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*11:10 a.m.*

**1. OPENING CEREMONY**

The 7<sup>th</sup> Session of the First Parliament of Bhutan commenced with *Zhugdrel Phuensum Tshogpai Tendrel* graced by His Majesty the Druk Gyalpo on the 18<sup>th</sup> Day of 3<sup>rd</sup> Month of the Iron Female Rabbit Year corresponding to 20<sup>th</sup> May, 2011.

**2. INAUGURAL SPEECH OF THE HON SPEAKER**

While inaugurating the 7<sup>th</sup> Session of the First Parliament of Bhutan the Speaker on behalf of the Parliament welcomed and thanked His Majesty the Druk Gyalpo the embodiment of our collective merit, for gracing the inaugural ceremony in keeping with the provision of the Constitution. He also welcomed and thanked Ashi Deki Yangzom Wangchuck, Ashi Pema Choden Wangchuck and other Royal Family Members, Chief Justice of Bhutan, Senior Government Officials, Indian and Bangladesh Ambassadors and other diplomats, distinguished guests, students and all those who were witnessing and listening to the session

through television and radio to the Inaugural ceremony. The Speaker expressed his confidence and prayers for the fruitful and successful conclusion of the 7<sup>th</sup> session like the past sessions.

### **3. HIS MAJESTY THE DRUK GYALPO'S ADDRESS**

It is now almost three years and three months since the start of democracy. Our nation has so much to be proud of. The first years of democracy have been a great success, made possible by the blessings of the Dharma and our Guardian Deities and the foundations laid through the selfless efforts of our forefathers and Kings and the good fortune and karma of the People of Bhutan.

Our generation embarked on a profound process of democratization, with little experience but armed with the strength of our unity of vision and aspirations. Our people, government, religious institutions and bodies, private sector, media, legislature, constitutional bodies, judiciary and the armed forces have all served the country well under this new system, and have worked to slowly shape a strong and effective democracy. Through

your hard work, it has been possible in the midst of such a dramatic transition to oversee the vast socio-economic development plans and projects we had in the 10<sup>th</sup> Five Year Plan.

The government has worked tirelessly in all sectors such as hydropower, tourism, agriculture and industries. Remote villages are being connected with roads and electricity, while education and health facilities are being broadened or improved. Our traditions and cultural values continue to be strengthened and rural Lhakhangs are being renovated. The government has moved with intensified efforts to renew foreign relations according to the changing times. I am happy that our relations with India are as strong as ever. The people of Bhutan must appreciate all these efforts being made by the government.

In spite of all our achievements, Bhutanese people should never be complacent. If even a small fraction of the problems that plague other nations appear in Bhutan, our small society will be forever afflicted and we may never regain our jewel of a nation.

As we move forward, we must be guided by the most sacred and unchanging national goals – the security and sovereignty of our Nation and the peace, unity and harmony of our People. Today, as I have said before, our immediate and foremost duty is the success of democracy. That is our foundation for the future success of Bhutan. But democracy can only flourish if all Bhutanese uphold the rule of law; if there is good governance, if corruption is eradicated and if the delivery of public services is fair and effective.

As a small landlocked nation, the only way for us to fulfil this is to carry out our duties through cooperation, sharing and consultation. I know that each ministry, government institution, parliamentary body or public agencies has its own mandate. Still, you must work together, not in competition. Henceforth, I ask all of you to establish the practice of meeting regularly, sitting face to face every now and then, so that you will always be in collaboration as you carry out your separate responsibilities. And all problems may be resolved without being allowed to fester and grow. Such shared

effort will be in the true spirit of Gross National Happiness.

**4. PROCLAMATION OF ROYAL WEDDING BY HIS MAJESTY THE DRUK GYALPO**

Today, at this auspicious gathering, I would like to make a short announcement to all the people of the 20 Dzongkhags. As King, it is now time for me to marry. After much thought I have decided that the wedding shall be later this year.

Now, many will have their own idea of what a queen should be like – that she should be uniquely beautiful, intelligent and graceful. I think with experience and time, one can grow into a dynamic person in any walk of life with the right effort. For the queen, what is most important is that at all times, as an individual she must be a good human being, and as queen, she must be unwavering in her commitment to serve the People and the Country.

As my queen, I have found such a person and her name is Jetsun Pema. While she is young, she is warm and

kind in heart and character. These qualities together with the wisdom that will come with age and experience will make her a great servant to the nation.

This union does not mean that I am starting my own family. From the very day I received the *Dhar-Ngay-Nga* from the sacred *Machhen*, the people of the 20 Dzongkhags became my family. Such is the duty and privilege of all Kings of Bhutan. It is through this union, that I shall have a Queen who will support, and work with me, as I serve the People and the Country.

The wedding will be in accordance with age-old tradition, to seek the blessings of our Guardian Deities. I ask the government not to make any plans for a grand celebration. The happiness of my beloved father and the blessings of our People will give me the greatest joy and happiness.

**5. EXPRESSION OF APPRECIATION TO HIS MAJESTY THE DRUK GYALPO**

Upon recognition by the Speaker, the Prime Minister, Chairperson of the National Council, Leader of the

Opposition, Members from Jomotsangkha-Martsala, Gangzur-Menjay constituencies expressed their gratitude to His Majesty the Druk Gyalpo for providing noble guidance to the Parliament and further pledged to serve with renewed loyalty and dedication.

It was submitted that the proclamation of His Majesty the Druk Gyalpo to take Ashi Jetsun Pema of noble family line, endowed with pure qualities, crucial to a royal bride is the fulfilment of aspiration of all the Bhutanese. The Wangchuck Dynasty is important for the sovereignty, democracy and independence of our country. The timely Royal Wedding by our Monarchs for the uninterrupted continuity of the Dynasty is one of the most significant aspirations of our people.

Furthermore, it was submitted that the announcement of the Royal Wedding to be held in October 2011 is the ultimate fulfilment of the aspirations of Bhutanese people. They expressed their profound joy and happiness and pledged that the government and people with deep respects and dedication would ensure to make

the wedding ceremony a very festive and joyous occasion for our people.

**6. EXPRESSION OF SUPPORT FOR THE ROYAL WEDDING CEREMONY**

The Speaker on behalf of the Parliament with great confidence and admiration pledged its complete support to His Majesty the Druk Gyalpo's proclamation of wedding to Ashi Jetsun Pema.

Moreover, the Members expressed *Tashi Legmoen* for enhanced solidarity, peace and happiness in the country from the day of Royal Wedding. They wished for fruitful Royal Procreation like a summer blossom in the meadow to ensure the continuity of the monarchy. The inaugural ceremony of the 7<sup>th</sup> Session concluded with the offering of prayers for the reign and noble activities of His Majesty the Druk Gyalpo to flourish equivalent to the boundless sky and the perpetuation of Monarchy at all times to come.

(18<sup>th</sup> Day of the 3<sup>rd</sup> Month of the Iron Female Rabbit Year corresponding to 20<sup>th</sup> May, 2011)

*10:05 a.m.*

**7. APPROVAL TO COMPILE AND REVIEW THE AMENDMENTS EFFECTED TO THE MARRIAGE ACT (1P7M1)**

The amendments effected in the Marriage Act of Bhutan, 1980 during the 74<sup>th</sup>, 83<sup>rd</sup> and 85<sup>th</sup> Sessions was read out to the Joint Sitting of the Parliament by the Secretary General of the National Assembly. It was proposed that the past amendments to the Act be compiled to facilitate implementation in the Royal Court of Justice. It was also submitted that approval for the compilation be granted by the Joint Sitting of the Parliament.

Most of the Members commended and supported the proposal to compile the amendments passed on the Marriage Act 1980 in the past Sessions. The House expressed its approval and directed that the compilation to be carried out under the order of the Speaker.

*12:10 p.m.*

**8. REPORT ON THIRD FIRE IN BUMTHANG CHAMKHAR TOWN (1P7M2)**

The Member from Bumthang, Agriculture Minister, Lyonpo Dr. Pema Jamtsho reported that 46 houses were burnt down in the fire disaster that occurred at 3.30am on 27<sup>th</sup> May, 2011 at Bumthang Chamkhar town. He said that the occurrence of such disaster three times in a stretch of just seven months was shocking and saddening, however, it is incomprehensible if such an incident is an accident or an outcome of deliberate foul play by some miscreants. The National Council Member from Bumthang also submitted although it was disappointing and saddening to report such incidents, he pleaded His Majesty the Druk Gyalpo and the government to continue providing support and assistance to the victims of the disaster.

The Speaker reiterated that such news is always a cause of great grief and concern. His Majesty the Druk Gyalpo and the government have at all times been providing every possible assistance to the victims of the past fire

disasters. The Parliament urged that as in the past, similar assistance and support be rendered to the victims of the recent fire disaster.

**9. HON SPEAKER'S ADDRESS DURING CONCLUSION OF JOINT SITTING OF PARLIAMENT**

The following six Bills deliberated in 5<sup>th</sup> to 7<sup>th</sup> sessions, on which a consensus between the two Houses could not be drawn were discussed thoroughly in a week long Joint Sitting from 23<sup>rd</sup> to 31<sup>st</sup> May, 2011 as per the command of His Majesty the Druk Gyalpo in accordance with the provision of Constitution;

1. Penal Code (Amendment) Bill of Bhutan, 2011
2. Civil and Criminal Procedure Code (Amendment) Bill of Bhutan, 2011
3. Anti-Corruption (Amendment) Bill of Bhutan, 2011
4. Financial Services Bill of Bhutan
5. Child Care and Protection Bill of Bhutan, 2011
6. Water Bill of Bhutan, 2011

This has been possible due to the experience and knowledge gained over the last three years by the Members of the Parliament, effective discharge of their legislative functions, mutual cooperation between the Houses and excellent works performed by the Joint Committee.

The endorsement of Legislative Rules of Procedure, 2011 in this Joint Sitting as per the command of His Majesty the Druk Gyalpo has paved way for smooth and efficient passage of Bills and urgent Bills in the Joint Sitting. The Hon Speaker expressed that this endorsement would have fulfilled the aspirations of the Members in dealing with the disagreements on the Bills between the National Assembly and the National Council.

(29<sup>th</sup> Day of the 3<sup>rd</sup> Month of the Iron Female Rabbit Year  
corresponding to 31<sup>st</sup> May, 2011)

*10:01 a.m.*

## **10. PETITIONS FROM LOCAL GOVERNMENT**

### **10.1 Restriction on Alcohol (1P7GR1)**

The Member from Drakteng-Langthel constituency submitted the petition on alcohol control received from the Dzongkhag Yargay Tshogdu of Trongsa Dzongkhag. He submitted that heavy consumption of alcohol in the country not only causes immense health and social problems but is also considered a sin in our religious belief. Therefore, he said that it is imperative to control alcohol. The petition was seconded by the Member from Goenkhatod-Laya constituency.

During the deliberation, about 22 Members recognized the ill effects of alcohol and supported the proposal to control alcohol consumption. The Speaker informed the House that as of 31<sup>st</sup> December, 2010 total of 6829 bar licenses issued out of which 4404 licenses are operational, 117 licenses are non-operational and 2308

licenses are cancelled. If more than four thousand operational bar licenses in the country is divided by the total Bhutanese population it is estimated that there is a bar for every 159 citizens. It was reported that there are 691 bars in Thimphu, 581 in Chukha, 462 in Sarpang and 313 in Mongar and at the average every Dzongkhags has not less than 220 bars.

In addition, the Minister for Health reported that every year alcohol claims about two and a half million lives in the world. Moreover, there are about three hundred and twenty thousand deaths among youth between 15-29 years of age. He reported that alcohol is not only considered as the third largest cause of deaths in the world but is also a major cause of other diseases. Further, he reported that in the year 2010 there were 138 deaths (11.7%), 118 vehicle accidents, 61 injuries and 296 cases of domestic violence.

**During the deliberation on the issue the Members put forward the following proposals to control alcohol;**

1. Since alcohol is indispensable in our religious and cultural practice, its total ban is would be inappropriate. Therefore, it is important to ensure strict implementation of the rules and regulations formulated in the past.
2. Use of alcohol cannot be controlled singularly through the imposition of rules and regulations. The Ministry of Health and religious bodies should continue to educate the public and raise awareness on the ill effects of alcohol.
3. It is crucial to ensure and monitor the quality and standard of the alcohol by the relevant organizations such as Ministry of Health and Ministry of Agriculture.
4. As both foreign and local alcohol are widely available at relatively cheaper rate, it would be

appropriate to greatly enhance the alcohol taxes and bar license fees.

5. Issue of new bar licenses should be discontinued and plans to revoke some of the licenses issued in the past should be considered. Further, the authority to issue bar license should be devolved from the Ministry of Economic Affairs to the Local Government as per the Local Government Act.
6. Alcohol not only affects adults in the society but also has grave negative impacts on school children. Littering of empty beer bottles is seen in both urban areas and rural areas affecting the environment.
7. It is important to have single uniform alcohol control measures in all the 20 Dzongkhags in consonance with the policy framed by the central government.
8. It is crucial to take appropriate measures to reduce the bar licenses as currently each Chiwog have a minimum of 3 to 4 bar licenses.
9. The existing rules and regulations would bear positive outcome if all the relevant organizations

worked together and jointly implemented the rules without leaving it entirely to the concerned Department under the Ministry of Economic Affairs.

10. Selling and leasing of bar licenses to other people at exorbitant price by some bar license holders is not an acceptable practice.

**The National Assembly issued the following directives for the limited control of alcohol;**

1. Our country is recognised as a country of Gross National Happiness around the world. However, the abundant availability of alcohol is not in line with the philosophy of Gross National Happiness. Therefore, it is important to consider reducing the existing alcohol manufacturing industries and avoid new establishments.
2. It is necessary to review the existing regulations and formulate harmonized rules in all the 20 Dzongkhags and strictly implement them.

3. As we do not have a lot of Indian Rupee and US Dollar, it is imperative for the government to reduce the import of alcohol.
4. As alcohol is one of the major causes of problem in the society not only for the adults but also for school children, it is crucial to raise the alcohol tax and bar license renewal fees.
5. As per the policy of decentralization, it is imperative to devolve the authority to issue bar license to the Local Government. Further, implementation of rules and policies framed by the Central Government should be monitored and evaluated from time to time.
6. Littering of empty beer bottles greatly affects the environment and it is a problem in both the urban and rural areas. The alcohol manufacturers and dealers must therefore, continue the practice of collecting the empty bottles and strive to keep our environment clean.

7. The relevant ministries, religious bodies and media must work together to educate and raise awareness on the ill effects of alcohol.
8. The government should consider the proposal to introduce a system of recognizing a Gewog as GNH Gewog every year and reward it based on the least number of bars in the Gewog.

The deliberation on control of alcohol concluded with the above recommendations.

**(5<sup>th</sup> Day of the 4<sup>th</sup> Month of the Iron Female Rabbit Year corresponding to 6<sup>th</sup> June, 2011)**

## **10.2 Equitable entitlement of Subsidized Timber (1P7GR2)**

The Member from South Thimphu Constituency submitted that the clause in the Forest and Nature Conservation Rules, stating that people residing within 3km of the town are not eligible for subsidized timber for construction of the residential houses is causing problem to the people. It was also imperative to clearly delineate the boundary between Gewogs and Towns and in case the area fell under the Gewog, they should be

entitled for subsidized timber irrespective of the distance from the town. Further, it was submitted that new and old settlements should not be differentiated while allotting timber. The submission was seconded by the Member from Lhuntse Gangzur-Minjay Constituency.

During the deliberation, the House pointed out that due to the Local Government Elections clear boundaries have already been demarcated between towns and Gewogs. Since, the entitlements for areas within the vicinity of towns are in accordance to Forest Rules & Regulations and not of the Forest Act, the Rules should be reviewed so that areas falling in the urban area should be considered as town and areas in a Gewog, within the radius of 2 to 3 km from town should be retained as Gewog and be equally entitled for timber like other Gewogs. The Members not only opined that it is crucial to revise the Forest Rules & Regulations in order to mitigate the problems faced by the people in procuring timber from sawmills and that the distances specified in the Rules and Regulations were redundant.

It was also submitted that it was imperative to review the rules and regulation for timber allocation. Further, in order to reduce timber consumption in construction of buildings, it is time for the government to review its policy and adopt alternative methods such as use of iron and other materials. People dependent on agriculture in the villages do not construct house by purchasing timbers. Therefore, instead of subsidized timber, it should be changed into a system of entitlement.

In response, the Agriculture Minister said that rules were framed in keeping with the provision of the Constitution of Bhutan which mandates Bhutan to maintain 60% of its land under forest cover. In order to implement this clause, rules and regulations were formulated. Further, there were many classifications with regard to non-eligibility of subsidized timber within 3km of town.

It was informed that only the old settlers were eligible for subsidized timber and not the new settlers who recently purchased land and constructed building on either sides of the road. It was reported that the Forest

Rules & Regulations specified the distance in order to prevent the smuggling of timbers.

The Agriculture Minister had also reported last year that amendments that have been made to the Forest Act to draw a uniform timber price and it has been submitted to the Cabinet for approval. The House therefore, resolved to continue implementation of the past regulations until the amended Forest Act is approved by the Cabinet.

### **10.3 Budget provision for unexpected calamities in the Dzongkhags (1P7GR3)**

The Member from South Thimphu Constituency submitted that it is crucial to set aside a budget in the Dzongkhags so that the Dzongkhag Yargye Tshogdu can respond swiftly to damages caused by natural disasters to monasteries, schools and hospitals in the Gewogs. The Member from Doga-Shaba, Paro supported the motion.

During the deliberation on the agenda, most of the Members agreed that aftermath of natural disaster need immediate restoration and therefore a budget should be set aside in each Dzongkhag. However, setting aside

such a budget in each Dzongkhag would affect the implementation of other important developmental activities as natural calamities cannot be predicted nor prevented. Therefore, it is more appropriate to allocate the budget to Department of Disaster Management and release the budget from the Central Government on needs basis without setting aside a separate budget.

In response, on behalf of the Government, the Minister for Home and Cultural Affairs and Minister for Finance said that so far the Department of Disaster Management have rendered timely support and assistance. Moreover, the regional offices of the Gyalpoi Zimpon have been providing necessary assistance as per the command of His Majesty the Druk Gyalpo. In case of urgency, the Local Government budget could also be utilized temporarily.

In addition, it was reported that a new Bill stipulating specific accountability and responsibility of Dzongkhags, Gewogs and various authorities during the time of natural disaster have been drafted and submitted to the Cabinet which will be tabled in the next Session.

Since the Dzongkhag and Gewog budget are used during the time of disaster and the Ministry of Finance releases the budget through Department of Disaster Management, the Members expressed that it would be appropriate to retain the current practice.

Bhutan being a Buddhist country, no major catastrophe occurred despite several natural disasters. Even the low scale catastrophes were mitigated swiftly by the Government as per the benevolent command of His Majesty the Druk Gyalpo, for which the House expressed their profound gratitude.

The House resolved that the issue of allocating disaster management budget in the Dzongkhags be considered while discussing the Disaster Management Bill bearing in minds the views and recommendations provided by the Members.

**(6<sup>th</sup> Day of the 4<sup>th</sup> Month of Iron Female Rabbit Year  
corresponding to 7<sup>th</sup> June, 2011)**

**11. PRESENTATION OF THE ANNUAL BUDGET  
REPORT 2011-2012 (1P7GR4)**

The Hon Speaker informed the House that the Finance Minister would present the National Budget for the Financial Year (FY) 2011-2012, Annual Financial Statements of FY 2009-2010 and Revised Budget Estimates of FY 2010-2011 to the National Assembly in accordance with Article 14 of the Constitution of Bhutan.

The Finance Minister reported that the National Budget for the FY 2011-2012 is particularly dedicated to the historic moments of Royal Wedding in October this year for the continuity of Wangchuck Dynasty to posterity. He said that the current FY ended with a great sense of achievements as we saw through the mid-term review of the development activities. Against this backdrop and with the findings from the mid-term review, the budget for the penultimate year has been framed.

The Government was able to assess the progress of the key development goals of the 10<sup>th</sup> Plan, as well address some of the challenges and issues faced in implementation. During the Mid Term Review (MTR) of the respective Dzongkhags, the progress as indicated by the Gups exceeded our expectations on most fronts.

He said that, going into the last two years of the Government's term and that of the 10<sup>th</sup> Plan, we take comfort and satisfaction from the fact that the priority targets set in the plan with vision of prosperity for our people does indeed look achievable. While these have been matters of great satisfaction millions of money has to be spent to support the victims of natural disasters and the Government has decided to exempt payment of income tax for the year 2010 for the fire victims in Chamkhar.

In addition to the National Budget Report for the FY 2011-2012, he also reported about the Annual Financial Statements of the FY 2009-10, Macro-economic Development, Revised budget Estimates of FY 2010-11, Budget Estimates for the FY 2011-12, Tax Measures,

Economic Outlook, Report on State-owned Enterprises and Companies with Government Share Holdings, Report on National Pension and Provident Fund and Royal Monetary Authority, Development in the Financial Sector and Report on Trust Funds.

### **Annual Financial Statements of the FY 2009-10**

Prior to the presentation of National Budget for the FY 2011-12, the Finance Minister reported on the Annual Financial Statements for the FY 2009-10. It was reported that the FY 2009-10 started with the original approved budget outlay of Nu. 26,304.310 million against the estimated resources of Nu. 21,498.393 million resulting into overall negative balance of Nu. 4,805.917 million and resource gap of Nu. 4,501.024 million. However, the actual outcome towards the end of the FY showed that the resources amounted to Nu. 30,990.676 million and actual outlay rose to Nu. 29,888.990 million with fiscal surplus of Nu. 1,101.686 and budget surplus of Nu. 1,183.672.

In the FY 2009-10 the total expenditure was Nu. 25,831.827 million, registering a growth of 23.7% over

the previous year and accounted for 38.3% of GDP. The variance between the revised budget and the budget outturn was estimated at 21.8 %.

The government debt stock outstanding as on 30<sup>th</sup> June 2010 was Nu.36,788.483 million equivalent to US \$ 789.707 million representing 55% of the GDP. The outstanding Government Guarantees and Equity Holdings are estimated at Nu.2,947.302 million and Nu.44,803.063 million respectively.

The approved budget for the FY 2009-10 was Nu.26,304.310 million against an estimated resources of Nu.21,498.393 million with a fiscal deficit of Nu.4,805.917 million. Given that the scheduled loan repayment of Nu.2,287.223 million was lower than the project-tied borrowing of Nu.2,592.116 million, the resource gap was estimated at Nu.4,501.024 million. During the year, the outlay was revised to Nu.31,909.640 million and the resources to Nu.28,202.774 million. At the close of the FY, the actual outcome was Nu.29,888.990 million against the realized

resources of Nu.30, 990.676 resulting a fiscal surplus of Nu.1,101.686 million.

The project-tied borrowings of Nu.2,817.511 million exceeded the actual loan repayment of Nu.2,735.525 million by Nu.81.986 million resulting into a budget Nu.1, 183.672 million.

**(A copy of the Annual Financial Statements of the Royal Government of Bhutan for the year ending 30<sup>th</sup> June, 2010 was distributed)**

#### **Annual Financial Statement of the FY 2009-10**

The comparison of approved and revised budget estimates with that of actual outcome and financing of the balances is presented as below:

Nu. In million

	<b>Original Budget</b>	<b>Actual Outcome</b>
<b>A Resources</b>	<b>21,498.393</b>	<b>30,990.676</b>
<b>1. DOMESTICREVENUE</b>	<b>14,108.770</b>	<b>15,638.434</b>
i.Tax	8,347.180	9,655.781
ii.Non Tax	5,761.590	5,982.653
<b>2. OTHER RECEIPTS</b>	<b>35.800</b>	<b>4,233.365</b>
<b>3. GRANTS</b>	<b>7,353.823</b>	<b>11,118.877</b>
<b>Total GoI</b>	<b>4,372.661</b>	<b>7,306.388</b>
<b>Total Others</b>	<b>2,981.162</b>	<b>3,812.489</b>
<b>i.Programme grants</b>	<b>2,263.751</b>	<b>1,969.326</b>
a)GoI	1,400.000	1,400.000
b)Other Donors	863.751	569.326
<b>ii.Project-tied grants</b>	<b>5,090.072</b>	<b>9,149.551</b>
a) GOI	<b>2,972.661</b>	<b>5,906.388</b>
b) Other Grants	<b>2,117.411</b>	<b>3,243.163</b>
<b>B OUTLAY</b>	<b>26,304.310</b>	<b>29,889.990</b>

<b>1.TotalExpenditure</b>	<b>27,421.446</b>	<b>25,831.827</b>
i.Current	13,594.134	12,902.684
ii.Capital	13,827.312	12,929.143
2.Net Lending	-1,117.136	-400.374
3.Advance/suspense(net)		334.828
4.Other payments		4,122.686
<b>C OVER BALANCE</b>	<b>-4,805.917</b>	<b>1,101.585</b>
<b>D FINANCING</b>	<b>4,805.91</b>	<b>-1,101.686</b>
<b>Borrowings (Net):</b>	<b>304.893</b>	<b>81.986</b>
i.Borrowings	2,592.116	2,817.511
ii.Repayments	2,287.223	2,735.525
<b>E RESOURCE GAP</b>	<b>4,501.024</b>	<b>-1,183.672</b>
<hr/>		
<i>GDP Estimates</i>	<i>69,585.997</i>	<i>65,851.870</i>
<i>Overall balance % of GDP</i>	<i>6.91%</i>	<i>-1.67%</i>



- Invest in industries with potential for significant revenue and employment generation.

The FY 2011-12 being the second last year of the 10<sup>th</sup> FYP, the budget has been formulated on a more ambitious note. Most of the plan targets have to be achieved during this 4<sup>th</sup> financial year, so that the last plan could be devoted more towards consolidation. Accordingly, this budget has accommodated all priority activities, especially from the Local Governments.

In the FY 2011-12 the total budget outlay is estimated to be Nu. 42,174.740 million consisting of current expenditure of Nu. 17,185.309 million and capital expenditure of Nu 24,989.431. The total resource for this FY is estimated to be Nu. 32,546.035 comprising of domestic revenue of Nu. 18,606.980 and other receipts in the form of grants amounting to Nu. 79.933 million and program grant of Nu. 13,859.122 from Government of India and other sources along with project-tied grants of Nu. 11,958.382 million.

