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

It is, indeed, a great honour and privilege to present the Annual Report on the State of the *Tsa-Wa-Sum* to this august Assembly as prescribed by Article 10 Section 10 of the Constitution of our great country.

I thank the Speaker, the Chairman of the National Council, the Leader of Opposition Party and the Members of Parliament for the opportunity. I thank the guests and the people watching on national television.

I undertake this responsibility faithfully and in earnest to report to Your Majesty, Parliament and the people of Bhutan on our progress and achievements as a nation and people, and the challenges we face.

As I have underscored in the past, the significance and importance of the *Tsa-Wa-Sum* cannot be overstated. It defines us as a nation and people, and distinguishes us from others. It is the source of our strength and unity. As citizens of this great nation, we each have a responsibility to consciously protect, nurture and strengthen the *Tsa-Wa-Sum*.

This Parliament, graced by the presence of our beloved King representing the sacred Institution of Monarchy; and elected representatives of the people of all 20 *Dzongkhags* is the embodiment of the *Tsa-Wa-Sum* - it personifies the unshakable and inviolable bond that binds us as a nation and people.

It is here that we come together to discuss matters of national importance; to celebrate achievements; and to find solutions to many of the challenges we face in a spirit of shared responsibility and cooperation. In doing so, we have always been fortunate and privileged to benefit from the able leadership, wise counsel and guidance of His Majesty The King, for which we remain deeply grateful.

We are a small country that is not only landlocked but also highly mountainous. We have a very small population and limited resources. We are sandwiched between India and China

- two large and powerful countries.

But our country is blessed – by the goodwill and benedictions of Guru Rimpoche and Zhabdrung Ngawang Namgyal. By the benevolence, magnanimity and enlightened leadership of our Monarchs. And by the prayers of His Holiness The Je Khenpo, the Zhung Dratshang, lams, truelkus and rimpoches of various lineages.

We are a fortunate people and nation. That is why Bhutan is regarded as *Baeyul*.

We have come a long way since we first embarked on the process of modernization in the early 60s. Undaunted by our constraints, limitations and formidable challenges, our successive Monarchs steered our nation and people towards the path of peace, progress and prosperity. They provided outstanding leadership to preserve, protect and enhance our status as a sovereign independent nation and to improve the social and economic well being of our people. Above all, they always put the interest of the country and people above their own.

During the glorious reign of His Majesty The Fourth Druk Gyalpo, Bhutan witnessed unprecedented peace, progress and development. For 34 years, His Majesty The Fourth Druk Gyalpo worked tirelessly to improve the well being and welfare of our people and to make our nation stronger and secure. Indeed, His Majesty The Fourth Druk Gyalpo bequeathed to us a legacy that has laid a firm foundation for a strong, prosperous and secure future for our people and nation. We owe our beloved Fourth Druk Gyalpo a huge debt of gratitude for being our most important benefactor and guardian.

It is a matter of great pride to state that Bhutan has achieved remarkable progress and development in all spheres in an environment of peace and stability within a few decades. Our achievements are noteworthy and have won accolades from well-wishers in the region and beyond. All this would not have been possible without the selfless leadership and unwavering commitment of our beloved Kings.

Today, we are most fortunate and blessed to have a highly committed, able and dynamic leader in the person of His Majesty The King to lead, guide and counsel us. To build on the great legacy of His Majesty The Fourth Druk Gyalpo, it gives me great joy to state that His Majesty has, within a short span of 9 years, further consolidated and strengthened the legacy of His Majesty The Fourth Druk Gyalpo.

With the blessings of our guardian deities but more importantly, the enlightened and visionary leadership of His Majesty The King and His Majesty The Fourth Druk Gyalpo, we

have much to celebrate.

- We are a sovereign independent nation with a proud history. We were never colonized due to the wisdom and courage of our forefathers.
- We are recognized as progressive modern nation state and a responsible member of the international community.
- Our rich and unique cultural heritage is vibrant and thriving.
- Our rich and diverse natural environment is pristine and admired by the world as a model of conservation.
- Our economy is growing and our aspiration to be self-reliant is no longer far-fetched.
- Our system of governance and democracy is institutionalized and flourishing.
- Most importantly, our people enjoy peace, stability and happiness and can look forward to a good future.

