



Article 10, Section 10 of the Constitution

“The Prime Minister shall present an Annual Report on the state of the nation, including legislative plans and the annual plans and priorities of the Government, to the Druk Gyalpo and to a joint sitting of Parliament.”

2017 - 2018

I. INTRODUCTION

Your Majesty the King
Speaker of the National Assembly
Chairman of the National Council
Leader of the Opposition Party
Members of Parliament and
Fellow Citizens

As a Bhutanese, it is the ultimate honor and privilege to be standing here in this august House of our country to present the State of the Nation Report to His Majesty the King, Parliament and people of Bhutan. Today, marks the Sixth State of the Nation Report that I stand here to report to our nation. At the outset I thank the Speaker, Members of Parliament and esteemed guests who have come to the House and special thanks to our citizens watching on television and listening to the radio.

Mr. Speaker, Members of Parliament and Fellow Citizens,

As your elected Prime Minister, I am honored to present the Final State of the Nation Report to the Second Parliament. This State of the Nation coincides with the end of the 11th Five Year Plan and therefore will present the final report of the Plan. This in itself will provide a comprehensive state of the nation as we reflect on a Plan that has in general been very successful. It is the biggest Plan till date in terms of resources and also the Plan with the biggest socio-economic development achievements. Almost all Plan targets have been achieved in addition to several achievements that were not part of the Plan. This success cannot be attributed to this government alone but rather it is a culmination of the collaborative efforts of all governments since the start of the first Five Year Plan in 1961 by His Majesty the Third King. Under the farsighted leadership of their Majesties the Kings, previous governments worked hard to ensure the success of every Five-Year Plan and each Plan provided the foundation for subsequent Plans.

Today in my final report, I will highlight the achievements of the 11th Plan and beyond as well as remind ourselves of the challenges and difficulties ahead. I



also want to focus on our future going beyond our planning cycle as all of us in this House will come and go but the Nation of Bhutan must continue to flourish and prosper.

We live in a time of extraordinary changes taking place within our nation, region and the world at large. It is change that promises unparalleled opportunities for all our citizens whereby geography is no longer the single dominant determinant factor for success of a nation or its citizens but it also challenges and disrupts our comfort zones and way of life and needs to be managed well. And whether we like it or not, change will continue to take place but change is not new to us as our nation from time immemorial has always risen to the challenge of the day and is a story of survival and resilience against all odds. Our Kings and people have timelessly and tirelessly struggled to ensure that the Nation of Bhutan remained, emerged and continues to be independent and sovereign. Each time, there have been those who told us to fear the future or ignore the past and each time we overcame such pessimism and fears by making change work for us. Our optimism and hard work have made this possible and continues to hold us in good stead.

It is this indomitable spirit of our nation that has ensured the successful implementation of the 11th Plan and fountainhead of this spirit of our nation is the leadership of His Majesty the King whose ceaseless support and guidance continues to lead us as a sovereign nation. As citizens and as a nation we owe an eternal debt to His Majesty the Fourth King whose foresight ushered the nation against the wishes of people into path breaking political, economic and social reforms, the results of which we as a nation have emerged stronger, resilient and more dynamic with increasing prosperity and opportunity for all. This House of ours is also the creation of His Majesty the Fourth King's farsighted political reforms and without which I will also not be standing here. Let us all join our hands in offering our deepest prayers and heartfelt gratitude to "Father of Modern Bhutan".

We also have the blessings and prayers of H.H the Je Khenpo, Dratshang, lams and monks and the hard work contributed by the civil servants, local government and the people themselves that have made this Plan a success. I will not go through the 11th Plan in detail; however, I will report on some of the main results of the Plan to provide a general idea of the State of our Nation. The



11th Plan report will be distributed to all members of parliament after the State of the Nation Report.

II. SOVEREIGNTY AND SECURITY

In our own “tryst with destiny”, the main achievement during the 11th Plan is that our Kingdom is even more sovereign and secure guided by the indomitable spirit expressed through His Majesty the King. This is important because we are a small landlocked country with a small population located between very big and powerful countries. Throughout human history, many countries small and big have lost their independence and some forever and we can never take our sovereignty and security for granted. Today, we enjoy sovereignty and security only because of His Majesty the King who is the Supreme Commander-in-Chief of the Armed Forces. I also take this opportunity to thank each and every one of the officers and soldiers of the Royal Bhutan Army, Royal Bhutan Police and the Royal Body Guards for their unwavering commitment and dedication to the service of the nation. They are at the frontlines of being the guardians of peace, independence and sovereignty of our nation. We must be proud of our men and women in uniform. A special mention must also be made of our *Desuungs*, who have continuously provided their services.

The primary objective of our foreign relations with international organizations and countries is to protect our sovereignty and security to ensure that we remain independent for all times to come. In this regard, relations with India has been strengthened through several bilateral visits at the highest levels over the course of the five years. This year we are also celebrating 50 years of diplomatic relations with India and several activities and events are being organized to honor the landmark occasion. A landmark celebration was the establishment of our second consulate office in India, in the state of Assam. The consulate will further strengthen relations between the two countries and benefit the six Eastern Dzongkhags.

Our relations with China, the second largest economy in the world and an emerging global power is increasing and we continue to maintain peaceful and cordial relations. On the issue of border, 24 rounds of boundary discussions have been held so far and both sides are committed to finding a mutually beneficial



solution. The Royal Government continues to take a strategic long-term view of our engagement with China to ensure that our national interests are secured.

Besides India and China, we have also strengthened our relations with other countries in the current Plan through regular interactions at all levels of government and promoting people to people relations. Relations have notably been strengthened with Japan, United States, European Union countries, Bangladesh, Thailand, Singapore, Australia, South Korea, Canada, Nepal, Sri Lanka and Myanmar. Besides these countries, we continue to engage with many other countries, international and regional organizations. These relations have not been limited to political and diplomatic relation but also encompasses economic relations by way of commerce and tourism.

The Royal Government remains committed to multilateralism for the global conduct of affairs and while we have continued to receive assistance from the United Nations (UN) since 1971, we have begun to contribute to the UN from the 11th Plan by participating in peacekeeping operations. We must be proud and celebrate our nation's progress from total dependency on external assistance to being capable of contributing to such multilateral efforts.

As we move forward as a society and nation, we remain eternally indebted and grateful to His Majesty for our sovereignty. We must also rise to this supreme national obligation and call of duty by remembering and acting on what His Majesty the King commanded on April 24, 2009 during the Army Raising Day in Wangduephodrang;

“

I have been telling you time and again that the important national goal is sovereignty and security of our country. It should not be compromised at any cost.

”

III. PEACE, UNITY AND HARMONY

The strengthening of our sovereignty and security has led to our second most important result of the Plan and that is the continuation of peace, unity and

harmony. These are conditions that create opportunities to greater triumphs and achievements for our people in a “*sea of tranquility*” that many nations envy. The unprecedented levels of peace, unity and harmony we enjoy is solely because of the unfailing leadership, guidance and support of His Majesty the King. Peace, unity and harmony are the key determinants of happiness of a nation and the conditions for ensuring our fundamental right to life, liberty and security as guaranteed by our Constitution.

His Majesty’s tireless dedication and commitment to the nation and people continue to be the source of our strength and building blocks for the foundation of our peace, unity and harmony. I call on the nation to offer our humble prayers, dedication and gratitude for His Majesty’s hard work that is evident from morning till late night meeting people, providing advice and counsel, granting audiences to government, civil servants, civil society and citizens. Travelling all around the country especially rural areas, to schools and colleges, meeting teachers and students. Granting *Kidu* to people, spending time in each village and its people until they are satisfied. Being at the forefront of disaster relief by placing people first ahead of his own personal safety and looking after those affected. His Majesty is our *Kidu-ghi-pham* but we should not leave everything for His Majesty. We should fulfill our own responsibilities wherever possible and work together as “One People under One King”

To ourselves and fellow citizens, I humbly recall the June 7, 2007 Command of His Majesty during the inaugural session of the 87th National Assembly that,

“*We must always stand united in spirit and purpose. We must always be one nation with one common goal – so that we continue to enjoy lasting peace and happiness.*”

IV. 11th FIVE YEAR PLAN BUDGET

Now before I continue with other salient achievements of the 11th FYP, I will present a summary of the 11th Plan budget. The 11th Plan had the largest budget outlay of any Plan ever at Nu. 225 billion, corresponding to an increase of 52% over the 10th Plan budget of Nu. 147 billion. On the capital front, Nu. 27 billion



was met from domestic resources to finance the total capital expenditure of Nu. 110 billion. While on the recurrent front, the entire recurrent expenditure of Nu. 115 billion has been financed from domestic resources.