On the sectoral allocation of the total outlay of Nu. 42,174.740 million, it was submitted that details of the

capital activities are explained in the respective sections and as in the past years, the current budget is also pro-poor with about one fourth earmarked for the social sector. Additionally, more than one third (37%) has been allocated for the Economic and Public Services that include large shares for the agriculture (13%) and roads (11%) sectors, areas that require sustained investments to reduce poverty to desired levels. It was reported that, in view of the high priority accorded to the social sector, total budget of Nu. 2,959.044 million is allocated for health and Nu. 6,957.711 million is allotted for education sector.

Agriculture is allocated Nu.5,362.130 million, mining & manufacturing industries Nu.609.808 million, roads Nu.4, 488.536 million, housing & community amenities Nu. 2,444.119 million, communications Nu.1,841.376 million and energy Nu. 875.102 is allocated out of the total outlay of Nu.15, 621.071 million for the economic and public services sector

It was also reported that a budget of Nu. 1,396.690 million is allocated for cultural services and law and

order services Nu. 3,587.444 million, general public services Nu. 5,582.552.

Under national debt services Nu. 4,269.064 million is earmarked for repayment and Nu. 1,801.164 is kept for lending.

In the budget for Legislative, Judiciary and Constitutional bodies Nu. 100.291 million is allocated for National Assembly, Nu. 63.758 million for National Council, Nu. 71.715 million for Anti Corruption Commission, Nu.76.894 million for Election Commission of Bhutan, Nu. 422.830 million for Judiciary and Nu.138.846 million for Royal Audit Authority and Nu. 139.654 million for Royal Civil Service Commission.

**(The details of above allocation is reflected in the FY 2011-12 National Budget Report)**

### **Tax Measures**

The Finance Minister during the 7<sup>th</sup> Session proposed the following tax revision of alcohol, vehicles, spare parts of vehicles and machineries, packaged fruit juices

and precious metals (gold & silver in forms of bars and ingots, biscuits, powder):

**1. Alcohol**

	Existing Rates				Proposed Rates			
	Sales Tax %	Customs Duty %	Excise %	Tax Rates	Sales Tax %	Customs Duty %	Excise %	Total Tax Rates
ALCOHOL								
<b>(a) Beverages, spirits &amp; vinegar</b>			20-60	20-60			30-75	30-75
Domestic			20-60	20-60			30-75	30-75
Imported	50		100	150	100	100		200
<b>(b) Beer</b>								
Domestic	50			50	100			100
Imported	50	100		150	100	100		200

## 2. Vehicles

Vehicles	Existing Rates			Proposed Rates		
	Sales Tax %	Customs Duty %	Total Tax Rates	Sales Tax %	Customs Duty %	Total Tax Rates
Light Vehicles with the cylinder capacity not exceeding 1500 cc	15	20	35	20	20	40
Cylinder capacity ranging from 1501cc to 2500cc	15	20	35	20	25	45
Cylinder capacity above 2501cc	15	20	35	20	30	50
Electric vehicles	15	20	35	0	0	0
Electrically operated vehicles	15	20	35	0	0	0
<b>Cylinder capacity pertaining to two wheelers are as follow:</b>						
Cylinder capacity up to 250cc	10	20	30	10	20	30
Cylinder capacity more than 250cc	10	20	30	20	20	40
Bicycles	5	10	15	0	0	0
Tyers and tubes of Bicycles	5	10	15	0	0	0
Vehicles designed for travelling on snow, golf cars and others	15	20	35	20	30	50

**3. Spare parts of vehicles and machines**

The customs duty and sales tax for spare parts of vehicles and machines were proposed at 10% and 5% respectively.

**4. Packaged Fruit Juices**

It was proposed that the sales tax for packaged fruit juices of 250mm and below would be revised from 15% to 30%.

**5. Precious Metals ( Gold and Silver)**

The proposal for the special tax revision to preserve our culturally oriented intellectual and dexterity skills are as follow:

**5.1 Gold:** Nu.500 for 10gram of gold which was 30% of the customs duty at present and similarly Nu.500 for 10gram of gold which was 10% of sales tax at present.

**5.2 Silver:** Nu.2,000 per kg of silver which was 30% of the customs duty at present and Nu.1, 000 per

kg of silver which was 10% of the sales tax at present.

There was no proposal to revise the existing customs duty of 30% for gold and silver products. However, the sales tax for coins (excluding gold coins) was proposed to 10% which was nonexistent at present.

Concluding the Budget Report, the Minister for Finance thanked the Hon Prime Minister and the Cabinet Members for their valuable guidance in preparing the Budget. He also expressed his appreciation to the Parliament for its support in preparing the Budget for the last three financial years and expressed hope for similar support for the next two financial years of the current plan. In addition, he expressed his prayers for everlasting peace and happiness in the country with the grace of our protective deities and the support of the Bhutanese people under the dynamic and noble leadership of His Majesty the Druk Gyalpo. With this, he presented the

National Budget of Nu.42,174.740 million for the Financial Year 2011-2012 for endorsement by the House.

The Hon Speaker expressed gratitude to the Minister for Finance and the civil servants working under the Ministry of Finance for appropriate allocation of budget which is of paramount importance for the socio-economic development of the country and apprising the House unambiguously. The deliberations on the National Budget for the Financial Year 2011-2012 concluded on 20<sup>th</sup> June, 2011.

**(20<sup>th</sup> Day of the 4<sup>th</sup> Month of Iron Female Rabbit Year corresponding to 20<sup>th</sup> June, 2011)**

***10:05 a.m.***

### **11.1 Annual Financial Statements for the FY 2009-2010**

Deliberating on the Annual Financial Statements, the Hon Members pointed out that 56-67 % of the budget allocated to the Ministries, Departments, Dzongkhags and Gewogs by the Government are surrendered back.

There is no system of reallocating this unutilized budget back into the following FY. The Members opined that this was due to lack of capacity in the Dzongkhags and Gewogs and not within the Ministries and Departments. The Members therefore questioned if this practice should be continued.

In response, it was pointed out that the problem was not because of other problems and difficulties or failure to implement the budget but mainly because of absence of clear responsibility and accountability in the Local Government. One of the most worrisome issues was that if 30% of the capital budget was not implemented, the sole losers would be our people and it was imperative that to carefully consider the issue.

The Minister for Finance reported that amongst the budget allocated to the Ministries, Departments, Corporations, Gewogs and Dzongkhags, budget for most of the unimplemented works were surrendered from the capital budget as follow:

- Problems were faced not only in procurements but there was also the problem of lack of engineers.

- There was shortage of engineers with many plan activities to be implemented in Dzongkhags.
- Problems due to the shortage of human resource in making the drawings, maps and estimates of the work.
- There were flaws in the tender system.
- Huge time consumption pertaining to works prior to the procurement of lands making it a major problem.
- The capital was mainly unimplemented because after the House endorsed the budget, there was untimely release of fund from the foreign donor agencies.
- Disputes concerning contractors in some Dzongkhags.
- Court cases.

It was informed that the budget surrendered due to above problems were being consecutively solved by the Government and hoped that henceforth there wouldn't be a need to surrender the budget.

The Hon Prime Minister pointed out five grounds on which 30% of the budget couldn't be implemented in Dzongkhags and Gewogs as follow:

- It was affected due to the issues pertaining to the dissolution of local leaders as the LG election was delayed by three years.
- It was also affected because of the postponement of the LG elections with most of the civil servants involved in it.
- Planned activities were hampered due to works directed to ease the problems caused by natural calamities last year.
- Uneasiness with respect to various services pertaining to problems in structures of schools and Basic Health Units.
- It was because of the absence of clear accountability.

The above four issues were being consecutively solved by the Government with responsibility and accountability concerning Local Government also being made clear and it was decided as well that the central Government will be watchful over it. It was reported

that while specifically allocating the budget, there was no way to ease the inconveniences of work hence the additional budget in small amounts were required.

One of the Members expressed concern on the debt as per the budget report. The rise in the debt from 34 billion last year to 36 billion this year indicated a 6% increase. This is an increase of debt of 55% of GDP and if the State's debt is beyond 50%, as per the standard it is a precarious indication.

To this, the Minister for Economic Affairs and Minister for Finance informed that the projection of huge State debt was mainly for the purpose of establishing hydro power projects undertaken by the Ministry of Economic Affairs. It was informed that though the debt seems to be on rise, it was to make the nation self reliant and to eradicate unemployment problem for our youth in future. These two polices of the Government should be fulfilled by 2020 and the investment of country's economic development at present has been from loans. Since huge amount of loan has been taken for the hydro power projects, it has been clearly mentioned in the

agreements that the debt would be repaid through hydro power projects. Therefore, repayment of loans should not be a concern.

The greatest concern for the Ministry of Finance was the rising debt. However, by and large the concern for the enormous debt was mainly because of the difference made by the hydro power projects. As far as debt with respect to the social sphere is concerned, there was no big concern as indicated in the reserve budget. It was put forth that since the reserve budget is unswerving, the House need not be apprehensive about it.

Contemplating the achievements of the year 2009-2010, the House expressed its appreciation and astonishment. Amongst the Dzongkhags, Trashigang stood at the top followed by Bumthang, Haa and Samdrupjongkhar in the second, third and fourth positions respectively for their achievements. These Dzongkhags were applauded and acknowledged for emphasizing on the developmental activities and their achievements. Amongst the Gewogs, Bidung Gewog of Trashigang Dzongkhag topped the achievement list. Besides, it was

directed to put up a separate letter to the Government concerning the four Dzongkhags with lowest achievements.

## **11.2 Supplementary Budget Bill for the FY 2010-2011**

While deliberating on the Supplementary Budget Bill for the FY 2010-2011, The Hon Speaker opened the floor for Members to express their suggestions on the Supplementary budget of Nu. 2,249 million in addition to the budget of Nu. 3,582.543 million.

Considering the need to revise the supplementary budget for the FY 2010-2011, concerns were raised that there is some flaw in the existing financial system. Questions were raised on the ability to fully implement the supplementary budget of Nu. 2,249 million as it was sought at the end of FY 2010-2011. Members therefore suggested that it would be best if the Supplementary Budget was sought in the winter Session which would be mid of the FY and not at the end of the FY.

Some other Members argued that the supplementary budget sought by the Government today is an indication

that it was working hard for the benefit of the people. It was informed that the capital works were mainly implemented based on the foreign aid. In addition, since the planned activities have to be dependent on foreign aid, amount of the fund and the timing for its release could not be specified because of which some difficulties were being faced in implementing it as per the plan.

Besides, the achievements of various agencies were assessed during  $\frac{3}{4}$  of the total period. Therefore, it was set forth that since the assessment of various activities, release of budget and supplementary budget were implemented during this period, it would be convenient if the system of supplementary budget remains as it was at present.

Apart from the extensive deliberation held by the House on the issue, it was resolved as follow:

1. The title of the Bill was resolved as Supplementary Budget Bill 2011 instead of Revised Budget Bill as per section 246 of the National Assembly Act.

2. The section 2 of the Supplementary Budget Bill was amended as follow:

Since the Supplementary Budget was for the amount not exceeding Nu.2, 649 million, it was resolved that other sections of the Bill should also be referred as Supplementary Budget and not as Revised Budget.

3. The Budget of 35,803.543 million for the FY 2010-2011 and the supplementary budget of 2,649 million were resolved as per the democratic process of casting votes. During which, all the 44 Members present unanimously resolved to amend the Supplementary Budget Bill for the FY 2010-2011 as the Supplementary Budget Act for the FY 2010-2011 on 24<sup>th</sup> of June, 2011.

### **11.3 Budget Appropriation Bill for the FY 2011-2012**

During the House's deliberation on the Bill encompassing every Ministry, the Hon Members set forth that size of the Gewog should determine the allocation of budget. Besides, clarifications were also sought on why the budget could not be granted for the construction of a hospital at Haa. Further, it was opined

that the office of the Attorney General should also be considered as a constitutional body. It was submitted that henceforth while presenting the budget to the House, each subject should be clearly presented in detail.

In addition, clarifications were sought on why the Government was granting supplementary budget to corporations and agencies despite there being lot of possibilities to generate income and become self reliant. It was set forth that corporations like Druk Air Corporation and Woodcraft center under Druk Holdings & Investment were bearing enormous loss and continuing to grant supplementary budget by the Government would lead to an ineffectual situation. Hence, it was imperative to come up with new solutions.

It was also pointed out that there was no separate budget for the eradication of poverty and empowerment of women in the rural areas without road connection in the Budget Report. Therefore, it was imperative to grant budget for farm roads to Gewogs directly as in the past and fully implement the fund provided by the

Government of India in the country without surrendering it back.

It was opined that the Government should provide Pay loader for farm roads as per the area of the Gewog and adequate budget for construction of irrigation canals to boost the harvest of wheat. Plans should also be formulated to built concrete bridges and harvest water with electric water pump.

Clarifications were sought on the budget for constructing concrete bridges, renovating and building new *Lhakhangs*, lump sum budget in place for Royal Education Council and moreover budget in place for training in country and abroad. It was also set forth that stipends for students studying abroad should be increased and the Government should render support to the private High schools.

Besides, concerns were raised on deterioration of cultural values in schools, need to allocated budget to *Thromdes* as they are identified and granting telecast opportunities to the private sector. It was also submitted that that plans and solutions should immediately be

formulated to provide telecommunication to places without such facilities and establish bus services in places connected with motor roads.

It was submitted that Tourism should benefit communities in rural areas and although submissions had been made to provide amenities to prisons, no separate budget has been allocated. It was also submitted that shifting of oil reserve depot from Dechencholing would squander country's budget. Further, various views were expressed so as to implement the works keeping in mind the enormous debt accumulated by the country.

The House was informed that the Government has Nu. 40 million in place for the construction of hospital at Haa and the Ministry of Education being the pioneer in decentralization of power has rendered education related services in the Dzongkhags & Gewogs to the fullest. In addition, it was informed that a project has been submitted to the Ministry of Finance for increasing the stipend of the students studying abroad.

It was informed there were some problems in increasing the stipends of the students studying abroad, especially with respect to those sponsored by the Government of India. However, consultations are under way with the Government of India. Further, other private High Schools except for those in Phuentsholing and Thimphu are exempted from paying income tax for a period of 15 years.

It was informed that ways and means were being explored to ease the problem of shortage of engineers and system was being geared up to create telecast opportunities for the private sector since Bhutan Info Com & Media Authority has already come up with projects. It was further informed that although the works for the construction of airstrips for Gelephu and Bumthang were already given to contractors, additional ground for the air strip was required in the case of Yongphula so there would be slight problems in immediate launching.

It was reported that since the oil reserve depot at Dechencholing was an enclave in the territory of Royal

Body Guards, it has to be shifted along the way towards Haa and not in Paro because of location problems. In general, all the works implemented by the Central Government was for the Local Government and all the works in the plan were routed through the Dzongkhag and Gewog Tshogdes of the Local Government and accordingly implemented. It was further informed that the Government was serving as per the Local Government Act and based on decentralization of power. On the issue of Pay loader, it was informed that Ministry of Agriculture would arrange Pay loaders to Dzongkhags in need instead of providing to all the Dzongkhags.

While deliberating on issues Ministry wise, the Government provided clarifications on various subjects related to the constituencies and other general matters raised by the Hon Members. In addition, the House issued the following directives after considering the views with highest priority of the Hon Members:

1. It was deliberated that in line with the democratization and as per the provisions of the

Constitution and the Election Act, the Local Leaders who promised to serve the people were elected for the first time. In addition, it was deliberated that the budget for the Local Government should be increased in order to efficiently carry out responsibilities and accountability entrusted as per the Local Government Act.

2. It was deliberated that if the Government continues to grant current budget to autonomous agencies like BBS Corporation, Druk Air Corporation and others every year, it would create a precarious obstacle from becoming self reliant. Therefore, it was imperative to contemplate the pros and cons of such issues and accordingly work on it.
3. It was deliberated that one of the Government's policies was to generate income in the rural areas through tourism. In order to build facilities in rural houses to serve the tourists in new destinations like Merak, Sakteng, Zhemgang and other rural villages, the expenditure should be met from the budget of Nu. 15 million allocated for marketing and publicity

road show programs granted by the Government to Bhutan Tourism Council.

4. It was submitted that considering the security problems in shifting the oil depot from the Royal Body Guards' compound in Dechencholing to Thinchupankha in Paro, the Government should contemplate the shifting of the oil depot and accordingly work on it.
5. Expressing their support, the opposition submitted for the incorporation of the Royal Bhutan Army's budget to the yearly National Budget. It was deliberated that from the approved budget of the current year, some adjustment should be made to the budget for the army welfare fund.
6. The Human Rights Committee submitted on the need to improve the amenities of the prisons. However, it looks like the budget is not included in the budget allocated to the Royal Bhutan Police, it was deliberated that fund should be allocated for prisons and other related areas from the approved budget for the police. The Budget Bill for the FY 2011-2012 was unanimously endorsed without any

amendment by 42 Members present during the voting. The current budget of Nu.17,185.309 million and the capital budget of Nu.24,989.431million amounting to the total budget of Nu.42,174.740 million was thus approved on 24<sup>th</sup> June 2011.

#### **11.4 Tax Revision Bill 2011**

During the deliberation on the Tax Revision Bill, some of the Hon Members submitted that the locally brewed alcohol which has enormous harm to the society should be highly taxed compared to the Government's proposal of limitation. It was also submitted that the brand registration and import license fees should not be imposed. However, most of the Hon Members considered the new revision of tax by the Ministry of Finance as appropriate, thus it was resolved without any change.

Similarly, the House deliberated on the taxation level of vehicles considering both old and new taxes. Though in general unfavourable opinions were not expressed on the new level of vehicle taxation, most of the Hon Members submitted that machineries with respect to agricultural

and dairy purposes and even for the spare parts should not be taxed.

However, most of the Hon Members submitted that though machineries for agricultural and dairy purposes were not taxed, taxation on spare parts was quite reasonable. Therefore, the level of taxation by the Ministry of Finance was endorsed as per the table given in the report without any change after 35 Members out of 36 voted in favour. Thus, the Tax Revision Bill 2011 was enacted as the Tax Revision Act 2011 on 24<sup>th</sup> June, 2011.

(23<sup>rd</sup> Day of the 4<sup>th</sup> Month of the Iron Female Rabbit Year corresponding to 24<sup>th</sup> June, 2011)

*10:05 a.m.*

#### **11.5 Continuation of deliberation on Chapter 6 to 10 of the Budget Report of FY 2011-12**

While deliberating on every section of chapter 6 to 10 of the National Budget for the FY 2011-2012, the Hon Members expressed their concern on the increase in the percentage of debt as per the budget report. The concern was raised since the debt was 55% higher than the Gross

Domestic Product and as per the international standard it was a precarious situation if the debt was 50% higher than the Gross Domestic Product. In addition, it was expressed that as per the provisions of the Constitution, the Government should not mound unwanted apprehension for the future generation. Therefore, it was expressed that Constitution might be violated following the concerns of the people over inability to clear the debt as it increases.

It was also set forth that it was imperative for the Government to look in to the system of Bhutan National Bank pertaining to its system on loans which has lead to account problems in the bank.

Besides, it was submitted that although Druk Holdings and Investment's rules were implemented as per the Royal directives, it was imperative for its timely assessment and an Act was also needed. It was put forth that it would be healthier if the banks could initiate schemes to lend loans without mortgage for the enhancement of women and if other banks could establish branch offices for rural communities and

introduces rural loan schemes like Bhutan Development Bank. Further, it was submitted that the Government should be little cautious in seeking loans for the hydro power projects and it would be better if other areas of economic developments were also emphasized and not only on hydro power projects for the future benefit.

To this, some of the Hon Members cited the damage to the Tala Hydro Power Project and submitted that with establishment of such projects came equal risk, hence it was imperative to examine properly. It was also expressed that problems would arise to export our electricity if 10 years from now the scientists explore other means of generating electricity.

Regarding Druk Holdings and Investment, it was informed that it was established under the Royal directives and the proceedings of the board were also clearly mentioned in the royal directives. In addition, until now their proceedings were functioning as per the Companies Act of the Kingdom of Bhutan. Thus, it was informed that at present there was no need for revision and enactment of an Act.

It was submitted that it was imperative for the financial institutions to cater to the services and amenities benefiting the people and it was also important to review the tenure of the managing directors. It was set forth that as per the goal to mitigate and eradicate poverty, Nu. 20 million should be put in place by the Government and the banks alongside to achieve the goal.

Presenting the clarifications, the Government informed that it properly studies and explores whatever it does. 60% debt for the hydro power projects and 40% for other economic development activities were taken without which there would be problems in eradicating poverty. Although huge chunk of debt was taken for the hydro power projects, the duration for the repayment was 12 years in order to thwart other economic development activities from harm.

It was informed that although the Government was exploring ways to generate electricity through fuel and coal as in other countries, ultimately it would be hydro

electricity the Government will be emphasizing and there would be no problem exporting it.

It was reported that debt taken for the hydro power projects would be repaid by itself and the revenue from it was also greatly benefiting other developmental activities. Many factories have also been set up because of electricity which has been of enormous benefit. It was informed further that the percentage of debt would rise since debt has to be sought for new hydro power projects. However, it was submitted that there was no problem in repaying the debt through hydro power projects in future, thus there was no room for apprehension. It was also reiterated that if the lending of loans by Bhutan Development Bank through improper channel was true, it was imperative for the Government to consider.

**Directives of the House after the deliberations on the issues raised by the Hon Members**

1. It was deliberated that when the Royal Monetary Authority grants sanction for the establishment of new banks, it should be such that the new banks

benefit the rural areas with its service and mitigate poverty with establishment of branch offices in Dzongkhags.

2. The House shall issue a written directive since the illicit release of loans by the Bhutan National Bank is not mentioned in the report.
3. Budget has been set aside by the Druk Holdings & Investment (DHI) for some new projects. These projects should be completed on time and the budget should be carefully managed to incur minimum expenditure.
4. The House applauded the achievements of the Druk Holdings & Investment (DHI) and including it in the Budget Report. It was hoped that the same would be carried out in future. The deliberation on Chapter 6 to 10 of the Budget Report concluded on 28th June, 2011.

**12. ANNUAL ANTI CORRUPTION REPORT 2010  
(1P7GR5)**

The Chairperson of the Ethics & Credentials Committee of National Assembly, Hon Kesang Wangdi presented the Annual Anti Corruption Report 2010. Prior to that, copies of the Report and the Summary of the Committee Recommendations in both Dzongkha and English were distributed to the Hon Members. The Chairperson presented the Report summarized in six parts namely Status & Achievements; Implementation Status of Parliamentary (NA) Resolutions; Challenges and; Committee Recommendations.

**Organization Status & Achievements**

From among the key sections of the Report, the first major inclusion under Status & Achievements is that the 2010 Corruption Perceptions Index, on a scale from 10 (highly clean) to 0 (highly corrupt), scores Denmark, New Zealand and Singapore at the top of the list with 9.3 points with Somalia at the lowest with 1.1, slightly trailing Myanmar and Afghanistan at 176<sup>th</sup>. Bhutan bounced to 36<sup>th</sup> with a score of 5.7 which is 13 places up

from last year's ranking and 0.7 points up in terms of scores. He also added that such coherent achievement is reflective of strong anti corruption measures adopted by the country and is indicative of greater improvements in the near future.

It was submitted that there was the need for the government to strengthen its systemic and institutional capacities in order to facilitate proper checks and balance while the Commission continue to spearhead its efforts in fighting corruption. He also noted that it was imperative for officials at managerial levels to lead by example and undertake appropriate and strict measures.

Further, although concerned ministries and agencies were reminded to implement the National Anti Corruption Strategy Framework (NACS), even the Committee of Secretaries (COS) to whom the responsibility of monitoring its implementation was entrusted upon, much lacked in coherently implementing NACS. Also, there is no monitoring mechanism in place till date. Poor implementation of NACS was reported to the Cabinet and to the COS in August 2010.

He informed that sessions were also conducted on NACS with the Dratshang Lhentshog, Judiciary, Armed Forces and other stakeholders outside the government during which the stakeholders pointed out the importance of initiating measures to combat corruption in their respective organizations. He also said that six ministries namely Ministry of Home & Cultural Affairs, Ministry of Education, Ministry of Foreign Affairs, Ministry of Agriculture & Forests, Ministry of Information & Communications, Ministry of Works & Human Settlement have responded to ACC's request for information on the implementation status of NACS.

The Annual Anti Corruption Report 2010 consists of six sections and includes the general assessment of activities vis-à-vis the direction set for 2010, implementation status of parliamentary resolutions and direction for 2011; practical realities of ACC's independence and the inherent challenges; ACC's efforts towards building itself as a trustworthy institution; assessment of ACC's performance in fulfilling its mandate of building an awakened citizenry, minimizing opportunities for corruption and making corruption costly and risky

which also includes among others the status of RAA reports and cases. It also includes, in a very limited way, agencies' anti corruption responsiveness.

The Report also includes fundamental challenges faced by ACC in fighting corruption, which has far reaching impact on its efficacy and credibility and ultimately on the government's policy of "Zero Tolerance for Corruption" and; the conscious efforts of every Bhutanese in fighting corruption. He said that the high level of societal tolerance for corruption warrants an in depth study of the policies/strategies to bring about changes in the behavior of the public servants and citizens at large.

**Committee Recommendations:**

1. The Heads of agencies have to take the lead role in translating the strategic considerations into actions with close monitoring by Committee of Secretaries (COS).
2. The Asset Declaration (AD) system and its monitoring mechanism need to be strengthened.

3. Concerned authorities should create awareness of the Gift Rules 2009 and strengthen enforcement and monitoring.
4. A common understanding on how to deal with audit reports based on the BCSR 2010 must be reached among all stakeholders. An enforcement regime has to be developed to make the rules purposeful.
5. The RCSC should ensure that proper supervisory accountability are fixed and due considerations made during the selection and promotion so that civil servants are not encouraged to do unethical things and demoralize the other dedicated civil servants in the country.
6. Since there are inconveniences in review of RAA's Report, the RAA and the ACC should discuss the issue and come to a common understanding and that the Commission is not over burdened by numerous audit reports.
7. Since no penalty is levied to defaulters found during the process of proactive interventions by the Commission, it is recommended that initiatives should be taken to establish proper system of

penalizing such officials to avoid repetition of instances in future.

