

# Bhutan's Paper on Anti-Corruption Strategies and Implementation

## 1. Introduction

### a. Basic facts about Bhutan

Bhutan is a small economy with a total land area of 38,394 square kilometers and a population of 683,407 in 2009. The population density was estimated at 16 people per km<sup>2</sup> (31% urban and 69% rural). Over the last decade there has been a high rate of rural to urban areas migration. With a population growth at 1.3%, Bhutan does not have a severe population problem at present but localized population pressures exist due to skewed geographical distribution. About 45% of the population is under the age of twenty, a youthful demographic profile.

The country has a rich forest and freshwater natural resource base. Natural vegetation covers 72.5% of the total land area. It encompasses rich and diverse ecological systems with more than half the total land area classified as protected areas. With this abundance of water availability, Bhutan has 35,000 MW of hydropower potential which the country has started tapping. Bhutan also has non-metallic mineral resources but the mining industry is relatively underdeveloped and little exploration has been done.

Bhutan has enjoyed sustained rapid economic growth at over 8%. This growth is explained by the massive

investments and output of hydropower development and expansion in the economic and social infrastructure. Notably, growth has happened in a sustainable manner with minimal impact on the physical, social and cultural environments. Bhutan's GDP (Table 1.2) has doubled during 2001 to 2010 growing from Nu.20 billion in 2001 to Nu.54 billion in 2008 resulting in a doubling of per capita income from US\$ 835 in 2002 to 1,852 in 2008. Inflation over the period on average has largely remained below 6%. Following Bhutan's steady rise in HDI value to 0.619 in 2008 from 0.551 in 1998 and 0.427 in 1991, the country has also moved from a low to a medium human development ranked country.

	2001	2008
Population Growth	2.5	1.3
Life Expectancy at birth	66.1	66.1
GDP in Million Ngultrums	20,112	51,522
GDP per capita in US\$	835 (2002)	1,852
Percentage of Population living below National Poverty Line	36%(2003)	23% (2007)
Adult Literacy	-	53%
Gross Primary Enrollment	72%	116% (2009)
Net Primary Enrollment	53% (1998)	92% (2009)
Gender Parity Index (GPI) for Education	0.9	1.02 (2009)
Primary School Completion Rate	77%	93.6%
IMR per 1000 live births	60	40
U-5MR per 1000 live births	84.2	61.5
MMR per 100,000 live births	255	-
Skilled Birth Attendance	24%	66.3%
Access to improved sanitation	88%	92%
Access to improved drinking water	78%	91%
Human Development Index (HDI)	0.551 (1998)	0.619

Sources: NSB, PHCB 2005, AES 2009, HDR 2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Real GDP Growth	7.1%	6.7%	7.2%	6.8%	6.5%	6.3%	21.4%	8.4%	6.6%	7.5%
GDCF <sup>1</sup> (As % of GDP)	57.6%	59.6%	54.5%	59.7%	51.4%	36.4%	46.1%	54.8%	56.6%	59.5%

Source: National Accounts Statistics, NSB, BPPFS

<sup>1</sup> Generic Data Capture Facility

On the basis of Transparency International survey (Table 1.3), Bhutan was ranked 32<sup>nd</sup> in 2006 with a score of 6 and stood 7<sup>th</sup> least corrupt country in Asia Pacific region. However, the Table 1.3 shows fall to 49<sup>th</sup> international stand & to 10<sup>th</sup> Asia Pacific ranking in 2009 with also score fall to 5.

Table 1.3	2006	2007	2008	2009
International ranking & Score	32 (6)	46 (5.0)	45 (5.2)	49 (5.0)
Asia Pacific ranking	7	10	9	10
<i>Source: Transparency International</i>				

The first corruption perception survey in January 2007, identified forms, causes and extent of corruption in Bhutan. Nepotism/favoritism, misuse of public funds and bribery were forms of corruption. It revealed that greed “wants” is a greater cause of corruption than needs. About 44% of 6664 respondents felt that corruption had increased in the last five years.