As a small developing country with a large rural based population, it is extremely challenging to enhance domestic revenues without imposing significant burden on the general public. Therefore, I am extremely satisfied to inform that our domestic revenue increased from Nu. 88 billion in the 10th Plan to Nu. 142 billion in the 11th Plan without imposing much burden on our people.

Even on the grants front, the government received the largest grant so far amounting to Nu. 70 billion, an increase from the Nu. 50 billion received during the 10th Plan. The Government of India alone provided Nu. 50 billion and almost all of this has been received. We thank the government and people of India for their continued steadfast assistance in Bhutan's development journey. The other major donors are Japan, European Union, U.N agencies, World Bank and Asian Development Bank and we remain grateful and thankful to their continued support for our development needs.

The fiscal deficit of the 11th Plan is Nu. 2.6 billion or 1.3% of the GDP. This is a remarkable achievement given that the 11th Plan is 52% bigger than the previous Plan which ran a deficit of Nu. 4.1 billion or 5.8% of the GDP. We have managed to maintain a minimal fiscal deficit despite a bigger Plan due to prudent fiscal measures and discipline by reducing wasteful expenditures and only spending where necessary. Our fiscal conservativeness has been successful.

Going forward, we need to continue to be conservative with our finances to reign in the deficit and will be possible from the 12th Plan due to the hydropower earnings from the projects that will be completed. We must also gradually reduce our dependency on foreign aid to work towards national self-reliance. Is it possible? Yes, it is! And we must remember the words of wisdom of His Majesty of June 7, 2016 during the 11th RUB Convocation in Thimphu,

“ It is not a question of whether we can do something or not, whether we have enough or not, whether we are permitted or not. The question is, are we going to do it or not ”



V. RURAL DEVELOPMENT

About 62% of our people live in rural areas. Life is difficult resulting in rural urban migration and *Goong-tongs*. According to the Population and Housing Census of Bhutan 2017 (PHCB), 21.7% of people have migrated to urban areas in the course of their lives. As a result, there are about 4,800 *Goong-tongs* and that is why the Royal Government has focused on rural development in the 11th Plan. We need to revitalize our rural areas by investing in both physical and soft infrastructure facilities to create economic opportunities and make living conditions comfortable to mitigate the situation of households being left empty. Rural life must be as good if not better than urban life for our citizens. All of us gathered in this august House take pride in our rural roots, for instance Thimphu Thromde has over 100,00 people living here yet over 90% of us have maintained our census records in the places of our origin and in our busy urban schedule we tend to forget about our rural areas. Our pride of narrating our rural roots must be translated into action and therefore some of the key rural investments the Royal Government has made in this Plan are:

a. ROADS

One of the biggest causes of rural urban migration has been lack of roads and that is why the Royal Government has invested in constructing roads to even the most remote communities. A total of 176 gewog centre roads have been blacktopped to make the roads motorable year round and Nu. 4.5 billion has been spent towards this effort. Funds to blacktop the remaining 26 gewog center roads have already been identified.

Further, in this Plan, 5,400 kms of roads have been constructed in comparison to the 4,200 kms in the 10th Plan. As a result of the road building initiatives, we now have a total of 11,200 kms of farm roads in the country and this wide network connects almost every village except for a few and we need to work towards this “last mile” connectivity. According to the PHCB, 93% of houses are within 30 minutes of a road head.

An extensive farm road network while bringing people to the markets needs to be maintained to ensure that people and goods move unhindered



year round. Given the limited road maintenance infrastructure in many Dzongkhags, the Royal Government has provided an excavator and a backhoe to each Dzongkhag. This is also expected to encourage responsibility on local governments towards their infrastructure.

So far I have explained the infrastructure building of farm roads and now turn to the significance that this investment has brought to our fellow citizens in the rural areas. Road access has led to an unprecedented increase in the number of off-road utility vehicles that are the workhorses of our rural people; 8000 such vehicles were purchased during the 11th Plan compared to 3,000 in the preceding Plan. Critics may question whether this was a smart investment but vehicle ownership is an indicator of progress and prosperity in rural areas. In a sparsely populated mountainous country like ours, ownership of a utility vehicle by our rural counterparts is also not a luxury or conspicuous consumption but a necessity for mobility and access to the markets. The Centenary Farmers Market in Thimphu sees such vehicles coming stocked with fresh produce from every part of the country regularly.

Improvements made in our gewog roads have also seen an increase in public transport connectivity with 147 gewogs having regular bus services that connect to the rest of the country. This network of roads has led to further integration of our people with each other.

b. ENERGY

In the 10th Plan, 88% of the country was connected to the electricity grid. Today 99.9% of all households have been connected and we must celebrate this near universal connectivity, something which even developed countries have taken a long time to achieve. This is a major achievement as during the 11th Plan, even the most remotest of villages in difficult terrains have been connected such as Soe, Lingzhi and Laya. We have connected in total 12,000 households and in this regard I would like to thank the Bhutan Power Corporation and the various other stakeholders including our development partners for making this possible.

To help improve rural lives as earning capacity is generally lower in the villages, 92,000 rural households are being provided 100 units of free electricity each month. The government has foregone revenues of Nu. 355 million every year but this initiative is important as it has improved the living standards of the rural people. A little sacrifice to improve the lives of our rural citizens is a smart investment for the long-term sustenance of our rural way of life and culture.

According to the PHCB, 95.2% of households use electricity for cooking and reflects a success of the Royal Government's rural electrification program. Building on the initiative of the 10th Plan when 600 rural households were provided with bio-gas, the current Plan intensified this effort by providing 5010 households with bio-gas. In order to reduce the burden of rural people having to travel to urban areas to avail cooking gas cylinders, the Royal Government initiated the distribution of LPG to the gewogs in the 11th Plan. And so far, LPG has been distributed in 84 gewogs. This service also helps rural areas reduce their dependency on firewood consumption and helps alleviate pressure on the environment. Again according to the PHCB, 69% of households use LPG for cooking.

c. **TELECOMMUNICATION**

The next most important infrastructure after roads and energy is telecommunications and today 5,545 villages are connected to the mobile network. This leaves us with 62 villages to be connected and to people in these 62 villages, I am pleased to report that beginning from next month we will be working to connect 50 of these villages. Today, we have 692,000 mobile phone subscribers which is basically one connection for every citizen. This is a significant increase and sign of progress of our nation because when mobile services were introduced about 15 years ago we had just a few thousand subscribers. There is 4G service in all Dzongkhag centers and 3G in 169 gewog centers. This communication revolution in the country has changed how we keep in touch and do business for the better. Distance is no longer an issue as near and dear ones are just a call away. Market prices of goods are checked instantaneously by making a few calls. The mobile network has also been central to the Royal Government's



ability to deliver public services through the G2C initiative. As of today, there are 151 G2C services and these largely benefit rural communities as they do not need to travel to the Dzongkhag headquarters or Thimphu. Such services include timber permits, birth registration, house construction among others.

d. AGRICULTURE

Agriculture is an important source of livelihood in rural areas and for most rural people, farming and livestock are the only sources of income. That's why agriculture received a major share of the investment in the 11th Plan and was designated as one of the Five Jewels. As a result, there has been major increases in agricultural productivity in crops, horticulture, vegetables, livestock, dairy production and in all segments of farm production.

Paddy harvest has increased from 75,000 MT in 2013 to 85,000 MT in 2017. Maize from 76,000 MT to 90,000 MT. Potatoes from 50,000 MT to 57,000 MT. Vegetables from 58,820 MT to 72,000 MT which is 113% of national requirement.

