

ADDRESS ON THE STATE OF THE NATION, 2009-2010 BY THE HONOURABLE PRIME MINISTER, KINGDOM OF BHUTAN

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By
The Honourable Prime Minister
Kingdom of Bhutan
Thimphu, Bhutan
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It is with a great sense of honour and privilege that I report to the First Parliament of our Democratic Constitutional Monarchy and through it to my fellow citizens, the State of our Nation, 2009- 2010, upon having completed two years of democracy. As the Royal Government must always be guided by the goal of “Gross National Happiness” (GNH) and, as all state endeavors must be to create enabling conditions for the pursuit of happiness by our fellow citizens, my presentation is framed within the four pillars of GNH.

Under each pillar, I shall submit what and how changes have occurred and what might we expect in the near and distant future. In so doing, the Honorable Members and the nation will have an opportunity to assess the performance of the government and to share your wisdom so that these may further the quality and efficacy of government policy and action.

The details of the actual achievements, sector-wise, will be circulated in printed forms and made available on ministerial and Cabinet websites. Through the Honorable Members, I urge my fellow citizens to read and analyze them so as to exercise your democratic right to speak your mind and guide the government you have created to serve you better.

I. GOOD GOVERNANCE

1. Democracy

As the establishment of firm foundations for democracy and a democratic polity/culture comprises the highest priority of the Royal Government, I shall first report on this subject.

a. Monarchy

Our democracy will always be unique in the way in which our cherished monarchy serves as the supreme moral and ethical force beyond the specific roles defined by the Constitution. The King is an embodiment of compassion and national harmony contributing to national cohesion, security and pride. And as the Bhutanese people learn and practice the ways of democracy, and as we falter sometimes, we are comforted by the knowledge that our King shall always be there as the protector of the Constitution and guarantor of democracy.

For my colleagues in the Cabinet and myself, His Majesty in His boundless wisdom has been the guiding light and inspiration as the sun and moon in the ethereal sky. All of us - the Cabinet, civil and public servants at the national and local levels - are deeply encouraged by His Majesty’s words of support and satisfaction in our collective performance in the service of the Tsa-Wa-Sum.

b. Three Branches of Government

It gives me great satisfaction to report that all the institutional arrangements as required under the Constitution for the three branches of the government are now complete and fully functioning with the recent establishment of the Supreme Court and the reconstitution of the High Court. In this regard, the Royal Government has fulfilled its role in providing adequate resources without compromising their independence.

Likewise, the effective functioning of our constitutional bodies in the conduct of their oversight responsibilities in an atmosphere of complete freedom gives us cause for satisfaction.

c. Media

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

I believe, we can agree that the manner in which this vital organ has been growing in number and variety and with a high degree of professionalism to serve our polity in the development of a democratic ethos and culture has been encouraging. That such development should happen so quickly and against resource constraints and other limitations is indeed praiseworthy.

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

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

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

d. The People

It is not the laws and the institutional arrangements alone that determine the quality and goodness of democracy. We must remember that failures of democracy have less to do with weaknesses in the constitutions and structural arrangements which in our case are near perfect. In the end, it is the people, the polity and the way they live and motivate politics. Unless they understand their own power and are capable of exercising it as responsible and intelligent citizens to shape the nature of politics, they will go wrong. They will go wrong in the selection of their representatives and leaders and fail to hold them accountable.

Democracy fails not because leaders are born bad but because of people, who in their hunger for power and privilege, are chosen to positions of leadership. I say this only as a reminder to my fellow citizens that while they may have elected a national government that they must hold accountable, they have yet to choose their local leaders whose responsibility it is to serve their every day needs in their Gewogs and villages.

In general, I believe the two years of democracy have given our people growing confidence in the new system gifted by our beloved Kings. Secure in the environment of peace, stability and progressive socio-economic development, our people enjoy a rising sense of pride and confidence in themselves and in the certainty of a good future.

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

ADDRESS ON THE STATE OF THE NATION, 2009-2010 BY THE HONOURABLE PRIME MINISTER, KINGDOM OF BHUTAN

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

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

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

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

2. Governance

The purpose of democracy is to enable good governance and in this respect, I would like to report on how our country is being governed.

a. Sovereignty

As I often remind my fellow citizens, no small country can take its sovereign integrity for granted, regardless of how fortuitously it may be situated. Threats and dangers can never be far from both within and outside. In respect of the latter, it is good to be mindful that enmity comes from friendships gone sour. This should serve to remind that even good friendship needs to be nourished.