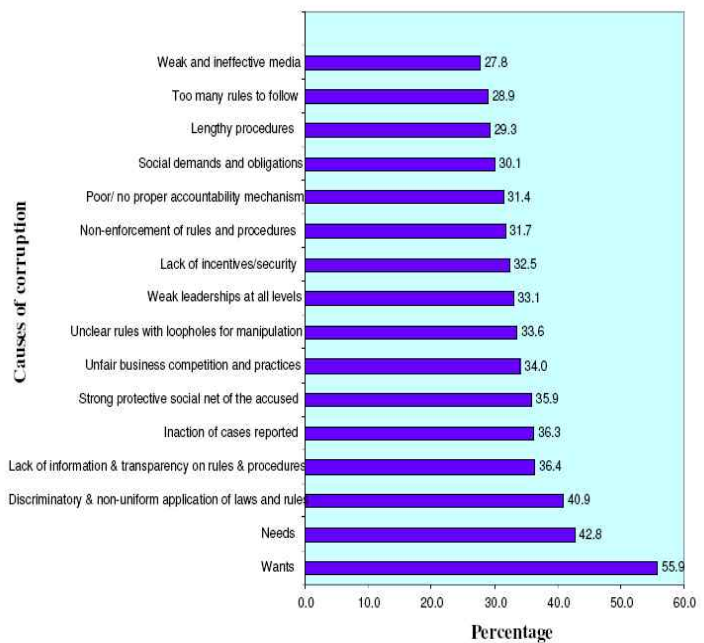
According to the first Integrity Assessment Report in 2009, the national integrity score was estimated at 7.44 on a scale of 0 to 10, indicating a good level of integrity.

### b. Bhutan’s development philosophy

Bhutan’s all-encompassing development philosophy is the maximization and realization of Gross National Happiness (GNH). It was espoused by His Majesty the Fourth King. Good governance, the fourth pillar<sup>2</sup> is the most important precondition in promoting holistic human development and happiness. Keeping in mind to reflect GNH values, set benchmarks, and track policies and performances of the country, the government has launched GNH index<sup>3</sup> in November 2008. It has nine core domains which are further constructed out of 72 indicators. These indicators are used in making development efforts more holistic and harmonious. It incorporates values and practices that enable sustainable and holistic growth.

### c. Millennium Development Goals (MDGs) and Tenth Plan (poverty and corruption)

Bhutan fully subscribes to the MDGs and has prioritized these development goals with national policies and plans. These international goals are seen mutually relevant to Bhutan’s overall aspiration in realizing GNH. As such, current Tenth Five Year Plan’s (2008 to 2013) main objective is to reduce poverty. It targets to reduce poverty levels to below 15% by 2013 from 23.2% in 2007. It has been established that 98% of poor reside in rural Bhutan.



<sup>2</sup> Sustainable socio-economic development, Conservation of environment, Preservation of culture & Good Governance

<sup>3</sup> <http://www.grossnationalhappiness.com>

To date, while no evidence suggests direct relationship between corruption and poverty, corruption in public sector is often viewed as exacerbating condition of poverty. Corruption per se does not produce poverty; rather, corruption has direct consequences on economic and governance factors, like inequalities that in turn produce poverty. Recognizing this fact and majority of complaints being at local governance level, continuous efforts are made in educating rural citizens.

## 2. **Good governance initiatives and institutional reforms** (Democratic constitutional Monarchy)

Bhutan has undergone significant political, legislative and administrative changes. Following the devolution of full executive power to an elected council of ministers in 1998, major restructuring exercises namely, 1999 Good Governance and 2005 Good Governance Plus initiatives were undertaken to enhance professionalism, efficiency, accountability and transparency of the government. The most significant among these was the beginning of the drafting of a Constitution in 2001. The commitment to effective governance is mirrored by historic changes in political structure. Under the farsighted and benevolent initiatives of the Monarchy, Bhutan in 2008 emerged as the world's youngest democracy and made this historic transition peacefully. The challenge for us is to assure effective roots of democracy take place, which, so far was assured by the enlightened leadership of His Majesty the King. With 79.45% voter turn-out, the *Druk Phuensum Tshogpa* party which was elected to power formed the government in 2008 for five years. The first parliament, thus formed, adopted the Constitution in July 2008. The failures of democracy have less to do with constitutions and structural arrangements. In the end, it is the people, unless they understand their own power and are capable of exercising it responsibly and intelligently, they will go wrong. Yes, democratic values are taking roots. But as an emerging democracy, we are already seeing issues, the first constitutional issues being the government's revisions of sales and excise duty. Its preliminary hearing was done on 27<sup>th</sup> August in the High Court.

With the recent establishment of Supreme Court and reconstitution of High Court, the fully functioning institutional arrangement of the government as required under the Constitution is completed. In accordance with section 79 of the civil and criminal procedure code of Bhutan, the online hearing calendar was launched on 18<sup>th</sup> August 2010. It is aimed to save time, promote efficiency and inform the parties of the case in advance of their hearing schedule. As due process of law and fair trial warrants timely and accurate information, it is also expected to ensure transparency of the judicial process.

