

# PARLIAMENT OF BHUTAN



## PROCEEDINGS AND RESOLUTIONS (TRANSLATION) OF THE ELEVENTH SESSION OF NATIONAL COUNCIL OF BHUTAN

(6<sup>th</sup> to 24<sup>th</sup> Day of the 8<sup>th</sup> Month of the Water Female Snake  
Year Corresponding to 11<sup>th</sup> – 28<sup>th</sup> September 2013)



## Content

<b>A</b>	<b>Proceeding of the Opening Ceremony.....</b>	<b>1</b>
<b>B</b>	<b>His Majesty The Druk Gyalpo's Address .....</b>	<b>1</b>
<b>C</b>	<b>Hon'ble Chairperson's Opening Address .....</b>	<b>3</b>
<b>D</b>	<b>Vote of Thanks .....</b>	<b>5</b>
<b>E</b>	<b>Policy related Issues</b>	
1	Recommendations for Renovation and Replacement of Valued Artifacts .....	6
2	Legality of Limiting Mining Activities by <i>Dzongkhag Tshogdu</i> (DT) within its Geographical Jurisdiction .....	8
3	Follow-up Report on Impact Assessment of Mining Activities .....	10
4	Changjiji Trowa Theatre Land Case .....	14
5	Review of Performance Audit Report on Constituency Development Grant (CDG) .....	17
6	Presentation of the Annual Anti-Corruption Commission Report 2012 .....	21
7	Report on the Eleventh Five Year Plan (2013-2018)	26
<b>F</b>	<b>Legislative Issues</b>	
1	Introduction of the National Budget and Appropriation Bill for the Fiscal Year 2013-2014, and Supplementary Budget Bill for the Fiscal Year 2012-2013 .....	33
<b>G</b>	<b>Any Other Business</b>	
1	Issue of Township Development in relation to Power Projects .....	44
2	Issues related to distribution of Acts .....	47

3	Issues related to shortage of LPG and Kerosene .....	47
4	Issues related to engagement of public officials on Boards & Committees .....	48
5	Motion to amend the National Council Act of the Kingdom of Bhutan 2008 .....	49

**H Question Time**

1	Hon'ble Minister for Agriculture & Forest .....	50
2	Hon'ble Minister for Home & Cultural Affairs .....	51
3	Hon'ble Minister for Finance .....	51

**I Closing Ceremony**

1	Hon'ble Chairperson's Closing Address .....	52
---	---------------------------------------------	----

**Proceedings and Resolutions (Translated) of the  
1<sup>st</sup> Session of the National Council of the  
2<sup>nd</sup> Parliament of Bhutan**

*(Wednesday, 11<sup>th</sup> September 2013 corresponding to the 6<sup>th</sup>  
Day of the 8<sup>th</sup> Month of Water Female Snake Year of the  
Bhutanese Calendar)*

**A Proceeding of the Opening Ceremony**

His Majesty the Druk Gyalpo graced the opening ceremony of the First Session of the National Council of the 2<sup>nd</sup> Parliament of Bhutan on 11<sup>th</sup> September 2013 corresponding to the Sixth Day of the Eighth Month of Water Female Snake Year of the Bhutanese Calendar. The ceremony began with *zhugdrel phuensum tshogpai tendrel*.

**B His Majesty The Druk Gyalpo's Address**

His Majesty the King expressed His happiness for being able to come and address the National Council. He offered His *Tashi Delek* to all the members of the august house.

His Majesty the King said that while taking the responsibilities as King in 2006 at the age of 26, He was worried as He was very young and inexperienced. In keeping with the advice of His Majesty the Fourth Druk Gyalpo to discharge His responsibilities, that would be recorded in the annals of history, without fail, His Majesty the King said that He had emphasized at every public gathering that while working on good governance, democracy, five year plans, local government and parliament which were national goals, challenges and obstacles were bound to arise. And yet from the times past, the visionary and dedicated works of the successive monarchs, the Fourth King, the civil servants and the people had contributed to bequeathing a strong

Kingdom of Palden Drukpa to the present generation. His Majesty the King, therefore, expressed His concern as to how He could be able to handover a stronger and more vibrant nation to future generations.

Having ruled as the king for the last eight years, His Majesty the King said that He was aware of the people of Bhutan possessing unparalleled knowledge, skills, competence, faith, discipline, patriotism, conscience and ability to uphold *tha damtsi* and *ley jumdrej*. There was nothing that they did not know or could not do. It was just a matter of whether or not those attributes were put to proper use. Therefore, His Majesty the King emphasized that, henceforth, it was important for all Bhutanese to make the best use of their abilities to serve the nation.

His Majesty the King cautioned the members of the National Council of the 2<sup>nd</sup> Parliament of Bhutan that as they took up their responsibilities, they should bear in mind the differences between good and bad, dos' and don'ts, and personal interest and national interest in addition to adhering to the Council's rules and procedures. Further, bearing in mind the future of the country, He said that it was important for the members of the Executive, members of the National Council, and others who held high positions including His Majesty the King himself to be role models for good behavior and conduct. His Majesty expressed His hope that the National Council members would work with commitment in their five year tenure and bring forth the promised results in a professional manner.

His Majesty the King also congratulated the former National Council members for carrying out their mandates successfully in the very first Parliament despite various challenges. His Majesty the King

expressed His hopes and prayers that the present members of the National Council would be able to serve the nation even better than the erstwhile National Council of Bhutan.

### **C Hon'ble Chairperson's Opening Address**

The Chairperson thanked His Majesty the King for presiding over the opening ceremony of the National Council of the 2<sup>nd</sup> Parliament of Bhutan and for His Address. The Chairperson said that the Election Day of the Second National Council, the election of the Chairperson and Deputy Chairperson, and the first plenary meeting of the National Council were heralded by auspicious signs, one such fortunate occasion being the members receiving *Dakyen* from His Majesty the King on the sacred day of *Duechen Nga Zom*.

The Chairperson acknowledged the importance of the National Council to serve without bias and to always remain apolitical as emphasized by His Majesty the King during the opening address as well as during the time of receiving *Dakyen* in the Throne room. He said that some of the important tasks at hand were to review government policies and conduct research to resolve issues pertaining to the economy and hydropower, and to tackle issues of corruption in the larger interest of the country's sovereignty, security and societal harmony, peace and happiness.

Likewise, he also outlined some of the other issues such as the human wildlife conflict, *sokshing and tsamdro*, rural-urban migration and abandoned rural homes, scarcity of drinking water, *chipon* related concerns, vandalism of *chortens* and *lhakhangs*, decline in enrollment of nuns and monks, and rural loan schemes that required urgent attention of the House. Since the

issues outlined were of national importance, he expressed his hope that the government would take appropriate measures to deal with them as per their prioritized plans and programmes. He said that the members of the National Council, after consulting the people in their respective constituencies and understanding their concerns and problems, would review laws and policies concerning the issues.

The Chairperson said that based on issues outlined above, the agenda for the first session of the National Council of the 2<sup>nd</sup> Parliament would have eight components of national concerns, such as the Eleventh Five Year Plan and Budget Report, Annual Reports on the Constituency Development Grant (CDG) by Anti-Corruption Commission and Royal Audit Authority; issues pertaining cost benefit analysis from mining and minerals, human wildlife conflicts, *sokshing* and *tsamdro*, and widening gap between rich and poor. He said that Question and Answer sessions with government ministers would be an important part while deliberating on the issues.

The Chairperson thanked the Government of India, donor countries and other international development partners for their generous support for the 11<sup>th</sup> FYP. He thanked His Holiness the Je Khenpo, monks of the Zhung Dratshang, and heads and members of various religious bodies for performing sacred *kurims* and prayers for unimpeded peace and progress in the country. In addition, the Chairperson conveyed his appreciation to the civil servants and the local government leaders for successfully carrying out their executive responsibilities, the judiciary for the effective administration of justice, and the four wings of the military under the far-sighted leadership of His Majesty



the King, for maintaining peace and security in the country.

In closing, the Chairperson prayed for the successful conclusion of the order of business of the First Session of the National Council of the 2<sup>nd</sup> Parliament by the blessings of *Koenchog Sum* and guardian deities, prayers of the religious bodies, profound guidance of His Majesty the King and the Fourth Druk Gyalpo, contributions made by the civil servants and local governments, and by the unwavering support of the people of Bhutan. He offered his prayers for the continued good health, longevity and successful accomplishments of noble deeds of His Majesty the King, Her Majesty the *Gyaltsuen*, the Fourth Druk Gyalpo, Members of the Royal Family, and all the acclaimed masters of the spiritual traditions in Bhutan headed by His Holiness the Je Khenpo.

