:

External Security

- i. Threat to territorial integrity
- ii. Threat of foreign militancy/ terrorism
- iii. Threat to cultural values due to globalization.
- iv. Illegal migration:

Internal Security

- i. General Law and Order
- ii. Natural Calamity and Disaster

The following are the steps to be taken to address the issue of national security:

- i. Formulate and implement a comprehensive policy and plans to address the issues of national security as it has a direct bearing on the well being of the people and Good Governance.
- ii. Formulate and enact Essential Services Maintenance Act (ESMA) or Essential Public Services Maintenance Act (EPSMA).
- iii. Establish a single government agency to regulate and study upper river basins and glaciers activities.
- iv. Ensure that the country has strict citizenship and immigration laws in the future.

Role of ICT in Good Governance

82. The three pillars of Good Governance namely transparency, accountability and efficiency can be enhanced through the use of ICT applications in Government administration and management process as well as assisting decision makers through decision support tools. Bhutan in its path to a Democratic Constitutional Monarchy can greatly benefit from the use of ICT not only to strengthen the

Government, but also strengthen the democratic processes helping citizens participate in an inclusive Government, and enhance checks and balances. The following are imperative for ICT to play a role in Good Governance:

- i. Bhutan ICT Policy and Strategy has been drawn through a multi-stakeholders approach and endorsed by the Government at the highest level. It is a comprehensive document that outlines detailed activities to achieve Good Governance, Info-culture, and to create a High Tech Habitat. For its successes the Government shall ensure that all agencies take full ownership and implement the recommended strategies within the stipulated timeframe.
- ii. The DIT has to be strengthened and its mandates increased to include development of ICT for Good Governance through creation of Regional Information Centre which will provide back-up services for ICT applications, creation of awareness of the potential and use of ICT in governance, and support the development of ICT throughout the country.
- iii. A National ICT Forum shall be created where decision-makers, ICT professional and industry leaders get together periodically to discuss and find solutions to issues obstructing effective deployment of ICT for Good Governance.
- iv. To optimize the use of ICT infrastructure existing BPC's fibre optic infrastructure would be leased or shared with relevant agencies (media, cable TV, private ICTs Government agencies, etc)
- v. Bhutan Network Information Centre (BTNIC) shall be made independent of any service provider, and administered by DIT or Bhutan Information, Communication and Media Authority (BICMA) or any relevant agency with technical expertise.
- vi. A Government-wide procurement system shall be developed and implemented throughout the Government agencies to ensure transparent and more accountable procedures in procurement. Every department shall use the same system and be able to share information on supplies, prices, after-sale support, etc., and this would usher in more reduction in transaction costs and better management of supply chain.
- vii. ICT and ICT enabled businesses has potential to generate employment avenues for college graduates and youth, so the Government shall strive to create conducive environments for call centre and other BPO businesses through FDI or local entrepreneurs.
- viii. Laws, forms and information shall be made easily accessible to the public using ICT.

Role of Media in Good Governance

83. From strengthening the three pillars of Good Governance to providing a public space for discourse, the media can play an important role in decentralisation and democracy. Public Service Media can be the most relevant and desirable form and approach for Bhutanese media. This approach recognizes its audience as

members of different sections of society, identified by age, sex, occupation, interests, educational levels and, in Bhutan, their remoteness, all with varied interests and needs. This will ensure the freedom of media with a strong sense of public responsibility. For the Public Service Media to flourish, it will require subsidy in a variety of forms, from direct budgetary grants to indirect input like infrastructure and tax waivers. Full realization of the media roles requires the following:

- i. Enact the Media Act, which has already been drafted by the Government, and which covers the need for media policy, legislation and regulations.
- ii. Media policy shall ensure diversification of ownership to avoid monopoly and no foreign ownership of the Bhutanese media.
- iii. The media in Bhutan must be conscious that it serves a small vulnerable society that survives on the strength of a distinct cultural identity. The development of the media needs to be conscious of sensitivity to the cultural and social complexity in the environment of rapid political transformation. Therefore this shall be adequately addressed within the Media regulation.
- iv. Develop and promote programmes on Good Governance.
- v. A Government owned media shall be guided by a charter to guarantee budget and independence of media.
- vi. Enhance education and training of media professionals to cater to the changing environment and needs.
- vii. Media literacy programmes shall be introduced for the younger generation and the public.

Role of Civil Society in Good Governance

84. Civil society encompasses the space or domain outside the sphere of Government or state. It includes a diverse range of groups such as welfare associations, religious associations, youth and women groups, alumni and sports associations, environmental groups, community organizations, industry groups, academic and professional associations. All these are examples of civil society organizations (CSOs) that exist to advance the interests of their members or the general public.
85. While civil society is expected to play a greater role in contributing to the objectives of Good Governance there needs to be a greater clarity established which takes into account their comparative advantage in supporting developmental and social objectives while ensuring this does not undermine Government policies and plans.
86. In order to address this the following needs to be undertaken:
 - i. Review the draft NGO Act to ensure consistency, compatibility and comprehensiveness, in order to address existing and emerging concerns.

- ii. Provide a platform / forum at national level and within the Dzongkhags for CSOs. Civil society should be viewed as partners to complement RGOB efforts.
- iii. Define the relationship between BOC Federations & Department of Youth, Culture and Sports (DYCS). Streamline the functioning of BOC & federations keeping in view amongst other the IOC requirements.
- iv. Promote voluntarism.
- v. Setting up appropriate regulatory mechanisms with regard to the functioning of the NGOs particularly in the post-enactment of the Constitution scenario.

MONITORING AND EVALUATING THE GG PLUS

87. The realization of the Good Governance objectives will depend on the dedication and sustained efforts of agencies and the establishment thereof of an effective management system with a strong M & E component.

Institutionalizing Good Governance

88. Towards institutionalizing Good Governance, the ministries and other agencies shall:
- i. Formulate and implement a plan of action of the GG Plus document.
 - ii. Set-up management structure on Good Governance within the agencies such as coordinating committee, work-teams, etc.
 - iii. Conduct annual reviews of the implementation to identify areas for course corrections and/or issues requiring special attention.
89. Top management of organizations including the Ministers and heads of agencies shall be responsible and accountable for the implementation of GG Plus recommendations. They must provide leadership in formulating the implementation plan and implementing the organization's plans/programmes relating to Good Governance.

Monitoring and Evaluation system

90. The Prime Minister shall ultimately be accountable for the implementation of the Good Governance Plus document. Towards this the Cabinet Secretariat/ Prime Minister's Office will institute a national monitoring and evaluation mechanism of the Good Governance Plus activities.

GOOD GOVERNANCE & DUTIES OF CITIZENS

91. The notion of Good Governance must begin in every citizen's mind

and manifest as his/her commitment to the fundamental duties enshrined in the Constitution: the responsibility to safeguard national security and public property, pay taxes in accordance with the law, uphold justice and to act against corruption, act in aid of the law, respect and abide by the provisions of the Constitution.

92. This creates the enabling condition for the citizens to enjoy in full measure the fundamental rights as enshrined in the Constitution. Therefore in the final analysis it is the people's commitment to the Fundamental Duties and the heightened level of public consciousness that can assure and sustain Good Governance and Gross National Happiness.