### a. **Decentralization** (citizen-friendly government, people)

As enshrined in article 22 of the Constitution, the parliament has enacted Local Government Act in 2009 thus ratifying 1999 Bhutan Municipal, 2002 District, 2004 Sub-district and 2007 Local Government acts. A full-fledged Department of Local Governance has been established to coordinate and oversee decentralization and capacity building programs. Besides administrative decentralization, Bhutan has introduced rationalized discretionary annual grants to all local governments based on population, geographic area and poverty. In tenth plan, local governments will receive Nu. 27.4 billion (18.8% of total outlay) and Nu. 12 billion (16% of the total capital budget) in annual grants, which is more than 60% increase over the last plan allocation.

### b. **Establishment of constitutional bodies** (ACC)

Corruption, as a separate issue, was addressed in 1999 following the first Good Governance initiative. But it was put as a national agenda only in 2005 Good Governance Plus exercise, which required all public and private agencies to integrate anti-corruption measures in their operations. The ACC was established by Royal Decree in late December 2005 in preparation for parliamentary

democracy and adoption of the Constitution. In 2006 July, Anti-Corruption Act was enacted. Under this Act, ACC is vested with the power of law enforcement agencies (search, seizure, arrest). ACC operates in accordance with the Civil and Criminal Procedure Code of Bhutan and Investigation Manual. It has been prudent in using these powers following due process of law and in building soft collaborative approach and consensus in detecting and preventing corrupt practices. ACC has three commissioners, one of which is Chairperson, supported by four operational divisions – investigation, prevention, public education and legal plus administration & finance and policy & planning support divisions. At present it has 45 staff (7 female + 41 male).

### **3. Bhutan’s paper on Formulation and Implementation of Anti-Corruption Policies Strategies**

#### **a. Anti-Corruption policy statements (HM’s quote & the government’s manifesto)**

The main unifying force behind fight against corruption comes from the Golden Throne. Recognizing the treat corruption posed to the happiness of His people, His Majesty the 4<sup>th</sup> King decreed an establishment of the ACC. An excerpt from His Decree states that *“It is the responsibility of every Bhutanese to act against corruption in our country”*, elucidate His deep concern over corruption and the need to fight it.

*“I will not be corrupt and I will not tolerate corruption in others.”* –His Majesty the King.

Article 8.9 of the Constitution *“Every person shall have the duty to uphold justice and act against corruption”* further requires promoting a just society.

In keeping with the deep concern of our Monarchs, the ruling government embraced the policy of ‘Zero Tolerance’ to corruption. *“We will ensure transparency and accountability and institute check and balance instruments. Concerted efforts will be made to expedite the process of investigation, prosecution and trial and the uniform application of the laws on all citizens alike...Systematic reviews and simplification of the rules and regulations will be undertaken as an important anti-corruption strategy”*. Druk Phuensum Tshogpa party Manifesto.

#### **b. Strategies and implementation status ( process, technology, culture & synergies)**

The National Anti-Corruption Strategy (NACS) identified the following anti-corruption strategies in March 2009:

1. Promote quality leadership;
2. Ensure sustained political will;
3. Review legal framework;
4. Review and strengthen institutional capacity;
5. Review and refine systems;
6. Develop long-term educational strategy in building an awakened citizenry; and
7. Promote partnership.

After series of consultations and national consultative meeting in March 2009, the Cabinet has approved the NACS in July 2009. On recommendations of the Parliamentary Ethics and Credentials Committee’s in November 2008, NACS has been submitted to the Parliament with the 2009 Annual Report. The Committee of Secretaries is entrusted to oversee its implementation. Thus, the above strategies are collective thinking of all sections of society including youth, religious bodies, media and citizens. In general, ownership and partnership in implementation of NACS has been weak. Only Health and Agriculture & Forest ministries are preparing NACS action plan. The following initiatives are ongoing:

### *Promote quality leadership*

Leadership is the pivotal at all levels - parent, schools, community, local and central. While leaders set tone at the top, lower ranks have equal role to sincerely follow & practice. Recognizing its importance, in August 2009, the government has decided to establish a small leadership training Institute named 'the Royal Institute of Strategic Studies' which will conduct leadership courses for senior level executives. The establishment of the Institute is a Royal initiative in pursuit of enhancing good governance in the country. The government is in the process of finalizing concept plan for the institute and deploying eminent professors in the region.