Similarly, livestock produce has also increased significantly with milk production increasing from 31,000 MT in 2013 to 50,000 MT in 2017. Egg production increasing from 66 million to 116 million and Fish from 55 MT to 222 MT.

Overall, income from agriculture increased from Nu. 17 billion in 2012 to Nu. 26 billion in 2017. This income is money in the hands of our people and important for poverty alleviation and prosperity.

This increase in agricultural productivity would not have been possible if it was not for the many supporting programs initiated by the Royal Government. Some of the major public investments of this Plan are the distribution of 1,200 power tillers and by now every gewog should have a minimum of five power tillers each. Crop damage by wildlife continues to be a major source distress for farmers and compared to the 130 kms of



electric fencing in the 10th Plan, the current Plan oversaw the installation of 2800 kms of electric fencing. To reduce dependency on the vagaries of weather for water, 2600 kms of irrigation channels were built and out of which 2400 kms were built by the Dzongkhags and gewogs. To enhance livestock production, 10,100 cattle were distributed in the current Plan. In addition, the artificial insemination program was a big success as 34,000 inseminations were carried out producing 13,000 calves. Similarly, 1.1 million day-old chicks were distributed leading to huge increases in egg production and today we are no longer dependent on egg imports.

All these increases in agricultural and livestock production would not have been possible without His Majesty's land *Kidu* and so far 123,000 beneficiaries have received land *Kidu* totalling 134,000 acres. Without His Majesty's land *Kidu*, we would never have seen this rising agricultural surplus caused by increasing agricultural production and productivity that is leading to improved social and economic welfare in our rural communities. This rising income and welfare is also contributing to maintaining and sustaining our rural way of life as farming in our country is not just not about production and trade but has a multi-modal function of being an integral part of our nation's evolution. It is an important fabric of our culture and history and our festivals, religious ceremonies, holidays, art, architecture and social interactions have revolved around our agricultural heritage.

e. **RURAL LOANS**

The history of every successful nation begins with improvements in agriculture as most of the people depend on it and a key driver for this success is access to finance. Credit is an important means to improving the livelihoods of rural people by supporting investments to increase farm productivity. In the 11th Plan, the Bhutan Development Bank Ltd. disbursed more than Nu. 7 billion in loans to rural areas compared to Nu. 2.2 billion in the 10th Plan. This significant increase is a big opportunity for our agriculture sector and many farmers have capitalized on the opportunity as evident from the increased range, variety and choice of farm produce that is available in the market.



In addition, Nu. 1.9 billion was budgeted for the Rural Enterprise Development Corporation (REDCL) in the 11th Plan and so far, 3800 projects have been approved with loans totaling Nu. 1.1 billion. Many more applications are being processed for a range of businesses ranging from the conventional to the innovative. Within a short span of 3.5 years of REDCL's establishment, such disbursement and financing is highly appreciable with the scheme benefitting many rural farmers. In brief it has been very successful! To further improve access to finance for rural people, His Majesty the King has commanded the implementation of a priority sector lending scheme and as a result all banks now lend 1% of their total loans to agriculture and an additional 1% for rural based cottage and small industries. This Royal Command will be transformative for the rural economy and improve the lives of people.

f. FARM SHOPS

To boost and support the market economy in the country for distributing farm produce, the Royal Government in the 11th Plan established 187 farm shops. This is a new concept with the purpose of supporting local economies by providing a platform to buy and sell goods at reasonable prices. In the coming years, farm shops will become important distribution points to sell increasing agricultural and livestock production.

g. GEWOG BANKS

As part of the Royal Government's efforts to "*bank the unbanked*", 200 gewog banks were opened in the 11th Plan and already 13,571 bank accounts have been opened by rural based clients depositing Nu. 178 million as savings. This is another indicator of growing prosperity of our rural communities and inculcating a habit of saving that result in capital formation and associated multiplier effects in the economy. In total, Nu. 307 million worth of transactions were recorded.

h. POVERTY

For the first time we are seeing poverty in the single digits at 8.2% in



2017 compared to 12% in 2012. This decrease in poverty is a result of the numerous initiatives that the Royal Government has undertaken including those that were mentioned earlier. During the 11th Plan, special projects to reduce poverty were implemented in 75 villages in 18 Dzongkhags. These projects included the construction of 837 houses, 777 toilets and 14 water supply schemes, formation of 94 self-help groups and distribution of 260 agricultural and post-harvest machines.

All these interventions helped reduce poverty but the biggest impact on our efforts to alleviate poverty has been through His Majesty's resettlement program which benefitted 245 households in Khenadang and Borangmo in Pemagatshel, Ney in Lhuntse and Bebji in Haa.

A major cause of poverty is disasters as it destroys livelihoods and leads to extreme hardships. In the 11th Plan, His Majesty has personally provided relief to victims of natural disasters. Even though there were no major disasters in the 11th Plan, His Majesty granted relief of Nu. 975 million as compensation and *Kidu* to the people and to repair damaged infrastructure. Further, to ease the impact of disasters on farmers and also to help prevent people from sliding back into poverty, an endowment fund for crop and livestock has been established to provide compensation to farmers in times of disasters. In parallel, the rural life insurance scheme was also increased from Nu. 15,000 to Nu. 30,000.

i. DECENTRALIZATION

Their Majesties the Kings in their infinite wisdom and voluntary devolution of powers ushered our country on the path to a democratic system by transferring responsibility and authority from the Centre to the local government through the decentralization process. In the 11th Plan, the Royal Government supported greater decentralization as it gives greater voice and choice to citizens to influence decisions that affect their lives and allows local governments to respond dynamically to communities.

Decentralization is meaningless if not backed by funds and fiscal autonomy. Even though our priority right now is on expanding the fiscal space and



increasing revenue before opting for substantial fiscal autonomy, every gewog is allocated Nu. 2 million as Gewog Development Grant (GDG) each year and the Royal Government incurs a cost of more than Nu. 2 billion for 205 gewogs. Nevertheless, the GDG has been put to good use by our local governments and more than 3,000 projects outside the 11th Plan were implemented. Some of these include repair of lhakhangs, farm roads and water supply; construction of toilets, kitchens, *Dasha* and construction of meeting halls.

I take this opportunity to congratulate the local government leaders and representatives for making good use of the GDGs. Similarly, every dzongkhag was provided Nu. 70 million each year. This too was put to good use mainly on economic development projects and activities which created 8200 jobs in the Dzongkhags. With decentralization comes added responsibilities and accountability. The government was honored to have been able to increase salaries for the LG members. Gups were paid a monthly salary of Nu. 14,355 in the 10th Plan which has now been increased to Nu. 28,000. Likewise, Mangmis received Nu. 10,765 and now increased to Nu. 21,000; Tshogpas salaries have been increased from Nu. 2,000 to Nu. 9,800. In recognition of the important role of local governments and to attract the best to participate in governance at the local level, all local government members now receive retirement benefits. Furthermore, for the first time every gewog is provided with a government utility vehicle and I'm pleased to report that this was financed through grants and not loans.

I also report to the House that Cabinet members have travelled throughout the country to support Dzongkhag administrations and local governments. I have personally visited all the 20 Dzongkhags on five different occasions and have seen the dedication and effectiveness of our local governments. I take this opportunity to thank all the Dzongdags and civil servants in the Dzongkhags for their unwavering support and hard work.

I have also been very fortunate that I could visit all the 205 gewogs as these visits were a good opportunity to meet our people at the grassroots level and hear their views both critical and affirmative about the government

and me. These visits also provided very useful insights into governance at the lowest level and how policies and plans of the center interplay at the grassroots level. It was also an opportunity to make new friends and hopefully the bonds are for life. A big thank you to the Gups, Mangmis, Tshogpas and most important the people of the gewogs who have made my visits productive and memorable.

A lot has been achieved in rural development but a lot more needs to be done. We must continue to strengthen local governments and the decentralization process. The ultimate beneficiary of the decentralization process must be the people whereby decentralization provides a powerful impetus for enhancing the scaling up potential of community driven development. This must be achieved by continuing to support and improve local governance by building downward accountability to citizens and making local decision making an inclusive process by not systematically excluding the poorest and vulnerable groups.