8. The Commission should submit a focused report with clear indication of the areas where the Parliament should focus when deliberating the Commission's Report.
9. Since some agencies have been blaming the Legislature for the laws passed by the Parliament, this need to be communicated to such agencies and the flaws found in the laws enacted by the Parliament should be processed for amendment following proper legislative procedures.

In conclusion, he said that if the citizens in general and public officials in particular are concerned, concerted efforts need to be mobilized and fight corruption as a strong team. The anti corruption policy must be upheld by all, in mind, body and speech. The government's National Anti Corruption Strategy Framework provides a platform for concerted efforts and it has to translate into concrete actions and the important responsibility lies with heads of institutions and public servants. He urged to bear in mind the following: "National

prosperity hinges on quality of governance and quality of governance on quality of leadership.”

In continuation to the Annual Anti Corruption Report 2010 presented by the Chair of Ethics & Credentials Committee on June 28, 2011, the House followed deliberation on June 29, 2011 and the Hon Members made the following concerns relating to corruption issues.

It was informed that some of the corruption related cases in courts were turning futile and some were taking very long period for the verdict to be passed. Therefore, problems and inconveniences were encountered to directly deal with corruption. It was informed that although corruption cannot be uprooted, it can at least be mitigated by entrusting responsibility and accountability to authoritative civil servants and further it was informed that RCSC should formulate laws for the purpose.

In general, it was the responsibility of the every Bhutanese individual to prevent corruption and

moreover corruption can be prevented if the three relevant commissions could coordinate with each other. If the Royal Audit Authority forward cases which have been audited and those found with corruption to the relevant Ministries, the corruption related cases can be serially solved since there are legal officers in the Ministries. Thus, it was informed that there was way to prevent corruption and corruption involving risk should be handled only by the Anti Corruption Commission.

In order to prevent corruption, it was put forth that if the high officials keep appropriate observation, there won't be people doing corrupt practices. In addition, the corruption cases emerging today were because responsibility and accountability were not shouldered by the officials at the higher positions.

It was further submitted that the present scenario of corruption level is reached primarily due to negligence of one's responsibility and accountability by the supervising authorities. As such, it is proposed that the secretaries, directors, CEOs in the ministries, autonomous agencies and other organizations should

play a pro-active role to keep vigilance and fix accountability on their subordinate staff they are found indulging in corrupt practices.

Further, it has transpired in the House that in order to prevent corruption it was imperative that the Government should come up with various strategies to deal with corruption and emphasis on the effective implementation of systems failing which the concerned agency should be held responsible and accountable. It might also be important that the office of the Attorney General is strengthened and Administrative Tribunal is established at the earliest possible.

Members also opined that law alone will not help curb corruption unless every citizen in Bhutan realizes that fighting corruption is our collective responsibility and we shall serve the nation with fidelity in keeping with rules and regulations governing the code of conduct.

Broadcasting Service can contribute greatly by way of televising skits/talks depicting ill effects of corruption in the society to the general public free of cost informing

them that the corruption is a social evil and it is our collective responsibility to eradicate corruption.

Members also submitted that it might go long way in curbing corruption if the Royal Civil Service Commission has effective selection criteria in selecting candidates for Government secretaries and other CEOs and post selection periodical monitoring mechanisms in place.

Finally the Members recommended that the Anti-Corruption Commission should spearhead to draw up proper rules of procedure to fix responsibility at different levels in all agencies and a reviewing and reporting system for non-compliance cases should also be introduced in order to curb corruption. It is also submitted that an understanding be established with the Judiciary that the corruption related cases should be settled within the shortest possible time frame.

Upon elaborated deliberation on the subject, the House noted that the Anti-corruption report revealed that the prevalence of corruption cases in agencies hitherto are attributed to the negligence of responsibility and lack of

accountability on the part of the supervising authorities. As such, the House resolved to issue the following directives for all the agencies to pay heed to:

1. As reported in the Annual Anti-corruption Report that not only corruption can be prevented but also enhance productivity if all civil servants, irrespective of position, shoulder their responsibilities in their respective organizations with fidelity.
2. The House deliberated extensively on the Annual Anti-corruption Report in the 2<sup>nd</sup> and 4<sup>th</sup> session and issued directives thereupon reminding all concerned to be more responsible and accountable in the interest of the Nation in general and individual in particular. In addition, the Public Finance Act, RCSC Act and BCSR, the rules and regulations of the respective organizations also prescribe standard code of conduct for all employees of the Royal Government to adhere to. It appears that the directives were not complied with sincerity.
3. Henceforth, upon receipt of the Audit report from the Royal Audit Authority, the concerned ministries and agencies will submit appropriate replies within

the stipulated time under rules failing which the RCSC will administer appropriate action on the cases pending and also check whether appropriate and uniform action has been meted out on action taken cases.

4. The agencies with serious corruption cases will forward the matter to the Office of the Attorney General for on ward submission to the Court of Justice under intimation to the Royal Civil Service Commission.
5. During the process of investigation if the Royal Audit Authority suspects serious corruption in the agency the RAA will forthwith forward the case to the Anti Corruption Commission for further action.
6. The Anti Corruption Commission will continue conducting awareness campaign on prevention and reduction of corruption.
7. In the Anti- Corruption Commission's approach towards preventing corruption, the commission has been carrying out pro-active interventions in the areas where there are high risks of corruptions. However, in the current situation there is no system

of penalizing the defaulter with administrative action. As such, it is important that a system of penalizing the defaulter for neglecting his/her responsibility should be put in place which in turn will help prevent corruption to a great extent.

8. After a corruption related case has been appealed to court of law and the verdict thereof has been passed, only the victim is penalized and there was no system of fixing the supervisory accountability. Therefore, the concerned ministries, agencies and the Royal Civil Service Commission should formulate a system by which the defaulting supervisor is held accountable.

It was submitted that the Anti Corruption Commission has taken strong measures in preventing corruption considering the explicit report of the Anti Corruption Commission for the year 2010 by the chairperson of the Ethics & Credential committee. Further, it was also because of the full coordination of the civil servants and the Members of the Local government for which the House expressed its astonishment and gratitude.

Consequently the deliberations on the Annual Anti Corruption report for the year 2010 were concluded.

(27<sup>th</sup> Day of the 4<sup>th</sup> Month of the Iron Female Rabbit Year corresponding to 28<sup>th</sup> June, 2011)

*10:05 a.m.*

**13. ANNUAL REPORT ON THE STATE OF THE NATION, INCLUDING LEGISLATIVE PLANS AND THE ANNUAL PLANS AND PRIORITIES OF THE GOVERNMENT TO THE JOINT SITTING OF THE PARLIAMENT (1P7GR6)**

On 1<sup>st</sup> July 2011, the Hon Prime Minister presented the Annual Report on the State of the Nation, including Legislative Plans and the Annual Plans and Priorities of the Government to the Joint Sitting of the Parliament.

It was informed that with submission of report on the State of the Nation which encapsulates the policies, plans and programmes of the Government, the report on the State of Democracy will also be presented.

Some of the important events in the country that were highlighted before the presentation of the main report were:

1. Royal Announcement of the Engagement of His Majesty the Druk Gyalpo
2. State Visits by His Majesty the Druk Gyalpo
3. Fourth Druk Gyalpo Inducted to Kyoto Earth Hall of Fame, Japan
4. Establishment of the Supreme Court of Bhutan
5. Local Government Elections
6. It was informed that all the meetings on 10<sup>th</sup> FYP Mid-Term Review were historic achievements of the country.

The Government's report was based on the four pillars of Gross National Happiness. The Prime Minister said that since a lot of achievements have been reported within one year by the Government, Private sector, NGOs and communities, it has been impossible to include all in the report.

The civil servants were not only expressed appreciation on the developments achieved but they have also been applauded for their competence and capability.

Besides, Bhutan's democracy has been set as an example by the media and a foreign media organization has also affirmed that Bhutan has a clean democracy exemplary to the rest of the world because of our dynamic leaders.

Although still an emerging democracy, the progress in promoting a democratic culture has been noted by the World Press Freedom Express which ranked Bhutan as the 64<sup>th</sup> among 176 countries. UK's Overseas Development Institute (ODI) in its 2011 report has placed Bhutan among the 9 "star emerging countries" together with Bangladesh, Brazil, Costa Rica, Ghana Mauritius, Thailand, Uganda and Vietnam. However one should not remain complacent and the country should strive to face the challenges and address the problems of poverty and other issues.

### **13. SIGNIFICANT EVENTS**

#### **Royal Announcement of the Engagement of His Majesty the Druk Gyalpo**

The Royal announcement of Engagement in October 2011 by His Majesty the Druk Gyalpo has been welcomed with joy and as a fulfillment of one of the important Royal Duties. The people embraced the impeccable choice of their beloved Monarch and look forward to the joyous celebration of the Royal Wedding.

#### **State Visits by His Majesty the Druk Gyalpo**

His Majesty the King visited Kolkata in the neighboring Indian state of West Bengal on 12 November 2010 and visited Delhi in the same month. On the invitation of His Highness the Amir of Kuwait, Sabah Al-Ahmed Al-Jaber Al-Sabah, His Majesty the Druk Gyalpo made a special visit to Kuwait. His Majesty the King also made a four day state visit to Bangladesh in March 2011. The Prime Minister, on behalf of the Government and the people, expressed deep gratitude to His Majesty the Druk Gyalpo as these visits further deepened and

broadened the excellent and multifaceted relations that exist between Bhutan and other countries.

### **Fourth Druk Gyalpo Inducted to Kyoto Earth Hall of Fame, Japan**

It was reported that Bhutan's leadership role in environmental conservation received yet another important recognition. His Majesty the Fourth Druk Gyalpo was inducted into the Kyoto Earth Hall of Fame in Japan on 13th February 2011. Her Royal Highness, Princess Ashi Kezang Choden Wangchuck received the award on behalf of His Majesty the Fourth Druk Gyalpo. The Prime Minister, on behalf of the people of Bhutan, expressed immense appreciation and gratitude to His Majesty the Fourth Druk Gyalpo.

### **Local Government Election**

The government commended the Election Commission and those involved in the successful conduct of election in the four thromdes of Thimphu, Gelephu, Samdrupjongkhar and Gelephu in 2011 followed by successful election of Local Governments.

The Prime Minister also expressed deep appreciation to His Majesty the Druk Gyalpo for the wise and timely advice to the Election Commission which made it possible for the successful conduct and outcome of the elections.

Despite the successful election of the Local Government leader, the Prime Minister expressed his disappointment at the number of women participation in the election and hoped that more women will take part in such election in the future. – With the beginning term of the Local Governments coinciding with the start of the Fourth Year of the FYP, confidence was expressed that the enthusiasm and the good leadership talent that the Local Governments have now gained will bring about acceleration in the implementation and timely completion of the remaining planned activities. It was also hoped that the government trained Gewog administration officers would extend their full cooperation and support to serve at their fullest.

## **10<sup>th</sup> FYP Mid-Term Review**

With the objective to enhance the emerging democratic culture in the governance system, a Midterm Review team lead by the Prime Minister interacted with the Members of Parliament from respective Dzongkhags, government secretaries, directors, sector heads, local government leaders, local businessmen, religious representatives and students over a period of four months from 12 November, 2010 to 12 March, 2011. This exercise greatly benefitted in understanding the main objectives of planning especially community development and eradication of poverty.

### **The report was categorized based on the four pillars of GNH**

#### **First Pillar: Enhancing Sustainable and Equitable Socio-Economic Development**

Given our prudent economic policy and fiscal discipline, the World Bank, IMF and ADB have made favourable observations. According to the World Bank's latest Bhutan Economic Update April 2011, we have grown at an average rate of 8.2 percent per year since FY2004/05

and we will grow at 9-10 percent per year from FY2010/11-FY2015/16. Although Hydropower projects are the main drivers of the economic growth, other projects have also made good progress.

The industries sector has grown at over 12% and the manufacturing subsector at over 10% since FY 2004/05. The agricultural sector has grown relatively slowly, at around 1.6% per year, with its share of GDP declining from 22% in FY 2004/05 to 14% in FY2010/11. In absolute nominal terms, agricultural production grew from Nu. 8,971 million in FY 2006/07 to 12,033 million in FY 2010/11, to record an increase of 34% over the 4 year period. Hydropower projects are being continued to meet the 10,000 MW goal by 2020.

Bhutan's gross international reserves, comprising both convertible currencies and Indian rupees for the year 2010/11 is estimated at US\$ 1,018.28 million, representing a growth of 17.30% from the previous year. This reserve is estimated to cover about 14 months of total projected imports, which is safely above the constitutional requirement of 12 months.

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

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

Despite the positive growth, the Bhutanese economy continues to be weak and vulnerable with a majority of the population still dependent on subsistence farming.

While the per capita income has exceeded US\$ 2000 making Bhutan third only to the Maldives and Sri Lanka in South Asia, 23% of our population, are estimated to be trapped in rural poverty to compel the Royal Government to direct the main thrust of the 10th plan to reduce poverty to 15%.

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

poor from acquiring the social and economic capacity to enable true political empowerment and thereby realize the goal of creating a democratic culture and polity.

The main elements of the programme are the following:

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

It was informed that out of the 49 Gewogs that remained to be connected, 10 have now been connected up to the Gewog centers. Further 28 Gewogs are at various stages of being connected while survey and design for 11

Gewog roads have been completed to begin construction within the year. The five Gewogs of Soe, Naro, Lingshi, Laya, Merak and Sakten will be partially connected by motorable road while Lunana will not be connected. This is because in the first case, roads beyond the points that have been agreed with the concerned communities would lead to their being deprived of the economic advantages otherwise offered by tourism while in the case of the latter, ecological and demographic reasons forbid the construction of a motorable road. However, Lunana shall become accessible throughout the year through an 85 KM mule track to be built along the Phochhu river within this plan period. The Gewog roads are augmented by an increasing network of farm roads. In addition to the existing 868 kms of farm roads, a total of 1,480 kms of farm road has been constructed in the last three years of 10th FYP totaling 2,348 kms of farm road.

Against 52% households in the country that received the benefit of electricity at the end of the 9th FYP, 73% of households have now received this vital service as of March 2011. In the past year, 15,020 households were

connected to the national grid. The balance of 22,365 households will be electrified during the next two years. All the necessary funds have been secured and the implementation of the rural electrification projects is under good progress.

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

It was informed that the Net Enrolment Rate reached a high of 94% in 2010, with many Dzongkhags achieving close to universal primary enrolment. All Gewog and Dzongkhag administrations have committed at the MTR to redouble their efforts to ensure that no school going aged child is left out of school by end of April 2011.

The government had planned to provide minimum of three doctors and two Ambulances for every Dzongkhag Hospital and all Communities to have Easy Access to Basic Health Facilities. Currently 10 Dzongkhags have three doctors each, six Dzongkhags have two doctors each and the remaining four have one doctor each. The Ministry has also instituted a procedure to send gynecologists to Dzongkhag hospitals once a month to facilitate wider coverage and provision of gynecological services. The objective of providing two running ambulances for each district hospital has also been fulfilled. The safe drinking water supply in rural areas has increased to 93% from the 67% percent at the beginning of 10th Plan.

In order to ensure mobile phone connectivity to every community, a Universal Service Obligation (USO) Fund for the rural mobile project amounting to Nu 360.155 million (in two phases) has been made available as government subsidy to Bhutan Telecom and TashiCell. The progress has been remarkable with 203 out of 205 Gewog centres now having access to the vital service. The two remaining Gewog centers in Chokhorling

(Pemagatshel) and Lunana (Gasa), including few villages and shadow areas will be covered by December 2011.

In order to improve access to quality health services, the Ministry has initiated the establishment of sub-posts for villages with populations of 200-300 with a health assistant.

It was reported that the Education sector saw continued progress, with more schools being opened in the remotest parts of the nation and increasing number of youth completing higher education. For the year 2010, the Net Enrolment Rate stood at 94%, with many Dzongkhags achieving close to universal primary enrollment as explained earlier. The Non-Formal and Continuing Education Programme has covered the length and breadth of the country and has so far benefited over 160,000 illiterate citizens.

The agriculture sector continues to remain a high priority for the government with a majority of the Bhutanese population still dependent on agriculture. At present, the sector accounts for 14% of the GDP and

employs over 59% of the labor force. Recognizing the importance of agriculture in achieving the Tenth Plan's theme and objective of poverty reduction, the agriculture sector has, for the past one year, initiated new and innovative programmes and recorded significant achievements.

Increase in production is mainly dependent on adequate supply of irrigation facilities. Therefore, a total of 44.57 kms of irrigation channels were rehabilitated in the past year covering 5,811 acres of rice fields benefiting 1,217 rice growers.

The livestock sector has also witnessed significant achievements. The promotion of labour saving agricultural equipment and provision of its maintenance and operation services is one of the main interventions to raise farm productivity, lessen farm drudgery and make farming profitable and attractive to our youth. Further, farmers support service centres were strengthened at Drakteng (Trongsa), Mongar (Mongar) and Nubding (Wangduephodrang) to provide basic maintenance services to the farmers.

## **Second Pillar: Reinforcing Environmental Conservation**

It was reported that it is a matter of immense national pride that our small country continues to rise in stature as a world leader in environmental conservation. In this regard, we may recall, in particular, the prestigious international conservation awards received by His Majesty the Fourth Druk Gyalpo.

Because of the excellent state of forest preservation in the country, the biodiversity of our country remains a subject of great scientific value and admiration to botanists, ecologists and wildlife enthusiasts around the world. The diversity of our flora and fauna is perhaps, the most vital and valuable national asset that is not only of immense immediate use but one that has a direct bearing on our long term sustainability as a nation state. In order to reduce carbon emission and for the health of the urban cities, use of bicycles was also propagated clearly.

### **Third Pillar: Preservation and Promotion Of Culture**

It was reported that the Royal Government and the people are deeply grateful to the central monk body led by His Holiness the 70th Je Khenpo, Trulku Jigme Choeda, for performing Kurim for the well being of the country. Further, the tradition of Driglam Namzha has been revitalized and GNH has been infused in schools. It was reported that incidences of domestic violence due to abuse of alcohol and tobacco has increased. Efforts have also been made to promote the national language Dzongkha. Appreciation was also extended to those promoting tradition & culture through writing and composing books, films, music and other forms. Further, the Prime Minister urged the Bhutanese musicians to be more original to avoid being accused of violation of intellectual property rights.

With regard to sports, under the leadership of HRH Prince Jigyel Ugyen Wangchuck, His Majesty the Druk Gyalpo's Representative in the Bhutan Olympic Committee (BOC), this vital sector has now received a major boost including access to external resources. His

Royal Highness has also been extremely active and successful in sports diplomacy and in enhancing our national image. Further, HRH Prince Jigyel Ugyen Wangchuck has led delegations to the 16th Asian Games in Guangzhou, China, The opening ceremony of the Asian Beach Games, Kuwait and Asian Winter Games in Kazakhstan. On behalf of the Government and the people, immeasurable gratitude was expressed to HRH Prince Jigyel Ugyen Wangchuck for the assurance earned for fund and other requirements for sports. It was also informed that for the benefit of the youth and sport enthusiast, Changlingmethang was to be developed into a fully lit sports stadium where games can be played at night. Although this feature was left out due to paucity of funds then, it is hoped that this plan will soon be realized.

Appreciation was also expressed to His Majesty the King for instituting the national annual award during the National Day celebrations to recognize people who have served the Tsa-wa Sum with exceptional effort and merit.

### **Fourth Pillar: Consolidating Good Governance**

It was reported that the country has always enjoyed peace, stability and progress for over a century under the leadership of our selfless Monarchs. Having become the first democratically elected government, its sacred responsibility above all else, is to build and further consolidate democratic institutions and practices of good governance. As the fourth pillar of the development philosophy of our nation, good governance is a precondition to the functioning and progressive strengthening of the other three pillars and, more importantly, the successful development of our society as a democratic polity.

As per legislative plans some of the Bills proposed for the 8th Session of the First Parliament are:

1. Declaration of National Parks, Wildlife Reserves, Natural Reserves, Critical Watershed
2. Bill on Declaration of Emergency
3. Impeachment Bill
4. Alternative Dispute Resolution Centers Bill
5. Contract Bill

6. Explosives Bill
7. Disaster Management Bill
8. Domestic Violence Bill
9. Limitation Bill.
10. Tourism Bill

Other Bills under consideration:- The following Bills are under drafting process/consideration by the different Ministries/agencies and may be tabled during the 9th or later Session of the First Parliament:

1. Essential Services & Maintenance Bill
2. Administrative Tribunal Bill
3. Working Parents Incentive Bill
4. Militia Services Bill
5. Bill on the Formation, Functions, Ethical Standards and Intra-Party organization of Political Parties.

In conclusion, the Prime Minister said that, the Government submits the report of its work in the past year to the House for review and assessment. Therefore, any advice related to the report would be appreciated and accordingly looked into.

Further, the participation of the people from the communities is vital to strengthen and sustain democracy. Additionally, the political parties should never become tools of the rich and powerful and the elected their servants. It is imperative for the political parties to be instruments of the people poor as they maybe.

In order to maintain a clean Bhutanese democracy with justice for the people, there is no better way than the State funding, therefore, it is imperative for the Hon Members of the Parliament to ponder and deliberate the issue without being prejudiced by current circumstance. The Prime Minister said that he urged this not for the benefit of Druk Phuensum Tshogpa nor against the People's Democratic Party but for Democracy and the emergence of good political parties in the future-

The Prime Minister also expressed appreciation to our developmental partners for their unwavering support and assistance. Moreover, special gratitude was expressed to the people and Government of our neighboring country India for their exceptional support and cooperation. In

addition, on behalf of the cabinet ministers and on his own behalf, the Prime Minister expressed gratitude to His Majesty the Druk Gyalpo for the noble guidance and directives from the Golden Throne and pledged to continue with the endeavors to serve the *Tsawa sum* with the support of dedicated civil servants.

In conclusion, the Prime Minister expressed his immense joy and pride for being able to provide service towards peace and stability and continued advancement of Gross National Happiness with the blessing of the Guardian deities, His Majesty the Druk Gyalpo and the collective merit and hard work of the people.

**(A copy of the complete report was also distributed to the Members of the Parliament)**

**14. EXPRESSION OF APPRECIATION TO THE HON PRIME MINISTER**

The Hon Chairperson of National Council, Hon Leader of the Opposition and the Hon Member from Kabji-Talo constituency expressed their appreciation to the Hon Prime Minister for presenting the Annual Report on the

State of the Nation. News regarding the announcement of Royal Wedding of His Majesty the Druk Gyalpo to HRH Ashi Jetsun Pema and the medal of recognition received by HRH Ashi Kezang Choden Wangchuck on behalf of the Fourth Druk Gyalpo being inducted to Kyoto Earth Hall of Fame, Japan for the noble initiative undertaken for environmental conservation was deeply appreciated. The completion of most of the developmental activities of 5 years within 3 years is a wonder and applaudable. They also expressed their deep gratitude to Hon Prime Minister who as the Chairperson of SAARC visited the region and promulgated our noble identity and further strengthened the relations.

Similarly, the Hon Speaker expressed his gratitude on behalf of the Parliament to the Hon Prime Minister for informing unambiguously about the achievements made in the past one year and the future plans. He said that, the people were aware of their aspirations being met in the last two to three years and such achievements can only be attributed to Bhutan being a religious country, the collective merit of the people, the blessings of the

Guardian Deities, wise guidance of His Majesty the Druk Gyalpo and not to forget the efforts and hard work put in by the Civil Servants. The Hon Speaker on behalf of the Parliament reiterated his immense appreciation to the Hon Prime Minister and the Cabinet Ministers, Members of the Local Government and to all the civil servants.

If Democracy is not strengthened and sustained after it has been established, we would not be fulfilling the aspiration of His Majesty the Druk Gyalpo. It is therefore the full responsibility of the Bhutanese to work towards and contemplate on sustaining democracy and not dwell on the existing political parties. The Hon Speaker urged the Members of Parliament and the people to contemplate on the situation of the political parties as pointed out by the Hon Prime Minister.

The House directed that the people and Members of the Parliament take note of the current circumstances of the political parties in a democratic system of government pointed out by the Hon Prime Minister. With this the Annual Report on the State of the Nation, including

Legislative Plans and the Annual Plans and Priorities of the Government concluded.

(30<sup>th</sup> Day of the 4<sup>th</sup> Month of the Iron Female Rabbit Year corresponding to 1<sup>st</sup> July 2011)

**15. PRESENTATION OF ANNUAL AUDIT REPORT 2010 BY THE PUBLIC ACCOUNTS COMMITTEE CHAIRMAN (1P7/GR7)**

In accordance to Article 25(5) of the Constitution, the Auditor General was mandated to present the Annual Audit Report to His Majesty the Druk Gyalpo, Prime Minister and the Parliament. Therefore, The Hon Speaker directed the chairperson for the Public Accounts Committee to present the Annual Audit Report for the year 2010.

The Public Accounts Committee in accordance to Article 25(6) of the Constitution presented the Annual Audit Report 2010 along with the other reports received from Auditor General to the Parliament for its consideration as detailed below:

Chapter 1: Annual Audit Report 2010;

Chapter 2: Follow-up on the past Annual Audit Reports (AAR), namely AARs up to 2006, Aar 2007, AAR 2008 and AAR 2009;

Chapter 3: Public Accounts Committee's follow-up on the resolutions of the 5<sup>th</sup> Session;

Chapter 4: Performance Audit Reports which were not deliberated in the past Joint Sittings and Performance Audit Reports issued by Royal Audit Authority (RAA) till 25 April 2011

It was reported that in 2010 RAA completed 617 audits and recovered Nu. 62. 791 million on account of Audit Recoveries which is 9.8% more than 2009.

The AAR 2010 contains issues pertaining to all ten Ministries, 17 Dzongkhags, 26 Gewogs, 7 Autonomous bodies, 11 Corporations, 3 Financial Institutions and 2 Non-Governmental Organizations.

It was reported that among the 22 organizations consisting of Ministries, Dzongkhags, Gewogs, Autonomous Agencies and other organizations, the Ministry of Health has the highest records of fraud, corruption and embezzlement, mismanagement,

violation of laws, rules and regulations, shortfalls, lapses and deficiencies amounting to Nu. 12.345 million Which was 28.49% of the total irregularities of Nu. 43.333 million.