## **D      Vote of Thanks**

Hon'ble Kuenlay Tshering thanked His Majesty the King for visiting the National Council and for His profound address. He also thanked the successive monarchs for ushering Bhutan into constitutional democracy. He, on behalf of the National Council members, vowed to carry out the mandates of review and legislation through cooperation and consensus. He emphasized that quality of laws passed must take precedence over number of legislations enacted.

Similarly, the Hon'ble Member of Samtse Dzongkhag offered gratitude to His Majesty the King for carrying out a number of significant activities, one such being the gracious grant of land and citizenship *kidu* to the people. He offered prayers for the continued good health and long life of His Majesty the King and Members of the

Royal Family. He expressed his hope that the people of Bhutan would continue to enjoy the fruits of Gross National Happiness.

The Deputy Chairperson thanked His Majesty the King for visiting and presiding over the opening session of the National Council. He pointed out that, during uncertain times in a democracy, the institution of the monarchy remained the fountain-head of peace, stability and security.

*(Thursday, 12<sup>th</sup> September 2013 corresponding to the 7<sup>th</sup> Day of the 8<sup>th</sup> Month of Water Female Snake Year of the Bhutanese Calendar)*

## **E Policy related Issues**

### **1 Recommendations for Renovation and Replacement of Valued Artifacts**

The Chairperson of the Social & Cultural Affairs Committee (SCAC) presented that our forefathers had built the *chortens* for the benefit of sentient beings, and they were regarded by the devotees as very important. However, some *chortens* had been ruined due to natural disasters such as floods and earthquakes, as well as acts of vandalism by people out of greed.

It was pointed out that although affected communities were willing to renovate those ruined *chortens* by pooling community resources and local labour, renovation could not be carried out due to lack of proper renovation rules and guidelines and budget constraints for *zung*. Therefore, the Committee proposed for renovation fund for damaged *Chortens*, but not for building new ones, to the government for consideration.

According to the information received from the Department of Culture, Ministry of Home & Cultural Affairs and the Royal Bhutan Police, it was reported that out of the total of 8462 *chortens* in the country, the highest number of vandalism and deterioration of *chortens* occurred in Mongar, Trashigang and Pemagatshel, while Sarpang, Tsirang and Samtse had the lowest cases. According to the list of vandalized *chortens* maintained by the Royal Bhutan Police, between 2008 until 2012, there were 761 cases of vandalism and 53 offenders were apprehended out of which 30 suspects had been sent to courts. It was reported that most vandalism took place on important and old *chortens*.

The Committee presented the importance and benefits of *chortens* in the country and root causes of vandalism to the House. The Committee submitted that while there was a need to think over how to renovate deteriorated *chortens*, it was equally important to take preventive measures to preserve undamaged ones.

The National Council, after acknowledging the concerns of the people to safeguard the sacred structures, resolved to submit the following recommendations to the government for renovation of ruined and vandalized *chortens*, and preservation of undamaged ones:

- i. Government to consider possibility of disbursing funds to the local governments for procurement of *zung*s for the renovated *chortens*;
- ii. *Gewog* to organize donation and charity events to garner support from donors, social organizations and other entities willing to renovate *chortens*;
- iii. Need to outline preventive measures to protect undamaged *chortens* from vandalism;

- iv. *Gewogs* to coordinate identifying and prioritizing *chortens* that need renovation;
- v. Respective communities to support renovation efforts through contribution of labour and local resources;
- vi. Feasibility of setting up CCTV and surveillance equipment at important *chortens* to be taken up;
- vii. Ministry of Home & Cultural Affairs to come up with renovation rules, guidelines and approval mechanisms as soon as possible;
- viii. Department of Culture to maintain a record of all types of *chortens* in the country, list of vandalized structures, list of structures that have deteriorated over the years being exposed to vagaries of nature, and list of renovated *chortens* vandalized. The information should be made available to concerned agencies at any time and copy submitted to the Social & Cultural Affairs Committee (SCAC) of the National Council; and
- ix. Need to conduct awareness programme on benefits of circumambulating and renovating *chortens* as well as penalties and imprisonment for vandalism.

*(Friday, 13<sup>th</sup> September 2013 corresponding to the 8<sup>th</sup> Day of the 8<sup>th</sup> Month of Water Female Snake Year of the Bhutanese Calendar)*

## **2 Legality of Limiting Mining Activities by Dzongkhag Tshogdu (DT) within its Geographical Jurisdiction**

Upon review on the legality of the *Dzongkhag Tshogdu* at limiting mining activities within their geographical jurisdiction by Natural Resources & Environment Committee (NREC) of the National Council, it was pointed out that although there were no issues on

authority, there was a lack of coordination among the different agencies. Moreover, there were discrepancies in the provisions of different laws such as the Environmental Assessment Act 2000, the National Environment Protection Act 2007, the Land Act of Bhutan 2007, and the Local Government Act 2009 that needed to be reviewed.

Since the majority of Bhutanese who do not benefit from the national asset like minerals and stone quarries were worried, some of the Hon'ble Members expressed that the issue was not on the discrepancies in the provisions of relevant laws but on the non-implementation of those laws. Some members argued that due to enactment of laws at different times, there was a need to review and update the laws to benefit the public at large. It was mentioned that there was a need to review legal procedure for issuance of permits and their recognition thereafter.

Based on the motion moved by the Natural Resources & Environment Committee (NREC) of the National Council and endorsed by the House to provide greater clarity in the interpretation of relevant legislations such as Sections 5, 10 and 19 of the Mines & Minerals Management Act of the Kingdom of Bhutan 1995 and Section 51(d) of the Local Government Act of Bhutan 2009, a joint meeting between the Legislative Committee and the Natural Resources & Environment Committee, and attended by Hon'ble Member of Zhemgang Dzongkhag, was conducted. Following observations were presented to the House for endorsement:

- i. There was no conflict in the legal interpretation of provisions of those two legislations. In fact, the two legislations supplemented and complemented

each other for proper functioning of concerned agencies;

- ii. The Dzongkhag Tshogdu had no authority to impose blanket restriction on mining activities within their geographical jurisdiction. However, they had the authority either to issue or deny clearance in consultation with public; and
- iii. The Ministry of Economic Affairs had the authority to issue Mining License based on the clearance issued by the Dzongkhag Tshogdu (DT). However, the Ministry did not have the right to order Dzongkhag Tshogdu to issue clearance should Dzongkhag Tshogdu decide not to issue clearance for environmental and social reasons.

### **3 Follow-up Report on Impact Assessment of Mining Activities**

The issue of mining and its impact was deliberated during the 9<sup>th</sup> session of the National Council of the 1<sup>st</sup> Parliament of Bhutan, and resolved to report after thorough review at the 10<sup>th</sup> session. In line with the aforementioned resolution, at the 10<sup>th</sup> session, the House deliberated in detail on the report and agreed on eight major resolutions. Those eight resolutions were communicated to the concerned agencies for implementation. On the implementation status of those resolutions, the Natural Resources & Environment Committee (NREC) of the National Council of the 2<sup>nd</sup> Parliament of Bhutan had reviewed and a follow-up report was presented to the House.

The follow-up report entailed acceptance and implementation of key resolutions of the 10<sup>th</sup> session, and three major recommendations from the Natural

Resources & Environment Committee (NREC). Firstly, as per the resolutions of the 10<sup>th</sup> session on geo-mapping of mineral deposits in the country, community economy from mining and its impact, authority over mines, and other related matters, Ministry of Economic Affairs, Ministry of Finance and National Environment Commission were consulted as a follow up, and following issues highlighted, thereafter:

- i. Under point 1, Department of Geology and Mines proposed to carry out geo-mapping of mineral deposits in the country. On this decision, Natural Resources & Environment Committee (NREC) corresponded with the Ministry of Economic Affairs in writing. It was reported to the House that due to disregard for the decisions of the highest legislative body in the country, the proposed mapping was not carried out;
- ii. Under point 2, it was clarified to the House that the National Environment Commission was to review the relevant laws and report during the second session on the accountability for failing to observe, monitor, and evaluate the mining activities on lease;
- iii. Under point 3, it was reported that the Department of Geology and Mines, Ministry of Economic Affairs, had not indicated the need to review laws, policies and guidelines relating to judicious use of mines and stone quarries, till date;
- iv. Under point 4, the House was informed of the proposal by the concerned agencies for conducting a cost-benefit analysis on mines and stone quarries by either the Natural Resources &

Environment Committee (NREC) or an Ad hoc Committee under the National Council to ensure fairness and justice;

- v. Under point 5, the House was notified on the requirement of time extension by the National Environment Commission for observing, investigating and conducting programmes on sustainability of mining and quarrying activities;
- vi. Under point 6, the Committee reported to the House that the Department of Revenue and Customs, Ministry of Finance could not provide direct information on Commercial Income Tax (CIT) deducted at source except for those payments of taxes as per bank statements of mining companies. Thus, it was proposed that tax related issues be carried out during study on cost-benefit analysis of mining activities; and
- vii. Under point 7, the House was informed that while the above points were being considered for incorporation in the annual report, the matter concerning revocation of permit under point 8 must be decided by the government.