However, none of this can be sustained if we do not work hard and sincerely. If we become complacent and take things for granted. If we are not prepared to make sacrifices like our forefathers did to strengthen the sovereignty of Bhutan - to keep the *Palden Drukpa'i Gyalkhab* as *Baeyul*. The opportunities we have as well as challenges we face demand greater resolve, hard work and innovative ideas and solutions. I assure you that the government will continue to work in earnest and spare no efforts to sustain the pace of social and economic development, to consolidate our gains and overcome challenges.

Like the previous years, I present the Annual Report on the State of the Nation as the State of the *Tsa-Wa-Sum* – the State of our King, Country and People. The State of the *Tsa-Wa-Sum* will try and cover as much as possible within the limited time. As in the previous year the overall focus will be on the overarching national objective of achieving self reliance.

HIS MAJESTY THE KING

The Institution of Monarchy is the bedrock of our nation, our identity and sovereignty. It is indispensable and sacrosanct. It is our source of strength and unity.

Bhutan is a small country, with a small population and with limited resources. But we have an asset that bigger countries with much more people and larger resources don't have and i.e. our King.

We have a King who works tirelessly, from morning to night, day in and day out, throughout the seasons, to improve the lives of his subjects; a King who has travelled the length and breadth of our country; a King who has touched the lives of each and every Bhutanese; a King the world admires and affectionately calls the Peoples' King.

We continue to enjoy unprecedented levels of peace, progress and prosperity. Our nation and people remain strong, united and harmonious under His Majesty's leadership. We are united as one family in one house - as one people in one country under one King inspired by His Majesty's vision; motivated and encouraged by His Majesty's leadership and resolve; and confident of a secure and happy future under His Majesty's enlightened reign. All this because His Majesty is the *Sokshing* of our country.

His Majesty's innate qualities of humility, compassion and commitment to serve the people and country are extraordinary and unmatched. His Majesty's Address to the nation during His Coronation captures this vividly and I quote:

"Throughout my reign I will never rule you as a king. I will protect you as a parent, care for you as a brother, and serve you as a son. I shall give you everything and keep nothing."

Exercising His Royal Prerogatives under Article 2 of the Constitution, His Majesty grants citizenship, land *kidu* and other *kidus* to the people of Bhutan. He travels the length and breadth of the country regularly by road and on foot to each and every dzongkhag, gewog and village, no matter how remote or inaccessible. Wherever His Majesty visits, He gives people strength, courage and confidence to realize their aspirations. And motivates them to work hard, succeed and contribute to nation building. His Majesty has already visited every gewog in all the 20 dzongkhags. Most recently, within the last month, His Majesty visited Bji, Katsho, Essu gewogs in Haa, Samtse in the West, and Merak, Sakteng, Rangjung and Sengor in the East.

His Majesty spends considerable time with his subjects granting audiences to people throughout the country and has a powerful insight into their hopes and aspirations.

- i. Foremost, is the *people's hope to own land*: So far, His Majesty has granted close to 124,000 acres of land to more than 130,000 households enabling people from across the country to improve their livelihoods and to have the means to build a better future for themselves and their children. The first round of granting land kidu is over and His Majesty has already Commanded to work on the second round. Where extreme poverty exists, entire villages have been resettled for example Khenidrang in Pema Gatsel and Bebji in Haa involving 315 households.
- ii. *People hope for a better future for their children*: However, some cannot afford to send their children to school. So His Majesty has granted personal scholarships to children of poor families. Currently there are more than 3000 Gyalpoi Tozeys from 20 Dzongkhags, with around 200 pursuing tertiary level education.
- iii. *People hope for support in old age*: His Majesty currently provides monthly stipends to 850 senior and disadvantaged citizens who cannot fend for themselves. In addition, His Majesty has instituted a special scheme to look after the elderly who do not have any family members.
- iv. *People hope for good health*: His Majesty's mobile *kidu* medical unit constantly tours the country to provide medical services to those people who cannot visit the hospital. More than 8500 people across the country were treated last year alone, with more than 1100 surgeries and 1560 endoscopies.
- v. *People hope to solve citizenship*: So far, His Majesty has granted citizenship kidu to 8600 people who were experiencing problems because they do not have citizenship.
- vi. *People hope for relief during natural calamities*: His Majesty The King is always at the forefront of providing relief, refuge, solace and comfort to the affected families. He is the first responder whenever and wherever a disaster may occur. On behalf of the people, I thank His Majesty for personally visiting Sarpang during the fire and providing relief. Also for providing relief to the victims of windstorm in our southern dzongkhags and commanding the Army and DeSuups to assist the victims.
- vii. In addition, *people hope for help in time of problems*: There are many ways for people to submit their appeals and His Majesty hears the appeals directly as a continuous part of His Majesty's work, granting numerous audiences in the Throne Room in Tashichhodzong, and also during Royal Tours.

viii. Also, *people hope for good leaders in public offices*: His Majesty trains leaders to serve the country now and in the future.