In terms of Dzongkhags, Gasa is the only Dzongkhag with Fraud, Corruption and Embezzlement with Nu. 84,000, while the Dekeling Gewog under sarpang Dzongkhag is the only Gewog out of 205 Gewogs with irregularities under Fraud, Corruption and Embezzlement.

The PAC commended the Ministry of Works and Human Settlement, Ministry of Education and Ministry of Information and Communication along with the other 19 Dzongkhags and 204 Gewogs for not having and irregularities under Fraud, Corruption and Embezzlement category.

It was reported that irregularities involving a total of Nu. 451.014 million for the AARs up to 2009 was reported in the 5<sup>th</sup> Session of the Parliament in May-July 2010, out of which a total irregularities of Nu. 231.163 million (52%) was resolved as of April 2011.

Lastly, it was submitted that the successful presentation of the report to the House was attributable to the dedicated efforts put forth by the RAA in the past year. The PAC expressed their hope that the House deliberate and provide wise guidance on the following 17 recommendations of the PAC:

#### Recommendations of the PAC

##### 1. **Underutilization of budget**

- a) The government may explore opportunities to adopt modern budgeting process to minimize or eliminate inefficiencies built within our current budgeting process, if any.
- b) In order to ensure that a budget reflects macro-economic and fiscal policies besides sector concerns, this august Joint Sitting of the Parliament may wish to review the necessity to involve Hon Members of Parliament of National Assembly in the stage of budget formulation.
- c) In line with the recent Mid-Term Review exercise conducted by the government under the

Chairmanship of the Hon Prime Minister, the PAC recommends the Government to analyze the reasons for the huge amounts of unutilized budget in both the initial two years of the 10<sup>th</sup> plan and non-implementation of activities.

2. Fixation of Accountability and oversight responsibility on the heads of budgetary bodies as per the Sections 182 and 183 of the Public Finance Act 2007)
3. Follow-up on the unresolved irregularities of the past Annual Audit Reports up to 2006 and AAR 2009.
4. Enforce the Sections 182 and 183 of the Public Finance Act 2007 on the lack of administrative actions from the Government and RCSC against irregularities reported in the Annual Audit Reports.
5. The Government should resolve this long pending issue with the proprietor of Trowa Theatre regarding the lease rental of land on which the Trowa Theatre in Changijji.

6. It has to be resolved on who should clear the outstanding loan of 7.6 million taken by MSO from National Pension and Provident Fund until 30<sup>th</sup> June, 2011.
7. Decide on the fixation of final responsibility of resolving MSO Loan outstanding of Nu.7.6 million as of June 30, 2011, with NPPF.
8. The Government should enforce Sections 182 and 183 of Public Finance Act of Bhutan 2007 on the heads of budgetary bodies based on the PAC's Reports on Hearings conducted on Gaylongkhar-Minjiwoong Farm Road Construction, Jomotsangkha, Samdrupjongkhar Dzongkhag; and Nimshong-Nabjikorphu Farm Road Construction.
9. Compliance with Multilateral Environmental Agreements.

The PAC shall conduct follow-up meetings with the relevant agencies, and shall propose to the relevant agencies to formulate necessary guidelines for proper coordination between the focal agency and

the implementing agencies. The PAC also submits to the House for necessary deliberation on the need for some policy or system in place for the government to follow before signing the agreements.

#### 10. Computers & Peripherals

The PAC would conduct separate meeting with relevant agencies like National Environment Commission, Ministry of Information & Communications on the issues, and report to the 8<sup>th</sup> Session of the Parliament.

#### 11. Operations of National Pension & Provident Fund

The PAC submits the following recommendations;

- a) Need to review the Investment Policy 2008 by also including investment in shares of state owned enterprises;
- b) Since the NPPF is instituted without an Act, and consequently in the event of insolvency, the legal guarantee of liabilities between the NPPF and the RGoB to shelter the pension Members is not understood. Therefore, there is a need for a

Pension Act in the country which may also include Pension for elected Members and private sector employees.

11. Audit Report on Civil Service Trainings of Ministry of Education

The PAC submits the following recommendations:

- a) The Royal Civil Service Commission as the custodian of the civil service, conduct an in-depth review of the civil service training systems and frame realistic rules and define practical procedures. PAC is informed by RCSC of their actions taken and ongoing in connection to the issues from the Audit Report;
- b) Institute (if not already instituted) a transparent and effective monitoring and evaluation system for civil service trainings;
- c) Fix standard accountability on the implementing agencies and enforce it diligently. It was learnt from RCSC that some of the trainees fail to return home after completion of their study or training. Some would not submit relevant

Completion Certificates. Therefore, accountability should be fixed on the supervisors or heads who were involved in processing and approving their training, besides taking action against the incumbents;

- d) Improvise ways and means in consultation with relevant stakeholders to minimize disparities between central agencies and Dzongkhags;
- e) Harmonize the individual agency HR Master Plans with the RCSC Master Plans;
- f) Coordination between the RCSC and other implementing agencies need to be defined and strengthened; and
- g) It was also learnt that some of the individuals whose names were reflected in the Report were not aware of them availing such trainings. Therefore, the House may direct the PAC to conduct hearing with the RCSC and relevant organizations to confirm if they had actually availed trainings or it was only blatant fictitious in paper. The outcome of the Hearing shall be presented to the 8<sup>th</sup> Session of the Parliament.

12. Since the Internal Auditing has very positive impact on socio-economic development, efficient systems of the organizations and control of corruption it is imperative to strengthen the Internal Audit system as per the Auditor General's Advisory Series 2011 on Enhancing Internal Audit System.
13. The PAC submits to the House for a need to conduct a hearing on the Education Development Project, both on LGSF and traditional type school construction Operations of the Education Development Project (EDP), implemented by the School Planning and Building Division (SPBD), Ministry of Education till 30<sup>th</sup> June, 2010.
14. The PAC recommends the Parliament to authorize the RAA to enforce the provisions of Section 182 and 183 of the Public Finance Act and mention the names of oversight responsible heads in the Audit Reports.

15. As there are some inconsistency between the Committees Act 2004 and Article 25(6) of the Constitution, the PAC proposes for review and amendment of the National Assembly Committees Act of the Kingdom of Bhutan 2004 to bring parity with the Constitution and other laws enacted after 2008.
16. Until now, the PAC had submitted its Report to the Parliament only in the Summer Session. Experience from the last few years indicate the Committee's huge backlog of reports to be submitted to the Parliament resulting into lengthy discussions during the Summer Session. Further, some issues which merit timely discussion in the Parliament often have to wait for Summer Session, rendering the issue irrelevant and insignificant for the government to take decisions. Timely decisions by the government on some matters would hinder or inhibit occurrence of similar lapses in other agencies. Therefore, the PAC seeks the Parliament's approval to mandate the PAC to submit its Report to both Summer and Winter Sessions of the Parliament.

The Speaker said that judging from the presentation of the Annual Audit Report by the Chairman of the Public Accounts Committee, it is evident that the RAA had achieved substantive results. The Parliament in its 5<sup>th</sup> Session based on the accountability and responsibility fixed, directed to enforce it through the Royal Civil Service Commission. However, the government and various agencies did not carry out the directives of the Parliament at all. Therefore, it is the knowledge of the Members that the irregularities are again reflected in the Audit Report. The House directed that, in order to control such occurrence in future, it is crucial for the Joint sitting of the Parliament to resolve appropriate measures to enable to take action as per the Public Finance Act.

While deliberating on the Annual Audit Report 2010, the Members expressed their concern over the increasing number of fraud corruption and embezzlement cases every year. The House pointed

out that such cases are reoccurring due to the non compliance of 11 recommendations made by the PAC by the government.

Moreover, the Members submitted that it is crucial to accord priority to fixing responsibility and accountability. Some Members suggested that responsibility and accountability should be fixed across various level of the organization and any individual found to have committed fraud, corruption and embezzlement should be terminated from the service.

On the surrendering of unutilized budget the Members suggested that there is a need to have proper system and certain standard of budget and expenditure ratio in place. Since there is discrepancy in budgetary provisions according to the size of the project, it is important look at the actual outcome of the work rather than considering the surrendering of utilized budget.

As it is difficult to estimate the budget requirement for the planned activities the budgeting system needs to be reviewed. In addition, some Members suggested that the budgetary provision be decided based on one's spending capacity. Further, the Members submitted if they explain the system of budget allocation to the people during the constituency visits, it would help in using the total budget allocated.

During the continued deliberation on the PAC Report on 5<sup>th</sup> July 2011, the Members sought various clarifications and expressed numerous views on the irregularities pertaining to fraud, corruption and embezzlement cases. However, the Members agreed that such instances are due to the non implementation of respective responsibility and accountability in Ministries, autonomous agencies, corporations and the Local Governments. It is imperative that the Government study and review responsibility and accountability in detail. The Members expressed their common consensus that in order to control the occurrence of fraud, corruption

and embezzlement cases in future, it is crucial to fix the responsibility and accountability on Ministers, secretaries and directors in accordance to the Public Finance Act 2007.

The House provided the following directives on the recommendations of the Public Accounts Committee after extensive deliberation;

1. The Royal Audit Authority (RAA) has stated about the direct accountability in the Audit reports. However, as per Section 182 and 183 of the Public Finance Act, 2007 the supervisory responsibility which was absent should also be stated henceforth in the Audit Reports.
2. The underutilization of budget was as submitted by the Hon Minister for Finance on five grounds. The House directed the Government to submit a report to the Public Accounts Committee (PAC) before the 8<sup>th</sup> Session of the Parliament after contemplating it and implementing proper review and improvement.

3. Regarding the issues pertaining to entrust responsibility and accountability to all the officials of ministries, corporations and agencies, the respective officials of the relevant ministries and various agencies should be fully entrusted with responsibility and accountability within the auditing period. This was as per the provisions of section 182 and 183 of the Public Finance Act. Besides conforming with it, the Royal Civil Service Commission should keep vigilance. It was directed that the unsettled old accounts of annual audit reports till 2009 should be concluded and settled by the committee formed under the initiative of the Hon Minister for Finance.
4. The House directed the NPPF and Finance Ministry to formulate the investment policy and draft Pension Bill to ensure sustainability of Pension Scheme to benefit the Members.

5. The House also directed that the appointment of Director and composition of Board Member be purely based on experience and professionalism to enhance corporate governance.

6. Miscellaneous Issues

6.1 On the old pending issue regarding the lease of land to Trowa theatre, as submitted by the Hon Minister for Works and Human Settlement, the Government should contemplate and instantaneously resolve the issue as per the relevant laws and report to the PAC prior to the 8<sup>th</sup> Session of the Parliament.

6.2 It was submitted on how to settle the outstanding loan amounting to Nu. 7.6 million taken from the National Pension and Provident Fund by the BBS for MSO. As set forth by the Minister for Finance, the loan shall be liquidated from the budgeted amount for the BBS. The House resolved that the Government should fix the responsibility and accountability for such losses inflicted on the Government and submit a report to the PAC before the 8th Session of the Parliament.

- 6.3 Regarding the discussion to be held on policies and rules of procedures before signing of the Multilateral Environmental Agreements, the House resolved that the committee can conduct follow-up meetings with the relevant agencies. The relevant agencies should formulate necessary guidelines for proper coordination between the focal agency and the implementing agencies and deliberate on the need for some policy or system in place for the Government to follow before signing the agreements.
- 6.4 On computers and peripherals, the House directed the committee to conduct separate meetings with relevant agencies like National Environment Commission and Ministry of Information & Communications and hence report to the 8th Session of the Parliament.
- 6.5 Regarding the seven points recommendations submitted on the audit report of Civil Service Trainings and Ministry of Education's HRM, the Royal Civil Service Commission has started taking action on the report. Therefore, the House directed

the commission to investigate the issues comprehensively and submit a report to the PAC before 8th Session of the Parliament.

6.6 On the operations of the Education Development Project (EDP), implemented by the School Planning and Building Division (SPBD), Ministry of Education as of 30th June 2010, the House directed the Secretary of the Ministry of Education to carry out proper review and submit a report to the PAC and the Prime Minister before 8th Session of the Parliament.

6.7 Regarding the proposal for review and amendment of the National Assembly Committees Act of the Kingdom of Bhutan 2004 to bring parity with the Constitution and other laws, the House directed the Legislative Committee of the respective Houses to study and review the need for amendment and report in the forth coming Session of the Parliament.

Regarding the presentation of the PAC report, the House directed the Legislative Committees of the respective Houses to see the scope as to where the PAC report has to be submitted and future reports

should be tabled accordingly, in line with the respective Acts of the two Houses. Consequently, the deliberation on the Annual Audit Report 2010 was concluded.

(3<sup>rd</sup> Day of the 5<sup>th</sup> Month of Iron Female Rabbit year corresponding to 4<sup>th</sup> July 2011.)

**16. DELIBERATION ON POINTS RAISED BY NATIONAL COUNCIL ON THE NATIONAL BUDGET FOR THE FY 2011-2012**

**A- Budget Estimates for the Financial Year 2011-2012**

It was submitted that the agencies responsible for the establishment of hydro power projects in the country should be observed properly to meet the standard. Clarifications were also sought on the capital expenditure which was the only expenditure in place for Phuentsholing municipality. Further, it was set forth that although rural drinking water distribution has reached 13 %, some places still faced the problem of drinking water which needs to be mitigated urgently.

It was submitted that budget should be in place for transportation of materials to distribute drinking water in some of the Geowgs of Gasa and as well as for the renovation of Trashigang Dzong. It was also submitted that the National Assembly and the National Council were shouldering equal legislative responsibilities. Therefore, budget should be set in place for conducting meetings with the Local Government.

It was submitted that budget should be set in place for procurement of vehicles for the judges of Dzongkhags & Drungkhags, occasions of high significance in the country and for the promotion of tourism. It was also set forth to review and explore the faire for public transport buses, price of the commodities and establishment of training institutes in the country. In addition, it was submitted that transport service providers with low profits operating along the roads without black top should be subsidized. It was also set forth to immediately implement the provisions of the Constituency Development Grant as in the National Budget Report for the FY 2011-2012.

### **B- Supplementary Budget Appropriation Bill for the Financial Year 2010-2011**

It was submitted that the training for the local leaders on implementation of budget was required to avoid surrender of budget from the Local Government and a system was also needed to be formulated to present the Supplementary Budget Appropriation Bill in the winter session. In addition, it was set forth that the system should be prepared for the allocation of Supplementary Budget Appropriation Bill.

It was submitted that in order to provide employment to the youth, the budget for the works not taken up by the private sector to renovate Gasa Tsachu should be utilized for the students of vocational and construction training institutes. It was submitted that if the Supplementary Budget Appropriation Bill included in the general reserve budget by the Ministry of Finance relates to the constituency development, it should be removed from the budget as per the resolution of the last session of the National Assembly.

### **C- Budget Appropriation Bill for the Financial Year 2011-2012**

The amount of the appropriation was not to surpass 740 million. The removal of 14 million of Constituency Development Grant and in case the proposals in the budget estimate for the FY 2011-2012 was included, the above amount would be subject to changes. It was submitted that there was need to explicitly mention the general public expenditure as it was not mentioned in annexure 10. Further, the budget set for the Constituency Development Grant in the general reserve budget should be removed.

### **D-Tax Revision Bill, 2011**

It was set forth that the enforcement of the tax revision, tax revision for alcohol, vehicles and spare parts of the machineries should be revisited. The tax for canned fruit juices, precious metals, income tax, business income tax, corporate income tax and waiving off tax for land less than 5 acres and to increase the tax for land more than 5 acres were also submitted to be revisited. The National

Assembly extensively deliberated on these recommendations on 7<sup>th</sup> June, 2011. The Hon Members expressed problems related to their constituencies and in general they opined that it was imperative for both the Houses to work as per the responsibility entrusted to them.

Besides, the National Assembly didn't acknowledge the recommendations by the National Council on the above mentioned budget. Consequently, on 24<sup>th</sup> June 2011 the budget was endorsed without any change for approval as per the procedure.

(5<sup>th</sup> Day of the 5<sup>th</sup> Month of the Iron Female Rabbit Year corresponding to 6<sup>th</sup> July 2011)

## **17. IMPLEMENTATION STATUS OF THE RESOLUTIONS OF 6<sup>TH</sup> SESSION**

### **17.1. Drayangs and Entertainment Places (1P7/GR8)**

The Minister for Information and Communication reported that relevant Ministries and agencies were observing and improving the problems with regard to *Drayangs* and entertainment places as per section 6.1 of

the 6<sup>th</sup> Session's resolution. The House acknowledged as it was informed that the situation was improving and the rules were also formulated which was profoundly benefiting the *Drayangs* and entertainment places.

**17.2 His Majesty the Druk Gyalpo's Relief Fund (1P7/GR9)**

As per section 7 of the 6<sup>th</sup> Session's resolution, The Minister for Finance informed that in the 6<sup>th</sup> session the House approved the proposal to establish His Majesty the Druk Gyalpo's Relief Fund. However, it was reported that His Majesty the Druk Gyalpo's Relief Fund was a huge budget and for the purpose rules have to be presented to the Parliament instead of a resolution. Therefore, the House expressed its endorsement after it was informed that draft rules for His Majesty the Druk Gyalpo's Relief Fund would be presented in the next Session.

**17.3 Report on National Work Force Wage Rate (1P7/GR10)**

As per section 14 of the 6<sup>th</sup> Session's resolution, the Minister for Labour & Human Resources reported on

the revision of wage for national work force and national minimum wage rate. It was informed that a committee was formed under the executive order of the Minister as per the provisions of the Labour & Employment Act 2007 which rationally formulated the wage for the workers and minimum wage rate and submitted to the Government. Thereafter, on 7<sup>th</sup> May 2011 during the special 106<sup>th</sup> Cabinet session, following 3 policies and increment of National Work Force Wage and the Minimum Wage Rate was endorsed.

1. Minimum National Wage Rate policy
2. Standard of Minimum National Wage Rate.
3. National Work Force Wage Standard.

**Classification on Increment of National Work Force  
Workers' wage and the Minimum Wage Rate.**

<b>Sl. No</b>	<b>Classification</b>	<b>Increment since the end of year 2001</b>	<b>Increment since the year 2011</b>
<b>1</b>	First	150	240
<b>2</b>	Second	135	220
<b>3</b>	Third	120	195
<b>4</b>	Fourth	110	180
<b>5</b>	Fifth	100	165

In the previous rules, the National Work Force workers' wage was classified into 5 categories based on skills. It was increased at the end of the year 2001 to Nu. 100, Nu.110, Nu.120, Nu.135 and maximum of Nu.150 daily for the smaller categories which was now increased to minimum of Nu.165, Nu.180, Nu.195, Nu.220 and the maximum of Nu. 240. It was also reported that workers

working in the high altitudes will be provided benefits as per the condition of the places identified.

After the report was presented, expressing their views and opinions the Hon Members submitted that increase in the national work force workers' wage and the minimum wage rate in the special sitting of the cabinet would immensely benefit poor workers. It was set forth that in rural areas, minimum wage of Nu.200 was given and it would be better if it was similarly increased to Nu. 200 from the minimum of Nu. 165. It was also set forth that if the standard of minimum monthly salary of national work force workers were kept at Nu.3000, it would immensely benefit the private sector.

To this, as submitted by the Minister for Labour & Human Resources the House directed that increment should be effected within 90 days of the Government's approval as per the Labour & Employment Act 2007.

#### **17.4 Report of Human Rights Committee (1P7/GR11)**

The House deliberated on the implementation of the recommendations of the last report resubmitted by the Chairperson of the Human Rights Committee. The Minister for Home & Cultural Affairs informed that the Ministry was prioritizing and working accordingly as per the last report. He also set forth that the Human Rights Committee should not only emphasize on prisons but also look into other relevant issues.

Some of the Hon Members submitted that it was time to formulate and implement rules and procedures regarding the Human Rights Committee. A Members of the Committee expressed that the government should prioritize the recommendations made by the Committee in the last report and implement them. He offered his full support towards this. Further it was clarified, that prisons were given a priority, not to criticize but because the International Human Rights Council occasionally questioned prisoner related issues. It was also pointed out that problems were encountered as there was no separate fund for the prisons in the Budget therefore, a

separate budget should be allocated. Further, it was proposed that it would be healthier if a new agency under the Ministry for Home & Cultural Affairs is instituted to take over the management of the prisoners from the police.

Some of the Hon Members submitted that there was a need to issue Security Clearance Certificate to those prisoners who completed their prison term irrespective of nature of the sentence. If this was not possible, it was proposed that at least the relatives should be entitled for clearance. The Committees said that it would be able to function effectively and efficiently if directives were issued for investigation and improvement of issues concerning violation of human rights. Further, it was submitted that the Committee needs to contemplate on factors which were depriving human rights in the society.

To this, The House directed that all the Ministries under their respective Ministers should continue to acknowledge the resolutions of the House and submit the implementation reports on time as in the past. The

Minister for Home & Cultural Affairs informed that implementation report on the recommendations submitted by the Human Rights Committee would be presented in the next Session. In this regard, the House resolved that the Ministry of Home and Cultural Affairs may not submit its implementation report in the next session and would suffice if the Ministry prioritized the recommendations made by the Committee and after carrying out careful studies start its implementation.

**18. RECTIFICATION OF RESOLUTIONS**

Excluding the days for the sittings on the Bills, the deliberations pertaining to Local Government and Reports over the period of 13 days were presented for rectification on 7<sup>th</sup> July, 2011. As directed by the House, the Secretary General read out only the resolutions leaving out the deliberation. To this, led by the Hon Prime Minister some of the Hon Members proposed that few resolutions needs to be rectified as per the deliberations carried out in the House. The proposals were acknowledged and it was submitted that these resolutions would be reassessed as per verbatim records.

With this, the implementation report by the relevant Ministries on the resolutions up to 6th Session and the rectification of resolution concluded.

**(7<sup>th</sup> Day of the 5<sup>th</sup> Month of the Iron Female Rabbit Year corresponding to 7<sup>th</sup> July, 2011)**

## **19. CONCLUDING CEREMONY**

### **19.1 Speech of the Hon Speaker on the Concluding Ceremony of the 7th Session**

The Hon Speaker said that the historic 7<sup>th</sup> Session of the First Parliament of Bhutan concludes on this very auspicious day.

On behalf of the Hon Members of Parliament and on his own behalf, he expressed heartfelt gratitude to His Majesty the Druk Gyalpo for gracing the Concluding Ceremony.

Similarly, he welcomed the Members of the Royal Family, Senior Government Officials from the three branches of Government, Officials of the Armed Forces, Ambassadors of India, Bangladesh and Kuwait, Diplomats, Media Personnel and Distinguished Guests. He also expressed greetings to all the Bhutanese people

in different parts of the country who were witnessing this Session through television and listening through radio.

He informed the House that the following Bills on which the two Houses could not reach a consensus during the 5<sup>th</sup> and 6<sup>th</sup> Sessions on some of the provisions were tabled and endorsed in the Joint Sitting by means of voting as per the command of His Majesty the Druk Gyalpo, in accordance to the provision of the Constitution;

1. Penal Code (Amendment) Bill
2. Civil and Criminal Procedure Code (Amendment) Bill
3. Financial Services Bill
4. Anti Corruption (Amendment) Bill
5. Child Care and Protection Bill
6. Water Bill
7. Legislative Procedure, 2011

The Hon Speaker informed that as the King endears subjects, subjects aspire peace and happiness and as law is the basis of all peace and happiness, the above Bills

were accorded paramount importance and passed as Acts after extensive deliberation.

Although the law implementing agencies particularly the Royal Bhutan Police and the Judiciary have been carrying out their responsibilities as per the rule of law, Members expressed their concerns regarding the complaints raised by the people on the non compliance of due process of the law, delayed cases and award of different verdicts.

In addition it was informed that the House ratified SAARC Convention on Environment and Convention on Anti Doping in Sports which were extensively deliberated in the 6<sup>th</sup> Session by both Houses.

Bhutan Institute of Medical Sciences Bill has been deliberated by the National Assembly and is transmitted to the National Council. The Adoption Bill on which the two Houses could not reach a consensus is submitted to His Majesty the Druk Gyalpo by the National Council.

It was informed that the Sales Tax, Customs and Excise (Amendment) Bill, Election (Amendment) Bill and

Public Finance (Amendment) Bill which were discussed by the National Assembly in its 6<sup>th</sup> Session and transmitted to the National Council were re-deliberated in the current Session. Since there were disagreements on some provisions, it has been resolved to be submitted to His Majesty the Druk Gyalpo in accordance with the provision of the Constitution.

In line with the Annual Budget Report of the Finance Minister, the National Assembly endorsed the following Bills and received recommendations thereof from the National Council;

- a) Supplementary Bill for the FY 2010-2011 amounting to Nu. 2,649.00 million
- b) National Budget for FY 2011-2012 amounting to Nu. 42,174.740 million (Current Budget Nu. 17, 185.309 and Capital Budget Nu. 24,989.431 million)
- c) Tax Revision Bill, 2011. These Money Bills are submitted to His Majesty the Druk Gyalpo for Royal Assent.

As alcohol causes lots of health and social problems and in order to control the negative impact of alcohol, tax on

alcohol products has been nominally raised. Likewise, the taxes on import of vehicles have been raised to reduce air pollution and control the vehicle number, vehicle accidents and traffic congestion. It is hoped that these increase in taxes would benefit the economic development of the country.

As the presentation of Report on the State of the Nation by Hon Lyonchhen to the Parliament was broadcast live through television and radio, it is hoped that the people would be appreciative of achievements of economic development activities by the government within the span of one year. The most significant achievement was the reduction of poverty level to 23 percent from 32 percent.

With the granting of Kidu by His Majesty the Druk Gyalpo to the genuinely deserving people the poverty level had been greatly reduced and His Majesty the Fourth Druk Gyalpo's vision of Gross National Happiness has been fully realized entailing peace and happiness to all Bhutanese.

Hon Lyonchhen while presenting the Report on the State of the Nation said that since its inception the democratic system has been running smoothly under the wise leadership of His Majesty the Druk Gyalpo. However, it is important for the Members and Bhutanese people to consider State Funding to Political parties for a strong and sustained democratic system and to build strong foundation of the political parties without corruption.

The House engaged in extensive deliberation on the Annual Anti Corruption Report and Annual Audit Report. The Members opined that if the civil servants and leaders shoulder their responsibility and accountability with added sense of duty and vigor, the instances of fraud, corruption and embezzlements would not occur besides timely achievement of economic developments.