On the above issues, most of the Hon'ble Members expressed their concern that although mineral resources were vital assets of the country and its people, only few people benefitted from such resources. Hence, the Members urged that not only the resolutions of the National Council must be given due acceptance by the government ministries and agencies, but they must find ways and means to ensure that such problems did not arise in future.



Recognizing that mineral resources were the properties of the state that must be used in the most judicious manner for the benefit of the country and its people for all times to come, and acknowledging the fact that a comprehensive study of the sector was necessary for making any subsequent decisions on the future direction of mining and quarrying activities in the country, the National Council resolved to submit the following recommendations and decisions to the ministries and agencies concerned:

1. To institute an ad hoc Committee in the National Council to conduct a comprehensive cost-benefit analysis of the mining and quarrying sector with special focus on the social, economic and environmental impacts of mining and quarrying in the country. Based on the outcome of that study, the Government would be recommended to conduct a detailed geo- mapping of the country's natural resources;
2. To recommend the Government to refrain from issuing mining and quarrying licenses to FDI companies till the completion of the above study; and
3. To recommend the Royal Audit Authority to conduct a Performance Audit on tax of mining and quarrying sector to support the study of the ad hoc committee.

*(Tuesday, 17<sup>th</sup> September 2013 corresponding to the 13<sup>th</sup> Day of the 8<sup>th</sup> Month of Water Female Snake Year of the Bhutanese Calendar)*

#### **4 Changjiji Trowa Theatre Land Case**

A report on the Chang Jiji Trowa Theatre land case was presented by the Public Accounts Committee (PAC) and deliberated for the first time in the 7<sup>th</sup> session of the First National Council. Thereafter, it was re-deliberated in the 9<sup>th</sup> session during which it was resolved to investigate whether the issue involved policy corruption. Based on the Anti-Corruption Commission Report that there was no policy corruption, the National Council again discussed on the issue during its 10<sup>th</sup> session and resolved to ask the National Land Commission conduct a thorough investigation and present its report during the 1<sup>st</sup> session of the 2<sup>nd</sup> Parliament of Bhutan.

The Good Governance Committee (GGC) of the National Council, while following up on the resolution, found that the National Land Commission had formed a Dispute Settlement Committee (DSC) to resolve the issue. The Dispute Settlement Committee had sent a twelve point decision to be followed by Ministry of Works & Human Settlement. The Good Governance Committee presented some of the important ones to the House as follows:

- i. Revoke the proposal to sell the government land on which Trowa Theatre was built to a private individual;
- ii. National Housing Development Corporation (NHDC) to execute transfer of lease as per the approval by the Minister;

- iii. As per Land Act of Bhutan 2007 and Rules and Regulations for Land Lease 2009, Ministry of Works & Human Settlement to sign a Lease Agreement with the new leasee effective from 1<sup>st</sup> July 2001 for a period of twenty-five years;
- iv. Lease rate to be Nu. 2 per sq. ft for the period from 1/7/2001 to 31/12/2005 and Nu. 20 per sq. ft for the period from 1/1/2006 to 30/6/2009, and 1/7/2009 onwards;
- v. From 1/1/2006 onwards, no penalty to be charged as there was no lease agreement;
- vi. New leasee to pay pending dues till date within thirty days from the date of this decision;
- vii. Lease agreement to be drawn between Ministry of Works & Human Settlement and the new leasee, and the *thram* to be accordingly transferred under National Housing and Development Corporation; and
- viii. If the two parties concerned could not agree on the decisions of the Dispute Settlement Committee, appeal to the Court within 60 days.

Although, the Dispute Settlement Committee had taken out its decisions on the above issue and conveyed the same to Ministry of Works & Human Settlement, the National Land Commission had not received any compliance report from the ministry. Considering the importance of the issue and the time taken, the House directed the Good Governance Committee to directly contact Ministry of Works & Human Settlement in order to resolve the problem.

As directed by the House, the Good Governance Committee followed up with Ministry of Works & Human Settlement to find out the status of implementation of the Dispute Resolution Committee's decisions after which a special meeting was held. Upon thorough discussion, the members noted the following:

1. All the applicable dues amounting to Nu. 13,99,144.32 were recovered from the new lessee within 30 days of issuance of decisions of National Land Commission Secretariat;
2. Accountability was already fixed on the official concerned;
3. A new lease agreement was executed between the new lessee and the ministry for 30 years with effect from 1st January 2013 as opposed to Dispute Settlement Committee's decision point no. (iv) which stated, "The lease term of 25 years shall start from the date of initial lease, i.e., 1/7/2001";
4. The actions taken by the ministry was conveyed to the National Land Commission Secretariat on 2nd April 2013. However, upon verbal inquiry, it was confirmed that the National Land Commission Secretariat had not received the letter; and
5. Despite six months had passed since the Dispute Settlement Committee's decisions were conveyed to the Ministry of Works & Human Settlement for necessary action, the National Land Commission Secretariat had apparently not followed up with the ministry.

The National Council, after thorough deliberation on the Trowa Theater land related case, resolved to submit the

following recommendations to the ministry and commission concerned:

1. Expressing its concern that the Ministry of Work & Human Settlement had not abided by the Dispute Settlement Committee's decision on the lease period of Changjiji Trowa Theater land which should have been for 25 years with effect from 1/7/2001; and
2. Noting that the National Land Commission had not followed up with Ministry of Works & Settlement on the implementation status of the Dispute Settlement Committee's decisions;

Hereby, resolve that the National Land Commission must immediately ensure that Ministry of Works & Settlement adhere to the above decisions of the Dispute Settlement Committee.

## **5 Review of Performance Audit Report on Constituency Development Grant (CDG)**

On the decision of the former government of *Druk Phuensum Tshogpa* (DPT) to grant Ngultrum 2 million each to their respective constituencies as Constituency Development Grant (CDG) in 2008 and 2009, the National Council had expressed its reservations because even if the grant benefitted the people which merited support, the way it was granted was in direct contravention to the provisions of the Constitution of Bhutan. Considering the bitter experiences of other countries, the National Council also felt that it would create problems in future parliamentary elections as well as open up avenues for Members of Parliament to influence grant-driven projects.

However, after developing a procedure for the grant, it was implemented in various constituencies. The Royal Audit Authority had conducted a CDG Performance Audit and taken out a report. Upon reviewing the report by the Good Governance Committee (GGC) of the National Council, it was found that although the grant benefited the development of local communities, there were lapses in the use of funds, particularly, in the construction of unsustainable farm roads undertaken as per the decisions of *Gewog Tshogdes*. The lapses occurred mainly due to non-participation of people in the decision-making process and lack of awareness on allocation of grant and related projects to the people.

It was also presented that due to lack of understanding of the purpose for which CDG was established, the grant had burdened the *Dzongkhag* and *Gewog* officials with extra responsibilities leading to purchase of unnecessary equipment for the communities and causing additional difficulties in maintaining proper records. In general, there were lapses in using the grant as the accounts of the Department of National Budget, Department of Public Accounts and *Dzongkhag* administrations did not tally. In addition, it was also reported to the House that as per the investigation by the Anti-Corruption Commission, there were risks of grants being misused due to lack of clear roles in the use of the fund between the members of National Assembly and users of the grants.

The Good Governance Committee (GGC) pointed out that despite the use of the grant in contradiction with the CDG Rules 2009 by the members of National Assembly, the Royal Audit Authority had issued Audit Clearance Certificate to them by ignoring the lapses. The Committee proposed the use of CDG be discontinued, henceforth, since it was found to be

unproductive due to non-prioritization of public budget. The Committee proposed that the Royal Audit Authority be made accountable for follow up on the performance audit. The Committee also highlighted the need to strategize and allocate budget as per requirement to ensure judicious use of limited public resources.

Most of the members said since the grant contradicted with the provisions of the Constitution and there were several lapses in its use by the former government, the grant be discontinued henceforth. Similarly, based on the lapses identified, accountability on performance audit had to be fixed like in any general audit and to, once again, coordinate a special audit on the lapses identified.