I would like to recall what shall be our guiding principle on decentralization by quoting His Majesty the King's command to the Gups in 2011,

“ *Local Government is not the lowest level of government; it is the nearest and closest level of government for our people. For rural Bhutanese, local governments are indispensable avenues for participation in democracy and development.* ”

VI. URBAN DEVELOPMENT

So far the State of Nation Report provides details of our efforts in developing our rural areas. We must also be mindful that our urban areas are growing rapidly and will be the future for many of us as we seek employment and business opportunities in the larger towns and cities. As our economy grows from low to high income, production will become more spatially concentrated in the urban



areas and this change is already taking place with Thimphu and Phuentsholing accounting for a large share of production in the country. Economic growth will be unbalanced but development still can be inclusive by instituting policies that make living standards of people more uniform across the country. The way to get the immediate benefits of concentration of production and long-term benefits of a convergence in living standards is economic integration. Urbanization is the biggest driver of growth and we need to also invest in urban development with targeted interventions and connective infrastructure to other parts of the country.

Urban development is important as 38% of our population already lives in urban areas. In Thimphu alone, about 1000 new buildings were constructed in the 11th Plan. Further, during the Plan, Nu. 15 billion was spent on improving urban infrastructure like roads, water supply and sewerage. Thromdes for 16 Dzongkhags and yenlag thromdes for all Dzongkhags have been approved by Parliament. To ensure planned urban development, the Ministry for Works and Human Settlement has prepared urban plans for 45 thromdes. And our urban spaces must be livable and people's wellbeing must be at the core of any urban planning.

While our urban areas become economic hubs of the country we as planners, policy makers and people in general living in urban areas need to remember His Majesty's December 17, 2016 National Day address in Trongsa,

“

It is our collective responsibility to ensure that where we live remains clean, safe, well organized and beautiful for all times to come.

”

VII. ECONOMY

At the commencement of the 11th Plan, one of the first priorities of the Royal Government was stabilizing the economy as it was under severe distress. This was necessary as GDP growth had slowed to an all-time low of 2.1%, inflation had reached 13.5%, private credit had been frozen for several sectors, import restrictions were in place, foreign reserves fallen to about US\$ 920 million and Bhutan's total trade value slowed to about Nu. 85 billion. Acknowledging these challenges, several initiatives and reforms were undertaken in collaboration with the private sector and other stakeholders to make the state of the economy one of the key considerations of the Royal Government.

I am pleased to inform that in these five years, not only has our economy bounced back, but it has become stronger and more robust. The GDP has grown from Nu. 100 billion in 2013 to Nu. 180 billion today allowing our economy to be identified as one of the fastest growing in the world by several reputed international institutions such as the World Bank, ADB and The Economist. Our GDP growth figures reached as high as 8% in 2016 and about 7% in 2017. With the commissioning of the Mangdechu Hydropower Project this year, the economy will grow even further.

Inflation is under 5%, our total trade value has reached Nu. 104 billion and commensurate with the expansion of the economy, domestic credit has increased from Nu. 57 billion in 2013 to Nu. 105 billion. An increase in domestic credit is positive news as it directly correlates to the expansion of the private sector and an increase in economic activities. Expansion of the private sector is very much necessary in order to expand the revenue base and generate employment opportunities. One impediment that is regularly cited is lack of access to finance due to high interest rates. Therefore, interest rates were reduced from an average of 13.41% in 2013 to 10.60% in 2017. Such a reduction has translated to savings of Nu 3.2 billion for private businesses and I thank the Royal Monetary Authority and all the banks for their support in implementing such important initiatives.



In parallel, domestic savings has doubled from Nu. 14.8 billion in 2013 to Nu. 28.1 billion. This is an important sign of growing prosperity and also provides the necessary capital for the financial institutions to lend and generate increased economic activities. I am happy to report that foreign exchange reserves have also increased from US\$ 920 million to almost US\$ 1.2 billion. Of this, Indian Rupee reserves alone stand at Rs. 18.6 billion, a significant improvement since 2012 when the country was still reeling under the impact of the rupee crisis. During that period, Rupee reserves fell to just Rs. 1.5 billion and we had to borrow Rupee at high interest rates. During that period, loans for construction and vehicles were also stopped and even if you had money, you were not allowed to construct buildings or import vehicles. Several people resorted to buying goods at inflated costs in Jaigaon. Today, the situation has improved but we have to be vigilant as a similar crisis can be easily repeated.

A similar vigilance must be overseen with the country's composition of external debt which in total has increased from Nu. 95 billion in 2013 to Nu. 170 billion today. This has caused concern among some but what needs to be understood is that the increase is because of hydropower loans. Hydro loans increased from Nu. 54 billion to Nu. 132 billion in the 11th Plan and this simply translates to a lot of hydropower work having been carried out on the ground. Further, hydro loans are paid by the electricity generated by hydropower projects themselves. The real concern is on the non-hydro loans as the government must pay them back from its other sources of income. Non-hydro loan decreased from Nu. 41 billion to Nu. 37 billion in 11th plan period and no debt was taken for the establishment of central schools, procurement of off-road utility vehicles, power tillers and helicopters.

I had shared earlier that it is extremely challenging to enhance domestic revenues without imposing significant burden on the general public. Which is why I am extremely satisfied to share that revenue from taxes almost doubled from Nu. 58 billion in 10th Plan to Nu. 102 billion in the 11th Plan despite the Royal Government having reduced or waived several taxes in the last five years. These reductions and waivers were put in place to support the low income populace (PIT exemption slab was increased from Nu. 100,000 to Nu. 200,000), support rural businesses (exemption from paying business taxes) and also promote domestic entrepreneurs and enterprises (through fiscal incentives) to



name a few. Such an increase in revenue from taxes is extremely significant and it further indicates that the economy has expanded.

Our economy is trade driven and no achievements on the economic front would be complete without an assessment of the overall trade scenario. The trade deficit in 2012 was Nu. 24.7 billion or 25% of GDP while in 2017, it was Nu. 29.7 billion or 17.4% of GDP. However, the trade deficit is still a cause for concern and the only sustainable solution to this situation is to diversify our economy, by building our productive capacity to increase exports and reduce imports.

Nevertheless, we are optimistic that the trend of the last five years of the trade deficit reducing will continue with the renewal of the India Bhutan Agreement on Trade, Commerce and Transit in 2016. This bilateral trade agreement with India was first signed in 1972 and continues to be the cornerstone agreement for economic relations between the two countries. The new agreement that came into force from 2017 has additional provisions to further enhance trade and investment between the two countries through trade facilitation by improving procedures, cutting down on documentation and adding additional exit/entry points for Bhutan's trade with other countries. Similarly, the Trade Agreement between the Royal Government of Bhutan and the People's Republic of Bangladesh was renewed in 2014 for a period of ten years.

As part of the government's business reform agenda, the government committed to be in the top 100 position in the Ease of Doing Business ranking. Bhutan's Ease of Doing Business ranking improved from 142nd in 2012 to 75th in 2018. This is one of the fastest improvements in the world. Due to such reforms and other economic development policies and programs, many new businesses have started in the 11th Plan. In 2012, there were a total of 13,068 Cottage and Small Industry (CSI) licenses in the country and today there are more than 19,000 licenses. Similarly, in 2012 there were a total of 19,423 trade licenses and today there are more than 40,000 trade licenses. In 2012, there were a total of 381 medium and large industries and today there are 748 such industries. Even foreigners noticing the change in the investment climate, have started approaching Bhutan as a potential investment destination. As of 2012, 30 Foreign Direct Investment (FDI) projects were approved and in the 11th Plan, 38 FDI projects worth Nu. 8.3 billion were approved with 16 projects worth Nu. 1.8



billion having started operations. We expect more industries and projects to be established after completion of Jigmiling, Dhamdum, Motanga and Bondeyma industrial estates.

The tourism industry is one of the five jewels and it has also expanded rapidly. In 2013, we saw arrivals of around 116,000 tourists. Last year alone, we saw arrivals of around 255,000 tourists which is more than a 100% increase in just five years. From these figures, about 72,000 were international tourists and 183,000 were regional tourists. This growth in tourism brought in additional revenues of Nu. 8.4 billion last year compared to Nu. 5.5 billion in 2013. The industry also created many jobs leading to the number of tour operators increasing to 3,100 from 1,100 in 2012; number of tour guides increasing to 4,000 from 1,900 in 2012 and number of hotels increasing to 1,400 from 900 in 2012.