Among the several measures, it was resolved to strictly enforce the fixation of accountability and oversight responsibility in compliance to the Section 182 and 183 of the Public Finance Act. The Members also submitted that the Judiciary should acknowledge and award timely

verdicts on the cases forwarded through Office of Attorney General.

It was only after three years that the Local Government election could be held. Although there were few problems related to political party affiliation and census issues, they were resolved due to the timely direction and guidance provided by His Majesty the Druk Gyalpo.

On behalf of the Parliament, the Hon Speaker expressed appreciation for the successful conduct of Local Government elections through the participation of thousands of civil servants and defense personnel under the aegis of Election Commission of Bhutan.

However, while there was 79 percent of voter turnout during the 2008 Parliamentary Elections, the voter turnout during the recent Local Government Elections was only 56 percent. Therefore, it is a cause of small concern as to whether one was able to fully exercise ones voting rights and assert individual's needs in the election of a suitable leader.

The House was informed that last July, the Hon Speaker along with three Members attended the 3<sup>rd</sup> World

Speakers' Conference at Geneva. This has fostered very strong sense of friendship and co-operation among the Members of the Parliaments.

Likewise, this year, on the invitation extended by the Speaker of the Bangladesh Parliament, he led a delegation to Bangladesh. The visit not only provided opportunity to meet with their Prime Minister, Speaker, Leader of Opposition and their Parliamentarians but was also beneficial for further strengthening our bilateral relations between the two countries.

It was reported that on the way back from Bangladesh, the delegation visited industrial sites and Tamal Bil the new trade route established between the two countries which would immensely benefit the business community of the eastern Bhutan in expanding their business. It was informed that meetings were also held with the Governor and Members of the State Legislative Assembly of the Shillong, Meghalaya and further deepened our relations.

Similarly, the Hon Speaker informed that he was leading a five Member parliamentary delegation on the day after

the concluding day of the session to attend the 5<sup>th</sup> Conference of SAARC Speakers and Parliamentarians at New Delhi. It was informed that as the delegation will be meeting with the Speakers and Parliamentarians from eight member countries, it is hoped that our relations would be further strengthened.

During the inaugural ceremony of the current session, His Majesty the Druk Gyalpo announced about the Royal Wedding for the continuity of the Wangchuck Dynasty. To this, the Parliament, with great joy and pride pledged full support for the Royal Wedding. We offer our prayers and hopes for this historic occasion to be a grand success with the excellent arrangements made by the government as per the wishes of His Majesty the Druk Gyalpo.

Although the 7<sup>th</sup> Session has been lengthy, it successfully concludes today which is chiefly attributable to the blessings of triple gem, advice and guidance of His Majesty the Druk Gyalpo, support of the Hon Lyonchhen and Members, and the merit of the Bhutanese people.

The 7<sup>th</sup> Session of the First Parliament concluded on 8<sup>th</sup> July, 2011 corresponding to the 8<sup>th</sup> Day of 5<sup>th</sup> Month of the Iron Female Rabbit Year with the offering of Tashi Moenlam for the good health and long life of His Majesty the Druk Gyalpo, Members of the Royal Family and prayers for the continued peace and prosperity of the Bhutanese people.



**8<sup>th</sup> July, 2011**

**(Jigme Tshultim)  
SPEAKER**

**20. LIST OF DOCUMENTS DISTRIBUTED DURING  
THE 7<sup>TH</sup> SESSION**

1. Bhutan Institute of Medical Sciences Bill, 2011
2. Adoption Bill, 2011
3. Consumer protection Bill 2011
4. National Budget Report FY 2011-2012
5. Annual Financial Statement for the Year ending 30<sup>th</sup>  
June, 2010
6. Annual Report of the Anti Corruption Report, 2010
7. Third Annual Report on the State of the Nation by  
the Prime Minister.
8. Annual Audit Report, 2010

9. Presentation of the summarized Audit Report by the Public Accounts Committee

**21. LIST OF NATIONAL ASSEMBLY MEMBERS WHO PARTICIPATED IN THE 7TH SESSION OF THE FIRST PARLIAMENT**

1. Speaker, Jigme Tshultim, Radhi-Sakteng constituency, Trashigang Dzongkhag
2. Prime Minister, Jigme Yoezer Thinley, Nanong-Shumar constituency, Pemagatshel Dzongkhag
3. Lyonpo Yeshe 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 Durkpa, 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-Tashiding constituency, Dagana Dzongkhag
19. Kinley Dorji, Goenkhomey-Lunana constituency, Gasu Dzongkhag
20. Damchoe Dorji, Goenkhatoe-Laya constituency, Gasu Dzongkhag
21. Ugen Tenzin, Bji-Katsho-Uesu constituency, Haa Dzongkhag
22. Karma Rangdol, Minjay-Gangzur constituency, Lhuentse Dzongkhag
23. Tshering Tenzin, Menbi-Tsengkhar constituency, Lhuentse Dzongkhag
24. Ugyen Wangdi, Dremitse-Ngatshang constituency, Mongar Dzongkhag

25. Sonam Penjor, Kengkhar-Weringla constituency, Mongar Dzongkhag
26. Karma Lhamo, Mongar constituency, Mongar Dzongkhag
27. Chencho Dorji, Dogar-Shaba constituency, Paro Dzongkhag
28. Choida Jamtsho, Nganglam constituency, Pemagatshel Dzongkhag
29. Tshering Penjor, Kabji-Talo constituency, Punakha Dzongkhag
30. Namgay Wangchuk, Lingmu-Toewang constituency, Punakha Dzongkhag
31. Ugyen Dorji, Dewathang-Gomdar constituency, Samdrup Jongkhar Dzongkhag
32. Norbu Wangzom, Jomotshangkha-Martsala constituency, Samdrup Jongkhar Dzongkhag
33. Prahlad Gurung, Pugli-Samtse constituency, Samtse Dzongkhag.
34. Durga Prasad Chhetri, Sipsu constituency, Samtse Dzongkhag
35. Lila Pradhan, Ugyentse-Yoeseltse constituency, Samtse Dzongkhag
36. Prem Kumar Gurung, Gelephu constituency, Sarpang Dzongkhag
37. Choeki Wangmo, Thrimshing constituency, Trashigang Dzongkhag
38. Lhatu, Wamrong constituency, Trashigang Dzongkhag
39. Dupthob, Bumdeling-Jamkhar constituency, Tashiyangtse Dzongkhag
40. Kesang Wangdi, Khamdang-Ramjar constituency, Tashiyangtse Dzongkhag

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

**List of Members absent during the 6th Session of the First Parliament**

1. Lyonpo Ugyen Tshering, Kawang, Lingshi, Soe-Naro Constituency, Thimphu Dzongkhag (Medical Leave)

*Annexures I*

**22. SPEECH OF THE SPEAKER ON THE OPENING CEREMONY OF THE 7TH SESSION**

Even as we inaugurate the historic 7<sup>th</sup> Session of the First Parliament of Bhutan on this auspicious day, I on behalf of the Parliament would like to welcome and thank His Majesty the embodiment of our collective

merit for gracing the inaugural ceremony as per the provision of the Constitution.

I would also like to welcome and thank all the distinguished guests, students and all those who are witnessing and listening to the session through television and radio to this inaugural ceremony.

I am confident that the present historic 7<sup>th</sup> session would also conclude fruitfully and successfully like the past sessions.

Lastly, I would like to beseech His Majesty to kindly address the Parliament and the people.

### *Annexure II*

#### **23. SPEECH OF THE SPEAKER DURING THE CLOSING CEREMONY OF THE 7TH SESSION**

Kuzuk Zangpo!

The historic 7<sup>th</sup> session of the First Parliament of Bhutan concludes on this very auspicious day.

I, on behalf of the Hon Members of Parliament and on my own behalf, would like to express heartfelt gratitude to our benevolent His Majesty for gracing the concluding ceremony.

Similarly, we would like to welcome Members of the Royal Family, Senior Government Officials from three branches of Government, Officials of the Armed Forces, Ambassadors of India, Bangladesh and Kuwait, Diplomats, Media Personnel and Distinguished Guests. We would also like to express our greetings to all the Bhutanese people in different parts of the country who are witnessing this session through television and listening through radio.

The following Bills which could not draw consensus between the two Houses during the 5<sup>th</sup> and 6<sup>th</sup> Sessions on some of the provisions were tabled and endorsed in the Joint Sitting by means of voting as per the command of His Majesty in accordance to the provision of the Constitution;

## 2. Penal Code (Amendment) Bill

3. Civil and Criminal Procedure Code (Amendment) Bill
4. Financial Services Bill
5. Anti Corruption (Amendment) Bill
6. Child Care and Protection Bill
7. Water Bill
8. Legislative Procedure, 2011

As the King endear subjects, subjects aspire peace and happiness and as law is the basis of all peace and happiness, the above bills were accorded paramount importance and passed as Acts after extensive deliberation.

Although the law implementing agencies particularly the Royal Bhutan Police and the Judiciary have been carrying out their responsibilities as per the rule of law, however, Members expressed their concerns about the complaints raised by the people regarding the non compliance of due process of the law, delayed cases and award of different verdicts.

In addition, the House also ratified SAARC Convention on Environment and Convention on Anti Doping in

Sports which were extensively deliberated in the 6<sup>th</sup> Session by both Houses.

Bhutan Institute of Medical Sciences Bill has been deliberated by the National Assembly and is transmitted to the National Council. The Adoption Bill which could not draw consensus between the two Houses is submitted to His Majesty by the National Council.

The Sales Tax, Customs and Excise (Amendment) Bill, Election (Amendment) Bill and Public Finance (Amendment) Bill which were discussed by the National Assembly in its 6<sup>th</sup> Session and transmitted to the National Council were re-deliberated during the current session. Since there were disagreements on some provisions, it has been therefore resolved to be submitted to His Majesty the Druk Gyalpo in line with the provision of the Constitution.

In line with the annual report of the Finance Minister, the National Assembly endorsed the following Bills and received recommendations thereof from the National Council;

- a) Supplementary Bill for the FY 2010-2011 amounting to Nu. 2,649.00 million
- b) National Budget for FY 2011-2012 amounting to Nu. 42,174.740 million (Current Budget Nu. 17, 185.309 and Capital Budget Nu. 24,989.431 million)
- c) Tax Revision Bill, 2011. These Money Bills are submitted to His Majesty for Royal Assent.

As the alcohol causes lots of health and social problems and in order to control the negative impact of alcohol, the tax on alcohol products has been nominally raised. Likewise, the taxes on import of vehicles have been raised to reduce air pollution and control the vehicle number, vehicle accidents and traffic congestion. It is hoped that these raise in taxes would benefit the economic development of the country.

As the presentation of Report on the State of the Nation by Hon Lyonchhen to the Parliament was broadcast live through television and radio, it is hoped that the people would be appreciative of achievements of economic development activities by the government within the span of one year. The most significant achievement was

the reduction of poverty level to 23 percent from 32 percent.

With the granting of Kidu by His Majesty the King to the genuinely deserving people the poverty level had been greatly reduced and His Majesty the Fourth Druk Gyalpo's vision of Gross National Happiness has been fully realized entailing peace and happiness to all the Bhutanese people.

The Hon Lyonchhen while presenting the Report on the State of the Nation said that the democratic system has been running smoothly under the wise leadership of His Majesty the King since its inception. However, it is important for the Members and Bhutanese people to consider State Funding to Political parties for strong and sustained democratic system and to build strong foundation of the political parties without corruption.

The House engaged in extensive deliberation on the Annual Anti Corruption Report and Annual Audit Report. The Members opined that if the civil servants and leaders shoulder their responsibility and accountability with added sense of duty and vigor, the

instances of fraud, corruption and embezzlements would not occur besides timely achievement of economic developments.

Among the several measures, it was resolved to strictly enforce the fixation of accountability and oversight responsibility in compliance to the Section 182 and 183 of the Public Finance Act. The Members also submitted that the Judiciary should acknowledge and award timely verdicts on the cases forwarded through Office of Attorney General.

It was only after three years that the Local Government election could be held. However, there few problems related to political party affiliation and census issues, which were resolved due to the timely direction and guidance provided by His Majesty the King.

On behalf of the Parliament, I would like to express appreciation for the successful conduct of Local Government elections through the participation of thousands of civil servants and defense personnel under the aegis of Election Commission of Bhutan.

However, while there was 79 percent of voter turnout during the 2008 parliamentary elections, the voter turnout during the recent Local Government Elections was only 56 percent. Therefore, it is a cause of small concern as to whether one was able to fully exercise ones voting rights and assert individual's needs in the election of a suitable leader.

In the last July, I, along with three Members attended the 3<sup>rd</sup> World Speakers' Conference at Geneva. This has fostered very strong sense of friendship and co-operation among the Members of the Parliaments.

Likewise, this year, on the invitation extended by the Speaker of the Bangladesh Parliament, I led a delegation to Bangladesh. The visit not only provided opportunity for us to meet with their Prime Minister, Speaker, Leader of Opposition and their Parliamentarians but was also beneficial for further strengthening our bilateral relations between the two countries.

On our way back from Bangladesh we visited industrial sites and Tamal Bil the new trade route established between the two countries which would immensely

benefit the business community of the eastern Bhutan in expanding their business. We also met with the Governor and Members of the State Legislative Assembly of the Shillong, Meghalaya and further deepened our relations.

Similarly, I am leading five Member parliamentary delegation tomorrow to attend the 5<sup>th</sup> Conference of SAARC Speakers and Parliamentarians at New Delhi. As we will be meeting with the Speakers and Parliamentarians from eight member countries, it is hoped that our relations would be further strengthened.

During the inaugural ceremony of the current session, His Majesty the King announced about the Royal Wedding for the continuity of the Wangchuck dynasty. To this, the Parliament, with great joy and pride pledged full support for the Royal Wedding. We offer our prayers and hopes for this historic occasion to be a grand success with the excellent arrangements made by the government as per the wishes of His Majesty the King.

Although the 7<sup>th</sup> Session has been lengthy, it successfully concludes today which is chiefly

attributable to the blessings of triple gem, advice and guidance of His Majesty the King, support of the Hon Lyonchhen and Members, and the merit of the Bhutanese people.

Lastly, let us together offer Tashi Moenlam for the good health and long life of His Majesty the King, Members of the Royal Family and pray for the continued peace and prosperity of the Bhutanese people.

Kadinche!



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## **JOINT SITTING**

### **PENAL CODE (AMENDMENT) BILL OF BHUTAN 2011**

The Hon Speaker in his opening address to the Joint Sitting said that the Joint Sitting was convened to discuss the disputed Bills. He said that the Bills were discussed in both the Houses but during the deliberation the members could not reach to consensus on some sections of the Bill.

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 7 (a)**

In case of a felony of the first degree comprising of murder, treason, ~~or~~ terrorism **or gang rape of a child of 12 years and below.**

#### **Section 114**

If the defendant is a child of ~~ten~~ **12** years and below, he/she shall not be held liable for any offence committed by him/**her**.

**Section 115**

If the defendant is a child of above ~~ten~~ **12** years, the Court ~~may~~ **shall** sentence the ~~juvenile child in conflict with the law~~ to a minimum of half of the sentence prescribed for the offence.

**Section 154**

A defendant shall be guilty of the offence of trafficking a person if the defendant **recruits**, transports, sells or buys **harbours or receives** a person **through the use of threat or force or deception** within, into or outside of Bhutan for any **illegal** purpose.

**Section 181**

A defendant shall be guilty of the offence of statutory rape, if the defendant engages in **any act of** sexual intercourse **whatever its nature** with a child below twelve years, or an incompetent person, either with or without knowledge of the other person being a child or incompetent person.

**Section 182**

The offence of statutory rape shall be a felony of the **first** ~~second~~ degree.

**Section 183**

**Rape of a Child above twelve years of age**

A defendant shall be guilty of the offence of rape of a child above the age of twelve years if the defendant **commits any act**

~~of has~~ sexual intercourse ~~with~~ **against** a child between the ages of twelve to eighteen years. **However, consensual sex between children of sixteen years and above shall not be deemed to be rape.**

#### **Section 184**

##### **Grading of Rape of a Child above the age of twelve years**

The offence of rape of a child above the age of twelve years shall be a felony of the ~~third~~ **second** degree.

#### **Section 191**

##### **Gang rape of a child below twelve years of age**

A defendant shall be guilty of the gang rape of a child ~~below the~~ **age** of twelve years **and below**, when two or more persons engage in **any act of** a sexual intercourse **whatever its nature** with a child ~~below the~~ **age** of twelve years **and below**.

#### **Section 192**

##### **Grading of Gang rape of a child below twelve years of age**

The offence of gang rape of a child below the twelve years of age shall be ~~a felony of the first degree, which shall be~~ **punishable with life imprisonment.**

#### **Section 193**

A defendant shall be guilty of the offence of gang rape of a child above the age of twelve years, when two or more persons engages in **any act of** sexual intercourse **whatever its nature**

~~raping or indulging into a sexual intercourse~~ with a child between the age of twelve and eighteen years.

**Section 194**

The offence of gang rape of a child above **the age of** twelve years **and below sixteen years** ~~of age~~ shall be a felony of the **first** ~~second~~ degree.

**Offence of gang rape of a child above the age of sixteen and below eighteen years shall be a felony of second degree.**

**Section 206**

Retain as in the Code

The offence of sexual harassment shall be a petty misdemeanor.

**New section 214 (B)**

**Grading of Unauthorized Disclosure of Identity**

**The offence of unauthorized disclosure of identity shall be a petty misdemeanor.**

**Section 226(a)**

The offence of pedophilia shall be:

**A felony of the fourth degree** ~~misdemeanor~~; or

**Section 376(b)**

Retain as in the Code

A felony of the fourth degree, if the person used for prostitution is a child of above 12 years and below 18 years; or

**Section 376(c)**

Retain as in the Code

A felony of the third degree, if the person used for prostitution is a child of 12 years and below.

**Section 378(b)**

Retain as in the Code

A felony of the fourth degree, if the person used for prostitution is a child of above 12 years and below 18 years; or

**Section 378(c)**

Retain as in the Code

A felony of the third degree, if the person used for prostitution is a child of 12 years and below.

**Section 380 (b)**

Retain as in the Code

Second degree, if the person is a child of above 12 years and below 18 years; or

**Section 380 (c )**

Retain as in the Code

First degree, if the person is a child of 12 years and below

**Section 455**

**Grading of Failure to disperse**

The offence of failure to disperse shall be a petty misdemeanor.

**Section 491**

The offence of the risking of the protected species shall be a ~~misdemeanor~~ **felony of the fourth degree.**

**Section 497**

The offence of illegal cultivation, production, or manufacturing of controlled substances shall be a felony of the ~~fourth~~ **second** degree

**Section 506**

A defendant shall be guilty of the offence of illegal sale or use of harmful chemical substance, if the defendant except for household purpose unlawfully sells, imports, exports or uses any harmful chemical substances including **solvents and** pesticides without any license or authorization.

After extensive deliberation on the Penal Code (Amendment) Bill of Bhutan 2011, Chairperson of the Joint Committee Hon Member Kuenlay Tshering moved the motion that the Bill be passed. Hon Members at 3.30pm on May 24 voted for the Bill to turn into Act. 51 out of 66 voted “YES” with 15 members voting “NO”

Subsequent to the passing of the Penal Code (Amendment) Bill of Bhutan 2011 in the dissenting opinions of the Hon. Members who did not second the passing of Bill, submitted that they did not second the submission on the ground that penalties are made harsh, the laws are ought peace, prosperity and security of the country. It was also submitted that crimes would be prevented and controlled by other awareness programmes.

Moreover, the amendment Bill would instead of benefiting the people would impose undue penalties on the people living in the remotes areas.

**List of Hon Member who voted “NO”**

1.	Hon Member of Kanglung - Udzung	No
2.	Hon Member of Shomphangkha	No
3.	Hon Member of Panbang	No
4.	Hon Member of Athang - Thedtsho	No
5.	Hon Member of Tongsa (NC)	No
6.	Hon Member of Lingmukha - Toewang	No
7.	Hon Member of Deothang - Gomdar	No
8.	Hon Member of Doga - Shaba	No
9.	Hon Member of Khengkher - Weringla	No
10.	Hon Member of Bji - Katsho-Uesu	No
11.	Hon Member of Goenkhatoe - Laya	No
12.	Hon Member of Goenkhomey -	No
13.	Hon Member of Phuentsholing	No
14.	Hon Member of Chapcha- Bongo	No

15. Hon Member of Kabji - Talo No

**CIVIL AND CRIMINAL PROCEDURE CODE  
(AMENDMENT) BILL OF BHUTAN 2011**

The Chairperson of the Joint Committee Hon Kuenlay Tshering informed the House that the Bill was first deliberated in the National Council during the 5<sup>th</sup> session. It was then transmitted to the National Assembly along with 48 amendments for adoption in accordance with Article 13(5) of the Constitution of the Kingdom of Bhutan. National Assembly deliberated on the Bill during the 6<sup>th</sup> session. The Bill was thoroughly discussed by the National Assembly and was re-transmitted to the National Council along with 25 amendments in accordance with Article 13(7) of the Constitution of the Kingdom of Bhutan.

The Bill was then discussed in the National Council and could not concur on 12 sections in the Bill. Thereafter, the differences in the Bill between the two Houses were submitted to the Druk Gyalpo by the National Council. It was then reviewed by the Joint Committee. The Bill was adopted with the following amendments:

**Section 171**

A search shall be made in the presence of ~~Chimi/Gup/Chipon/member of Dzongkhag and Gewog Yargye~~

~~*Tshokchung*~~ **one or more members of the concerned Local Government or any other competent witness**

## **Chapter 44**

~~Juvenile~~ **Miscellaneous**

**Sub-title before section 213 is repealed**

**Section 213 is repealed**

**Section 213.1 is repealed**

**Section 213.2 is repealed**

After extensive deliberation on the Civil and Criminal Procedure Code (Amendment) Bill of Bhutan, 2011, Chairperson of the Joint Committee Hon Member Kuenlay Tshering moved the motion that the Bill be passed. Hon Members at 10.15 am on May 25 voted for the Bill to turn into Act. 67 out of 69 Hon Members present voted “**YES**” with 2 Hon Members voting “**NO**”.

### **List of Hon Members who voted “NO”**

1. Hon Member of Choekhor- Tang
2. Hon Member of Phuntsholing

## **MOTION TO REVIEW THE LEGISLATIVE RULES OF PROCEDURE**

On May 25, 2011 corresponding to 23<sup>rd</sup> Day of the 3<sup>rd</sup> Month of the Iron Female Rabbit Year, the Hon. Member of Kabji-Talo Constituency submitted that it is of utmost importance that legislative rules of procedure are properly drafted since while performing legislative related functions, it is necessary be guided by the legislative rules of procedure. Since the motion to review the legislative rules of procedure was moved, the majority of the Hon Members seconded the motion by show of hands. Accordingly, the Hon Speaker directed the Legislative Committee of the two Houses and other Hon Members to review it and report back to the Joint Sitting of Parliament. The deliberation concluded on May 27, 2011 corresponding to 25<sup>th</sup> Day of the 3<sup>rd</sup> Month of the Iron Female Rabbit Year.

## **FINANCIAL SERVICES BILL OF BHUTAN 2011**

The Chairperson of the Joint Committee Hon Member of Drametshe-Ngatshang informed the House that the Financial Services Bill of Bhutan was first deliberated in the National Assembly during the 5<sup>th</sup> session. It was then transmitted to the National Council along with 50 amendments for adoption in accordance with Article 13(5) of the Constitution of the

Kingdom of Bhutan. The National Council deliberated on the Bill during the 6<sup>th</sup> session. The Bill was thoroughly discussed by the National Council and was re-transmitted to National Assembly along with 90 amendments in accordance with Article 13(7) of the Constitution of the Kingdom of Bhutan.

The Bill was then discussed in the National Assembly and could not concur on 31 sections in the Bill. Thereafter the differences in the Bill between the two Houses were submitted to the Druk Gyalpo by the National Assembly. It was then deliberated in the Joint Committee.

The Bill was adopted with the following amendments:

**Title**

Financial Services Bill of Bhutan 2011

**Section 13**

Only a public limited company, listed with the stock exchange in Bhutan, shall be licensed as a financial institution. **However those financial institutions falling under Section 50B of this Act shall be exempt from the requirement to list on the stock exchange.**

**Section 14**

Any person who knowingly engages:

- (a) without a license ~~or registration~~ required under this Act in activity for which such is required, commits an

offence **and on conviction shall be fined the minimum wage at the time of the crime for a period extending from fifteen to thirty years and liable for misdemeanor;**

- (b) without registration required under this Act in activity for which such is required, commits an offence and **on conviction shall be liable for misdemeanor.**

~~is liable on conviction to a fine not exceeding Ngultrum one million or imprisonment or both.~~

### **Section 32**

These requirements are in addition to any **other requirements** specified for Directors under the Companies Act **but there shall be no** ~~they may be amplified and detailed by regulations and guidelines issued by the Authority, including but not limited to~~ requirements for written examinations or other tests of competence.

### **Section 37**

Where the Authority is satisfied that a financial institution has violated the provisions of this Act, **other relevant laws or repeatedly violated the provisions of the Prudential Regulations** ~~by violating repeatedly the provisions of the Prudential Regulations and other directives of the Authority, as a result of which the affairs of the financial institution is being conducted in a manner detrimental to the interest of the stakeholders,~~ **the Authority may by notification require the**

**replacement of any Chairman, Director or Chief Executive Officer** ~~or other officer or employee of the licensed financial institution.~~

**Section 38**

No order under Section 37 shall be made unless the Chairman, Director or Chief Executive Officer ~~or other employees~~ concerned has been given a reasonable opportunity of making a representation to the Authority against the proposed order.

Provided that if in the opinion of the Authority, any delay would be detrimental to the interest of the financial institution or its stakeholders, the Authority may, at the time of giving the opportunity aforesaid or at any time thereafter, by direct order, that pending the consideration of the representation aforesaid, any Chairman or, as the case may be Director or Chief Executive Officer, ~~or other officer or employee~~ shall not, with effect from the date of such order:

**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 and 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 41**

~~Any appointment or replacement of a director, chief executive officer or other officer or employee in pursuance of Section 17 shall have effect notwithstanding anything to the contrary contained in the Companies Act , or any other law for the time being in force or in any contract or in any other instruments.~~

#### **Section 50**

No person shall hold more than the following percentage of interest in shares of a financial institution:

- (a) in case of a **Bhutanese** individual, ~~10~~ **20** percent,
- (b) in ~~the~~ case of a **Bhutanese** company not being a financial institution, ~~20~~ **30** percent.
- (c) in case of a **Bhutanese** company being a financial institution, as per the limit provided under section 53 below, and
- (d) in case of a foreign financial institution, as per the RMA regulations in line with the Foreign Direct Investment Policy.