Acknowledging that the implementation of CDG might have breached the Constitutional provision on separation of power among the three branches of the State - as the legislation had encroached upon the functions of the executive;

Noting that the fund was susceptible to misuse by the members of Parliament leading to gaining unfair political mileage and creating disharmony in the society at the cost of scarce public resources;

Considering that lapses were more at the implementation level than at the policy level;

Recognizing that development needs differed from gewog to gewog depending on the poverty situation, population size, geographical location, etc;

Being mindful of the fact that country's financial resources were scarce;

Realizing that an increase in fund allocation would increase the volume of development activities at the local government level thereby creating strain on limited manpower;

Noting that accountability should have been fixed on members of National Assembly since they were the ultimate authority for approving the project proposals;

Now, therefore, attention of the Government is called on the following for consideration:

1. The Government, hereafter, must not consider implementing the CDG in the manner and form that it was implemented;
2. Where funds were to be allocated as grants to the Local Government, Member of Parliament must not be involved in project approval and fund disbursement;
3. Comprehensive guidelines be established and clear delineation of responsibility and accountability be fixed where funds were to be allocated as grants to the local governments;
4. Where funds were to be allocated as grant to the local government, allocation must be according to the development needs of such governments;
5. Fund must be utilized based on:
  - Activities which would bring maximum socio-economic benefit to the community; and
  - Activities which were of absolute necessity, identified after discussing with the local community.



6. Strengthening of the human resource capacity in the local governments; and
7. The Royal Audit Authority to consider fixing of accountability on concerned individuals in performance auditing. If such a thing was not possible, where the performance auditing indicated severe case of mismanagement and lapses, it must be immediately followed up by compliance auditing.

*(Wednesday, 18<sup>th</sup> September 2013 corresponding to the 14<sup>th</sup> Day of the 8<sup>th</sup> Month of Water Female Snake Year of the Bhutanese Calendar)*

## **6 Presentation of the Annual Anti-Corruption Commission Report 2012**

The Good Governance Committee (GGC) of the National Council, after having reviewed the Annual Anti-Corruption Commission (ACC) Report 2012 made a presentation to the house in two chapters – one on the past achievements of the ACC and the second on recommendations for deliberations in the house. Firstly, in accordance with the resolutions passed by the Parliament on institutional development of the ACC and three proposed measures for Commission's organizational growth to fight corruption, the report looked into whether the parliamentary decisions had been follow up or not, and on the situation and challenges of corruption in the country. Secondly, it was reported that corruption occurred mainly in recruitment and selection for jobs, land allocation, management, contracting expatriates, politics and election, and due to lack of cooperation and coordination among the agencies.

It was reported that as per the 2012 report, the highest instances of corruption were in recruitment and selection for jobs with 33 percent followed by land related cases. Recognizing those cases as national concerns, the Anti-Corruption Commission had introduced Corruption Risk Management (CRM) and Integrity Diagnostic Tool (IDT) in various agencies as preventive measures. Further, the Anti-Corruption Commission was carrying out investigations, preventive measures, and public civic education and other awareness activities.

It was reported that out of the total 449 allegations of corruption, only 115 cases were found to be worthy of investigation. The ACC had begun investigation on 21 cases. Dispute complaints were mostly received from local governments with 18.71 percent followed by autonomous bodies with 12.92 percent and private sector 12.70 percent. Dzongkhag wise, Thimphu, Chhukha and Paro had most cases with 26.95, 8.69 and 8.02 percents, respectively, while Tashiyangtse and Gasa had the least with 1.56 and 1.11 percent, respectively.

Similarly, the Good Governance Committee (GGC) informed the House that the deepening corruption in recruitment and selection was due to improper implementation of relevant guidelines, rules and regulations, and the land related issues were due to illegal transfer of *thram* and misuse of authority by the local governments. In the case of taking expatriates on contract, it was found that there were no proper guidelines, rules and regulations consistent with the relevant laws. The lack of coordination between agencies was attributed to non-acknowledgement of the Anti-Corruption Strategy by most agencies and because of disagreement between Anti-Corruption Commission and

Office of the Attorney General during the *Gyalpoishing* land case.

Similarly, it was reported that most corruption cases were related to utilization of Constituency Development Grant (CDG) and giving various bribes to buy votes. Since such cases were not in keeping with the laws of the land, there were possibilities of problems arising within the communities in future thereby impacting on having strong and vibrant democracy.

In view of the above, the National Council, in particular, the Good Governance Committee (GGC), expressed its appreciation to the Anti-Corruption Commission for carrying out successful preventive measures against corruption in the country.

Recognizing corruption as a national concern, several members expressed their views for preventing and combating corruption in the country. The House was unanimous in supporting the proposal to review and amend relevant laws, guidelines, rules and regulations to iron out any inconsistencies and making them amenable for fighting corruption in the country.

After deliberating extensively on the Annual Anti-Corruption Commission Report 2012, the National Council resolved to submit the following recommendations and decisions to the government, commission and agencies concerned:

1. Corruption in recruitment and selection still persists despite the existence of sufficient guidelines, rules and regulations to ensure fair, objective and transparent recruitment and selection, making the public at large lose faith in the system;

2. The administrative directive issued by the Ministry of Labour and Human Resources requiring recruitment of foreign workers to be routed through the Foreign Worker Recruitment Agent was in conflict with the Labour and Employment Act 2007, which provided option for any person to do so upon the approval of the Chief Labour Administrator, and that the current foreign workers recruitment and administration system had several shortfalls in its implementation;
3. Lack of collaboration and cooperation between the institutions was one of the challenges faced in fighting corruption; and
4. Corruption was rampant at the local government level.

The National Council, bearing in mind the aforementioned points:

A. Call upon the attention of the Government:

1. That it ensures strict implementation of rules and regulations on recruitment and selection by the agencies, specifically on the following:
  - a. Merit based recruitment and selection should override family and social connections;
  - b. Effective mechanism to be put in place to fix accountability on the head of the agency, human resource officer, selection committee members; and
  - c. Declaration of conflict of interest to be strictly followed.

2. That it immediately rescinds the administrative directive issued by the Ministry of Labour & Human Resources requiring recruitment of foreign workers to be routed through the FRWA, as it was not in line with the provisions of the Act passed by Parliament.
  3. That it ensures officials involved in issuing labour permit did not abuse their functions;
  4. That it ensures implementation of the ACC's recommendations on the Foreign Workers Recruitment and Administration System (FWRAS) as indicated below:
    - a. Revisit the present rules and regulations and create awareness;
    - b. Conduct screening and skills testing of the foreign workers;
    - c. Fix accountability on the responsible agencies;
    - d. Examine the institutional capacity of FWRAS; and
    - e. Strengthen the process of repatriation of foreign workers and establish a system to detect illegal foreign workers.
  5. That it ensures enforcement of anti-corruption and integrity promotional measures in the agencies.
- B. Recommends the Anti-Corruption Commission to consider extending its complaint management services to the gewogs; and
- C. Resolves that the National Council shall:

- Review the Office of the Attorney General Act 2006;
- Conduct a thorough study on political and electoral corruption based on past experiences in order to identify and institute effective measures to curb corruption in elections; and
- Adopt Integrity Diagnostic Tool.

*(Thursday, 26<sup>th</sup> and Friday, 27<sup>th</sup> September 2013 corresponding to the 22<sup>nd</sup> and 23<sup>rd</sup> Days of the 8<sup>th</sup> Month of Water Female Snake Year of the Bhutanese Calendar)*

## **7 Report on the Eleventh Five Year Plan (2013-2018)**

On the Eleventh Five Year Plan, the Finance Minister reported that in addition to plans made by the former government as developmental goals of the ministries, sectors, agencies, and local government based on Gross National Happiness (GNH), the present government emphasized on devolution of power to the communities for equitable socio-economic development. He said that the Plan was developed recognizing the need to address the issues of poverty, rupee crunch, unemployment and current debt faced by the country. He added that the plan was intended to boost economic growth, to enhance quality of health and education services, and to minimize corruption.

The main goal of the Plan was to make the country self-sufficient by the year 2020 through equitable socio-economic development in communities with minimum environmental impact. The 16 developmental targets derived from the four pillars of the GNH as outlined by the minister were: 4 targets under community economic development, 2 targets for promotion of tradition and

culture, 4 targets under preservation of environment, and 6 targets for good governance.

To realize the aforementioned 16 developmental targets, a pilot economic development programme would be initiated by the government and support would be given to potential agencies. The 16 targets, when implemented, would help the country to achieve equitable socio-economic development and move away from its dependence on hydropower. It was also stated that plans and ideas were being mooted by the government for improving and setting up of necessary facilities for economic growth within communities.