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

With China, good neighborly relations continue in adherence to the 1998 Agreement on Maintenance of Peace and Tranquility along the Sino-Bhutanese Border Areas. The Royal Government is now preparing for the next round of meeting between the senior experts during this month as decided at the latest round of bilateral talks last winter.

b. Foreign Relations

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

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

The Foreign Ministry is to be particularly commended for the successful SAARC summit. It was during this event that I had the joy of witnessing, once again, the amazing spirit of patriotism of the Bhutanese people and how the entire government and citizenry can come together in harmony for national gain. The result is to be seen in the growing national prestige and image that translates as tremendous goodwill and development assistance despite multiple global crises faced by the donor community and competing demand for development aid.

As citizens, I wish you to know that each of us has contributed in our own ways to the ascendance of Drukgyuel as a young and exemplary democracy guided by the increasingly admired philosophy of GNH.

In particular, His Majesty's first state visit to India last year after His Coronation was a resounding success and I am hopeful His Majesty finds time to undertake more such visits to other countries as well.

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

c. Delivery of Services

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

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

Making good use of ICT, many services will be obtainable through mobile phones. That is why for instance, mobile phone vouchers have been given to the Gups. Already, tourist visa, airline ticketing, audit clearance, forestry permit, tax filing, and even security clearance are being delivered online. It is expected that these changes, through one-stop shops and elimination of duplication etc, will lead to considerable savings for the government proving that good governance does not mean big government.

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

d. Enhancing Local Governance

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

Apart from centrally implemented projects, the budget for Gewogs and Dzongkhags amounts to 25% of the total national budget and reflects the importance attached by the government to decentralization. Gewog budgets do not include expenditures on establishing basic standard facilities or services such as RNR services, Gewog offices and roads to Gewog centers for which separate budgetary allocations have been made.

ADDRESS ON THE STATE OF THE NATION, 2009-2010 BY THE HONOURABLE PRIME MINISTER, KINGDOM OF BHUTAN

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

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

e. Promoting the Rule of Law

In ensuring that all citizens receive equity and justice, and that power and influence do not place ordinary citizens at a disadvantage, the Royal Government continues to frame laws and propose amendments to existing laws for enactment by Parliament.

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

In the end, laws are only as good as they are interpreted and implemented. I would like to submit that while imperfections still prevail, the Royal Government has never and will never knowingly and deliberately act in violation of any law in the discharge of its functions and in the maintenance of law and order.

I would also like to declare that at no time has the government tried to influence and interfere in the workings of the judiciary. Here, it gives me pleasure to submit that the judiciary continues to deliver good and prompt justice.

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

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

f. On Functioning of the Constitutional Bodies

I would like to take this opportunity to felicitate the constitutional bodies namely, the Royal Audit Authority (RAA), Anti-Corruption Commission (ACC), Election Commission of Bhutan (ECB) and the Royal Civil Service Commission (RCSC) for their indispensable and dedicated work. They perform without fear and favor while zealously protecting their independent mandates. Here, I would like to report that the Royal Government considers and has supported the functioning of these bodies as stipulated by the Constitution. Their roles are critical in promoting the highest level of transparency and accountability with which a democratic government must function.

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

I must however caution that the ACC and RAA, as they expose more and more flaws in the management of public resources, including corruption, it will naturally appear that the government is becoming more corrupt. This would be a misperception. What we can be certain of is that these will also lead to stronger preventive measures and my hope is that as we improve management practices with emphasis on performance and clear accountability, we will succeed in rooting out corruption.

g. Role of Civil Society

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

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

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

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

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

II. SUSTAINABLE AND EQUITABLE SOCIO-ECONOMIC DEVELOPMENT

1. The Minimum Programme

It is well known that the Royal Government's prioritization of poverty alleviation in the Tenth Five-Year Plan is to reach the unreached, create employment opportunities. It is to give social and economic justice and empowerment to make meaningful the political empowerment which otherwise is compromised in most democracies. It is to these ends that the minimum development programme of the Royal Government targets rural communities where the majority of the poor live.

The progress made in the last one year includes:

a. Connecting All Gewog Centres with Motorable Road

This programme aims at building roads to every Gewog center except for four to five which cannot be connected for reasons of prohibitive environmental, security and demographic costs. Against the remaining 66 Gewogs, five more will have been connected by the end of the financial year

ADDRESS ON THE STATE OF THE NATION, 2009-2010 BY THE HONOURABLE PRIME MINISTER, KINGDOM OF BHUTAN

and with 29 more roads budgeted to be connected in the New Year, we are well on track to achieve our target to satisfy the most vital need of the people by the end of the plan period.