~~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 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.~~

**New section after Sec. 50**

- 50A. All new financial institutions shall float at least 40% of the shares to the general public through the initial public offer.**
- 50B. The ownership restrictions covered under Sections 50 & 50A shall not apply to financial institutions where shares are held directly or indirectly by the Royal Government of Bhutan (Ministry of Finance) which shall be permitted to own 100% of the financial institution. These financial institutions shall not be required to list on the stock exchange.**

**Section 51 (b)**

Company means a parent company/~~a holding company~~, its subsidiaries and affiliates, and ~~vice versa~~ **it shall also include their significant owners.**

**Section 60(b)(d)(e)**

- b) The board of directors of the financial institutions shall be responsible for supervising the implementation of the Board's ~~olicies~~ **directives by the management.**
- d) Every financial institution shall have Board of Directors comprising of not more than 7 directors including the chairman and
- e) ~~Every financial institutions shall have at least one~~ **two Independent Directors.**

### **Section 78**

Retain as in the code

The Authority may adopt regulations governing related-party transactions of public companies in order to assure that managers and directors of public companies operate them in the interests of their shareholders.

### **Section 91**

- a) If A person **shall be guilty of the offence of the felony of the fourth degree** ~~knowingly~~ if **he/she** 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;
- b) A person shall be guilty of the offence of **petty misdemeanor** if **he/she** 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 Ngultrum one million or imprisonment or both~~

### **Section 116**

Any person who knowingly violates ~~this~~ sections **113, 114 or 115** commits an offence **and on conviction shall be fined the minimum wage at the time of the crime for a period extending from fifteen to thirty years and liable for misdemeanor.** ~~not exceeding Ngultrum seven hundred thousand or imprisonment or both~~

### **Section 119**

Any person who, without reasonable excuse, and after having been ~~warned~~ **cautioned** by the Authority, fails to comply with the requirements of Sections 117 or 118 or to provide any other return, report, document, evidence or information required by this Act or the regulations under it commits an offence and is liable to an appropriate fine specified by the Authority in the regulations issued by the Authority.

### **Section 145**

Any person who knowingly fails to comply **with the directives of FIU under Section 139 or the provisions of Sections 141 or 142** or regulations issued under Section 144 commits an offence and on conviction shall be **liable for petty misdemeanor** ~~to a fine not exceeding Ngultrum one million or imprisonment or both.~~

### **Section 151**

Any person who, without reasonable excuse, fails to comply with a restriction, instruction, condition or other order issued under this sections **147, 148, 149 and 150** commits an offence and on conviction shall be liable for **petty misdemeanor** ~~a fine or imprisonment or both.~~

### **Section 193**

A financial institution shall **not**:

- (a) make 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~~ make an application under Part VIII of the Companies Act **nor** it or its directors **pass** any resolution or application to wind up the company but upon similar notice **to the Authority**;
- (c) ~~Nor shall it but upon similar notice~~ make any amendment of its articles, enter into any merger or reorganization or issue securities **without 45 days notice to the Authority**; 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 200(e)**

rate of interest, **determining** bank charge and other terms and conditions on the advances or other financial services given by a financial institution to its clients;

**Section 201**

**Retain as in the draft**

Without limiting Sections 199 or 200 or any power under them to supplement the requirements of the Companies Act, the Authority may by regulation exercise with respect to licensees and public companies or the shares of public companies as defined under the Companies Act, the power under section 137 of that Act to alter schedules I, VI, VII, VIII, IX, XII, XIII and XIV of that Act.

**Section 212**

A person who knowingly contravenes Section 209 commits an offence and on conviction shall be liable for **misdemeanor** ~~to a fine not exceeding Ngultrum five hundred thousand or imprisonment or both.~~

**Section 216**

A person who knowingly contravenes Section 213 commits an offence and on conviction shall be liable for **misdemeanor** ~~to a fine not exceeding Ngultrum five hundred thousand or imprisonment or both.~~

**Section 228**

Any person who knowingly contravenes Section 227 commits an offence **and on conviction shall be fined the minimum wage at the time of the crime for a period extending from fifteen to thirty years and liable for misdemeanor.**

**Section 240**

Any person who, without reasonable excuse, contravenes the prohibition in Section 238, commits an offence and on conviction shall be liable for **petty misdemeanor** ~~not exceeding Ngultrum one million or imprisonment or both.~~

**New section after section 247**

**Insurance Business**

**All insurance business emanating within the territory of Bhutan must be insured only with an insurer licensed by the Authority.**

**Section 248**

~~Licensing requirements for Reinsurers~~ **shall abide by the following requirements:**

A reinsurer shall be permitted to carry reinsurance business in any of the following business;

- a) Life reinsurance
- b) General reinsurance
- c) Composite reinsurance

The Authority may issue regulations specifying the licensing requirements for a reinsurance company **in addition to the requirements provided under section 248 to 252.**

### **Section 253**

#### **Retain as in the draft**

An actuary is required to provide a view on the adequacy of actual and proposed resources (reserves in particular) in relation to actual and planned risk.

### **Section 353**

**Any person who** ~~Knowing violation~~ violates the order shall be an offence and on conviction shall be liable for **petty misdemeanor** ~~upon conviction and subject to a fine of not more than Ngultrum one million 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 on conviction shall be fined the minimum wage at the time of**

**the crime for a period extending from fifteen to thirty years and liable for misdemeanor;**

**Section 363**

However, no act or arrangement approved by the Authority in a matter where it is specifically required to consider impacts on competition, and no regulation adopted by the Authority, shall be the subject of any legal action under laws on monopolization or related conduct without ~~the consent~~ of the Authority **being heard.**

After extensive deliberation on the Financial Services Bill of Bhutan, 2011, Chairperson of the Joint Committee Hon Member of Drametshe - Ngatshang moved the motion that the Bill be passed. Hon Members at 12.30 pm on May 26 voted for the Bill to turn into Act. 66 out of 67 Hon Members present voted “YES” with Hon Member of Sombaykha voting “NO”.

**ANTI-CORRUPTION BILL OF BHUTAN 2011**

The Anti-Corruption Bill was first deliberated in the National Council during the 5<sup>th</sup> session. It was then transmitted to the National Assembly in accordance with Article 13(5) of the Constitution of the Kingdom of Bhutan along with 88 amendments including 3 new sections.

The Bill was thoroughly discussed by the National Assembly during the 6<sup>th</sup> session. It endorsed 47 amendments proposed by National Council and re-transmitted the Bill to National Council in accordance with Article 13(7) of the Constitution of the Kingdom of Bhutan with 104 amendments including 26 new sections. The Bill was then discussed in the National Council. The National Council could not concur on 61 sections in the Bill. Thereafter the differences in the Bill between the two Houses were submitted to the Druk Gyalpo by the National Council.

The Joint Committee Chairperson, Hon. National Council member from Gasa presented the recommendations of the Joint Committee on the Anti Corruption Bill of Bhutan 2011 to the House on May 26, 2011. Most of the deliberations centered on bribery of public servant, embezzlement of funds or property by public servant, trading influence, failure to declare conflict of interest and obstruction or hindering of investigation and the imposition of related level of penalties and value based sentencing whichever is higher. Some expressed that the penalties were too harsh while some were of the opinion that the maximum penalty awarded was of felony of fourth degree or value based sentence (whichever is higher), which will not in any way act as a deterrence to committing corruption. Since the House stood divided on the penalty clauses, Hon. Member of Dremitse Ngatshang constituency moved the motion to amend

the Joint Committee's recommendation in which 66 Members voted in favour and 1 against the motion. In accordance with Rule 61 of the Legislative Rules of Procedure, 2011, Hon. Speaker referred the Bill to the Joint Committee for further review and recommendation.

Accordingly, the Joint Committee Chairperson presented the final report to the House on May 30, 2011 and the Bill was adopted with the following amendments:

#### **Preamble**

The People of Bhutan;

~~Recalling His Majesty's vision of a democracy to pursue~~  
**Bearing in mind the pursuit of Gross National Happiness, to**  
fulfill the people's aspirations and needs, and enhance  
transparent and accountable governance;

~~Acknowledging the establishment of an independent and accountable Anti-Corruption Commission by the Constitution of the Kingdom of Bhutan to take necessary steps to prevent and combat corruption in the Kingdom and~~ **the**  
fundamental duty of every person to uphold justice ; and to act  
against corruption **under the Constitution; and also to**  
**educate the public about corruption;**

~~Concerned about the seriousness of problems and threats posed by corruption to the stability and security of the~~ **Bhutanese**

society, undermining the institutions and values of democracy, ~~ethical values and justice and jeopardizing sustainable development~~ the rule of law **and jeopardizing sustainable development;**

*Convinced* that a comprehensive and multidisciplinary approach is required to prevent and combat corruption effectively;

*Acknowledging* the fundamental principles of due process of law in a criminal **proceeding** and in a civil or 'administrative proceeding;

~~The Parliament of Bhutan has enacted as follows~~ **Parliament of the Kingdom of Bhutan do hereby enact the Anti Corruption Act of Bhutan 2011 on .... Day of the ... Month of the Iron Male Tiger Year of the Bhutanese Calendar corresponding to the ....Day of ....., 2011 at its .....Session of the First Parliament as follows:**

**New Section in the definition clause**

“Private entity” means any person or organization not being a public agency. ~~and it also means a voluntary organization, charitable institution, club, company, firm or partnership;~~

**Section 4(bb) (iv)**

Ministry, department, **commission**, service or undertaking of the government of Bhutan or local governments;

**New Sub-sections under Section 4(bb)**

- the Armed Forces;
- ~~a government company or government controlled company;~~
- the Royal Bhutan Police;
- ~~a company or other~~ **Any body** or organization established by an Act of Parliament or out of moneys provided by Parliament or otherwise set up partly or wholly out of public funds;
- any commission, committee or other body of persons, whether paid or unpaid, appointed by or on behalf of the Government or local government or by a public corporation or company in which the Government owns or has controlling power or interest;
- any commission or committee established by or under the Constitution or by or under any law or by the Government;
- any educational or similar institution financed wholly or partly from public funds; and
- any organization, whether local or foreign, established to render any voluntary social service to the public or any section thereof or for other charitable purposes, which receives funds or other donation for the benefit of the people of Bhutan or a section thereof;
- a co-operative society whether or not registered;
- ~~federation or board that concern with sports; or~~
- any person as the Commission may prescribe from time to time by an order;

**Section 4(bb) (ix)**

any person as ~~the Commission~~ may *be* prescribed from time to time by ~~an order;~~ *law*

**New Section in the definition clause**

“Public office” includes judicial office or any office or position (whether fulltime or not) held by any person engaged in a public agency ~~or private entity~~ or any office or position (whether fulltime or not) in respect of which emoluments or allowances are payable from public funds or from the Consolidated Fund of Bhutan;

**New section the definition clause**

~~“value” means face, par, or market value or, cost price, either wholesale, or retail, whichever is greater.~~

**Section 7(1)**

The State shall, ~~as provided for in section (13) of article (14) of the Constitution,~~ make adequate financial provisions for the independent administration of the Commission ~~which shall be approved by Parliament~~ as a part of annual national budget.

**Section 7(2)**

If the decision of Parliament on the national budget is delayed, the Ministry of Finance shall provide the Commission with an

interim fund, which shall be, at least, equivalent to previous year's budget **on current expenses**.

**Section 7(3)**

Notwithstanding subsections (1) and (2) of this section, the Ministry of Finance shall ensure availability of funding for ad hoc cases and for complex investigation **in accordance with the budgetary process if there is a deficit from the approved budget** ~~over and above the budget provided under subsection (1) of this section.~~

**Section 9**

Cooperation with other ~~national agencies~~ **bodies**

**Section 9 (1) (b)**

may, **as it deems fit**, work in co-operation with:

- (i) the Royal Audit Authority, the Royal Monetary Authority **or Financial Intelligence Unit**, the Department of Revenue and Customs, the Financial Institutions and such other persons and public agencies ~~as the Commission thinks appropriate;~~
- (ii) **any person or body in the private sector; or**
- (iii) any foreign government, or international or regional organization.

**Section 19 (3)**

**The Chairperson or in the case of other members through the Chairperson may, before the expiry of their term, resign after submitting notice at- least thirty days in advance.**

**The power to accept such resignation shall be vested with the Druk Gyalpo.**

**Section 20 (1)**

~~The Chairperson shall be removed from his or her office only by way of impeachment in accordance with article (32) of the Constitution.~~**Except through the process of impeachment as prescribed by law, the Chairperson shall not be removed from Office.**

**Section 26(1) (f)**

exchange information with an appropriate **bodies –entities,** domestically and internationally ~~with or without a request,~~ involved in anti-corruption work, including the relevant law enforcement agencies as may be required;

**Section 26(1) (g)**

~~Blacklist or debar~~ **upon finding of a *prima facie* case of corruption, suspend a license, or prohibit an corrupt** individual or entity whether national or foreign from participating in contractual relations with ~~Government~~ **public agencies till pending the outcome of the case.**

**Section 39 (1)**

The Commission shall take measures to prevent corruption in the private sector by directing them to develop standards and procedures, including a code of conduct for correct, honorable and proper conduct of business and for promotion of good commercial practice **and in the contractual relations of business with the government.**

**Section 40 (4)**

**Without prejudice to subsection (5),** where public servants or other individuals using public resources who is required by this Act to file their declaration ~~knowingly,~~ **without reasonable justifications,** fails to do so within **thirty days from the expiry of the due date** ~~a prescribed period of time,~~ shall be levied a fine equivalent to one day's daily minimum wage for each day of such failure subsists.

**Section 40 (5)**

Where public servants or other individuals using public resources who is required by this Act to file their declaration ~~knowingly,~~ **without reasonable justifications,** fails to do so **after one month of expiry of due date** shall be **considered as non filing and will be** levied a fine equivalent to one year's daily minimum wage.

**Section 42 (2)**

Suspension and/or debarment shall be for a period commensurate with the seriousness of an act constituting a cause for suspension and/or debarment which may range from a minimum of three ~~(3)~~ (1) to a maximum of five (5) years, except that an individual or entity who commits an act constituting a cause for debarment for more than once shall be compulsorily debarred for a period up to five (5) years.

**Section 45 (3)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 46(3)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 47(4)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 48(3)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**New Section**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**New Section**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to**

**maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 49 (1)**

**Embezzlement of funds *and securities*—~~property~~ by public servant**

A public servant who has been entrusted to take care, keep custody, or under control of any ~~property~~, funds **and** securities ~~or any other thing of value~~; directly or indirectly:

**Section 49 (1) (a)**

willfully uses those ~~property~~, funds **and** securities ~~or any other thing of value~~ for a purpose other than that for which they are intended or legally required to be used;

**Section 49 (1) (b)**

Retain the original draft

**Section 49 (1) (c)**

fails to produce account or account the use of those ~~property~~, funds **and** securities ~~or any other thing of value~~ upon demand by a lawful government authority; or

**Section 49 (1) (d)**

Retain the original draft

**Section 49 (2)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**New Section**

**Embezzlement of property by public servant**

- 1) A public servant who has been entrusted to take care, keep custody, or under control of any property or any other thing of value, directly or indirectly;**
  - a) willfully uses those property or any other thing of value for a purpose other than that for which they are intended or legally required to be used;**
  - b) fails to produce account or account the use of those property, or any other thing of value upon demand by a lawful government authority; or**
- 2) An offence under this section shall be a petty misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the**

**total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 50 (2)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 51 (2)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 52 (2)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 53 (2)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 54 (2)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 55 (2)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 56 (2)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 57 (2)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 58 (1)**

A person who directs or works, in any capacity, in a private sector shall be guilty of an offence if such a person, in the course of economic, financial or commercial activities, intentionally embezzles private ~~property~~, funds ~~or~~ **and** securities ~~or any other thing of value~~ entrusted to him or her by virtue of his or her position.

**Section 58 (2)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to**

**maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**New Section**

**Embezzlement of property in the private sector**

- (1) A person who directs or works, in any capacity, in a private sector shall be guilty of an offence if such a person, in the course of economic, financial or commercial activities, intentionally embezzles private property or any other thing of value entrusted to him or her by virtue of his or her position.**
- (2) An offence under this section shall be a petty misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 59 (2)**

**An offence under this section shall be a felony of fourth degree or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 60 (2)**

**An offence under this section shall be a felony of fourth degree or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 61 (2)**

**An offence under this section shall be a felony of fourth degree or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 62 (2)**

**An offence under this section shall be a felony of fourth degree or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 63 (3)**

**An offence under this section shall be a misdemeanor or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 64 (2)**

An offence under this section shall be a misdemeanor.

**Section 67**

Deleted

**Section 68 (2)**

**An offence under this section shall be a third degree or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 69 (2)**

**An offence under this section shall be a third degree or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 70 (2)**

**An offence under this section shall be a third degree or value based sentencing, whichever is higher subject to maximum of a felony of Second degree if the value of amounts involve in the crime exceed the total amount of minimum wage at the time of the crime for the period of 35 years or more.**

**Section 72 (3)**

**An offence under this section shall be a felony of third degree, if the offence is of 1st and 2nd degree felony or half the penalty awarded to the person, who had committed the crime, if the offence is of third degree felony, fourth degree felony, misdemeanor or petty misdemeanor.**

**New Section**

The Commission to use the Civil and Criminal Procedure Code

- (1) The Commission shall have such powers, rights and privileges as specified in this Act while exercising its powers or functions under this Act.
- (2) Notwithstanding this section, the Commission may use the Civil and Criminal Procedure Code while exercising its powers or functions under this Act.

**Section 81(1) (a)**

Retain the original draft

**Section 83(2) (b)**

Retain the original draft

**Section 89(1) (a)**

enforcing the attendance of **a** witnesses and examining **the witness them** on oath, affirmation or otherwise; ~~and~~.

**Section 89(6)**

**An offence under this section shall be a petty misdemeanor.**

**New Subsection as 93(1) (c)**

a person being arrested under warrant.

**Section 104(8)**

**Subject to subsection 3 of this section,** a person to whom a notice under this section is addressed shall not leave Bhutan before the expiry of the period of one hundred and eight days from the date of the notice unless **an application made under:**

**Section 105(2)**

~~Notice of A Court shall not grant~~ an application under this section shall be given by the **unless the** applicant gives **a notice** to the Commission.

**Section 105(4)**

~~Without prejudice to section (106),~~ A Court may, before granting an application under this section, register that:

**Section 121(3)**

Deleted

**Section 121(4)**

Deleted

**New Section**

**Use of previous conviction in another country**

- (1) A previous conviction under this section may be proved, in addition to a mode provided by other laws, by the production of a certificate purporting to be given under the hand of a police officer in that country where the conviction was had, containing a copy of:
  - a) the sentence or order; and
  - b) a finger print, or its photograph, of the accused, together with evidence that the finger print is that of the accused.
- (2) A certificate under this section shall be *prima facie* evidence of all facts stated therein without proof that the officer purporting to sign it did in fact sign it and was empowered so to do.

**Section 159(1) (a)**

~~if the legal person is a body corporate, every chairperson, chief executive, director or officer of such body corporate shall be deemed to have committed that offence; or chairperson, chief~~

**executive, director or officer of such legal person shall be deemed to have committed that offence; and**

**Section 159(1) (b)**

~~if the legal person is a firm, every partner of such of that firm shall be deemed to have committed that offence.~~ **Every partner of such legal person shall be deemed to have committed that offence.**

**Section 159(2) (c)**

Knowingly fails to prevent a ~~lower level person~~ **subordinate** from bribing an official, including through a failure to supervise him **or her due to non-implementation of** ~~through a failure to implement adequate~~ internal controls, ethics and compliance programmes or measures.

After extensive deliberation on the Penal Code (Amendment) Bill of Bhutan, 2011, Chairperson of the Joint Committee Hon Member Sangay Khandu moved the motion that the Bill be passed. Hon Members at 11.00 am on May 30 voted for the Bill to turn into Act. 1 out of 66 Hon Members present voted “YES” with Hon Member of Chapcha - Bongo voting “NO”.

Hon Member of Chapcha- Bongo submitted that he voted against the Bill because he feels there is no substantial change in the Bill from the Anti- Corruption Act 2006.

## **CHILD CARE AND PROTECTION BILL, 2011**

The Child Care and Protection Bill was first deliberated in the National Council during the 5<sup>th</sup> session. It was then transmitted to the National Assembly in accordance with Article 13(5) of the Constitution of the Kingdom of Bhutan along with 88 amendments including 3 new sections.

The Bill was thoroughly discussed by the National Assembly during the 6<sup>th</sup> session and re-transmitted the Bill to National Council in accordance with Article 13(7) of the Constitution of the Kingdom of Bhutan. The Bill was then discussed in the National Council. The National Council could not concur on 13 sections in the Bill. Thereafter the differences in the Bill between the two Houses were submitted to the Druk Gyalpo by the National Council.

The Joint Committee Chairperson, Hon. National Council member from Lhuentse presented the recommendations of the Joint Committee on the Anti Corruption Bill of Bhutan 2011 to the House on May 28, 2011. While deliberating on the differences the House could not concur on 4 sections. Therefore, in accordance with Rule 61 of the Legislative Rules of Procedure, 2011, Hon. Speaker referred the Bill to the Joint Committee for further review and recommendation.

Accordingly, the Joint Committee Chairperson presented the final report to the House on May 29, 2011 and the Bill was adopted with the following amendments:

**Preamble**

**WHEREAS**, ~~in keeping with His Majesty the Druk Gyalpo's vision for nurturing the children of today as the future citizens of tomorrow~~ **in keeping with the State Policy of promoting full development of the human personality;**

**Section 25**

~~The government shall endeavor to provide assistance to the community~~ **shall endeavor, with assistance from the government**, to establish special facilities to provide adequate shelter for children who have no home to live in or not able to live at home.

**Section 72**

A child in conflict with the law is a child who is **above** ~~of 13~~ **12** years of age ~~and above~~ and found to have committed an offence.

**Section 111**

If the child arrested or taken into custody is ~~below 13~~ **12** years of age **and below**, the authority that has affected arrest or under whose custody the child is kept, shall immediately release the

child to the custody of one's parents or guardian, or in absence thereof, the child's nearest relative.

**Section 114**

No handcuffs shall be used on a child ~~below the age of 13-12~~ years **and below**, and handcuffs may only be used on a child **above 13 12** years ~~and above~~ if there is an exceptional circumstance warranting **such** ~~the~~ use.

**Section 118**

The police official may allow a child to go home after advice or admonition upon undertaking by the child along with a parent, member of family, guardian, or legal representative if the child is:

- a) ~~Below 13-12~~ years of age **and below**; or
- b) ~~13~~ **above 12** years of age ~~and above~~ but the offence is of violation and the child is not a recidivist.

**Section 121**

Retain as in the draft

**Section 213**

A person shall be guilty of the offence of assault of a child, if the person purposely **or** knowingly assaults the child. The offence of assault of a child shall be a violation.

**Section 214**

Retain as in the draft

**Section 216**

Retain as in the draft

**Section 218**

Retain as in the draft

**Section 219**

A person shall be guilty of the offence of providing narcotic drug or psychotropic substance to a child, if a person encourages or forces any child to use any narcotic drug or psychotropic substance, except upon the order of a duly authorized ~~government~~ medical officer. The offence of providing narcotic drug or psychotropic substance to a child shall be a **felony of the fourth degree** ~~misdemeanor~~

**Section 234**

Retain as in the draft

**Section 243 (j)**

“Parents” means ~~biological~~ **the** father and mother of a child, ~~regardless of whether they are married or not.~~

After extensive deliberation on the Child Care & Protection Bill of Bhutan, 2011, Member in charge of the Bill Hon.

Education Minister moved the motion that the Bill be passed. Hon Members at 10.22 am on May 31 voted for the Bill to turn into Act. All 65 Hon Members present voted “YES”.

### **WATER BILL OF BHUTAN, 2011**

The Water Bill was initiated by National Environment Commission and was deliberated during the 5<sup>th</sup> and 6<sup>th</sup> session by the two Houses.

The Bill was first deliberated in the National Assembly during the 5<sup>th</sup> session. It was then transmitted to the National Council along with 33 amendments for adoption in accordance with Article 13(5) of the Constitution of the Kingdom of Bhutan. The National Council deliberated on the Bill during the 6<sup>th</sup> session. The Bill was thoroughly discussed by the National Council and was re-transmitted to National Assembly along with 57 amendments in accordance with Article 13(7) of the Constitution of the Kingdom of Bhutan.

The Bill was then discussed in the National Assembly and could not concur on 44 sections in the Bill. Thereafter the differences in the Bill between the two Houses were submitted to the Druk Gyalpo by the National Assembly. It was then deliberated in the Joint Committee.