Our main driver of the economy however continues to be hydropower. His Majesty has stated that hydropower is the *dotey* of the Bhutanese people and that it belongs to all the people. Gross earnings from hydropower in the 11th Plan amounted to Nu. 75.2 billion compared to Nu. 45.85 billion in the 10th Plan. The earnings increased mainly on account of increase in export tariff. The Tala/Kurichhu export tariff increased in January 2017 from Nu. 1.98 to Nu. 2.12 per unit. The Chukha tariff also increased, once in 2014 from Nu. 2 to Nu. 2.25 per unit and again this year to Nu. 2.55 per unit. I thank the Government of India for their continued support in the hydropower sector. Of the Nu. 75.2 billion in earnings, Nu. 17.93 billion was used to pay back the hydro loans. The Kurichhu Hydropower loan was also fully paid back in 2016 and Tala Hydropower loan will be cleared this year. After the liquidation of Tala's loans, the government will have an additional Nu. 2.58 billion which will be retained in the country.

During the 11th Plan, the Dagachhu Hydropower project was completed in 2015 and Mangdechu Hydropower project will be completed later this year. The Kholongchhu Hydropower project started construction in 2015, Nikachhu Hydropower project started in 2016, 84% of Punatsangchhu I Hydropower project and 77% of Punatsangchhu II Hydropower project completed as of May 2018. In addition, discussions are currently underway with the Government of India to start construction of the 2585 MW Sunkosh Hydropower Project.




The completion of these projects will help build and sustain the necessary foundations of our economy and in the words of His Majesty:

“ *To fulfill these aspirations, in this age, we must first build a strong and dynamic economy. And in doing so, we must remember that as a landlocked nation with a small population, it is vital that whatever we do, we work harder and do better than other nations.*

National Day, Changlimithang, Thimphu, 17 December 2006. ”

VIII. EMPLOYMENT



The Royal Government has accorded the highest priority on creating employment opportunities during the 11th Plan resulting in the reduction of overall unemployment figures from 2.9% in 2013 to 2.4% today. However, youth unemployment which was 9.6% in 2013 has risen slightly to 10.6%. This is on account of the increasing number of students completing school and in the 11th Plan, 76,000 students completed school and entered the workforce.

During the same period, 74,000 new jobs were created in the civil service, corporations, armed forces and the private sector with more than 5,000 vacancies. The Ministry of Labor and Human resources directly facilitated the employment of 32,000 youth. In monetary terms, Nu 1.2 billion was spent to support various employment schemes such as the direct employment scheme, apprenticeship training program, university graduates internship program, pre-employment engagement program and overseas employment scheme that benefited 27,000 youth. Further, to create attractive jobs for the youth, 9 State Owned Enterprises were established providing 5500 jobs. There are still 500 vacancies.

Recognizing that jobs needed to be created not just in urban areas but also in the grassroots and village, for the first time the Royal Government directed the Dzongkhags to focus on creating jobs. During the five years, around 8200



jobs have been created in Dzongkhags, mainly by helping establish cottage and small industries. The Dzongdags and local government must be acknowledged in their efforts to create employment.

This approach should be continued going forward as it is the responsibility of every stakeholder to create meaningful jobs for our people. We already see that the youth are now starting to return to villages to take up farming and agri-businesses. This is good news and the local governments including the Dzongkhag administration have a big role to play in supporting them. The Government is already supporting 1800 youth who have taken up farming in their communities. In addition, His Majesty has commanded for a Land Use Right system for youth interested in farming. Through this initiative, 52 youth are currently cultivating 60 acres as the Land Use Right pilot projects. We envisage that such projects will be tremendously successful and beneficial in addressing youth unemployment.


To summarize, youth unemployment is a concern for everyone. According to the PHCB, there is a total of 5,371 unemployed youth in the country. Of these, 3,208 unemployed youth are in urban areas. However, there continues to be more than 5,000 vacancies in corporations and the private sector which can still be filled up. If an office job is not preferable, there are many opportunities to work abroad. Currently there are 5,400 youth working overseas with many more vacancies. You can work for a couple of years, gain experience, save money and return to Bhutan to contribute to nation building in your own ways. You can also consider starting your own business. The environment could not be more favorable to start a business in Bhutan with processes becoming easier, interest rates becoming cheaper and other enabling environment having been put in place. As His Majesty so rightfully commanded to the Ministers and MPs at Tashichhodzong, Thimphu, 29 July 2013.

“ *With changing times, new problems emerge. We have to ensure that we give the best education to our children – but that is not enough – we also have to ensure that they find appropriate jobs to match their education.* ”



IX. EDUCATION

As a small country, we face a number of development challenges ranging from population to smaller markets, narrow resource base and dependence on larger economies. In recognition of these small country challenges, the Royal Government has used smallness to our advantage and education has benefitted from this advantage by being flexible and responding to change and development at a national level when required. The Human Development Index demonstrates that prosperity and quality of life do not depend on size and although change does not happen overnight, as a small country we are able to promote closer association between the government and our people and can make important decisions at a faster rate than larger countries.



Compared to our First Five Year Plan, the national literacy rate has increased to 71.4% in the current Plan and is a major achievement as unlike other nations we did not have centuries of mass modern education other than the monastic order. Even better is our youth literacy rate of 93% and for the first time in our history we can now look forward to achieving universal literacy among youth, the future of our nation. Our vision to be a knowledge based society cannot be realized without literacy and the success is attributed to our education system that has and continues to evolve and respond to the need of the day. There are challenges to be addressed and as part of our 11th Plan, the focus on education is three-fold namely school reforms, curriculum review and professional development.

a. School Reforms

The Royal Government has undertaken the biggest school reform program with establishment of 63 central schools. These schools benefit the children of poor parents who do not have the resources to provide nutritious food, adequate clothing or extra classes. The schools also improve the quality of education as student and teachers don't require frequent transfers.

These central schools help build the capabilities of our children and are worth the investments in the long-term. While more central schools must be established, the Royal Government does not have any policy to close any small school. We have taken a decision that as long as schools



have students, they will remain open. This is keeping in line with our Constitutional obligation that,

“ *The State shall endeavor to provide education for the purpose of improving and increasing knowledge, values and skills of the entire population with education being directed towards the full development of the human personality.* ”

To ensure access to healthy and nutritious food for our children and with increasing nuclear families, the Royal Government has also focused on school feeding programs. The numbers of boarding students have increased from 33,000 in 2013 to 41,000 in 2018 and the number of students receiving day feeding increased from 20,000 to 33,000.

For kindergarten care, there are 282 government Early Childhood Care and Development (ECCD) centers providing care and education to children from 3 to 5 years of age. These are the formative years of our children and we must provide them the best available and possible care during their most vulnerable years. Therefore, in the 11th Plan the government established 200 ECCD centers and eventually our plans are for every chiwog to have an ECCD center.

b. Curriculum Review

The much awaited curriculum review to ensure relevance and quality of education has been completed by the Ministry of Education and curriculum of all subjects has been improved for classes PP to 12. For this review, the Royal Government involved all teachers, educationists, Dzongkhag Education Officers (DEOs), experts, students and parents. I am proud to report that we now have a concrete roadmap for curriculum improvement. Such timely reviews and improvements are important and necessary to equip our children with the most relevant curricula in a rapidly changing and dynamic world.

c. **Professional Development**

The cornerstone of every successful education system are teachers who have to work tirelessly round the clock and today we have 9,600 teachers who are serving the nation by teaching in schools from the Southern foothills to the high mountain passes and remote areas. We must be proud of our teachers who serve 167,000 students. The Royal Government also informs the House that our teacher-student ratio is 1:18 and this is good by any standard in the world. However, while our teachers are putting their best efforts we must support a continuous training program for our teachers to bring them to speed with developments around the world in teaching methodology and curriculum development. In 2016 and 2017 of the current Plan, all teachers including those in private schools were provided professional development at a total cost of Nu. 215 million. Through such programs, the Royal Government assures that teachers irrespective of whether teaching in private or public schools will be provided equal access to professional development.