These are in addition to the hundreds of kilometres of farm roads that are being built and restored after their hurried construction in the last plan period.

The august assembly may also note that rural connectivity is not coming at the cost of national highways, Dzongkhag and feeder roads that are being improved, built and extended to support the growth and development of our economy. Greater progress has been stymied by the lack of resources as reported in the budget presentation.

b. Electrification of All Homes

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

c. Universal Primary Education

For a nation that must depend on a highly educated and talented human resource for its long term sustainability, access to education is of the highest importance. With universal primary education as our target by the year 2013, I am pleased to report that 94% of Bhutanese children of school-going age are already enrolled, with 15,841 children admitted in PP this year alone.

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

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

d. Improvement of Basic Health Services

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

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

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

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

e. Safe Drinking Water Supply to Every Home

Delivering safe and convenient drinking water to every village has become an extremely difficult challenge in the face of diminishing sources. Nevertheless, substantial progress has been made with the government having built 238 new and rehabilitated 51 schemes during the past year.

f. Nationwide Mobile Phone Connectivity

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

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

It is through this minimum programme that the basic issue of equity is being addressed just as it does the enjoyment of basic human rights which must begin with social and economic empowerment.

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

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

It is in this context that the Royal Government is deeply grateful to our development partners for their generous financial and technical support even as they are themselves faced with economic downturns. I am deeply heartened by the Finance Minister's budget which unfolded to us the news that not only was our domestic revenue able to cover the recurrent expenditures as required by the Constitution, but that in the past year, it was able to finance 30.5% of our capital expenditure as well. Although the capital expenditure was low in light of this being the first year of the plan, it nevertheless, is a very significant accomplishment.

2. Macroeconomic Development Architecture

I would like to remind the Hon'ble Members and my fellow citizens that the goal of achieving self-reliance as defined earlier is the basis for our government's pursuit of the clear vision of a green, sustainable and inclusive economy that comprise of the following with their respective progress:

a. Accelerated Hydropower Development

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

ADDRESS ON THE STATE OF THE NATION, 2009-2010 BY THE HONOURABLE PRIME MINISTER, KINGDOM OF BHUTAN

four projects will generate a total of over 3,000 Megawatts of clean energy.

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

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

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

It is with some regret that the Royal Government is unable to report on any significant success beyond expressions of interest that we were able to attract. In both the cases, being major investment projects involving large scale FDI, the DHI which is the investment arm of government, has been appointed the lead agency as there were no private sector entities with interest or capacity.

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

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

c. Making Bhutan a Financial Hub

A modest progress has been made with the emergence of several new financial institutions having begun operation or intending to do so, one with FDI partnership. Of significant noteworthiness is the office of the SAARC Development Fund being headquartered here in Thimphu. Having consulted with several financial and economic experts such as Joe Stiglitz and George Soros, both of whom advised against it, the Royal Government has commissioned international experts to conduct a thorough study on the feasibility and desirability of pursuing these goals.

d. Expanding the Tourism Sector

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

With the aim to spread the tourists geographically and time-wise over 12 months, a range of strategies including development of new products in the areas of culture, spiritual nourishment, eco-adventure and wellness are being undertaken. At the same time, expansion as well as improvement of the existing services are being regulated and implemented. Wherever feasible, as many of the Dzongkhags will be covered while special measures such as farmhouse stays are already being piloted.

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

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

e. IT Enabled Knowledge Economy

The progress in this transformative endeavour has been encouraging. Perhaps, the most significant development has been the grant of Nu. 2,050 million by the Government of India and the initiation of the "Chiphpen Rigphel" project which was jointly inaugurated by the two Prime Ministers of India and Bhutan.

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

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

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

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

f. Organic Farming

The Agriculture Ministry has begun the process of promoting Bhutan as an organic brand. While research and planning for the purpose is going on, pilot organic farming has begun in several places and those areas that can be declared organic, never having become chemical dependent, under prevailing norms are being identified.

A phased plan involving advocacy and retraining to gradually wean the farmers and produces away from chemicals is being framed. While this would make significant contribution to the health of our environment and people, this will enhance in a substantive way, farm income from a growing market in India alone.