### *Ensure sustained political will*

The ACC appraised the Cabinet ministers and the Committee of secretaries on:

- i. corruption scenario in Bhutan as perceived by the public and as illustrated by complaints and investigation of cases and TI Corruption Perception Index table,
- ii. (ii) stage of ACC's development,
- iii. (iii) issues and challenges as elicited by live cases, (iv) status of the implementation of National Anti-Corruption Strategy Framework, and
- iv. (iv) some action for way forward. The meeting was the first of its kind. It was convened to appreciate the problem of corruption, engage in a dialogue and foster synergized and sustained conscious anti-corruption movement in the government (government has to take the lead role).

In essence, lending meaning to the government's strong policy of "ZERO TOLERANCE TO CORRUPTION." Honorable Prime Minister and the ministers assured ACC of their support in building its capacity.

### *Review of legal framework*

In line with the Parliament's resolution in November 2008, ACC in consultation with key stakeholders has done reviewing and consolidation of anti-corruption laws. The National Council has adopted the amended Anti-Corruption Bill 2010 in its July 2010 session. It will be tabled in the National Assembly during its upcoming session in November 2010. Besides strengthening prevention strategies, the principle of high cost, high risk and low benefits of corruption and harmonization of anti-corruption laws has been proposed. Among other, Penal Code and Civil & Criminal Procedure Code will undergo as part ratification of UNCAC. The amended bill is more comprehensive and designed to meet international standard like UN Convention Against Corruption (UNCAC). Bhutan has signed the UNCAC in 2005. In preparation for implementation of amended bill, "gap analysis" on UNCAC ratification has been finalized in September 2010.

In exercise of sections of 2006 Anti-Corruption Act, Asset Declaration Rules and Regulation 2008 and Gift Rules 2009 have been enforced. In order to prohibit corrupt individuals and firms, Debarment Rules 2009 have been circulated for comments from key stakeholders.

### *Review and strengthen institutional capacity (ACC and outside)*

Ever since its establishment, priority has been and will be given in capacitating ACC & its key allies and putting in place practices to facilitate anti-corruption initiatives. ACC has its own internal strategic plan elaborated for the 10<sup>th</sup> plan. It guides inter-divisions principles of coordination-information sharing, strategies and focuses. Much of ACC's credibility is determined by the ways it receives, analyze, process and maintain data base and apprise complaints to Complaints Evaluation Committee (CEC) and the Commission. Also in order to ensure timely implementation of court verdict on corruption case, a Follow-up Section under Investigation Division is fully operational since April 2009. It is manned by three officers. Further, following in-house corruption risk management exercise, Prevention & Public Education Chiefs have been included as members for greater efficacy of CEC.

With the enactment of Anti-Corruption Act, asset declaration system has been legally introduced in 2006. It is an important anti-corruption tool that prevents disproportionate accumulation of asset by public officials. It also enhances public employees' transparency and accountability thereby, promoting citizen's trust and confidence towards public organizations. Public officials falling under Schedule I of the act declare to ACC and the rest declares to the respective agencies. The compliance rate for those declaring to ACC in 2006 was 8%, 50% in 2007, 72% in 2008 and 86.86% in 2009. Since 2008, the system has been put online. A total of 40 Asset Administrators and ICT Officers from all public agencies were familiarized on asset declaration rules and given hands-on-training on online system. Further, ACC has coordinated training in respective jurisdictions.

Other agencies' efforts in exploiting technology are worth mentioning. Audit clearance, another public accountability tool has been put online and is in full operation. In the effort to promote citizen-friendly government, e-forestry, e-platform, labourNet, Office procedure automation, e-RILS of Transport authority, Planning and monitoring system, Public expenditure management system, Bank ATM Services, Civil service information system, Security clearance, Land Commission- e-Sakor, etc., are being experimented. In an effort to promote knowledge-based economy, a Nu.2.5 billion project titled Total Solutions Project - *Chiphpen Rigpel* which is funded by the Government of India for 5 years (April 2010 to 2014) is ongoing. The project will establish 131 learning centres, 12 training centre ranging 25 to 50 seats capacities in vocational and tertiary institutes. The project has aims to train 7,200 leaders, civil servants and private sector individuals. Of these, 200 leaders, including the prime minister and cabinet ministers, government secretaries, parliamentarians, constitutional post holders, service personnel, heads of dratshangs (monastic institutions), and CEOs will be briefed on e-governance and the opportunities that ICT provides towards better governance. A LAN-based investigation management system (IMS) is being developed to manage complaints, administer investigation process, track prosecution status, monitor judgment implementation and closure of cases. It will be put in use by the next month.