Colleges

From one only college - Sherubtse in the East for many years, there are now 18 colleges and five of these were established in the 11th Plan. These five colleges are spread around the country and specialize in offering different programs and domain expertise. These colleges are:

- a. Jigme Singye Wangchuck School of Law in Paro
- b. Gyelposhing College of Information Technology
- c. Yonphula College of Teacher Education
- d. Trashiyangtse College of Zorig Chusum
- e. Private college in Paro (Norbu Rigter)

While the Royal Government has prioritized private investment in education, it is committed to continue providing universal free education to all citizens but as we move forward we must remember His Majesty the King's address



on February 17, 2009 during the Third Convocation of the Royal University of Bhutan in Paro,

“ *It is not enough to provide free education – we must provide education of such quality that it will guarantee a distinguished place for our youth anywhere in the world* ”

X. HEALTH

Despite not being a rich country, the Bhutanese people continue to be provided universal free health without the burden of high taxation. Infrastructure and services are necessary to take these health services to the people. The Royal Government during the 11th Plan expanded health services by building six new hospitals and 28 Basic Health Units (BHUs). We now have a total of 32 hospitals and 208 BHUs in the country.

We have also brought about marked improvements in addressing the shortage of health workers. The total number of doctors increased from 203 in 2013 to 345 in 2018 and except for Gasa and Haa, all the district hospitals now have a minimum of 3 doctors each. The total number of nurses and health assistants have also increased from 1,254 in 2013 to 2,364 in 2018 with most BHUs having at least one female health assistant.

Towards expanding and improving the Jigme Dorji Wangchuck National Referral Hospital (JDWRH) services, the Royal Government granted additional autonomy to JDWRH which has led to improvement in the delivery of services despite the growing number of patients. Besides bringing about better service delivery and autonomy, there was no policy intent of the government to commercialize or charge patients for their services. I must report to the Parliament that these are unfounded rumors.

With the growing number of patients, it was also imperative to increase ambulance services to cater to both rural and urban areas. Today, 118

ambulances cater to the people and about half of these were acquired in the 11th Plan. Another critical medical service initiated in the 11th Plan was the introduction of helicopter services for medical emergencies and evacuations. The helicopter service has been extremely beneficial and so far 368 medical evacuations have been carried out, some providing services to the most difficult and remotest of terrains.

A significant achievement that must be highlighted is the status of the Health Trust Fund. The fund has doubled from Nu 1.2 billion to Nu 2.3 billion and this increase ensures that current and future generations continue to receive free medicine. Another important matter that I want to touch upon is on water. Many of us take water for granted due to its abundance in the country and the fact that 98.6% of households have access to drinking water according to PHCB 2017. However, many of us are not aware that almost 20% of households do not have reliable access to water and this affects the health of our people. Therefore this must change and I call upon the responsible institutions to accord the highest priority in resolving this serious health matter. We cannot continue to have erratic water supply when our rivers and streams are flowing right besides us on a 24/7 basis.

With the continuous improvements and priority accorded to our healthcare system, current life expectancy has reached 70.2 years from 66.3 years in 2005. This is an achievement that we can all be proud of as it is the aspiration of every individual to live a healthy long life. Going forward, while much has been done in the health sector to make our people healthier and happier, let us continue to be reminded of His Majesty's astute advice,

“ *We can send people to the moon, but we can't find out how to get essential medicines into the hands of those who need it the most.* ”

University of Calcutta Convocation, Kolkata, India, 5 October 2010.

”



XI. TRANSPORT

a. Road Transport

The road network remains the primary and most used form of transportation due to our country's geographical terrain. Recognizing the importance of this infrastructure for our socio-economic development in terms of access and connectivity, the Royal Government allocated a major proportion of the capital outlay in the 11th Plan amounting to Nu. 26.7 billion for new construction, up gradation and maintenance of roads.

One of the major projects undertaken in the 11th Plan is the 385 km East-West highway widening with a budget of Nu. 6 billion. The project has been divided into 40 contract packages spread out across six sections laterally. I can satisfactorily report that this landmark project is almost complete with some sections having already been completed. The completed highway will benefit travel, trade, tourism and the economy in general.


In addition, several new roads have also been completed. This includes the 76 km Gyelposhing-Nganglam highway, the 29 km Damchu-Chukha bypass and the 75 km road between Haa and Samtse. The construction of the 80 Km secondary national highway between Dagapela to Dalbari road which was halted due to an ACC investigation has also resumed. With 60% of the project being completed, the remaining works are expected to be completed within one year. The Royal Government has also started the construction works for Southern East-West highway in 2018 which will cover Langchenphu to Samrang in Samdrup Jongkhar and Chokorling to Dewathang.

On the Gewog Center (GC) roads, I am happy to report that out of the 205 GC, 176 GC roads have been blacktopped representing 85.9% completion rate. From the remaining GC roads that have not been blacktopped, nine GC roads are under construction while funds have been earmarked for blacktopping an additional 17 GC roads, works for which will commence very soon. The only three gewog centers that remain without GC road connectivity are Soe, Lingzhi and Lunana largely on account of their



remoteness, difficult terrain and involvement of huge cost.

Many roads are being improved and widened and is causing inconvenience to motorists and travelers. I am fully aware of these difficulties and inconveniences. I personally apologize to all affected and specially to taxi drivers, bus drivers and truck drivers whose livelihood depends on these roads. However, most of these road works are being completed and I hope you have a better travel experience. These road networks, will help integrate rural communities and dispersed regions to the national economy to enjoy a greater share and benefits of development through improved connectivity, access to social and economic services.



In the transport sector, one of the biggest benefits, has come through the reduction in fuel prices. Last year, the Royal Government took the decision to pass on the full benefits of the excise exemption to the general public despite foregoing significant revenues to the national exchequer. Due to which, price of diesel reduced by Nu 7.26 per liter, from Nu 55.83 to Nu 48.57 per liter. The price of petrol also reduced by Nu 9.82 per liter, from Nu 61.28 to Nu 51.93 per liter. Even today, price of fuel is cheaper in Bhutan for example price of diesel is Nu. 60.66 in Phuentsholing and Nu. 70.53 in Jaigon and is cheaper by almost Nu. 10 per liter. The price of petrol is Nu 62.46 in Phuntsholing and Nu. 78.88 in Jaigon making it cheaper by Nu 16.42 per liter. The fuel prices have been increasing due to increases in the global oil market. However, since the Royal Government is passing on the benefits of the excise duty exemption to our people, fuel prices in the country are still relatively lower than India. We envisage that the cheaper price of fuel in Bhutan has and will continue to benefit the transport sector.

b. Air Transport

For a small landlocked nation like ours, an efficient and reliable air services is a necessity and an integral part of our economic growth. It is one of the primary means of connectivity between our country and the external world. Tourism industry, which is one of the highest GDP contributors, depends primarily on the efficiency and reliability of our air services.



The Royal Government, recognizing its strategic importance, expanded and improved Paro International Airport to cater to increased international air travel with passengers almost doubling to 314,000 in 2017 up from 182,000 in 2012. Towards increasing the availability of flights, the Royal Government also supported Druk Air to purchase a new Airbus and an ATR aircraft. In parallel, improvements were made to the domestic airports in Bumthang, Gelephu and Yonphula which saw an increase in domestic air travel from just 970 passengers in 2012 to 12,000 in 2017.

During the current Plan period, the Royal Bhutan Helicopter Services (RBHS) was launched with the primary objective of providing services during medical emergencies and natural disasters and also for tourism purposes. In 2016 and 2017, the RBHS undertook 292 medical evacuations, 10 fire-fighting services, 4 airlifting of relief materials during flood and 65 various aerial works. Additionally, a total of 510 chartered flights for tourists, local and highlanders were undertaken. Further, to facilitate accessibility of the helicopter service by the people in all Dzongkhags, the Royal Government has designated and developed 61 helipads across the country. In 2016, the RBHS generated revenue of Nu. 135 million with a profit turnover of Nu. 64 million. The revenue increased to Nu. 163 million in 2017 resulting in a profit of Nu. 89 million. To state that the initiative of introducing helicopter services is a success would be a huge understatement as the numbers speak for themselves.