3. Policy and Administrative Regimes to Stimulate Private Sector Growth

One of the main deficiencies in the past has been the lack of a clear and definite policy framework to guide and promote responsible and sustainable growth in the private sector. The "Economic Development Policy" was released in April of this year after thorough discussion with all stakeholders. It is not a comprehensive policy document as I submitted in my first report to Parliament on the progress of the drafting of the EDP. The socio-economic development policies and plans of the country are clearly stated in the 10th plan documents.

The policy is complemented by the revised FDI policy and fiscal incentives, both of which have been released subsequently. Related to these is the new procurement rules and standards that, among others, provides opportunities for the new blood and innovative entrepreneurs to enter and compete

ADDRESS ON THE STATE OF THE NATION, 2009-2010 BY THE HONOURABLE PRIME MINISTER, KINGDOM OF BHUTAN

in large projects. This will free the construction industry from the domination of a few that have at times operated as a syndicate. Further, the Cabinet has recently approved the policy framework on Private Participation in Infrastructure (PPI) which will enable construction and other companies to develop capacities and engage in mega projects.

Together, these government initiatives remove all the uncertainties of the business environment and make clear the opportunities. The incentives offered provide direction for investment in the green and sustainable areas in socially responsible ways. They signal those areas in which there is no future for growth or expansion. The EDP also makes clear the role and responsibilities of the government, setting standards and conditions for greater transparency and accountability on the part of the government.

It is intended that the EDP and its supporting policies will stimulate sustainable growth in the private sector that is still excessively and directly or indirectly dependent on government programmes and expenditure. It is aimed at promoting investment in research and innovation and attracting FDI that will bring with it capital, technology, knowledge and market access.

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

I am aware that the government's decision to tax certain consumables labeled as "junk food" will hurt small businesses just as raising taxes for luxury goods will pinch the affluent. I would like to make it very clear that the motives behind raising taxes for such items are not only to raise revenue. In an economy such as ours, affluence and luxury must have its cost. Likewise, the innocence of our children and our simple folks must not be exploited at the cost of their health.

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

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

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

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

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

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

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

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

To tax the people beyond what they can pay is wrong especially by a government that is committed to alleviating poverty and closing the gap between the rich and poor. It is in this context that some have even questioned the government for giving too many incentives thereby reducing the much-needed tax collection, and risking our sovereignty and freedom.

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

- i. Commercial farms and related processing facilities are being given a ten-year tax holiday with organic farms being given an additional five years tax holiday. In addition, all farm machinery is exempt from import duty and sales tax.
- ii. With a view to improve access to capital by people in the rural areas, the Royal Government recently recapitalized the BDFC. The new capital structure allows the BDFC to take deposits from the public, and thereby increase its lending to the rural sector.
- iii. With the intention of encouraging and promoting rural arts and crafts, individual artisans and craftsmen in the rural areas are exempted from customs duty and sales tax on the import of equipment and labour saving devices.
- iv. To spread the benefits of tourism to the rural communities, farm stays are being promoted as a tourism product. For this purpose, farm-houses need to only register with the Tourism Council of Bhutan and are exempt from licensing requirements and income tax. Furthermore, guest houses and lodges established between 1 January 2010 and 31 December 2015 which meet the minimum standards specified by the TCB are eligible for a tax holiday for 10 years.
- v. Small and cottage industries and cooperatives which are established between 1 January 2010 and 31 December 2015 are being given a 10-year tax holiday. The period of tax holiday for such industries established in interior areas will be extended by another 10 years. Furthermore, interest earned on loans given by the financial institutions to small scale and cottage industries is exempt from income tax.
- vi. New pharmaceutical shops in rural areas will be given tax holiday for five years, while high end private health services will be eligible for a tax holiday of 10 years.

ADDRESS ON THE STATE OF THE NATION, 2009-2010 BY THE HONOURABLE PRIME MINISTER, KINGDOM OF BHUTAN

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

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

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

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

4. Employment

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

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

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

III. CULTURE (Principal Driver of GNH)

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

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

1. Language and Literature

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

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

As the chairman of the Dzongkha Development Commission, I would like to report that after comprehensive consultations with the public and language experts and teachers in the country, a strategic plan of action is under consideration to define the role and development path for the language. In so doing, the vital importance of English as an international language offering the best means to information & knowledge, science & technology, trade & commerce and conduct of foreign & international relations is being fully taken into account.