Improving efficiency and effectiveness of public services is one of the three objectives of Accelerating Bhutan's Socio-economic Development (ASBD) project. GNHC Secretariat implements with technical support of McKinsey & Co. In order to achieve this objective, GNHC Secretariat in collaboration with Committee of Secretaries has set up Government-to-Citizen (G2C) Project in March 2010 for 30 months. Bhutan provides over 200 services to citizens. However, most services suffer from long lead time and limited access. The G2C Project focuses to enhance efficiency and access by:

- Providing every citizen access to a variety of G2C services within a maximum of one day's reach of his location;
- Reducing the turn-around time by 70% of G2C services and allow citizens to file their complaints and issue; and
- Achieving the best-in class ratio of civil servants employed in G2C services to population.

In order to achieve these aspirations, four key initiatives are being implemented:

- **Process Leaning:** This initiative intends to identify sources of waste in the current 200 G2C services and redesign them based on lean principles (Voice of customer analysis, Value stream mapping, Overall process efficiency & Takt time) in order to make them simpler and faster for the citizens to avail;
- **Customer Feedback:** This intends to set up a feedback cell (both physical and online) to actively communicate progress of the initiative and collect citizen feedback on G2C issues and solutions;
- **Operating Service Points (Community Centres):** It aims at improving citizen access to G2C services through establishing Community Centres. A Public Private Partnership model would be used to run these centres and deliver G2C and other services to the citizens; and

- **IT Build-out and Database Linkage:** The initiative aims to use ICT to automate the leaned processes for delivery to the citizens. It would also entail creating a board to define common standards and protocols to facilitate integration of various IT projects and linking the key databases to facilitate delivery of G2C services.

In order to coordinate these four initiatives, a cross- sectoral team of 10 officers has been setup. The Project Director leads the project team. The Project Director reports to an E-governance Council comprising the Committee of Secretaries. The Council monitors the performance of the G2C project and also is responsible for its end to end implementation. So far, nine performance compacts – Education & Tertiary education, Health, Vocational training, Construction, Tourism, Civil Aviation, Agriculture and ICT, under ASBD project have been signed at all levels (Prime Minister to Divisions Chiefs). It will be assessed at the end of the 10<sup>th</sup> plan.

Bhutan Media Foundation has been established coinciding with His Majesty's 30<sup>th</sup> birthday anniversary on 21st February 2010. The foundation is to ensure sustainable growth of mass media, so that it can carry out its roles and responsibilities in the interest of democracy. Keeping this in mind, the government conducts "Meet the Press" on a monthly basis. The forum provides journalists to raise issues which are of public concern thus enriching democratic practices and society.

As the existing just about half a dozen of CSOs have demonstrated in the country, its role is indispensable in a democratic setting. Ensuring equity, justice, acting against corruption is a shared responsibility in our society. So far, two related to women, a third on media and democracy and the fourth to promote entrepreneurship are the first to get CSO status after the 2007 CSO Act and its rules and regulations.

#### *Review and refine systems*

All organizations operate within certain systems consisting of laws, rules, procedures and processes. Such systems should be regularly reviewed in order to ensure appropriateness and effectiveness. In exercising the section 45 (h) of 2006 Anti-Corruption Act, Prevention Division (PD) of ACC undertakes system studies. System studies have been grouped under two categories: reactive system study and proactive system study. In this context, reactive system study refers to study during investigation, and proactive refers to the rest. Sources of information indicating the need for system studies could be numerous. Studies, surveys, government directives, Royal Audit Authority's reports, formal complaints and media are the major sources. In order to garner concerted efforts, ensure transparency and accountability and for efficacious results, PD has circulated draft procedure for conducting and following up system studies for stakeholders' comments.

So far, ACC has conducted two system studies in Rural time allotment, Mines & minerals management and Health Ministry Patient referral & Procurement Systems. The Ministry of Forest and Agriculture is in processing of considering the recommendations while drafting Forestry Policy and reviewing its act and regulations. The Ministry of Economic Affairs has made trade license mandatory, issued guidelines for surface collection of sand & stone and is in process of drafting Mineral Development Policy in line with ACC's recommendations. Introduction of internal control measures like declaration and management of conflict of interest, inspection and monitoring, record keeping, etc, rare being explored. The Ministry Health had initiated some corrections in collaboration with Bhutan Consulate Office in Kolkatta, India.