Going forward, we must remember:

“ Today we have about 12,600 km of motorable road. We are better connected today than ever before. But last year alone, we imported 9500 vehicles. We are now importing 1000 vehicles each month. And to run these vehicles, we spend annually Nu. 8 billion to import fuel. We also spent Nu. 6 billion on food items, and Nu. 11 billion to import construction materials. All these things are of concern.

11 RUB Convocation, Thimphu, 7 June 2016



XII. CULTURE

Our rich cultural heritage forms the inspiration and foundation for the pursuit of GNH. Preserving our culture is therefore one of the important pillars of GNH and our culture is an important part of our identity and nationhood. Our culture continues to remain vibrant because of leadership of His Majesty the King.

The Royal Government is also deeply grateful to H.H the Je Khenpo, the five Lopons and to the monks of the Central Monastic Body for the constant recitation of prayers and undertaking numerous practices for the continued wellbeing of the Tsa Wa Sum. We are more so grateful to H.H the Je Khenpo for continuing to safeguard and strengthening our spiritual traditions.

I would also like to thank the many lams, monks, monasteries including nunneries and religious associations for their prayers and blessings. Through their merits earned for the Bhutanese people, we continue to enjoy exceptional peace and stability.

Now I have shared many activities undertaken by the government in preserving and promoting our tangible and intangible culture during previous State of Nation Reports. These will also be presented in the 11th Plan report. However, to summarize some of the salient achievements, let me share that during the 11th Plan, two new Dzongs are being built in Pema Gatshel and Sarpang. The Dzongs of Wangduephodrang and Drugyel are under reconstruction and about 56% of the overall reconstruction works for Wangdue Dzong are completed while for Drugyel Dzong, two of the seven phases of its reconstruction are completed.

Further, major renovation works for several Dzongs such as Trashigang Dzong, Gasa Dzong, Lhuntse Dzong, Paro Rinpung and Ta Dzong, Trashiyangtse Dzong were initiated and completed. The Royal Government also completed the construction of the Tango Buddhist College and a Hindu Temple in Samtse. In addition, two Hindu temples are currently under construction in Thimphu and Gelephu. The completion of these temples will go a long way in promoting and recognizing the cultural diversity of our nation. Another big achievement is the renovation of 2000 chortens across the country and for which the local government and the people must be thanked. Retired soldiers also built special



chortens in every Dzongkhag on Royal Command and for which we thank His Majesty and the soldiers for such initiatives. These special monuments not only personify the spiritual aspects of our culture but also serve as community centers that help bring people together in their communities. As His Majesty rightly said

“

“We are the custodians of our national identity”

17 February 2009; 3rd RUB Convocation, Paro.

”

XIII. ENVIRONMENT

The protection and preservation of our pristine environment is another key pillar in the pursuit of Gross National Happiness. The National Forest Inventory conducted in the current Plan verifies that our forest cover stands at 71% today, 11% more than the constitutional requirement. This remarkable figure translates to 816 million trees with an additional 67,000 acres having been reforested in the last five years. Inventories of important animals were also conducted which showed the presence of 96 snow leopards and 103 tigers. Animals such as takins and elephants are also being counted.

Though a small country, we continue to rise in stature as a leader in sustainability and environmental conservation in the world. Beyond anything, this is the result of the leadership and wisdom of our Kings, especially His Majesty the Drukgyal Zhiba who has been in the forefront of key environmental initiatives.


Because of such leadership, Bhutan is perhaps the only country in the world that is carbon negative and who pledged to remain carbon-neutral for all times to come. This commitment of the Royal Government is a testament to the importance placed on the environment and the need to preserve it for future generations as well. In conformity to this commitment, the Royal Government approved and adopted more than 12 environment related policies and strategies in the 11th Plan.

Furthermore, the Royal Government also initiated the following in the current



Plan to complement efforts in conserving and protecting the environment:

- Provide 100% electricity coverage for all households
- Provision of 100 units free electricity to rural households
- Rural LPG scheme initiated in eight Dzongkhag covering 82 rural gewogs in early 2018.
- Green Bhutan Corporation Limited launched in 2017 with the mandate to undertake landscaping, urban greening, plantation and floriculture and
- Tree plantation done throughout the country through Green Bhutan programme.



Despite these initiatives, we continue to face numerous environment related challenges such as human wild-life conflicts, conflict of economic growth versus environment protection and illegal wildlife trade among others. External funds to mitigate and address such challenges are becoming increasingly harder to mobilize. This has led to the establishment of Bhutan for Life (BFL) fund, which is an innovative long term solution for sustained flow of fund to ensure protection of our biodiversity on the one hand while enhancing the livelihoods of our rural people. I am happy to inform the House that with the generous support from individuals and institutions both within and outside the country, close to Nu. 3 billion has already been raised, most of which will be spent in the next five years.

Lastly, Bhutan has always taken a cautious approach to development and on many issues placed environment at the forefront of development. And while we appreciate and acknowledge the global recognition of our efforts, we call for more commitment from the world towards countries like ours that have historically been ecologically responsible. Besides our carbon neutral pledge, we have dedicated over 50% of our country as protected biological corridors and restricted development in these areas. We have voluntarily adopted high environmental standards and laws relative to our country's development status and competitiveness. Therefore, I would like to remind the House and citizens that while environment will continue to be a national priority, poverty alleviation and responsible economic development will also be



equally important development priorities for the Royal Government and this is also recognized within the international climate framework and Sustainable Development Goals. We need prosperity to conserve our environment according to our national interest and terms.

While we continue with our environmental efforts we must aspire to live up to His Majesty's vision that was articulated during the National Day, Trongsa, 17 December 2016:

“ *Our country is foremost among the world when it comes to the beauty of our natural environment and the diversity of our flora and fauna. This is a result of generations of enlightened policies in conservation.* ”

XIV. GOOD GOVERNANCE

The hallmark of any functioning country and democracy is good governance that encompasses the rule of law, transparency, responsiveness, equity, inclusiveness, efficiency and effectiveness. Therefore, the most important pillar of our development philosophy of GNH is good governance. Everyone knows that without good governance, our vision of GNH will not be successful because our pursuit of economic growth, social development, environmental sustainability and cultural preservation is dependent upon a framework of good governance.

To promote good governance, the Royal Government introduced the Government Performance Management System (GPMS) in the 11th Plan. The system makes all public institutions and public servants accountable while they work towards providing effective and efficient delivery of public services. I have personally signed the Annual Performance Agreements (APA) with all Ministers, Heads of Agencies and Dzongdags. The APAs have not only been instrumental in achieving the 11th Plan targets but also in enhancing transparency and accountability. Furthermore, this system has allowed us to identify and reward hard working public servants. The APAs would not have been possible to implement if it was not for the support of the civil servants and I personally thank them for their co-operation and support.



Within the framework of good governance, constitutional bodies are important oversight agencies to ensure that rule of law is upheld, public agencies fulfil their mandates and are accountable for their actions. Therefore, the Royal Government supported all constitutional bodies as required by the Constitution. The Judiciary to uphold justice and the rule of law, the Royal Civil Service Commission to ensure an efficient civil service, the Royal Audit Authority to reduce wastage of public resources, Election Commission of Bhutan to ensure free and fair elections and the Anti-Corruption Commission to be vigilant against corruption.

Our constitutional bodies have fulfilled their responsibilities as required by the Constitution, provided checks and balances and strengthened their respective institutions to ensure that the foundation of democracy continues to fulfil our national objectives and aspirations of our people.

Our civil servants have worked hard and fulfilled responsibilities without failure in the 11th Plan and for this I thank them with the deepest gratitude and respect for their professionalism. They have been exemplary in carrying out their responsibilities even though we could increase salaries only once in the current Plan. The increase was designed with social justice in mind to ensure that the group receiving the lowest salaries (O4 like drivers) received an increase of 25% and house rent of 20%. The group receiving a higher salary than the O level such as S4 administrative assistants received a 23% increase and 20% house rent. The P-level group that receive an even higher level of salary were provided with an increase of 21% and 20% house rent. And the executive group or the Ex-level that received the highest salaries were provided with an increase of 19% and 20% house rent allowance. Given the need to balance the budget as required by the Constitution and to be fiscally responsible to ensure that we live within our means, the next salary increase can be expected only after the completion of the Mangdechhu Hydropower Project.