The Bill was adopted with the following amendments:

**Preamble**

Recognizing that water is one of the most important natural resources of the Kingdom;

Acknowledging water resource as a State property and the State's rights over mineral resources, rivers, lakes and forests are enshrined in the Constitution of the Kingdom of Bhutan;

**Recognizing the seasonal and local scarcity of water for drinking and agricultural purposes, despite the country being endowed with abundant water resources;**

Being mindful that rapid socio-economic development results in increasing pressure on the environment including water resources;

Recognizing the threat from climate change **in addition to increasing anthropogenic threats on water resources and watershed conservation even with the existing policy of sustainable management of natural resources;**

Being determined to protect the environment and human health through integrated water resources management in pursuit of Gross National Happiness and the age old tradition of living in harmony with nature;

**Bearing in mind that every Bhutanese have assured access to adequate, safe and affordable water to enhance the quality of lives;**

**And realizing the need for a comprehensive legislation, which shall also foster institutional linkages to guide various water user sectors in the best interest of the nation and the people.**

Parliament of the Kingdom of Bhutan do hereby enact the Water Act at its ....Session of the Parliament held on..... as follows

**Section 3**

Retain as in the draft

**Section 4**

The purpose of this Act shall be:

- a.** to ensure that the water resources are protected, conserved and/or managed in an economically efficient, socially equitable and environmentally sustainable manner.
- b.** to establish suitable institutions

**New section after section 5**

Deleted

**New section after section 6**

**Community Based Water Resources Management**

**6A. Communities shall participate in the integrated management of water resource pursuant to this Act, and beneficiaries and stakeholders shall be consulted in the manner set out in this Act.**

**Protection of Water Catchments**

**6B. All persons shall cooperate in the conservation, protection and management of the water catchments areas. The right and responsibility to cooperate shall extend to all aspects of achieving the purpose of the Act.**

**New sub-section in Sec. 10**

Deleted

**Section 11**

The **National Environment** Commission shall;

- a) **Ensure implementation of this Act.**
- b) **Co-ordinate national integrated water resources management.**
- c) **Issue directives that are binding on all persons and Competent authorities for following purpose pertaining to water and water resources:**
  - i. **Restorative, corrective or mitigating measures;**

- ii. **planning, protection and management within certain areas, zones, regions or nationwide;**
  - iii. **Promotion of water education, research or studies;**
  - iv. **Promotion of water friendly and water efficient technologies;**
  - v. **Mainstream water into the national Policy, Plan and Program;**
  - vi. **Any other matter in specific or general deemed important for the betterment of water quality or sustainable management and use of water resources.**
- d) Adopt Strategies, plans and programmes for achieving the purpose of this Act.
  - e) Designate any Ministry, Organization, Agency or Committee as a Competent Authority to effectively enforce and implement the provisions under this act
  - f) **Set water quality standards and guidelines.**
  - g) **Set effluent discharge standards for discharge of certain substances into water resources.**
  - h) **Set minimum environmental flows of watercourses.**
  - i) **Establish procedures for monitoring of water quality standards and discharge standards.**
  - j) **Without prejudice to charges and fees payable in respect of water supply and waste water disposal services provided by a service provider, develop**

**criteria for waste water charges, abstraction charges and other fees.**

- k) Review, revise and advise the government on water policy, regulations, standards, guidelines and other matters related to emerging water issues.**
- l) declare any lake, river or waterway or any part thereof ~~for environmental conservation~~ **for water abstraction and use and other uses** in consultation with the relevant stakeholders. **In making the declaration the commission may impose such conditions and restrictions as it deems fit.**
- m) Monitor overall compliance by the competent authorities under this Act.**
- n) Prepare and submit reports to the Cabinet **and the Parliament periodically.**
- o) Recommend ratification of bilateral and multilateral water related instrument to the Parliament;
- p) May delegate its powers to such person or competent authorities as prescribed in the regulations under this Act.

#### **New section after 12**

Deleted

#### **Section 13 (a), (b) and (e), (f)**

- a) The Ministry of Works and Human Settlement and municipal bodies for ensuring safe, adequate and potable**

water supply, and proper sewage management in Thromdes.

- b) **Retain as in the draft.**
- e) **Retain as in the draft**
- f) Bhutan Electricity Authority for hydropower generation and other related activities as per the Electricity Act of Bhutan, **unless otherwise specified in this act.**

#### **Section 17**

The Competent Authorities may enter into contracts or other forms of arrangements with private parties, including ~~Non Governmental Organization~~, civil society organizations, to provide for water related infrastructure and services

#### **Section 20 (c)**

Retain as in the draft

#### **New sub section after section 20 (c)**

- d) **The Plan shall be mainstreamed into National Policies, Plans and Programs.**

#### **Section 21 (a) and (b)**

- a) The Secretariat **with the assistance of River basin Committee shall** prepare, and periodically update, a River Basin Management Plan for each river basin pursuant to section 24 of this Act.

- b) ~~River Basin Management Plans shall mainstream the goals, the strategies and the implementation measures foreseen in the National Integrated Water Resources Management Plan.~~ **The National Integrated Water Resources Management Plan developed as per section 20 (a) shall serve as a binding guideline for the preparation of plans under this section.**

**Section 22 (a), (b) and ( c )**

Retain as in the draft

**Section 23 (c)**

Retain as in the draft

**Section 24 (a), (b) and (c )**

- a) The Commission **shall** establish river basin committees within a basin for the purpose of proper management of water resources
- b) In determining the composition of a river basin committee, the Commission shall ensure adequate representation from among any or all but not limited to the following groups:
- i) **Water User's Associations or Federation of water Users' Associations;**
- c) ~~The composition and functioning of the river basin committees shall be determined in Regulations pursuant to this Act.~~ **After having established a river basin**

**committee, the Commission shall declare an area within which the committee will carry out its functions.**

**New section after section 24**

**24A. The functions of river basin committees are;**

- a) to promote community participation in the protection, use, development, conservation, management and control of water resources in its area of operation through education and other appropriate activities;**
- b) to prepare a River Basin Management Plan for the basin;**
- c) to monitor and report to the Commission on the effectiveness of policies and action in achieving sustainable management of water resources in its area of operation;**
- d) to collect, manage and share such data as are necessary to properly manage the basin in coordination with the Commission;**
- e) to help resolve cross-sectoral and Dzongkhag trans-boundary issues relating to water resources in its area of operation; and**
- f) to perform any such additional functions as the Commission may direct.**

**Dissolution of river basin committees**

**24B. The Commission, by notice may dissolve a river basin committee if it is necessary to do so:**

- a) **for purposes of re-organizing water management institutions in its area of jurisdiction in the interests of effective water resources management; or**
- b) **if the circumstances which supported the establishment of the river basin committee no longer exist.**

**Dzongkhag Water Management Committee**

**24C. For the purpose of proper and effective protection and management of water resources at Dzongkhag level, the existing Dzongkhag Environment Committee shall also function as the Dzongkhag Water Management Committee.**

**Section 25**

**Approval for ~~abstraction~~ feasibility studies.**

A Person intending to abstract water shall seek an approval from the Commission prior to conducting feasibility studies. The approval shall contain terms and conditions including upstream and downstream water use issues.

**New section after section 25**

**Prohibition to abstract or use water without Environmental Clearance ~~permit~~**

**Unless this Act provides otherwise,**

- a) **a person shall not abstract and use water, except in accordance with permit Environmental Clearance issued under this Act.**
- b) **a person who violates the provision of sub-section (a) shall be guilty of an offence under this Act.**

### **Section 26**

Moved to section 25(a)

### **New section after section 26**

Deleted

### **Section 27 (a) (b) and (c)**

- a) ~~Without prejudice to the Environmental Assessment Act~~ abstraction and use of water for the following purposes shall be exempted from the requirement to obtain an Environment Clearance:
  - i) domestic use;
  - ii) small scale drinking water supply and irrigation schemes as determined in regulation under this Act.
  - iii) running small water mills, water grinders or prayer wheels as determined in the regulation under this Act.
- b) **A person may abstract and use water for domestic use, subject only to such public health limitations and environmental limitations, and limitations imposed from time to time for purposes of good water management practices.**

**c) Moved to 34F**

**New section after section 27**

Deleted

**Section 28**

Retain as in the draft

**Section 29**

**Criteria for issuance of Environmental Clearance**

**Without prejudice to the Environment Assessment Act, the Commission shall consider the following criteria in granting Environmental Clearance to abstract and use water;**

- a) **whether the proposed abstraction and use of water are consistent with:**
  - i. **the purpose and principles referred to in sections 4, 5a and 5c; and**
  - ii. **the National Integrated Water Resource Management and Plan.**
- b) **the likely effect of the proposed abstraction upon existing water users, water resources and the water reserved or allocated for environmental users.**
- c) **Without prejudice to section 34F, duly take into account the existence of any customary practices in the water resource to which an application for the clearance relates; and**

- d) **any other additional criteria the Commission may prescribe.**

**Section 30**

Moved to sec. 29 (c)

**Section 31**

Retain as in the draft

**Section 32**

Retain as in the draft

**Section 33 (a)**

Retain as in the draft

**Section 34 (a)**

- a) **Except as otherwise provided in this Act, a person may not discharge any effluent directly or indirectly to any water resource unless the discharge is in compliance with the Effluent Discharge Standard.**
- b) **Any person who acts in breach of the provisions of this section shall be guilty of an offence under this Act.**

**New section after 34**

**Water Quality Standards and Effluent Discharge Standards**

- a) **The Commission shall develop and, from time to time, review Water Quality Standards as well as Effluent**

**Discharge Standards of certain substances into water resources.**

- b) The Commission in consultation with the Ministry of Health and with the Ministry of Works and Human Settlement shall develop and, from time to time review Water Quality Standards for water resources used for or intended to be used for drinking purposes. All competent authorities under this Act are required to give effect to these standards in exercising their powers and duties under this Act.**

**New section before 35**

**General**

- 34E . Allocation of water shall be done based on the principle that water is a resource owned by the State and that every citizen has an equal right to these resources.**
- 34F. Customary practices of water allocation may continue provided that these are fair and equitable and do not result in denial of water to any individual or community, including downstream and upstream needs, and are acknowledged by a Water Users' Association or other local beneficiaries' groups in the area.**

**Section 36 (b) and (d)**

Retain as in the draft

**New section after section 36**

Deleted

**Section 37**

Retain as in the draft

**Section 39**

Harvesting of water Resources

**The relevant Competent Authority shall facilitate** harvesting of ground water, rain water, fog and any other sources ~~shall be encouraged~~ to prevent local and seasonal water scarcity.

**Section 40 (a), (b) and new sub section**

- a) Water related infrastructure may be constructed on or through others' property, in consultation with the affected parties, subject to approval from the Commission. **In the event, where the affected parties do not allow the construction of water related infrastructure on or through their property on baseless ground, the Commission shall have the authority to approve the construction of water related infrastructure after investigating the matter thoroughly.**
- b) Compensation shall be paid by the beneficiaries, for damages incurred on others' property as a result of

construction or renovation activities. When land is acquired by the Government for activities pursuant to sub section (a), compensation shall be paid as per the Land Act, 2007

- c) **The water users shall ensure that their waste water does not cause inconvenience within the locality.**

**Section 42 (b)**

Deleted

**New section after 42(b)**

Deleted

**New section after 43**

**Functions of water users' association**

**43A. The functions of a water users' association shall be :**

- a) **to maintain a water source and protect it against vandalism and other damages.**
- b) **to coordinate and oversee the activities and management of water supply service by its members so as :**
  - i. **to foster a sense of ownership among the users;**
  - and**
  - ii. **to ensure sustainability of such service.**

**Section 44 (a) and (b)**

- (a) Retain as in the draft.

- (b) **The formation membership, powers, functions and dissolution of the Federation shall be set out in Regulations under this Act. (new sub section)**
- (c) The provisions of Sections ~~42 and~~ 43 shall apply to the Federation of Water Users' Associations.

**Section 51 (b)**

The procedure for alternative dispute resolution ~~shall include Nangkha Nangdrig (mediation)~~ be conducted by the Committee of the relevant Water User Association or the relevant local authority including the office of the Gup.

**New section before 53**

**Registration Requirement**

**52A. All approvals and permits under this Act for the abstraction of water and discharge of effluents shall be registered. It shall be the responsibility of the competent authority to record this information and report it to the Commission annually.**

**New section after 53**

**Stop Order**

**If an activity relating to a water resource poses an imminent threat to human health or the environment, the activity shall be stopped with immediate effect by the Commission/Competent Authority.**

**Section 63 (a) and (b)**

Retain as in the draft

**Section 64 (b)**

Retain as in the draft

**New sub section after 68**

Deleted

**Section 69**

Deleted

**Section 75 (3) (7) (8) and (26)**

~~Agency means a Throm or Thromde established under the Local Government Act, 2009 or any ministry, department, or autonomous public body of the Royal Government including local government entities or Companies incorporated under the Companies Act~~

**Competent Authorities** means the Ministries, 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, CSOs or any other entity as may be determined by the Commission as the competent authority.**

**Customary ~~rights and/or~~ practices** mean ~~such rights~~ and practices in relation to water resources management and utilization as have been exercised and practiced by communities or individual members thereof for more than twenty years

**26.** Retain as in the draft.

After extensive deliberation on the Water Bill of Bhutan 2011, Chairperson of the Joint Committee Hon Member Nidup Zangpo moved the motion that the Bill be passed. Hon Members at 10.30 am on May 31 voted for the Bill to turn into Act. 62 out of 65 Hon Members present voted “YES” with 3 Hon Members voting “NO”.

Subsequently, the Hon Members submitted their dissenting opinions in which it was submitted that the word in Section 36 (d) which states that, “if the water is not sufficient, the new plot shall not get water”, is in conflict with the principle of the Bill which asserts that uncontaminated water shall be adequately provided to the people at reasonable rate and that water shall be distributed to the people on the basis of equity and justice. In view of these, in the future it is likely that there will be water related conflict in the society.

**List of Hon Members who voted “NO”**

1. Hon member of Bumthang, National Council

2. Hon Member of Dagana, National Council
3. Hon Member of Samdrup Jhongkhar, National Council

## **NEW BILLS**

### **BHUTAN INSTITUTE OF MEDICAL SCIENCES BILL 2011**

The Hon Health Minister, Member In- charge of the Bill, moved the motion for leave to introduce and adopt the bill for discussion, on June 1, 2011. The Member In-Charge highlighted the importance of the Bill along with the reasons and objectives for drafting the Bill. The Bill was then adopted for discussion after no objection was raised to introduce the Bill.

#### **Member -In- charge moved the motion for the Second Reading of the Bill on June 3, 2011**

He submitted that the urgency of the Bill since Bhutan Institute of Medical Sciences would be established after the enactment of the Bhutan Institute of Medical Sciences Bill, 2011. In line with the requirement of a Medical Institute, the National Referral Hospital in Thimphu has wards with 350 beds.

Further, it was submitted that to enable foreign students pursue studies in the Institute, the study programmes have been developed as per International standards and there are also plans

to bring in experts from abroad. The President is appointed the Executive Head of the Institute to make the Institute the center of excellence. However, it is also mentioned that it would be acceptable if the arrangements are at par with the Universities established before.

Bhutan Institute of Medical Sciences Memorandum of Understanding was signed on December 22, 2010 between the Royal Government and India during *Druk Gyalpo's* visit to India.

**The Hon. Opposition Leader** submitted that the University should be established in accordance with the Tertiary Education Policy. Expressing his support for the Bill, it was elucidated that as per the Government policy, the establishment of tertiary education institute should be accredited by the Bhutan Accreditation Council wherein the Chairman is the Education Minister.

**The Hon. Minister Labour and Human Resources** seconded the submission of the Hon. Opposition Leader regarding the importance of functioning as per Government policy. He further categorized the University into three parts, 1) Individual University 2) Joint University and 3) Independent University. The establishment of Independent University like Royal Institute of Management should be by an Act of Parliament.

**The Hon. Speaker** recalled the importance of the inclusion of the Bills for enactment in the annual legislative plan of the Hon. Prime Minister. He further pointed out that the submission of the Hon. Opposition Leader is for abiding by policy and procedure and not in contravention of it.

Subsequently the Bill was referred to the Labour and Employment Committee. The Hon. Labour Minister was also directed to participate in the committee deliberations.

**The Hon Members of National Assembly deliberated the Bhutan Institute of Medical Sciences Bill 2011 for the Third reading on June 8, 2011 and adopted the Bill with the following amendments:**

**Preamble**

To insert before first Para of the Preamble

**WHEREAS, the constitution requires the state to provide free access to basic public health services in both modern and traditional medicines.**

**Fourth Para of the Preamble**

**Parliament of Bhutan do hereby enact the .....Act of Bhutan on the ....Day of. ...Month of ....Year of the Bhutanese Calendar corresponding to the ..... Day of ...., 201....at its ....Session of the First Parliament as follows:**

## **Section 2**

Any provision of any ~~written~~ laws, by-laws, rules or regulations, all directives, circulars and announcements that are inconsistent with the provisions of this Act shall be repealed.

## **Section 3**

### **DEFINITION**

- h) **“Cadaver”** means corpse or human & animal ~~remains~~ **Parts** for studies & research.
- i) **“Chairperson”** means the Chairpersons of the Governing Council, Advisory Board and Academic Board of BIMS.
- j) **“Campus”** means the buildings and facilities of any college or institution under BIMS. ~~and its various activities.~~
- o) **“Institute”** means the BIMS, which is a University of Medical Sciences.
- p) **“Institutions”** means those universities, colleges, hospitals, organizations, societies, clubs, foundations, ~~philanthropists and individuals~~ associated/ collaborated/affiliated with BIMS.

## **Section 5**

~~Bhutan Institute of Medical Sciences established under section 4 of this Act shall function as overarching Institute for new institutions established hereinafter and existing Institutions engaged in medical and health education and training programs in the country.~~ **Bhutan Institute of Medical Sciences established under section 4 of this Act shall function as**

**overarching Institute for existing Institutions engaged in medical and health education and training programs in the country and new institutions established hereinafter.**

**Section 6 (a)**

Have a clearly laid down **vision, mission, core values and objectives;**

**New Section as Section 10 (c)**

- c) The Institute shall maintain a Fund to which shall be credited:**
- i. all moneys provided by the Government;**
  - ii. all fees and other charges received by the Institute;**
  - iii. all moneys received by the Institute by way of grants, gifts, donations, benefactions, bequests or transfers; and**
  - iv. all moneys received by the institute in any other manner or from any other source.**

**New section after Section 10**

**All moneys credited to the Fund shall be deposited in such banks or invested in such manner as the Institute may, with the approval of the Governing council.**

**Section 15**

The accounts of the Institute shall be audited in accordance ~~to~~ **with the** Audit Act of Bhutan ~~2006~~.

**Section 21 (b)**

A member may be allowed to resign from the membership by giving a written notice addressed to the chairperson **at- least thirty days in advance.**

**Section 21 (c)**

The Council shall, when the seat becomes vacant on death or resignation or removal of an appointed member, issue a notification calling upon the relevant agencies to nominate representatives for filling the vacancy. However, such newly appointed members shall hold office for the **remainder of his/her predecessor's term of office.**

**Section 23 (c)**

Members shall have one vote each, and in the event of **a tie** ~~equality of votes~~, the Chairperson shall **cast the** deciding vote.

**Section 23 (e)**

The **Member Secretary** ~~secretariat~~ shall plan, coordinate, organize and record the minutes of the Governing Council meetings.

**Section 24 (d)**

Determine the organizational structure of the Institute in line with its stated vision, mission, objectives and functions;

**Section 24 (h)**

Develop the remuneration ~~for the employees schemes and honorarium for employees~~ of the Institute **and honorarium** for external examiners and visiting professors from time to time;

**Section 24 (j)**

Recommend to the Government the appointment or removal of the President ~~or Registrar~~;

**Section 24 (l)**

Acquire, possess, utilize and write-off movable and immovable properties **as per applicable rules-law.**

**Section 24 (o)**

Confer and/or recognize honorary **Medical and Health** degrees and emeritus on the recommendation of the Academic Board, **in conformity with Medical and Health Council Act of Bhutan and in consultation with Bhutan Accreditation Council.**

**Section 27 (d)**

Be a person of integrity, honesty, high moral standing **and proven leadership qualities.**

**Section 28**

The President shall hold office for a term of five years and ~~shall~~ **may** be eligible for reappointment subject to maximum of two terms or **until attaining the age of sixty five years, whichever is earlier.**

**Section 29 (a)**

Provide ~~both~~ professional and executive leadership;

**Section 29 (c)**

Preside over **Academic** Board and **Selected** Committees meetings;

**Section 32 (c)**

Have a work experience of a minimum of 15 years including at least 3 years experience in managerial **and administrative** post.

**Section 40**

The Institute shall form an Academic Board, which shall be the soul of the Institute and perform functions as laid down in ~~the~~ **section 49** of this Act.

**Section 44 (b)**

Meeting shall be held at least twice a year and additional meetings may be convened at the call of the Chairperson or on the recommendations of not less than two third of the **Board Council** Members.

**Section 44 (d)**

Members shall have one vote each, and in the event of **a tie** ~~equality of votes~~, the Chairperson shall ~~exercise~~ **cast** the deciding vote.

**Section 47**

The eligibility criteria for enrolment into any of the courses shall be prescribed by the Academic Board from time to time. ~~as specified in section 45.e of this Act.~~

**Section 50**

The course curriculum and duration of courses shall be **framed** set by the Academic Board. ~~as specified in section 45. c and d of this Act.~~

**Section 51**

Notwithstanding anything contrary to the prevailing laws, an individual pursuing studies or training under the Institute **shall**:

**Section 51 (b)**

Handle cadavers and other human and animal **parts** ~~remains~~ for studies and research.

**Section 52**

**Handling of cadavers, other human and animal parts**  
**remains**

The Institute shall acquire, store, retrieve, display, and conduct procedures on human and animals ~~parts tissues, organs and cadavers~~ **parts** for therapeutic, educational, research and other scientific purposes.

#### **Section 61**

The Institute may confer **medical and health** honorary degrees or titles to any individual who have made significant contribution to the welfare of the society.

#### **Section 62**

The award of degrees, diplomas and certificates as ~~specified in section 60~~ shall be ~~within the provisions of the Medical and Health Council Act 2002 of Bhutan~~ **in conformity with Medical and Health Council Act of Bhutan and in consultation with Bhutan Accreditation Council.**

#### **Section 63**

Students migrating from Institutions outside Bhutan to continue medical education programs in any of the faculties under the Institute shall be required to fulfill admission policy **and criteria** as prescribed by the Institute.

#### **Section 65**

The Institute shall submit ~~annual~~ report to the **Government Governing Council.**

**Section 66**

**Institute may make** Regulations for the following purposes, but not limited to:

**Section 66 (e)**

Handling of Cadavers and animal **parts** ~~remains~~;

**New subsections after Section 66 (f)**

**g. Procurement rules and regulation.**

**h. Accounting and financial rules**

**New section after section 66**

**Role of the Government**

**The Institute shall carry out such directions as may be issued to it from time to time by the Government for the efficient administration of this Act.**

**Section 68**

**Amendment**

The amendment of this Act by way of addition, variation or repeal shall be effected by a simple majority of the respective Houses or vote of not less than two-third of the total members of the Parliament present and voting on a motion submitted by one-third of the members of either Houses ~~provided that the amendments do not undermine the functions of the Institute.~~

After submitting their general views, Member In-Charge of the Bill moved the motion that the Bill be passed. 38 out of 39 members present voted “YES” with Hon Member of Sombaykha abstaining and thus adopted the Bill on June 13, 2011 at 10.41 am.

**MOTION TO WITHDRAW THE LAND (AMENDMENT)  
BILL OF BHUTAN 2011**

The Hon Agriculture Minister on moving motion to withdraw the Land (Amendment) Bill of Bhutan 2011 on June 1, 2011, submitted that the need for amendment of the Land Act was deliberated during the past 3<sup>rd</sup> and 4<sup>th</sup> Session wherein there are issues related to land apart from *Tshadog* and *Sokhing*, land categories, land ceiling, transfer of *Thrums* and difficulty arising from the land tax etc. It was pointed out that a thorough research is necessary for the review of the whole Land Act to solve land related issues. Besides, the Land Commission is conducting cadastral survey in all the 20 *Dzongkhags*. In view of the above, if the Land Act is amended, it is felt that inconveniences would arise and it is imperative to vary out necessary amendment properly in haste. Meanwhile, to solve the problem of *Tshadog* and *Sokhing*, discussion would be held with the relevant Ministry, Department and Agencies to revert back to traditional *Tshadog* and *Sokhing* practices and not in accordance with Land Act 2007. Accordingly, the Media is to

create awareness on this front. Considering all these issues, it was submitted that the motion to amend the Act would be moved in the next session.

Deliberating on this issue, the Hon. Members submitted that land is the most important thing to the people of the Bhutan. A Land Act is a must to elucidate and strengthen the land utilization and ownership procedures which makes all the more important, for proper enactment of the Land Act. Moreover, it was pointed out in the cadastral survey carried out by the Land Commission, issues relating to extra land holdings and boundary and the cultivation of the shared land holdings under the provisions of the Land Act 1979 have received less importance. There is a difference and benefit between confining the ownership right of *Tshadog* and *Sokhing* to the Government and regulating the people to fell timber and use *Sokhing* by giving permits and handing over such rights to every individual. The Members of the Land Commission should be appraised prior to their appointment for strong composition. It was also submitted that their responsibilities, accountability, powers and employment should be clearly spelt out.

Since there are some people transacting land bestowed upon them merely on the grounds of benevolence, procedures pertaining to whether they can or cannot transact have been laid down. Further it was pointed out that it should be clearly mentioned whether concerning the maximum land ceiling

holding of 25 acres .i.e. is the ceiling for an individual or for the entire household and specification of minimum land holding limit is necessary. Therefore, the Members felt that there are many issues to be considered while amending the Land Act.

Since Bhutanese people are mainly dependent on agriculture for their livelihood, agricultural lands get divided amongst the family, which leads to fragmentation of lands into smaller plots. It should be borne in mind that to minimize and prevent fragmentation of lands, proper distribution procedures should be spelt out. In this light, the deliberation on the amendment of the Land Act should not be delayed beyond the 8<sup>th</sup> Session. Therefore, the House resolved that meanwhile the Act should be thoroughly reviewed by the Ministry of Agriculture and Forests, Land Commission and the Legislative Committee of the National Assembly. The Hon. Members are reminded to talk to the people of their constituency about the Land Act amendment and collect their views on it and then participate when the Act is being reviewed. The House on June 1, 2011 resolved that the Land Act would be thoroughly reviewed later once the Ministry of Agriculture and Forests table it in the 8<sup>th</sup> session of the Parliament. The deliberation concluded on 2:15 pm.

### **ADOPTION BILL OF BHUTAN 2011**

The Hon. Education Minister, Member- In- charge of the Bill, moved the motion for leave to introduce the Bill and adoption

for discussion on June 1, 2011. The Member In-Charge highlighted the importance of the Bill along with the reasons and objectives for drafting the Bill. The Bill was then adopted for discussion after no objection was raised to introduce the Bill.

**Member -In- charge moved the motion for the Second Reading of the Bill on June 3, 2011**

He submitted that the Adoption Bill was drafted for the protection of the interest of the children in line with Article 9 (18) of the Constitution which states that the State shall endeavour to take appropriate measures to ensure that children are protected against all forms of discrimination and exploitation including trafficking, prostitution, abuse, violence, degrading treatment and economic exploitation. Furthermore, it is also aimed to provide education and appropriate health facilities for the children. The Bill is important because though there is a practice of adopting children, there is no procedure laid down for it.