- a) His Majesty has set up Centers of Excellence such as the Royal Institute of Governance and Strategic Studies (RIGSS) to train and equip policy makers, managers and potential leaders with the wherewithal and knowledge in all major areas of nation building. The knowledge and insights imparted by RIGSS is of great benefit as we endeavour to build a strong, robust and resilient nation. 92 Executives have been trained so far through 4 Senior Executive Leadership Program and 46 Senior Armed Forces Officers trained through 2 Military Leaders Strategic Studies Seminar.
- b) The DeSuung program instituted by His Majesty in 2011 has brought together and untied people from diverse backgrounds – civil service, private sector, graduates, teachers etc. for a common cause – to serve the community and nation. This value based integrated training program has instilled the spirit of volunteerism, integrity and civic responsibility. It has provided an opportunity to all citizens on a purely voluntary basis to serve the nation as “Guardians of Peace” over and above their own responsibilities. The program has been extremely successful in transforming our perspective as citizens to serve for a higher cause beyond the self. Today, DeSuungs actively participate in disaster operations and charitable activities. They have greatly augmented our existing national capacity to deal with disasters. And we are extremely grateful to His Majesty for introducing the DeSuung program. 1765 DeSuungs have so far been trained.
- c) Likewise, His Majesty The King is very closely involved with the scout movement in Bhutan. The scout movement in Bhutan has kept our youth engaged. It has encouraged and motivated our youth to be physically and mentally fit and prepared. It has instilled moral values and skills to become responsible and productive citizens. It has helped ensure that our youth remain as an asset for nation building.
- d) In addition His Majesty provides Royal Counsel. Deeply committed to nurturing, training and building a pool of qualified, experienced and professional leaders, His Majesty invests a great deal of time and effort with a range of people from different backgrounds and professions. He has granted numerous audiences to MPs, civil servants, judges, businessmen and religious persons, among others, to counsel, guide and motivate them to work hard, excel in their respective fields and to contribute to building a strong nation.

His Majesty’s vision for the nation - His knowledge, wisdom and intimate un-

derstanding of our challenges and aspirations is exceptional. He gives us a clear perspective of how we as a people and country should move forward. Cabinet members and myself have personally benefited from hours of counsel. However, let me make one thing absolutely clear. His Majesty's counsel and guidance is never imposed on us. It is merely provided to guide and help us chart our way forward - to motivate and encourage us to excel. To work harder! The final decision is always ours!

His Majesty's magnanimity is not just confined to Bhutan. It has touched the lives of many people beyond our borders and endeared them to His Majesty The King and our country. There are many examples but I will highlight just three in the year:

- i. In March this year His Majesty The King accompanied by Her Majesty The Gyalsuen travelled to Singapore to attend the funeral of Singapore's first Prime Minister and international statesman Mr. Lee Kuan Yew. The entire nation was in mourning and the people of Singapore were grateful for His Majesty and Gyalsuen's personal condolences.
- ii. On April 25 this year a devastating earthquake that resulted in 8800 deaths and 23,000 injured with thousands of houses destroyed and entire villages flattened in Nepal. In the immediate aftermath of the earthquake His Majesty Commanded me to visit Nepal and personally offer condolences to the Prime Minister, government and people of Nepal. His Majesty also Commanded a sum of Nu. 63 million to be contributed to the Government of Nepal and for a 63 member medical relief team to be deployed. Since the team was among the first medical responders on the ground and self-sustaining, they were immediately deployed to Trishuli, Nuwakot one of the worst hit areas. In cooperation with local authorities the medical team provided much needed emergency medical services round the clock treating almost 2000 victims during its 22-day deployment. An additional 15 members were also sent following a request made by Nepal. The services provided by the team were greatly appreciated by the people and Government of Nepal, particularly by communities, families and individuals that were given medical care. There was a tremendous outpouring of gratitude and appreciation for His Majesty The King and this gesture, notwithstanding our own limitations and constraints, will forever remain etched in the hearts and minds of the people of Nepal.
- iii. In September 2014, Bhutan deployed its first ever UN peacekeeper to a UN peace-keeping mission. It was a historic moment and a reflection of our commitment to contribute, albeit in a small way to one of the primary objectives of the United Nations - the maintenance of international peace and security. Based on the conviction that having been a member of the UN for over 43 years and benefited from the UN, His

Majesty had Commanded that it was time for Bhutan to contribute to world peace. Our participation in peacekeeping efforts has been welcomed by the international community and the United Nations.