It was reported that with the estimated domestic revenue of Nu. 139.816 billion and Nu. 58.638 billion from international donor grants, the total 11FYP budget outlay was Nu. 198.455 billion, which was 32 percent more than the 10<sup>th</sup> Plan. Of the total of Nu. 214 billion, 121.291 billion was for recurrent expenses and 92 billion for capital. The government had kept Nu. 675.200 million as loans to various corporations.

In order to meet the shortage of Nu. 15.511 billion, government would borrow Nu. 16.220 billion from international and regional financial institutions at interest rates not more than 2% and repayable over a period between 16 and 30 years. It was also informed that although the shortage of budget would be addressed, it was estimated that the country's debt would reach 259 billion by the end of 11<sup>th</sup> Plan, 80 percent of which being debt for hydropower projects. As per international norms, if export did not exceed 20 percent, then loans were considered as being repayable. Therefore, as the exports during the 11<sup>th</sup> plan would not be more than 17%, there would be no problem in the repayment of debts.

The House was informed that from the capital outlay of 92 billion in the 11<sup>th</sup> Plan, 67 billion was allocated to the central government, 20 billion to local government and 5 billion each to Town 'A' categories. At the central level, a large chunk of the budget was allocated to health, education, road and economic development activities; while at the local level, the capital fund allocated was mainly for procurement of power tillers and utility vehicles.

With regard to high recurrent and low capital expenditures in the 11<sup>th</sup> Plan, the members questioned whether the hydropower projects, urban development activities, and reduction of electricity taxes for industries and in rural areas would be properly monitored by the government. Likewise, the members enquired the merits of hydropower projects the government plans to implement on public private share holding basis. Other questions were raised on development plans for high altitude dwellers, setting up government offices in regional private houses, procurement of helicopters, security at Gelephu airport, and delay in the completion of planned activities of the first year of the 11<sup>th</sup> Plan since it started late and problems of settling accounts on time.

On the issue of high recurrent expenditure, the Minister for Finance clarified that it was due to continuation of spill over activities from the previous Plan and for increasing the salaries of civil servants and local government employees. On the issue of keeping low capital expenditure, he said that it was in keeping with the economic situation of the country. Unlike gewog funding, there would not be town development grants. With regard to delinking funds for development of hydropower projects from the 11<sup>th</sup> FYP activities, it was clarified that alternative disbursement system for the



hydropower projects would be initiated. It was also informed that the reduction and waiver of electricity taxes for industries and rural areas were being reviewed.

The minister informed the house about the plans to start high altitude tourism across the country. With regard to procurement of helicopters, he said that it was not included in the first fiscal year of the plan but would be procured according to need within the 11<sup>th</sup> Plan. Acknowledging the security issue at Gelephu Airport, he said that the Cabinet had tabled the issue for discussion. It was stated that although the implementation of the 11<sup>th</sup> Plan was delayed, there would be no time extension for either implementation of the activities or for settlement of accounts as it would lead to problems associated with the utilization of donor funds and established accounting procedures.

After extensive deliberation, the National Council resolved to submit the following recommendations to the government and agencies concerned:

### **Economy, page 5, Eleventh Five Year Plan Report**

- I. Although hydropower projects brought immense benefit to the country, there were also certain economic problems according to recent survey reports. It was recommended to carry out thorough consultations with the relevant institutions and agencies while drafting policies on the nation's economy and such policies were aligned with the economic and fiscal policies of the government, and the monetary policies of the Royal Monetary Authority.
- II. On the plans to start hydropower projects on public private share holding basis, it was

recommended to immediately review or enact relevant legislations to protect minority shareholders and prevent prominent shareholders to subsequently taking over such ventures as demonstrated by some non-hydropower entities.

### **Local Government Empowerment Programme (LGEP), page 13**

- III. Since Town 'A' in the country were under the local government, it was recommended that the government consider providing grant for Town 'A' development just like the grant for the Gewogs based on the government's policy and principle of *Wangtse Chirphel*.
- IV. On the government's pledges to provide utility vehicles and power-tillers to gewogs, it was recommended to introduce a comprehensive Users' Rules to prevent possible misuse and disputes from using those public utilities.

### **Economic Stimulus Plan, page 14**

- V. Since unlimited lending of money by the financial institutions caused rupee crunch in the country and blocking further loans caused inconvenience to public, it was recommended that the government identify and give priority to ventures that helped to promote export and tourism, reduce import, create employment and develop agriculture while giving loans from the fund of Nu. 5 billion earmarked for the purpose, in keeping with Section 203 (g) of the Financial Services Act of Bhutan 2011.

## **Targeted Green Economy Development Programme, page 14**

- VI. On the selection of three priorities for giving loans while identifying 4-5 non-hydro sectors by the government, it was recommended to add a section on **'import substitutes'**.

## **Strategic Infrastructure Development, page 16**

- VII. It was recommended that the government review and put in place policies to preserve traditional architectural features in the light of the construction boom in the country.

## **Transport Infrastructure, page 16**

- VIII. To shorten distance and improve quality of highways in the country, it was recommended that the government accord priority on straightening the road alignments and initiating policies to introduce electric public transports and vehicle services which would be more environment-friendly and helpful to the communities.

## **Social/Cultural Infrastructure, page 16**

- IX. Unlike in many *Dzongkhags*, Sarpang did not have a *Dzong* for the *Dzongkhag* Administration, which had greatly inconvenienced the people of the *Dzongkhag*. Thus, it was recommended that the construction of the proposed new *Dzong* in the Plan be given priority and budget allocated so that works could commence from the second fiscal year.
- X. Since there were many vacant classrooms in various places due to less number of school

goers, it was recommended that those buildings be used for important government offices in order to save cost.

### **Sustainable and Equitable Socio-Economic Development, page 17**

- XI. The goal of the government to increase Gross Domestic Product (GDP) by more than 10 percent in the 11<sup>th</sup> Plan, one of the highest in the country, included hydropower projects and related construction works that were low in the employment front. In order to set clear growth targets, it was recommended to set GDP limit exclusive of hydropower and related construction works.

### **Capital Allocation to Local Government, page 27**

- XII. In addition to providing information and awareness on national matters to general public through live television broadcast of the parliamentary proceedings, people in respective *Dzongkhags* and *Gewogs* need to understand how their leaders were taking decisions on their behalf. Since the former government had broadcasted the midterm review live, it was recommended that the government initiate live broadcasting of *Dzongkhag Tshogdu* and *Gewog Tshogde* sessions.

### **General**

- XIII. One of the major difficulties faced in the 10<sup>th</sup> Plan was the late disbursement of fund by the donors affecting the implementation of planned developmental activities. The interim measures taken by the government to pre-finance with

borrowings from financial institutions not only entailed loss to the government in terms of payment of interests but also depleted the availability of money with the financial institutions to give loans to the general public. Therefore, it was recommended that such practices of pre-financing be discontinued and the government initiates dialogue with external donors concerned so that disbursement of fund could be done on time.

*(Tuesday, 24<sup>th</sup> September 2013 corresponding to the 20<sup>th</sup> Day of the 8<sup>th</sup> Month of Water Female Snake Year of the Bhutanese Calendar)*

## **F Legislative Issues**

### **1 Introduction of the National Budget and Appropriation Bill for the Fiscal Year 2013-2014, and Supplementary Budget Bill for the Fiscal Year 2012-2013**

The National Budget and Appropriation Bill for the Fiscal Year 2013-2014 was presented to the House by the Finance Minister under eight categorized chapters with the objectives of promoting economic growth, creating employment opportunities and addressing the rupee shortage. He said that the total resource for the 2013-2014 fiscal year was estimated at Nu. 29,982.834 million with domestic revenue of Nu. 21,860.885 million and external grants of Nu. 8,109.513 million. The total expenditure estimate including repayments and loans was Nu. 39,528.156 million which included Gewog Development Grants of Nu. 2 million each, drinking water supply, schools, hospitals, maintenance of basic infrastructure, and recurrent expenditures and capital budget for developmental activities.

However, according to the budget allocation, Nu. 19,160.114 million was kept for recurrent expenses accounting for 56% and Nu. 16,953.751 for capital expenses accounting for 49% thus adding up to a total expenditure outlay of Nu. 34,215.836 million. The Minister said that the budget would be implemented in keeping with the broad policies of expenditure rationalization, sustainable fiscal balance and sustainable resource gap. Following this, he presented the budget allocation for the thromdes, judiciary and constitutional bodies besides the 16 agencies and projects, separately.

The Minister also presented the outcome of the implementation of budget for the 2011-2012 fiscal year, the past macroeconomic performance and revised estimates for the 2012-2013 fiscal year. Besides presenting the Macro-Economic Outlook of the country in the Medium Term, he highlighted the responsibilities, performances and the status of the state-owned enterprises, companies with government shareholdings, Royal Monetary Authority (RMA) and National Pension & Provident Fund (NPPF). He further explained in detail the different types of Trust Funds in the country and gave an update on the level of their money collections.