Following a support by the Anti-Corruption and Civil Rights Commission, Republic of Korea, two officers each from National Statistical Bureau and ACC were trained on Corruption Risk Management (CRM) and Integrity Assessment (IA). Bearing in mind that corruption risks is more in agencies where internal controls are weak, ACC has adopted CRM as one of its internal control measures. ACC implements Ethical Code of Conduct as another internal control measure. Staff joining ACC signs the code and Human Resource Committee monitors compliance. Efforts are

underway to link organizational values, ethics and performance appraisal system for greater efficacy. According to the first Integrity Assessment Report in 2009, the national integrity score was estimated at 7.44 on a scale of 0-the lowest to 10-the highest, indicating a good level of integrity. It was assessed by surveying 43 services in 27 public agencies. ACC in collaboration with National Statistical Bureau has adapted the ACRC's methodology. So far, its findings have been shared with six agencies. These agencies are reviewing the recommendations. The findings have been useful in encouraging dialogue between agencies. IA findings is expected to trigger reflection of internal control and improvement measures agencies. ACC plans to conduct the survey once in three years.

Besides deterring corrupt practices through investigation and prosecution, reducing systemic opportunities for corrupt practices has been a priority. Conducting systemic studies require scientific and systematic approach. ACC uses adapted version of international Standard Cost Model (SCM), Service Delivery Standard - Citizen's Charter, GNH protocol & policy screening tool - Regulatory Impact Assessment, Strategic Assessment – Strategic Environmental Assessment, ACRC Corruption Risk Management & Integrity Assessment, TI Integrity pact, declaration & management of Conflict of interest and Code of conduct. The following are results achieved using above tools:

SCM measures administrative burden (AB) which is the cost of fulfilling information due to regulations.  $AB \text{ of an activity} = \text{Price, } P \times \text{Quantity, } Q$ . It is measured in Ngultrum-Nu/Dollar-\$ per hour.  $\text{Price} = \text{Tariff [Nu per hr]} \times \text{Time [hr]}$ ;  $\text{Quantity} = \text{Number of citizens/business affected [Population]} \times \text{Frequency [number of times per year]}$ . Depending on actual circumstances, one or all these parameters are changed to reduce AB of an activity to government and citizens. About 140 public servants, mostly internal auditors have been trained on how to use SCM. ACC has coordinated assessment of AB in Road Transport Authority, Economic Affairs Ministry and a Municipal Corporation from November 2007 to October 2008. In February 2009, Economic Affairs Ministry has done away location clearances (clearances from local authorities) for 31 small and cottage industrial activities. A Ministry of Economic Affairs has reduced 25-page project proposal guideline to 5-page guideline. While impact is yet to be assessed, time required in obtaining licenses is expected to have reduced thus facilitating growth in cottage & small industry.

Service Delivery Standard (SDS) internationally known as Citizen/Client Charter is a statement of commitments of service provider to its client/customers. It is another very important transparency and accountability tool. It spells out list of services, procedures, fees, who to contact, timeline and redress mechanism. While 42 agencies have drafted their SDS, Audit Authority, Ministry of Works and human Settlement and Phuntsholing City Corporation have implemented it. Benchmarking, standardization, continuous improvement and integration with existing measures like performance appraisal and budgeting systems are being explored for its efficacy.

Policies and laws are important governance instruments in a society. These instruments either enable or choke business operations. Hence, harmonization of such instruments is important for growth. Regulatory Impact Assessment (RIA) and Strategic Environmental Assessment (SEA) are other international tools to ensure quality of existing and proposed regulations. Under the Asian Development Bank's project to Cottage and Small Industries (CSI) Development Program, Bhutan has conducted RIA on Business Start Ups, Improving Entrepreneurial Skills Development & Access to Finance for CSI and CSI Incentives from September 2008 to May 2010. The project's was to enhance local understanding of RIA methodology and its practical application to regulatory and policy issues. International RIA specialists from Jacobs & Associates trained about 15 public officials on RIA process design and methodology. In August 2010, the Committee of Secretaries has decided that Ministry of Economic Affairs to coordinate mainstreaming of RIA using planning officers and legal officers of agencies. In an effort to make Environmental Assessment (EA) Act 2000 more holistic, Environmental Commission Secretariat has adapted international SEA as Strategic Assessment (SA). SAs for Punasangchu basin II hydropower and Samtse Damdhum industrial estate projects have been completed in May 2010. The Environmental Commission is in the process of building capacities in agencies, after which SA will be mainstreamed. With the mainstreaming of SA,



regional/national scale & socio-economic sustainability scope, facilitating policy & planning level decision-making and strategic & visionary nature of SA will address local & microscopic scope, administrative requirement for decision-making and construction & operation actions limitations of existing EA.