Moreover, the Bill enables adoption, considering the interest the child, in line with the International Conventions which acknowledges the fundamental rights of the child.

The Hon. Speaker reminded that though the Bill was referred to the Human Rights Committee for review, it would be good if

other Hon Members also participate in the Committee deliberations.

**Hon Members of National Assembly deliberated the Adoption Bill Bhutan 2011 for the Third reading on June 10, 2011 and adopted the Bill with the following amendments:**

**Title**

**Child** Adoption Bill of Bhutan 20//

**Preamble**

Amended in Dzongkha text

**Section 1**

**Short Title and Commencement and Extent**

This Act shall:

- a. Be called the **CHILD ADOPTION ACT OF BHUTAN**;
- b. Come into force in the year of.....; and
- c. Extend to whole of the Kingdom of Bhutan or otherwise within the jurisdiction of Bhutan

**New section after section 1**

New section proposed by National Council after section 1 is not accepted.

## **Section 2**

**This Act hereby repeals** the provisions of any laws, **bye laws** Acts, **resolutions** ~~regulations, rules, directives, notifications, circulars and enactments~~ that are inconsistent with this Act ~~shall hereby be repealed~~. However, the adoption effected before the commencement of this Act shall continue to have force under this Act.

## **Section 3**

Amended in Dzongkha text

## **Section 4**

~~The child's age, maturity, level of understanding, sex, background and the family relationship shall be the basis for adoption.~~

## **Section 5**

Amended in Dzongkha text

## **Section 6**

~~An inter-country adoption may be considered only as an alternative means for a child for whom a suitable adoptive parent cannot be found in the country.~~

### **Section 7**

It shall be the State Policy to safeguard and prevent the child from ~~unnecessary~~ **unlawful** separation from biological parents.

### **Section 8**

~~Ensure~~ Measures necessary for the protection of child's interest including child's ethnic, religion, cultural and linguistic background of every adoption **shall be ensured**.

### **Section 9**

The objectives of this Act are:

- (a) To ensure that adoption takes place in the best interest of the child with respect to ~~ones~~ **his/her** fundamental rights as recognized under the laws;
- (b) To establish uniform adoption process; and
- (c) To ensure that the domestic and inter-country adoption processes are in consonance to international norms, practices and standards.

### **Section 10**

The National Commission for Women and Children or **any other agency designated by the Government** shall be the competent authority under this Act

### **Section 11**

The competent authority ~~shall~~ **may** provide adoption services of all nature with respect to a child, and may accredit Civil Society

Organization ~~and such other charitable and non profit organizations~~ to provide adoption services.

## **Section 12**

The Competent Authority shall ~~be responsible for the following:~~

- (a) Provide adoption service in relation to domestic and inter-country adoption of a Bhutanese child; *((e) of draft)*
- (b) Accredite and monitor recognized agencies and institutions of adoption both within and outside the country; *((d) of draft)*
- (c) Determine the form and contents of the application for ~~inter country~~ adoption; *((g) of draft)*
- (d) Provide post adoption monitoring and evaluation through an established procedure; *((c) of draft)*
- (e) Assess and determine suitability of prospective adoptive parent; *((a) of draft)*
- (f) **Facilitate** transfer of the care **and** responsibility of a child to the adoptive parent or to a person who adopts the child; *((b) of draft)*
- (g) Frame necessary rules and procedure for adoption; *((f) of draft)*
- (h) Prescribe adoption and other fees for domestic and inter-country adoptions;
- (i) Assist other concerned agencies and the courts in the implementation of this Act; and

- (j) Provide for any other services to facilitate implementation of this Act. (*Amended and rearranged as above*)

### **Section 13**

A ~~charitable or non-profit organization and other~~ civil society organization ~~may~~ **shall** apply to the competent authority for accreditation as an adoption service provider ~~that may provide~~ **for the purpose of providing** adoption services.

### **Section 14**

An application for accreditation shall:

- (a) Be in writing;
- (b) Specify address of the principal office in Bhutan;
- (c) Specify the principal officer of the organization ~~if accredited~~; and
- (d) Provide the details of services the organization seeks to provide.

### **Section 15**

An application for accreditation under Section ~~14~~ **13** shall be submitted along with the following documents:

- (a) A copy of the articles of association;
- (b) Evidence of the applicant's capacity to provide such services;
- (c) A working plan of such adoption services;

- (d) A financial statement of such ~~charitable or non-profit an~~ organization evidencing its financial capacity; and
- (e) Documents and evidences **demonstrating professional capacity of the principal persons responsible for the** ~~in relation to the person responsible for general administration in the event such organization is accredited by the competent authority~~

### **Section 16**

The competent authority **shall** ~~is required to~~ determine an application for accreditation ~~by accrediting adoption service providers that may provide~~ **for the purpose of providing** adoption services, or refuse accreditation.

### **Section 17**

Amended in Dzongkha text

### **Section 18**

The accredited organization ~~is~~ **shall be** required to appoint a principal officer for the purpose of this Act. If the application is granted by the competent authority, such principle officer must **have** at least ~~have~~ one year experience in child welfare administration and ~~the with~~ required qualifications in social administration, psychology or sociology to perform the duty of assessing the adoption suitability of a child and the **adoptive parent applicant**.

**Section 19, 20, 21, 22, 23, 24**

Amended in Dzongkha text

**Section 25**

Retain as in the draft

**Title of Chapter 4**

Domestic Adoption Process

**Section 26**

Subject to this Act, an application for adoption may be made by a ~~married couple~~ **Bhutanese Citizen who:**

- a) **Is married;**
- b) **Is of good moral character;**
- c) **Is financially secure;**
- d) **Is not convicted of a felony crime;**
- e) **Is capable of support and care for child; and**
- f) **Is at least 30 years of age and the age difference between the adoptive parent and the child to be adopted shall be at least 20 years.**

**Section 27**

Notwithstanding ~~anything contained in~~ Section 26 (a), a single **Bhutanese** person may adopt a child, if the person is found suitable and agreeable to the conditions specified by the competent authority.

**Section 28**

Deleted as it is covered in section 26 and 37A

**Section 29 and 30**

Retain as in the draft

**Section 31**

Subject to this Act, the following person may be adopted **by a Bhutanese Citizen:**

- a. A child below eighteen years of age;
- b. A person of legal age if prior to the adoption said person has been consistently considered and treated by the adoptive parent as ones own child since minority;
- c. A child whose parent, guardian or adoptive parent have died; or
- d. Any other child that the competent authority has taken cognizance of being in difficult circumstances.

**New Section after Section 31**

**The citizenship of an adopted child shall be bound by the relevant law.**

**Section 32 and 33**

Retain as in the draft

**Section 34**

Retain as in the draft

### Section 35

~~For the purpose of this Chapter, the Competent Authority shall frame relevant rules for the purposes of implementing the provisions of this Chapter to ensure that a child is protected from exploitation, abuse, trafficking, sale or any other practices in connection with adoption which is harmful, detrimental, or prejudicial to the child.~~

### Section 36

~~A Bhutanese child may be adopted by any foreign national belonging to~~ of a country with whom Bhutan has diplomatic relationship **bilateral agreements on adoption may adopt a Bhutanese child,** ~~or by a Bhutanese citizen permanently residing abroad~~ if the person:

- a. Is at least ~~twenty-five~~ **thirty** years of age at the time of filing an application for adoption **and the age difference between the adoptive parent and the child to be adopted shall be at least 20 years;**
- b. Is married, ~~the couple shall jointly file for the adoption;~~
- c. Has the capacity to act and assume all rights and responsibilities of parental authority under ones national laws;
- d. Is not convicted of a **felony** crime ~~involving moral turpitude or other offences;~~
- e. Is eligible to adopt under ones national law;
- f. Pay adoption and other fees;

- g. ~~Undertakes to provide inheritance to the adopted child;~~  
~~and~~
- h. Is in a position to provide ~~the~~ proper care and support and to give necessary moral values to the child adopted.

### **Section 37**

Notwithstanding ~~anything contained in~~ Section 36 ~~(b)~~, a single **person** ~~foreign national~~ may adopt a child, if the person is found suitable and agreeable to the conditions specified by the competent authority.

### **New Sections after Section 37**

**37A. A Bhutanese National may adopt a foreign child only if the person, in addition to section 36:**

- a. **Has resided in the country from which the child is to be adopted for more than three years and is able to produce evidence that the primary reason for residing in that country was not for adoption;**
- b. **Has not more than 1 children biological or otherwise;**  
**and**
- c. ~~The number of adoption shall not exceed the permissible limit under Section 37B.~~

**37B. The Ministry of Home and Cultural Affairs shall be a relevant Ministry to issue directives and set limits on the number of inter-country adoption each year.**

### **Section 38**

Subject to this Act, the person mentioned under Section 31 may be adopted. **However, in case of a Bhutanese citizen adopting a foreign child that child shall be below 9 years of age and a citizen of a country with whom Bhutan has diplomatic relationship.**

### **Section 39**

Retain as in the draft

### **New section after section 39**

**For the purpose of this Chapter, the Competent Authority shall frame relevant rules for the purposes of implementing the provisions of this Chapter to ensure that a child is protected from exploitation, abuse, trafficking, sale or any other practices in connection with adoption which is harmful, detrimental, or prejudicial to the child.**

### **Section 40**

The court shall ~~not~~ make an adoption order in relation to a child **only upon submitting consent of the child's parent or guardian** ~~who is less than 18 years of age unless consent has been given:~~

~~(a) In the case of a child who has not been previously adopted by parent of the child, and any person who has parental care and responsibility for the child; or~~

~~(b) In the case of a child who has previously been adopted by adoptive parent or person who has parental care and responsibility for the child.~~

#### **Section 41**

No person shall give consent for adoption until the child attains six months of age except **if** after birth of the child, the biological mother dies or where exceptional circumstances exist.

#### **Section 42**

The court shall ~~not~~ make an adoption order in relation to a child **upon fulfillment of the following conditions** ~~who is less than 18 years of age and who is capable of giving consent unless:~~

- (a) The child has been counseled;
- (b) The opinion has been given freely without false promise, coercion, or inducement by payment or compensation of any kind; and
- (c) The opinion and wishes of the child has been taken into consideration by way of securing **the** child's rights.

#### **Section 43**

Amended in Dzongkha text

#### **Section 44**

Consent to adoption may also be given by the Competent Authority provided ~~that~~ **the** child has been kept under the care and protection of the Authority before the child is adopted.

**Section 45**

Retain as in the draft

**Section 46**

Amended in Dzongkha text

**New Section before Section 48**

Retain as section 34 in the draft

**Section 48**

Amended in Dzongkha text

**New Section after Section 48**

Retain as section 39 in the draft.

**Section 49**

Amended in Dzongkha text

**Section 50**

~~Adoption~~ Application for inter-country **adoption** shall only be filed by the competent authority and such application shall be supported by the following documents:

- (a) Birth Certificate of applicant;

- (b) Passport copies and passport size photographs of adoptive parent and recent postcard-size pictures of the applicant and ones immediate family;
- (c) Marriage contract, if married, and divorce decree, if applicable;
- (d) **If married, the couple shall file the application jointly;**
- (e) Written consent of the parent or guardian **of the adoptee;**
- (f) Written agreement between a biological parent or guardian and adoptive parent;
- (g) **Document on** home study by a recognized organization in home country;
- (h) Medical fitness certificate of the adoptee parent;
- (i) Documents showing the financial capability of the applicant;
- (j) Annual financial statements on income earned;
- (k) Character reference from the local authority, the applicant's employer or from **a the** member of the immediate community who **has have** known applicant for at least five years;
- (l) Certification **from the concerned government agency that the adoption is in accordance with their domestic law** ~~that once the adoption process is completed, the child will become a full fledged citizen of the country one is being adopted into, accorded all rights and privileges as others citizens;~~
- (m) ~~Certification that once the adoption process is completed, the child as a member of the family will be accorded same~~

~~rights and privileges as a biological child including rights to inheritance;~~

- (n) Certification that progress reports on the child carried out by a certified and recognized organization; ~~and~~
- (o) **Birth Certificate of the child; and**
- (p) Any other necessary document that competent authority and the court may require.

### **Section 51**

An application for domestic adoption shall be filed by the competent authority **or a person designated by the Government** and such application shall be supported by the following documents:

- (a) Birth Certificate or **the Citizenship Identity Card of the applicant**
- (b) Citizenship Identity card ~~or any other proof of citizenship or residency~~ of the adoptive parent and child's parent **or and** guardian;
- (c) Recent pass port size photographs of both the child and the adoptive parent
- (d) Written consent of the parent or guardian;
- (e) Written agreement between a biological parent or guardian and adoptive parent **and their citizenship identity card and birth certificate;**
- (f) Letter of undertaking from the adoptive parents to give share of inheritance to the adoptive child;

- (g) A letter recommending adoption issued by the competent authority or by the child welfare officer; ~~and~~
- (h) **Birth Certificate of the child; and**
- (i) Any other necessary document that competent authority and the court may require.

### **Section 52**

All parties to the adoption whether domestic or inter-country shall ~~personally~~ be present **in person** during the Court hearing.

### **Section 53**

Amended in Dzongkha text

### **Section 56**

The Court **shall** ~~may not~~ make an adoption order in relation to a child ~~unless~~ **if** the court is satisfied that:

- (a) The best interests of the child will be promoted by the adoption; ~~and~~
- (b) The wishes and opinions of the child have been ascertained and respected; **and**
- (c) It does not violate any other law of the country where the child is adopted.

### **Section 57**

The adoption order **shall** ~~may~~ also contain the discharge order of the child, including orders relating to:

- a. The name **and sex** of the child;

- b. The ownership of the property **as per the national law**;
- c. The parental care and responsibility for the child; and
- d. Any other order as the Court deems fit.

**Section 60 (d)**

Amended in Dzongkha text

**Section 61**

Amended in Dzongkha text

**New section after Section 61**

**In case of inter country adoption, citizenship of the country to which the child is adopted shall depend upon the citizenship law of that country.**

**Section 62**

Retain as in the draft

**Section 63**

Retain as in the draft

**Section 64**

Amended in Dzongkha text

**Section 65**

A person shall be guilty of the offence **of** ~~for receipt of payment~~ **bribery**, if the person receives any payment, reward, favour or

consideration in relation to adoption or proposed adoption of a child. The offence of **bribery** shall be a felony of fourth degree.

**Section 66**

A person shall be guilty of the offence of unauthorized advertising, if the person publishes any prohibited adoption advertisement or any photograph of a child. The offence of unauthorized advertising shall be a ~~petty~~ misdemeanor.

**Section 67, 69, 70, 71**

Amended in Dzongkha text

**New Section after Section 71**

**Any other offence not specified under this Act shall be construed under the Penal Code of Bhutan.**

**Section 72**

**The amendment of this Act by way of addition, variation or repeal shall be effected by a simple majority of the no less than two-thirds of the total members of Parliament present and voting on a motion submitted by one-third of the members of either House.**

**Section 73**

**The dzongkhag text shall be the authoritative text, if there exists any difference in meaning between the dzongkhag and the English text.**

#### **Section 74**

- (a) *(Amended in Dzongkha)*
- (b) *(Amended in Dzongkha)*
- (c) *(Amended in Dzongkha)*
- (d) *(Amended in Dzongkha)*
- (e) *(Amended in Dzongkha)*
- (f) *(Amended in Dzongkha)*
- (g) “Parental care and responsibility” means all the duties, powers, responsibilities and authority which ~~the, by law,~~ parents have in relation to children.
- (h) *(Amended in Dzongkha)*

#### **New Definitions under Section 74**

**“Domestic Adoption” means where a child born to a Bhutanese mother is adopted by a Bhutanese.**

**“Inter country Adoption” means the adoption of a child between a Bhutanese national and a national of a country with which Bhutan has diplomatic relationship.**

After submitting their general views, member In-Charge of the Bill moved the motion that the Bill be passed. 39 members out of 40 members present voted “YES” with Hon Member of Athang -Thedso voting “NO” and thus adopted the Bill on June 17, 2011 at 10.30 am.

## **REDELIBRATIONS**

### **SAARC CONVENTION ON CO-OPERATION ON ENVIRONMENT**

The National Assembly ratified and transmitted the SAARC Convention on Co-operation on Environment without any amendment during the 5<sup>th</sup> Session of the First Parliament to the National Council. The National Council deliberated on it during the 6<sup>th</sup> Session and transmitted back to the National Assembly with few amendments only in the Dzongkha text. Furthermore, the National Assembly deliberated on it during the 7<sup>th</sup> Session of the First Parliament and ratified it on June 8, 2011 corresponding to 7<sup>th</sup> Day of the 4<sup>th</sup> Month of the Iron Female Rabbit Year.

### **CONVENTION ON ANTI-DOPING IN SPORTS**

The National Assembly ratified and transmitted the Convention on Anti-Doping in Sports without any amendment during the 5<sup>th</sup> Session of the First Parliament to the National Council. The National Council deliberated on it during the 6<sup>th</sup> Session and transmitted back to the National Assembly with few amendments only in the Dzongkha text. Furthermore, the National Assembly deliberated on it during the 7<sup>th</sup> Session of the First Parliament and ratified it on June 8, 2011

corresponding to 7<sup>th</sup> Day of the 4<sup>th</sup> Month of the Iron Female Rabbit Year.

**SALES TAX, CUSTOMS & EXCRISE (AMENDMENT)  
BILL 2011**

The National Assembly re-deliberated Sales Tax, Customs and Excise (Amendment) Bill 2011 on 30<sup>th</sup> June, 2011 and adopted it on 7<sup>th</sup> July, 2011 with the following amendments:

**General Preliminary Section 2 (19)**

Retain as in the Bill

**New Insertion Section 2(20 Ka)**

Exempted Goods means goods which are exempt from either duty or tax or both leviable thereon, and ~~includes~~ **include** goods which are chargeable to “Nil” rate of duty or tax.

**New Insertion Section 2 ( 20 Kha)**

National Council recommendation not endorsed.

**New Insertion Section 2(43 Ka)**

Rules- means the Rules framed by the Ministry of Finance in accordance with **this Act** ~~the power vested to it by the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000 to implement its provisions.~~

**Part I Chapter 2 (Section 2)**

National Council recommendation not endorsed.

**Chapter 3 (Section 4.2)**

The fixation of rates of Sales Tax and any revision thereof, and the range of commodities and services under the Sales Tax Schedule shall be approved by the Royal Government of Bhutan **without the need for further authorization.**

**Chapter 5 (Section 7)**

Retain as in the Bill.

**Part II Chapter 2 (Section 3)**

National Council recommendation not endorsed.

**Chapter 4 (Section 6.1)**

Customs Tariff and revision thereof shall be approved by the Royal Government of Bhutan **without the need for further authorization.**

**Chapter 7, Sub-title of Section 17**

National Council recommendation not endorsed.

**Chapter 7, Section 20.2**

License/permits for clearing and forwarding agents may be issued by the **relevant Ministry.** ~~of Economic Affairs Trade and Industry on recommendation of the Ministry.~~

**Title of Chapter 10**

Retain as in the Bill

**Chapter 10, Sub-title of Section 33**

Retain as in the Bill

**Chapter 10, Section 33.1**

~~Sale or transfer of vehicles and other goods imported or purchased under exempt basis by persons shall liable to pay customs duty, taxes, fees and charges.~~

**Chapter 10, Section 33.3**

The sale or transfer of duty/tax exempted vehicles and other goods **either** by an exempted person **or imported or purchased under exempt basis**, whether through public auction or tender, the buyer if not a ~~privileged~~ person **entitled to exemption**, shall pay the customs duty, taxes, fees and charges.

**Chapter 10, Section 33.5**

National Council recommendation not endorsed.

**Chapter 10, Section 34**

National Council recommendation not endorsed.

**Chapter 11, Section 35 (Ga)**

National Council recommendation not endorsed.

**Part III, Chapter 3, Section 3**

National Council recommendation not endorsed.

**Chapter 3, Section 4.1**

Rates of Excise duty on excisable goods shall be fixed and revised by the Royal Government **without the need for further authorization.**

**Chapter 4, Section 6**

Retain as in the Bill

**Chapter 7, Section 13**

*Illicit* goods manufactured, imported, exported, sold ~~and~~ **or transported transferred** may be confiscated along with the container or equipment.

**General Provisions, Chapter 1, Sub-title of Section 5**

**Refund of ~~tax or duty paid~~ Tax, Duty, Fees or Charges**

**Chapter 1 , New Insertion Section 5.3**

Where duty or tax or **fees or charges** has been wrongly or erroneously levied or paid, the excess amount so paid shall be refunded or adjusted against outstanding taxes due to the Government if any.

**Chapter 3 , Section 7.2**

Where an officer of the Department has reason to believe that the goods have been illegally imported or **exported and or transferred**, the officer shall have power to detain the goods, conveyance and person for further enquiry.

**Chapter 4 , Section 16 (Ka, Kha, Ga and Ja)**

Amended in Dzongkha

**Chapter 4 , Section 16 (Tha)**

~~who~~ fails to comply with any provisions of this Act and rules thereof

**Chapter 6 , Section 21.3 (Kha)**

One from Ministry of **Economic Affairs** ~~Trade and Industry~~;

**Chapter 6, New Insertion Section 24.2**

Any waiver granted under section 24.1 shall be annulled if the appellant pursues the same contention ~~at~~ **with** a higher appeal body or a Court of Law.

**Chapter 7, New Section 25.2 (Cha)**

Withholding the imports and exports of the ~~entity or~~ person or its sister concerns; and/or

**Chapter 9, New Insertion Section 40**

The Department may levy fees and charges as it ~~thinks~~ **deems** fit for any services rendered by it to any person under the

provisions of this Act and it may require such fees and charges to be paid in advance of the service being rendered.

**Chapter 9, New Insertion Section 42**

The Ministry of Finance shall initiate, formulate and present to the Parliament any amendment necessary to this Act.

**THE ELECTION (AMENDMENT) BILL 2011**

The Election Amendment Bill 2011 was re-deliberated in the National Assembly and adopted as follows:

**Section 41**

~~The Election Commission shall have full authority over all aspects of its financial and personnel management.~~ **The Commission shall determine its organizational structure in consultation with the Royal Civil Service Commission and administer it independently.**

**New Section after Section 41**

**41A. The Commission shall have independence and powers to regulate appointments, management and dismissal of its staffs other than a Member in accordance with the Civil Service Act.**

**41B. The State shall, make adequate financial provisions for the independent administration of the Commission as a part of annual national budget.**

**Section 158 A  
State Funding**

**The ruling party and the opposition party may receive fund from the state to maintain their party machineries and the amount shall be determined by the Government in consultation with the Election Commission.**

**Proviso of Section 206**

~~Provided that the disqualification under sub-section (d) shall cease to operate after the lapse of one year from the date of acceptance of the application of resignation or removal from the membership of a political party and such resignation or removal shall be immediately notified by the concerned party office in the print media with a copy submitted to the Election Commission.~~

**New Section after Section 581**

**581 A. The Commission shall submit an annual report to the Druk Gyalpo, the Prime Minister and Parliament on its policy, performances and conduct of elections.**

**581A** The Commission shall, **after each election**, submit a ~~an~~ ~~annual~~ report to the Druk Gyalpo, the Prime Minister and Parliament on its policy, performances and conduct of elections.

### **PUBLIC FINANCE (AMENDMENT) BILL 2011**

The Public Finance (Amendment) Bill, 2011 was deliberated by the National Assembly on July 6, 2011 and adopted the Bill as follows:

#### **Section 2**

Supersede ~~all~~ **provisions of any** laws, regulations, rules and notifications that are inconsistent with the provision of this Act, ~~except the Constitution of the Kingdom of Bhutan~~, or as otherwise specified herein.

#### **Section 9**

Retain as in the Bill

#### **Section 10**

Retain as in the Bill

#### **Section 13**

Retain as in the Bill

**Section 14(b)** ~~Proposing taxation measures to the Parliament, and for raising other revenues and other resources for the Government in accordance with laws made by Parliament;~~

**Section 23 (b)**

The responsibilities of the Ministry of Finance shall include: - implementing the budget process including preparing the Budget Policy and Fiscal Framework Statement, the budget, the **budget and** Appropriation Bill and other relevant materials;

**Section 41**

Not accepted

**Title of Chapter 4**

Not accepted

**Section 46 (c)**

Retain as in the Bill

**New section after section 46**

Not accepted

**Section 47**

Retain as in the Bill

**Section 48**

Retain as in the Bill

**Section 49**

**New Insertion**

**The Budget, after being passed by the National Assembly shall be presented to the National Council by the Finance Ministry.**

**The National Council may within a period of five days from the date of its presentation by the Finance Ministry, transmit its recommendations to the National Assembly. The National Assembly may thereupon either accept or reject all or any of the recommendations of the National Council and approve the Budget.**

**If no recommendations are received by the National Assembly from the National Council within the said period, the approved Budget and its appropriations shall be put into effect.**

**Section 50**

Retain as in the Bill

**Section 51**

Retain as in the Bill

**Section 52**

Retain as in the Bill

**Section 53**

Retain as in the Bill

**Section 56**

Retain as in the Bill

**Section 57**

Retain as in the Bill

**Section 58**

Retain as in the Bill

**Section 59**

Retain as in the Bill

**Section 60**

Retain as in the Bill

**Section 61**

Budgetary bodies shall expend public money only in accordance with an appropriation under the Budget and Appropriation Act.

**Section 62**

No budgetary body shall carry out activities for which there is no provision in the Budget and Appropriation Act or other lawful authority.

**Section 63**

No budgetary body shall make commitments that have financial implications beyond the limits authorized by the Budget and Appropriation Act.

**Section 64**

Retain as in the Bill

**Section 66**

Retain as in the Bill

**Sub title before Section 106**

Not accepted

**Section 107**

Not accepted

**New section after section 112**

Retain as in the Bill

**Section 113**

Retain as in the Bill

**Section 122**

Not accepted

**Section 146**

**Except for money under Section 139 (d), no ~~No~~ person shall have any right of action against the Government or any agent of the Government in respect of any investment or non-investment of any money to which this Section relates.**

**New section after Section 172**

**Other fees and levies may be introduced or revised from time to time by the agencies as per the provisions of the respective laws. Where no laws exist, fees and levies may be introduced or revised with the approval of the Government.**