The Hon'ble Members said that most of the gewogs had been connected with motorable roads. However, places like Lunana had still no road network and asked if a provision was included in the current budget. Questions were also raised on blacktopping of farm roads, revision of pay and allowances for civil servants and local government officials, subsidy for fishery, piggery and poultry under agriculture, electricity subsidy for industries, and rules for tax waivers.

Similarly, members questioned on how the problem of rupee shortage in the country was going to be addressed and whether there were rules governing proper use of the Gewog Development Grants. Based on past experiences, concerns were expressed on the high risk involved in the investment of the National Pension & Provident Fund in establishing the Wellness Resort by Druk Holdings & Investment (DHI). Questions on quality assessment were also raised as quality of works being carried out were low resulting in increased recurrent costs and wasteful expenditure. Further, doubts were raised of setting aside budget for the construction of Education City, despite the contentious land issues.

In response, the Finance Minister said that due to environmental problems, the road to Lunana could not fit into the government policy. On the pay and allowances, he said that it would be reviewed upon institution of a Pay Commission as per the provision of the Constitution. Although there was no detail break-up, the allocations for agriculture activities were incorporated in their respective regional heads. With regard to the rupee crunch, it had reduced by over Nu. 4 billion in the current budget as compared to the previous fiscal year. Measures such as ban on import of vehicles and accessories, and alcohol would continue to be in force.

The Minister informed that the rules governing the Gewog Development Grant were being drafted. Although the Gewogs had the sole authority over the grant and no parliamentarians could interfere, monitoring could however, be done based on the programmes. On the establishment of the Resort by NPPF, he said that the whole purpose was to generate profit to support the budgetary requirements of NPPF in future and that the government would be mindful of the construction

quality. On the continued budgetary support to the Education City, he said that the government would carry out a thorough investigation to ascertain its legality. If the case was found to be illegal, the government would explore the possibility of stopping it.

Some members pointed out that many hydropower projects were being constructed in the country at huge costs with the objective of accelerating economic growth in future. However, the increase in the cost of construction over the initial estimates has become a cause of major concern. Therefore, they inquired if it was feasible for the Parliament to pass the budget and also monitor/audit the expenditure of the projects in future. Although inflation was an important aspect in the economy, the present as well as the past Budget Report had not covered anything on this front. They felt that the Budget Report in future should incorporate in detail fiscal measures to control inflation.

On the recommendation to renovate Chari Lhaxhang and Goendhey under Thimphu Dzongkhag for promotion of Buddhism, the Finance Minister said that the government would look into the matter for consideration.

### **1.1. Deliberation on the Supplementary Appropriation Bill for the Fiscal Year 2012-2013**

Upon extensive deliberation on the Supplementary Appropriation Bill for the Fiscal Year 2012-2013 on 25<sup>th</sup> September 2013, the National Council resolved to adopt it without amendments or changes.



## **1.2. Deliberation on the Budget and Appropriation Bill for the Fiscal Year 2013-2014**

After thorough deliberation on the Budget and Appropriation Bill for the Fiscal Year 2013-2014 on 25<sup>th</sup> September 2013, the National Council endorsed the total budget of Nu. 39,528.156 million. However, in keeping with Article 13.7 of the Constitution of Bhutan, the House resolved to submit the following recommendations to the National Assembly for re-deliberation:

### **Section 6**

#### **No. 3 National Assembly**

- I. It was recommended that the Government allocate hospitality and entertainment budget to the National Assembly members for their guests, as deem appropriate.

#### **No. 4 National Council**

- II. As the National Council members faced inconveniences in the absence of budget when they had to entertain official guests from within and outside the country, the National Council recommended that the Government approve the Nu. 0.500 million proposed under hospitality and entertainment.
- III. In order to fulfill the mandates of the National Council as enshrined in the Constitution and the relevant laws, it was important to establish committees and garner their support. During the 2<sup>nd</sup> Parliament, an additional committee for Foreign Relations was established in the National Council. It was recommended that the Nu. 0.660 million proposed in the budget for supporting the

activities of the committees be approved in full without reduction.

## **No. 6 Judiciary**

- IV. The duty vehicles of the District Court Drangpons of the different dzongkhags were procured a long time back and were in bad condition. This not only posed eminent risks to life but also incurred high recurrent costs on maintenance. Thus, it was recommended that the Government prioritize and provide budget to procure vehicles as proposed by the Judiciary.

## **No. 26 Tourism Council**

- V. Although some progress had been made to develop tourism in southern and eastern Bhutan as per the former government's policy objectives, it was not properly implemented in the southern dzongkhags. In order to start tourism developmental activities in places like Dagana and Tsirang, it was recommended that the government keep budget provision for carrying out a feasibility study.

## **No. 34 Ministry of Home & Cultural Affairs**

- VI. While expressing gratitude for including renovation of various dzongs and temples in the country, the National Council also highlighted the importance of Chari Dorjidhen monastery as the foremost to earn the name of *Drukzhung* and *Dratshang*. Based on its historical significance and popularity, it was recommended to allocate budget to start renovation works on the dilapidated structures within the first fiscal year of the 11<sup>th</sup> Plan.

VII. Like other dzongs, Trashigang Dzong was damaged during the 2009 earthquake. However, no major renovation works could be initiated although the National Council had submitted recommendations to the former government for renovation, twice. Therefore, it was recommended that the renovation work be given priority and funds be allocated within the first fiscal year of the 11<sup>th</sup> Plan.

### **No. 37 Ministry of Agriculture & Forests**

- VIII. Under Sl. # 7 of Table 4.11, fund was provided for supply of materials for construction of green house on cost sharing basis in the southern Dzongkhags. As the requirement was the same, it was recommended that similar fund be allocated to high altitude areas as well.
- IX. It was recommended that the food processing plant/cold storage be set up not only in Gyalpozhing as under Sl. # 12 of Table 4.11, but it be studied and set up in other Dzongkhags as well.
- X. It was recommended that the minimum vegetable support price be provided not only to commercial farmers as under Sl. # 13 of Table 4.11, but also to all individual farmers and cooperatives who were directly involved in agriculture.
- XI. Under Sl. # 14 of Table 4.11, it was recommended that the title be changed to **'grant'** instead of **'support'** for business plan and development of registered farmers & cooperative groups, and that the program grant be distributed equitably among

all other Dzongkhags rather than allocating it to just Sarpang and Zhemgang Dzongkhags.

- XII. Since human wildlife conflict was prevalent in all Dzongkhags, it was recommended that the support for construction of solar and electric fencing be provided not only to southern Dzongkhags as under Sl. # 23 of Table 4.11, but also to all other Dzongkhags as well. Fund for the purpose could be re-prioritized from other activities such as training and given more to solar and electric fencing.
- XIII. It was recommended to set aside fund to be used for compensating those in the communities whose crops were destroyed by wildlife upon necessary investigation.
- XIV. Since 70% of the budget under agriculture activities went to farm road construction, there was the shortage of fund for agriculture production. Therefore, it was recommended that the budget for construction of farm roads be reflected under Department of Roads, Ministry of Works & Human Settlement in keeping with the Road Act of Bhutan.
- XV. Considering the decline in agriculture production, it was recommended to keep aside fund to boost agriculture production, particularly, the cash crops.
- XVI. Although most of the people in the country living in extreme poverty were in the agriculture sector, its growth in terms of GDP did not improve beyond 1.7 percent and is reported to remain at

the same level over the next 5 years. Therefore, it was recommended that the government come up with an Integrated Rural Development Policy to accelerate agriculture production and ensure growth in the sector.

### **No. 38 Ministry of Economic Affairs**

XVII. It was recommended that after preparation of the Detailed Project Report (DPR) for establishment of hydropower projects in the country, proper monitoring and evaluation should be done by an independent entity for transparency and avoiding future problems. Such mega projects should be established in all Dzongkhags, where feasible, for balanced socio-economic development and benefit of the communities, and not just look at revenue generation.

### **No. 39 Ministry of Works & Human Settlement**

XVIII. The government in its manifesto had pledged to construct new roads in places where there were no roads including the farm road to Lunana in Gasa Dzongkhag. Since the road was not in keeping with government policy, it was recommended that it be included in the plan and budgeted accordingly. Further, it was recommended that the Food Corporation of Bhutan set up grocery shops in Lunana and similar other remote villages to solve the problems faced by the people and enable them to get basic food items at subsidized rates until the construction of roads to these areas was completed.

XIX. Identification of land, preparation of design and allocation of fund for construction of a conference hall at Rangjung in Trashigang was already completed in the past plan. However, the construction work could not be started. Therefore, it was recommended that the government accord top priority and start the construction work within this fiscal year, itself.