In an effort to make GNH practices as part of habit, agencies use Policy Formulation Protocol and Policy Screening Tool (PST) while submitting a draft policy. The Policy & PST, developed in relation to GNH indicators will help mainstream GNH into new plans and policies. The PST uses 23<sup>4</sup> out of 72 GNH indicators. Any policy scoring less than 69 out of 92 scores is revisited at Agency, GNHC Secretariat, GNH Commission and Cabinet levels. It has been a useful means as it engages stakeholders and focuses policy deliberations at all levels. The process is facilitated by GNHC Secretariat in collaboration with Centre for Bhutan Studies. The protocol and screening tool-though at preliminary stage have been applied to Economic Development, Forestry, Youth, National Human Resource Development, WTO and Education policies. They ensure holistic promotion of values, necessary conditions for happiness.

**(include section on establishment of FIU – if useful also mention about Financial Services Bill -give its essence)** The central bank - Royal Monetary Authority (RMA) has launched the Integrated Central Banking System (ICBS) in September 2009. It has 11 institutional modules – automated procedures, data communication and sharing facilities between the RMA, domestic and external agencies, increase information security measures and improve internal data management and dissemination. It is expected to enhance its internal operations and the quality of its interaction with other financial institutions. The system has been developed on-site by the RMA in collaboration with its vendor - Digital Shangri-La Bhutan and Sunrise Technologies of Kolkatta.

Coinciding, with the inauguration ceremony of the 39<sup>th</sup> Asian Clearing Union Board of Directors meeting, the RMA has started Electronic Fund Transfer and Clearing System (EFTCS) in June 2010. Further, Bhutan's Credit Information Bureau (CIB) will be automated in November 2010. Once put online, it will replace the existing cumbersome *Loan Clearance Certificate system* to create value for credit granting institutions by meeting their needs for comprehensive and expeditious credit information. It is also expected to empower financial institutions to make better informed credit decisions, reduce the time and costs associated with processing loan applications, and improve the quality of risk assessment and management practices. This will ultimately help to improve the quality of financial sector assets, reduce non-performing loans and strengthen financial sector soundness.

With the introduction of the Procurement Rules and Regulations 2009 and Standard Bidding Documents, the Public Procurement Policy Division (PPPD) has been established under the Ministry of Finance as part of World Banks' aim to introduce national procurement procedures for international competitive bidding under the World Bank supported operations. The PPPD facilitates policy and professional development in the field of procurement. Royal Institute of Management, Royal University of Bhutan and RCSC are supported by the UK Chartered Institute of Purchasing & Supply with support from the World Bank. Establishing and embedded procurement bench-marks and standards which are based on international best practice, professionalizing procurement community through a national people development strategy and strengthening and supporting wider roll out of procurement practices are key objectives of Institutional Capacity Building Project in Procurement which commenced in June 2009 for two years.

RCSC in its continuous effort to position civil service in a new democratic set up, has revised recruitment, selection & appointment of regular civil service, recruitment of university graduate,

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<sup>4</sup> The indicators are derived from the nine domains – Education, Health, Time Use, Living Standard, Good Governance, Community Vitality, Culture, Community Wellbeing and Ecological Diversity and Resilience. The Policy & Project Screening Tool, developed in relation to GNH indicators will help mainstream GNH into new plans and policies

training and promotion rules. Appointment of Division Chiefs in line with position classification system and proposal for human resource auditing are latest reforms in civil service.

While there are numerous improvement tools, we believe that unless, these measures are tied up with normal budgeting & personnel management systems, results of isolated tools application would be futile. Clear accountability and strong management support is yet another pre-condition for significant impacts. As evident from above, monitoring tools like Citizen Report Card, Customer Satisfaction, Social Audit, Continuous Improvement & Benchmarking need be coupled for better results.