To enhance the legislative framework for good governance, the Second Parliament enacted 13 new laws, amended nine laws, and ratified 11 international conventions. To reduce the legislative burden on citizens, the Royal Government instituted a Law Review Task Force under the Office of Attorney General who have completed their assignment. The Task Force has reviewed 126 Acts and



recommended 29 Acts for amendment, 15 Acts for total repeal and eight Acts for consolidation. The Task Force has also recommended eight new Bills for enactment. I am pleased to inform that the Royal Government has submitted all the recommendations of the Task Force to the Parliament.

Our Second Parliament has been a resounding success and congratulate all Members of Parliament for their participation and contribution to the debate and legislative initiatives in the House. I also thank the Opposition Leader for providing differing views and alternative options. Such differences are healthy in a democracy and have led to the necessity for compromise and better outcomes. I must also make special mention of our Speaker under whose stewardship the legislative body has been strengthened and steered us through some difficult moments.

His Majesty the King is by far the biggest supporter of Good Governance in the country and has granted audiences, provided support and counsel to civil servants. In addition, His Majesty also commanded the establishment of the Royal Institute of Governance and Strategic Studies (RIGSS) to train our present and future leaders. Beginning from 2013, RIGSS has conducted 35 batches of training in which 882 young, mid-level and senior leaders were trained in leadership. I take this opportunity to thank His Majesty for spearheading such nationally important initiatives.

Beginning with the voluntary devolution of power over a decade ago and an even longer historical time period when some of the initial decentralization initiatives were made by His Majesty the Fourth King, our democracy is taking strong roots and there is growing civic consciousness amongst our people. The second local government elections were conducted successfully in 2016 and about 1,500 candidates were elected as local government leaders.

Earlier this year, the National Council elections for the Third Parliament were held successfully and on behalf of the people of Bhutan, I congratulate the 20 elected members, the five eminent persons and newly elected Chairman and Deputy Chairman of the Council.

The National Assembly elections will be held in a few months and I wish all political parties and contenders the best. As we prepare for our third democratic



elections, we need to remember that democracy is not the end but the means to achieving happiness for our people. In this regard, I also call upon all the political parties and their members to remember what His Majesty stated during his address on 17 December 2012; Changlimithang, Thimphu.

“ Remember, achieving democracy is not the goal. The real fruits of our efforts should be that democracy brings greater unity, harmony and prosperity to our Nation. Democracy must be able to fulfill the aspirations of our People. ”

XV. DRAFT 12th FIVE YEAR PLAN

The formulation of the draft 12th Plan began two years ago and I am happy to share that the draft plan is now complete following extensive consultations with civil servants, private sector, local governments, NGOs and other relevant stakeholders.

The draft 12th Plan's objective is a “Just, Harmonious and Sustainable Society through enhanced Decentralization”. In order to achieve the objective, 16 National Key Result Areas (NKRA) have been identified. Further, to ensure better coordination, collaboration and consolidation during implementation of the 12th Plan, a new system of a lead and collaborating agency has been proposed. Each of the 16 NKRAs has been assigned to a lead agency with the mandate to work with relevant collaborating agencies. This setup incorporates the essence of His Majesty the King's command made during the National Day Celebration of 2013 in Changlimithang, Thimphu, which reads:

“ We Bhutanese are good at writing plans, speaking well and expounding ideas. But implementation falls short of commitments. There is a gap between commitments made and output delivered. We are not able to deliver results of expected quality in a timely manner. ”



The plan will also serve as the transition strategy for smooth transitioning from the Least Developed Country (LDC) category by 2023. The draft 12th Plan has a total budget outlay of Nu. 336 billion, and is an increase of Nu. 123 billion from the 11th Plan outlay of Nu. 213 billion. Of the Nu. 336 billion, Nu. 200 billion is recurrent budget and Nu. 136 billion is capital budget. From the recurrent budget outlay, Nu. 73 billion is for “pay and allowances” which also encompasses the Nu. 20 billion for pay increases of civil servants and local governments during first year of the 12th Plan.

From the capital budget outlay, Nu. 58 billion is budgeted for central agencies and Nu. 58 billion budgeted for Local Governments (LGs). Towards efforts to further the decentralization process in the country, the draft Plan takes decentralization further to the grassroots through increased share of capital budget allocation to the LGs from 23% in 11th Plan to 50% in the 12th Plan. With the increased allocation, the plan also ensures greater decentralization in roles, functions, and authority to the LG.

Each Dzongkhag will also receive Nu. 300 million as equal share, additional funds based on the resource allocation formula and separate funds to develop common minimum infrastructure. Similarly, each gewog will also receive Nu. 20 million as equal share, additional funds based on the resource allocation formula and separate funds to develop common minimum infrastructure. They will receive an additional Nu. 20 million for the one gewog project.

The draft Plan also proposes new high priority multi sector intervention by way of flagship programs to address national issues. These programs are expected to undertake end to end interventions and multiple agencies or Dzongkhags will work together under one program to address the issue. Five such flagship programs have been identified with an outlay of Nu. 19 billion and are in advanced stages of planning. These programs are:

- Water Security
- Economic development in Dzongkhags and gewogs
- Organic farming
- One gewog one product



- Highland livelihood
- ICT
- Central schools
- Tourism





XVI. CONCLUSION

Mr. Speaker,
Members of Parliament and
Fellow Citizens,

As a result of strengthening of our sovereignty and security, our nation is stronger than ever before and with the winds of peace, unity and harmony blowing through the country, we are witnessing an era of increasing opportunities and prosperity for our people. Our economy is back on track and the “little dragon” is roaring with high rates of growth. A growing and strong economy will further strengthen the sovereignty of our nation and instill a sense of national pride for us as we participate as equals amongst nations of the world.

However, this progress is not the sole preserve of the 11th Plan nor of the present government but of the exalted leadership and direction provided by Their Majesties the Kings, hard work and dedication of previous governments and the co-operation, support and commitment with hard work of all our people. This exemplifies how “Unity is the Strength” of our nation and how “Yes We Can Change for the Better”.

As the ultimate indicator of development achievement, the United Nations has found us eligible for graduation from the Least Developed Countries category and by 2023 we will be officially out of the list. This is the biggest morale booster for the Nation of Bhutan as we approach our fifth decade of membership to the United Nations. In 1971 when we joined the United Nations, we were one of the unknown, poorest and backward nations of the world and now we are among the middle income countries with one of the highest per capita incomes in South Asia and the world does not view us a development backwater but as a nation that is striving to pursue a sustainable alternative development path of Gross National Happiness. However, graduation is a wake-up call and reminder that we cannot rest on our past laurels and we must continue to work hard according to each of our own responsibilities to make our country resilient by becoming self-reliant and moving towards our ultimate goal of becoming a developed country. The initial development obstacles and challenges have been



overcome and the next level of challenges requires us to be more creative and innovative and knowledge based to avoid the “middle income trap”.

The last five years have been one of my most humbling and life enriching experiences by being given the opportunity to serve our nation and people. I thank every Bhutanese for giving me the mandate to serve as your Prime Minister and for the unequivocal support to my administration. Our people and local governments also need to be congratulated for the success of the current Plan. I have worked towards serving to the best interest of our nation but may have fallen short in some areas and not lived up to some of the expectations. For these shortcomings, I can only seek refuge in the old adage “to err is human but to forgive is divine”. I take personal responsibility for the shortcomings of my administration and apologize to the people of Bhutan.

I thank His Holiness the Je Khenpo another towering symbol of our nation’s sovereignty and the lams for the continuous prayers being offered for the wellbeing of our nation. I owe who I am and the success of our 11th Plan and all socio-economic development achievements in the country to the extraordinary leadership, dynamism, vision, guidance, counsel and support provided by His Majesty the King, the fountainhead of our nation.

Tashi Delek!!