#### **No. 40 Ministry of Information & Communications**

XX. On the fund allocated to *Chiphen Rigphel* Project as indicated under Sl. # 19 of Table 4.17, it was recommended that a study be carried out on the basis of past experiences and outcomes before deciding to continue with it further.

XXI. Since the public transport was environment friendly and benefitted the general public, it was recommended that public transport services be upgraded in Thimphu and Phuentsholing and introduced in other Dzongkhags, where feasible.

#### **Local Government**

XXII. Based on the lessons learnt from the implementation of Constituency Development Grant (CDG) in the past, following recommendations were proposed to strengthen the Local Government and for proper utilization of the Gewog Development Grant:

- i. If the fund was allocated to local government as grant, a set of detail rules and procedures with clear responsibilities and accountability must be prepared.

- ii. Allocate the grant as per the Gewog developmental needs.
- iii. The fund should be utilized based on the following criteria:
  - a) Activities which would bring maximum socio-economic benefit to the community; and
  - b) Activities which were of absolute necessity, identified after discussing with the local community.
- iv. It was recommended to build human resource capacity of the local governments.

XXIII. Considering the importance, it was recommended that the issue of local governance be separated from the General Public Services in the budget report and put *Thromde* under local government instead of keeping it under government subsidy.

## **General**

XXIV. Although rising costs in the country had caused lot of inconveniences to the people, the budget report had not mentioned anything on inflation. Therefore, it was recommended that the government should carry out a thorough study on price inflation and include in the budget report detail monetary, fiscal and economic policy measures to address the problem.

XXV. To overcome the inconveniences faced by the National Council due to absence of relevant documents while reviewing the Annual Budget Report submitted by the Ministry of Finance, it

was recommended that soft copies of the budget of concerned ministries, institutions, Dzongkhags and Gewogs be made available along with the Annual Budget Report.

XXVI. Although, the State-owned companies have been generating good national revenue, it was recommended that the Government in consultation with the Druk Holdings & Investment (DHI) should come up with measures to promote growth, ensure proper implementation and support their activities.

XXVII. In keeping with the past practice of giving subsidies to corporations by the government, Nu. 132.68 was provided to Druk Air Corporation in 2012. Since Druk Air Corporation was already paying taxes to the government from its earnings, it was recommended that the government should henceforth, stop providing subsidy to Druk Air Corporation.

*(Friday, 27<sup>th</sup> September 2013 corresponding to the 23<sup>rd</sup> day of the 8<sup>th</sup> month of Female Water Snake Year)*

## **G Any Other Business**

### **1 Issue of Township Development in relation to Power Projects**

The issue with regard to power projects and township development was first submitted to the plenary meeting of the National Council by the Hon'ble Member of Wangduephodrang Dzongkhag. Subsequently, as directed by the House, the Social and Cultural Affairs Committee conducted intensive consultations with



relevant agencies and the affected people. During the course of deliberations, the matter was taken up as an issue of national concern rather than that of a Dzongkhag. While the power projects in the country were principal sources of revenue, it was submitted that measures should be taken so that construction of project residential colonies did not adversely impact on existing towns.

The Hon'ble Member from Wangduephodrang Dzongkhag said that while such problems were prevalent in all Dzongkhags, Bajo town in particular, was most affected by Punatsangchhu Projects I and II. He said that the development of new Bajo town and Punatsangchhu I Project were started almost simultaneously in 2008. Discussions were held with project authorities and other relevant agencies for the construction of buildings suitable for employees of the project. Accordingly, the building owners had taken loans with the hope that such loans could be paid back through rental earnings. However, if the employees of the power projects moved to the residential camps constructed near the project sites, the building owners at Bajo town would not be in a position to repay their loans.

The House deliberated at length on the recommendations of the Social & Cultural Affairs Committee presented by the Hon'ble Member from Sarpang Dzongkhag. The National Council:

- Recognizing that Bhutan had the potential of generating more than 30,000 MW of electricity;
- Noting that the Royal Government would continue constructing mega hydropower projects;

- Concerned that towns which were developed alongside mega projects suffered after the completion of projects;
- Concerned that Bajo town in Wangduephodrang which was developed alongside Punatsangchhu I and II hydropower projects would experience similar difficulties; and
- Mindful of the need to pre-empt such situations during and after the execution of future hydropower projects.

Hereby, resolves to submit the following recommendations to the Government for consideration:

1. To explore the possibility of having head offices of project authorities established in the Dzongkhags where project sites were located;
2. To identify commercial and residential areas beforehand while new hydropower projects were planned to avoid sprouting of unplanned settlements and for making appropriate investment decisions;
3. To carry out multi-stakeholders consultations while preparing/ reviewing Detailed Project Reports (DPR); and
4. To continue to seek acceptable and long term solutions to the problems faced by the people in towns affected by mega hydro power projects.

## **2 Issues related to distribution of Acts**

The Hon'ble Member of Samtse Dzongkhag said that the people in the country, especially, those who reside in the rural areas did not know about the existence of laws, rules and regulations. Because of such ignorance, people indulged in illegal activities and sometimes landed up serving prison sentences. If people were not aware of laws, the society continued to face many problems. Therefore, there was the need to distribute the Resolutions, Acts, and Rules and Regulations to Dzongkhags, Gewogs, Chiwogs and Schools.

On this, the House decided that the Legislative Committees of the two Houses of Parliament should carry out an advocacy programme to create awareness among the people regarding the Acts, Rules and Regulations, and Government policies and programs. The House further decided to call attention of the Ministries and agencies relevant to the Local Governments to institute advocacy programs and distribute the Acts and other relevant documents.

## **3 Issues related to shortage of LPG and Kerosene**

The Hon'ble Member from Bumthang Dzongkhag said that while the Government of India had granted subsidized Light Petroleum Gas (LPG) and kerosene, distribution of those essential items within the country was not systematic. Therefore, shortage of LPG and kerosene had become a major problem in many Dzongkhags. Moreover, the facilities were not available in remote places. Therefore, he submitted that it was important for the National Council to identify the causes of such shortages by reviewing the rules and procedure of distribution.

Some members said that the shortages occurred because the supply of these items was not increased commensurate with township development and increase in population. They supported the motion to review the rules pertaining to distribution of those essential items.

Recognizing that the shortage of LPG and kerosene prevailed in most remote places in the country despite rates being subsidized, the National Council entrusted the Economic Affairs Committee the responsibility to conduct a study on the causes of shortages and review the rules for distribution. The review report would be submitted during the 2<sup>nd</sup> session of the House.

#### **4 Issues related to engagement of public officials on Boards & Committees**

The Hon'ble Member from Dagana Dzongkhag said that delivery of public services on time was important to achieve good governance objectives. However, public officials like Secretaries, Director Generals, Directors and Joint Directors of the Government and Managing Directors and Chief Executive Officers of Corporations and other agencies were members of several boards. As such, they were required to attend many board meetings, thereby, impacting on their day to day works in delivering public services and causing inconvenience to the people.

To ensure that public services were delivered to the people on time and individual responsibilities were carried out efficiently, it was suggested that appropriate rules limiting senior civil servants from becoming members of many boards should be put in place. He also submitted a motion for the National Council to review the system of organizing board meetings and

filing memberships. Considering the importance of the issue, the House endorsed the motion.

Recognizing that civil servants and public officials becoming members of many boards not only affected in carrying out their core responsibilities but also impacted on achieving good governance objectives of delivering public services on time, the House directed the Good Governance Committee to carry out a thorough review on the issue and submit a report during the 2<sup>nd</sup> session.

## **5 Motion to amend the National Council Act of the Kingdom of Bhutan 2008**

The Chairperson of the Legislative Committee submitted the rationale behind having a Parliament as per Article 10 of the Constitution and the reasons for instituting the National Council under Article 11 of the Constitution. Accordingly, the first Parliament adopted the National Council Act of the Kingdom of Bhutan 2008. However, various institutions had interpreted the provisions of the Act in different ways. Based on the experiences from the misinterpretation of Section 11 and 12 of the Act concerning the term and re-institution of the National Council, he submitted a motion to amend the Act for better clarity and understanding.

Although the National Council Act of Bhutan 2008 was passed by the previous Parliament, minor problems arose while implementing it. To ensure that the provisions of the Act were interpreted uniformly across the board, the National Council resolved to direct the Legislative Committee to review the Act by gathering feedback from all members and table an Amendment Bill during the 2<sup>nd</sup> session.