*Develop long-term educational strategy in building an awakened citizenry*

In a development process, national integrity depends on the integrity of public sector and private sector, civil society organization, media & citizens. In fact, the later actors have important role in the development process and in acting against corruption. ACC is making continuous effort in forging partnership with these agents, though limited results, primarily due its lack of capacity and largely due to lethargic and indifferent culture. ACC in collaboration with Non-Formal & Continuing Education Division of Education Ministry has incorporated a module on corruption as part of Non-Formal Education (NFE) curriculum. The module defines corruption, its manifestations, causes and consequences of penalties if convicted corrupt. About 13, 000 NFE learners are enrolled. It is expected to create some behavioral changes and shape public aspect of life in them. About 13 broadcast programs, 10 print information leaflet & brochures and 19 street plays have been carried out to promote public awareness on corruption. Three districts (Trashigang, Haa and Phuntsholing) organized marathon and solidarity walks coinciding with the International Anti-Corruption Day (IAD).



Senior citizens expressing their solidarity in building corruption free Bhutan

About 800 people from all walks of life participated in the event. Banners with messages “**Fighting corruption is a collective responsibility, Together we can stop corruption**”, “**Am I corrupt? Are you corrupt? and Your No Counts**” were put up. For larger participation, short texts “**I will not be corrupt and I will not tolerate corruption in others**”, **His Majesty the King** and “**Resist, Refrain & Report Corruption**” were sent through Short Message Service (SMS) to about 200,000 cell phone subscribers in commemorating on IAD and National Corruption Free Week (10<sup>th</sup> - 16<sup>th</sup> December 2009) events. In addition, ACC optimizes gatherings of local committees, youth, engineers, judges, etc., in sharing its experiences, anti-corruption tools and to discuss approaches.



Run against corruption Phuentsholing

Public Education Division (PED) is in process of reaching out 100 sub-districts and 10 central agencies during July 2010 to June 2011 work plan. Public official, contractors and monastic representatives are informed on causes, forms and consequences of corrupt practices. They are also made aware of revised regulations like procurement, upcoming local elections and red-flags in

contract administration. Bi-annual meeting with media houses and CSO representative are used to empower citizens of all walks of life.

*Promote partnership*

Ever since ACC's establishment, it has firmly believes that fighting corruption is a collective responsibility. Citizens, private agencies, judiciary, armed forces, development partners, media, CSO, etc., have equal role if not more in combating corrupt practices. Effective anti-corruption control lies within an agency. ACC can only share best practices. In this spirit, NACS highlights partnership and ownership in anti-corruption measures.

The 9<sup>th</sup> coordination meeting of RAA, Internal Audit Units (IAUs) and the ACC was conducted on 3<sup>rd</sup> June 2010. This forum meets bi-annually was instituted in 2006 to create a common platform whereby Internal Auditors can share experiences, expertise, techniques and clarify issues related to internal auditing services and also to promote professional relations between the institutions as a strategy towards mainstreaming anti-corruption measures. The forum not only consists of Internal Auditors from ministries, it also includes Internal Auditors from public agencies-corporations. Based on its usefulness, participation of RCSC has also been included. The forum has been crucial in operationalization of Internal Audit Charter-Code of Ethics and Standards. IAU's mandate is to bring proactive systematic evaluation, improve effectiveness of risk management and control in respective agencies.

4. Regional/International collaboration in fighting corruption

*a. Transnational nature of corruption*

With rapid globalization, corruption is a transnational crime. Corruption weakens rule of law, erodes trust & confidence of institutions, aggravates poverty & inequality in a society. It poses serious threat to nation's prosperity and well-being. Political stability, wellbeing, economic development and international trade and investment have been key attributes to Bhutan's growth -maximization of GNH. The government has adopted FDI Policy early this year to achieve objectives of 2010 Economic Development Policy. Foreign investments in hydropower, greener technology and service hubs are increasing. It will entail more socio-economic activities, nationally and internationally. It is likely that social evil - corruption cannot be ignored with increasing socio-economic activities. So, sharing of information, best practices and concerted effort across boundaries are inevitable.

Besides, being member of ADB/OECD Anti-Corruption Initiative for Asia-Pacific, Bhutan ACC has working relationship with among others, Indian Central Bureau of Investigation, Singapore Corrupt Practices Investigation Bureau, Hong Kong Independent Commission Against Corruption and Malaysia Anti-Corruption Agency. In May 2010, the National Anti-Corruption Commission of the Kingdom of Thailand and ACC have signed memorandum of understanding on Mutual Cooperation in Preventing and Combating Corruption. This is the first formal foundation for a meaningful partnership in the ever challenging fight against corruption. As part of strengthening ACC, more collaborative mechanisms will be arranged in ensuring corruption free society and resisting it as a safe haven for corruption.