2. Music and the Arts

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

The same is to be said of our architecture. However, in the realm of fine art, that is painting and sculpture, tradition still prevails and faces no risk. I would like to make a special mention of the film industry that has contributed substantially to our culture and inspires others with their creativity and self-confidence.

3. Identity and National Dress

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

ADDRESS ON THE STATE OF THE NATION, 2009-2010 BY THE HONOURABLE PRIME MINISTER, KINGDOM OF BHUTAN

Without form, the essence must vaporize, vanish and be forgotten. Whereas the government in the past did play a major role in maintaining our traditional dress code, a democratic government is less inclined to be involved. I, therefore, appeal to fellow citizens not to let this very important feature of our culture die, and to be proud of it. As I appealed to the tourism stakeholders for whom culture is their livelihood, I ask that you wear your Gho or Kira to work every weekday as those of us in government do.

4. Restoration and Creation of Cultural Wealth

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

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

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

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

5. Emotional and Psychological Wellbeing

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

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

While school authorities are doing what is possible, one wonders whether we, as parents, are failing our children in providing effective parenting. It is hoped that with increased counseling in schools and outside by school authorities and the RBP as well as by some of the NGOs, combined hopefully with more responsible parenting, will yield positive effect.

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

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

Here, I would like to express the Royal Government's appreciation to the Dratsang, religious leaders and volunteers who have intensified their efforts to provide spiritual guidance to students and youth. Given the enthusiastic audiences among youth, I am encouraged.

6. GNH as the Symbol of Bhutanese Culture

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

Natural resources are depleting, our water and air are turning poisonous, climate is changing and natural disasters are occurring with increasing frequency and devastation. What is behind all this is the universal culture of greed that is insatiable – the “must-have” culture – at the cost of everything including one's own health and relationships.

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

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

IV. ENVIRONMENT

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

It is our objective and purpose to ensure that in the process of our accelerated development programme, our rich biodiversity will not be compromised and that the forest cover will remain well beyond the constitutional requirement.

I would like to highlight some of our main initiatives and achievement in the last one year.

1. Bhutan as a Net Carbon Sink

At the Conference of Parties Summit on Climate Change in Copenhagen (COP 15) last December, Bhutan declared that it will forever remain carbon neutral and serve as a net carbon sink. We did so not because it would make Bhutan famous or that it would attract further development assistance. We did so because it is the right thing to do and in the hope that others who were haggling over how much reduction they should impose on each other would be inspired into going a little further to make this world a safer place. We did so because more than most other countries, our fragile Himalayan mountain Kingdom is extremely vulnerable to the effects of climate change. We cannot but preserve our most pristine environment for our own survival.

ADDRESS ON THE STATE OF THE NATION, 2009-2010 BY THE HONOURABLE PRIME MINISTER, KINGDOM OF BHUTAN

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

2. Regional Coordination on Climate Change

At the SAARC summit, Bhutan was successful in having climate change adopted as the theme. We also succeeded in pushing through the Thimphu Statement on Climate Change which requires various inter-governmental actions to be taken to address the challenges arising from global warming including the development of a common policy and a SAARC action plan.

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

3. Mitigation and Adaptive Measures

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

While all the measures being undertaken by the Royal Government as reported last year will continue, I would like to submit the additional steps being taken for the information of our Hon'ble Members as follows:

- a. Strict monitoring of pollution levels in the industrial areas has significantly improved the environmental performance of the industries. For this and perhaps, similar measures taken across the border, one might have noticed that the sky over our valleys last winter was much clearer than in the previous year. Close monitoring will continue.
- b. The media will be given daily air quality report (SPM) and a monthly report on the average gaseous pollutants across the country. This will be done with the objective of raising public consciousness and participation so that our air quality becomes a matter of public concern and ownership.
- c. Against the target of lowering the Thorthomi glacial lake by five meters, the main and two subsidiary lakes have been lowered by more than 80 centimeters. More could not be achieved due to the effects of cyclone Aila. With the experience gained, we are hopeful of achieving a much higher reduction this year and to that extent mitigate the risks of a major disaster in the valleys of the Puna Tsangchu. In the meanwhile, a fully automatic flood warning system in the valley is being installed to become operational by June of next year.
- d. A comprehensive earthquake hazard mapping is being initiated along with a strategy to build capacity and expertise to monitor and make rapid response to earthquakes. The Hon'ble Members may well remember, the earthquake of 21 September, 2009, measuring 6.3 on the Richter scale, caused widespread damage to life and property estimated at Nu. 2.5 billion. Twelve precious lives were lost. As reported by the Hon'ble Finance Minister, the international community was quick to respond in both financial and material terms to the appeals of the Royal Government. The Royal Government and the people are deeply grateful to all the countries and the international development agencies for their timely intervention.