*(Friday, 13<sup>th</sup> September 2013 corresponding to the 8<sup>th</sup> Day of the 8<sup>th</sup> Month of the Female Water Snake Year)*

## **H Question Time**

### **1 Hon'ble Minister for Agriculture & Forest**

The Chairperson of the Natural Resources & Environment Committee said that the provisions regarding Sokshing and Tsamdro in the Land Act of Bhutan 2007 were not fully implemented causing problems to the people in the rural areas. He asked the Hon'ble Minister what strategies the Government was following to mitigate the problem. The Hon'ble Member from Samtse Dzongkhag also said that the Government had provided electric fencing and instituted a reserved fund on pilot basis to solve the human-wildlife conflict. Since these two measures were beneficial to the people, he asked if the Government had plans to implement the measures in the rest of the country. However, since electric fencing was not adequate to ward off wild elephants, he asked what alternative measures the Government was adopting.

In response, the Hon'ble Minister for Agriculture and Forest said that these were the two major problems affecting the people in rural areas. Study and research were underway and alternative measures would be put in place. Further, the ministry was opened to new ideas and guidance from the National Council in dealing with the matter. He also said that a detailed report on the matter would be submitted in the future, if required.

*(Friday, 20<sup>th</sup> September 2013 corresponding to the 16<sup>th</sup> Day of the 8<sup>th</sup> Month of the Female Water Snake Year)*

## **2 Hon'ble Minister for Home & Cultural Affairs**

The Hon'ble Member from Sarpang Dzongkhag said that the security concerns along the border were increasing and that the Southern Dzongkhag of Sarpang had encountered problems of Bhutanese being kidnapped in broad daylight. He asked what plans the Government had to address the problem.

The Hon'ble Minister for Home & Cultural Affairs said that the previous Government had taken various measures to solve the problem along the southern border. Considering the safety and security of the people at the border towns, the present Government was also looking for appropriate measures. He said that the Government would strive to strengthen friendship between Bhutan and India, and between the communities living on either side of the international border.

## **3 Hon'ble Minister for Finance**

According to research, the Hon'ble Deputy Chairperson said that the widening gap between the rich and poor in the country was attributed to weak fiscal policy. He said that the poor struggled to meet their daily square meals and educate their children. He asked what strategies the Government was following to narrow the differences between the haves and have-nots in the country.

The Hon'ble Minister for Finance agreed that as compared to some years ago, there was a slight increase in the gap between the rich and poor in the country. In order to bridge the gap, he said that the Government was taking up various initiatives such as providing

support to agriculture farming, enhancing rural income, tax reforms and other rural activities. As such, he said that there was no need to be alarmed.

*(Saturday, 28<sup>th</sup> September 2013 corresponding to the 24<sup>th</sup> Day of the 8<sup>th</sup> Month of the Female Water Snake Year)*

## **I Closing Ceremony**

### **1 Hon'ble Chairperson's Closing Address**

The Hon'ble Chairperson expressed gratitude to His Majesty the King for presiding over the opening ceremony of the First Session of National Council and for His words of wisdom. He attributed the fruitful and successful completion of the session to the prayers of monastic institutions, efforts of the Hon'ble Members and support of the National Council Secretariat. The Hon'ble Chairperson also thanked the Royal Bhutan Police for providing security services, staff of the Department of National Properties for rendering day to day support, the Bhutan Broadcasting Service for telecasting the proceedings of the house live and the media houses for covering the session.

He said that in order to make an auspicious beginning, the First Session of the National Council of the 2<sup>nd</sup> Parliament started its deliberations with the preservation and protection of *Chortens* followed by the matter pertaining to renovation of the dilapidated structures of Chari Monastery and construction of new Dzongs. He said that the other deliberations were focused on issues which would benefit the country and its people. One prominent public review device was the Question Time which was attended by three Government Ministers. He highlighted the assurances given by the Hon'ble Minister for Agriculture & Forest to resolve issues pertaining to Sokshing and Tsamdro at



the earliest. He also reflected on the assurances given by the Hon'ble Minister of Home & Cultural Affairs to strengthen cooperation between the Bhutanese and the Indian communities living on either side of the international border to mitigate problems related to security arising in the border areas.

On the resolutions, recommendations and motions adopted during the First Session, he touched upon the few recommendations made on the Budget and Appropriation Bill 2013-14 for re-deliberation in the National Assembly. He thanked the Government and the National Assembly for prioritizing these issues for discussion. He expressed his hope that the recommendations on the 11<sup>th</sup> Five Year Plan and others will similarly be given due consideration.

Based on issues received from the National Assembly after deliberation, he said that the National Council had identified the following for further deliberation in the 2<sup>nd</sup> Session:

1. The Legislative Committee shall review the National Council Act of Bhutan 2008 and table an Amendment Bill during the second session. It will review the Attorney General Act 2006 and see the necessity for its amendment. It will also review the Convention on Establishing the Multi-lateral Investment Guarantee Agency and the Agreement on Double Tax Avoidance between the Royal Government of Bhutan and the Government of the Republic of India ratified by the National Assembly;
2. The Good Governance Committee shall study the political parties and corruption related matters and review the issue of membership of public officials to multiple boards;

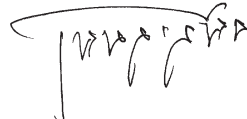
3. With the objective of preventing corruption in the National Council, the House Committee shall organize programs to carry out exercises on the Integrity Diagnostic Tool;
4. The Economic Affairs Committee shall study and investigate the issues pertaining to shortage of LPG and kerosene;
5. The ad hoc committee consisting of Hon'ble Member of Pemagatshel as the Chairperson, Hon'ble Members of Samtse and Gasa, Hon'ble Karma Yezer Raydi and Hon'ble Tashi Wangyal as members shall initiate the cost-benefit analysis of mining industries;
6. The decision to review the Performance Audit Report submitted by the Public Accounts Committee by committee's of individual houses shall henceforth be discussed in the plenary and responsibility accorded, accordingly; and
7. In order to affirm the system of following up on the resolutions passed by the National Council with relevant institutions, the first agenda for the next session will be the presentation of follow up report on resolutions.

The Chairperson reminded the Hon'ble Members of His Majesty's command received during the Dakyen ceremony in the Throne Room to maintain the National Council as an institution which would continue to be respected by the people. He asked the members to inform the people in their respective constituencies on the resolutions of the House during their constituency visits. He also said that the members should consult the

people, identify important issues and discuss them with relevant agencies before submission in the agenda for the next session.

Lastly, he offered his prayers for the prosperity of the country under the grace of His Majesty the King, Her Majesty the Gyaltsuen, the Fourth Druk Gyalpo and the people of the religious community. He also offered his prayers for the long lives of Their Majesties and the Royal Family.

The session concluded on the 24<sup>th</sup> Day of the 8<sup>th</sup> Month of the Female Water Snake Year.



(Sonam Kinga)

**Chairperson**

**National Council of Bhutan**

**Hon'ble Members who participated in the 1<sup>st</sup> Session  
of the National Council**

1. His Excellency (Dasho) Sonam Kinga, Chairperson, Trashigang Dzongkhag
2. Hon Tshering Dorji, Deputy Chairperson, Haa Dzongkhag
3. Hon Kuenlay Tshering, His Majesty's Nominee
4. Hon (Dasho) Karma Yezer Raydi, His Majesty's Nominee
5. Hon Tashi Wangmo, His Majesty's Nominee
6. Hon Karma Damcho Nidup, His Majesty's Nominee
7. Hon Tashi Wangyal, His Majesty's Nominee
8. Hon Nima, Bumthang Dzongkhag
9. Hon Pema Tenzin, Chhukha Dzongkhag
10. Hon Sonam Dorji, Dagana Dzongkhag
11. Hon Sangay Khandu, Gasa Dzongkhag
12. Hon Tempa Dorji, Lhuentse Dzongkhag
13. Hon Sonam Wangchuk, Mongar Dzongkhag
14. Hon Kaka Tshering, Paro Dzongkhag
15. Hon Jigmi Rinzin, Pemagatshel Dzongkhag
16. Hon Rinzin Dorji, Punakha Dzongkhag
17. Hon Jigme Wangchuk, Samdrupjongkhar Dzongkhag
18. Hon Sangay Khandu, Samtse Dzongkhag
19. Hon Dhan Bdr. Monger, Sarpang Dzongkhag
20. Hon Nima Gyeltshen, Thimphu Dzongkhag
21. Hon Tashi Phuntsho, Trashiyangtse Dzongkhag
22. Hon Tharchen, Trongsa Dzongkhag
23. Hon Kamal Bdr. Gurung, Tsirang Dzongkhag
24. Hon Tashi Dorji, Wangduephodrang Dzongkhag
25. Hon Pema Dakpa, Zhemgang Dzongkhag