Above all, the people, I know, are immensely grateful to His Majesty the King for the way in which He was there to comfort and aid his subjects in their greatest moment of need.
- e. A wide range of activities were undertaken to mitigate fire hazards using volunteers and the army personnel. Likewise, several initiatives have been taken to prevent landslides through tree planting for slope stabilization.

4. Incentivizing Green Economy

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

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

5. Green Cities

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

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

On the subject of waste management and sewage treatment, we are taking a fresh look with a view to take advantage of the latest and the most efficient and eco-friendly technology available. Funding will need to be explored. At this point, I would like to take the opportunity to extend my thanks to all the students, civil servants and residents of Thimphu for the many times I found them with their sleeves rolled up to keep their city clean. I thank you all.

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

CONCLUSION

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

ADDRESS ON THE STATE OF THE NATION, 2009-2010 BY THE HONOURABLE PRIME MINISTER, KINGDOM OF BHUTAN

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

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

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

I wish to pledge once again, that the Lhengye Zhungtshog and I, supported by the dedicated civil servants, will continue with our endeavour to serve our King, people and country with allegiance and devotion. I wish also to remind that the state of our nation will, for all times, not just be the outcome of what the government does but that it is the result of our collective efforts. It is the outcome of how our beloved King, the Royal Government and the people strive separately and together in the pursuit of Gross National Happiness.

As I come to the end of my presentation, I wish to take the opportunity to offer the unwavering loyalty and gratitude of the Royal Government and myself to His Majesty the King for the inspiration and wise counsel to which we have been privileged. We thank the Dratsang and the Chhoedeys for their prayers and good wishes, and our security forces for keeping our country safe and secure. We thank all the public servants, the private sector, the NGOs and all our local governments for their contributions to the success of our second year of democracy.

Lastly, I and all the members of the governing party express our deepest appreciation to all the members of Druk Phuensum Tshogpa and our supporters for their continued good work and the most valuable guidance they give us as we discharge our sacred responsibilities under the reign of His Majesty the King.

May the reign of His Majesty Jigme Khesar Namgyal Wangchuck be glorious and bountiful.

Long live His Majesty.

Tashi Delek

ANNEXURE

A. Economic Performance:

- i. Growth: The economy is estimated to have grown by about 6.2% during the 2008/09 as compared to 11.9 % in 2007/08.
- ii. Inflation: At the end of March 2010, inflation as measured by the Consumer Price Index was 5.7% as compared to 7.21% during the same period in 2009.
- iii. International Reserves: At the end of March 2010, gross international reserves, comprising of both convertible currencies and Indian Rupees amounted to US \$ 819.32 million. In terms of the average monthly imports, this would cover 13.81 months.
- iv. Performance of public sector corporations: Total profit before tax for the public sector corporations under the DHI increased by 62.9% from Nu. 6.29 billion in 2008 to Nu. 10.25 billion in 2009. DHI was able to meet its remittance commitments of Nu. 2.138 billion to the Ministry of Finance in 2009. Total taxes paid by the DHI companies increased by 65% from Nu. 1.87 billion in 2008 to Nu. 3.08 billion in 2009.

A. Social Indicators¹:

1. Health

- i. Life Expectancy at Birth – 66.3 years
- ii. Number of Hospitals - 30
- iii. Number of Basic Health Units -178
- iv. Outreach Clinics- 519

2. Education

- i. Literacy rate – 59.5%
- ii. Gross Primary Enrollment Rate -115.7%
- iii. Primary Schools – 85
- iv. Junior High & Lower Secondary Schools – 89
- v. Middle & Higher Secondary Schools – 72

3. Agriculture, Livestock and Forestry

- i. Agriculture Extension Centers – 40
- ii. RNR extension Centers -136
- iii. RNR Research centers – 4
- iv. Veterinary Hospitals – 20
- v. Livestock Extension Centers – 42

4. Transport & Communication

- i. Length of roads -5.982.3 kms.
- ii. Number of motorable bridges – 265
- iii. Number of Internet connections – 7,686
- iv. Number of mobile phone subscribers – 327,052

¹ Source : "Comparative Socio-Economic Indicators of Bhutan, March 2010", published by the National Statistical Bureau.