His Majesty The King has been instrumental in promoting goodwill for Bhutan by undertaking visits abroad as well as by granting audiences to visiting foreign dignitaries. His Majesty visits India regularly and invests considerable time and effort to further deepen and consolidate our close relations with India. Today, our relations with India, our closest friend and neighbour, remain strong and exemplary under the leadership and guidance of His Majesty The King.

His Majesty's visits abroad have stimulated and aroused tremendous interest in Bhutan. His Majesty's endearing personality and simplicity captured the imagination of the people during Royal Visits to Japan, Thailand and India. This has, among others, translated into a surge in tourist arrivals from these countries. Whichever country His Majesty visits, it generates considerable publicity and goodwill for Bhutan and we have every reason to be proud and blessed to have such a Leader.

This year is a very important year for all of us, as it will mark the 60th Birth Anniversary of our beloved Fourth Druk Gyalpo. It is an occasion for us to celebrate and to pay tribute to a selfless Leader who devoted 34 years of his life to improve the social and economic well being of the country. He assumed the heavy burden of building a nation that was confronted with so many challenges at the tender age of 17. But He remained steadfast and resolute and bequeathed to us a modern nation state that is secure and firmly on the path of greater peace, progress and prosperity. Among others, He gave us and the world Gross National Happiness as a holistic, sustainable and healthier development paradigm to achieve modernization and development.

It is, therefore, imperative that the 60th Birth Anniversary of His Majesty The Fourth Druk Gyalpo be marked in a befitting manner. While His Majesty The Fourth Druk Gyalpo has commanded that no celebrations be organized, the people of Bhutan are keen to express their love, gratitude and loyalty and will never be happy and satisfied if this important occasion is not commemorated in an appropriate manner. It, therefore, came as a great relief when His Majesty The King commanded yearlong celebrations. I am pleased to report that a number of commemorative events have been held throughout the country and more are being planned. The focus of the celebrations is development, especially timely implementation of the 11th Five Year Plan.

I would like to respectfully pay our deepest gratitude and appreciation to Her Majesty The Gyaltshen Jetsun Pema Wangchuck, our beloved Queen, who also serves alongside His Majesty. Her Majesty accompanies His Majesty on all Royal visits within the country no matter how difficult or remote. Her Majesty has started the Queen's Project in 2014 to improve rural livelihood and is also the Royal Patron for causes related to disability, health, environment, women and disaster management.

I would also like to thank HRH Gyaltshab Jigme Dorji Wangchuck for representing His Majesty in *Sharchog Khorlo Tsibgyed*.

His Majesty The King is our guardian and conscience. As we endeavour to achieve greater peace, progress and prosperity, we look up to His Majesty for his wise counsel, guidance and blessings. His Majesty is our greatest and most reliable source of strength. He is the symbol of our unity and the vanguard against corruption and complacency. We are extremely fortunate and blessed to have such a King. This government and I remain confident that we will succeed in realizing all our endeavours under the able leadership of His Majesty The King and become a nation that is self-reliant and strong in every respect.

On behalf of the people and government, I offer my prayers for the continued good health, long life and well being of His Majesty The King, His Majesty The Fourth Druk Gyalpo, Her Majesty The Gyaltshen and Their Majesties the Queen Mothers.

COUNTRY

As a small country, we face formidable but not insurmountable challenges. A unique identity and most importantly the unity of the people is the most enduring strength of a nation of 750,000 people surrounded by 2.5 billion people. Today, the nation reposes its faith in the symbol of our strength, unity and identity of the people, Their Majesties the 4th and 5th Druk Gyalpos. It is through their being that we derive inspiration and strength to serve the Tsa Wa Sum as one people one nation.

The overall objectives of our country is to strengthen sovereignty; ensure peace, harmony and unity; consolidate good governance and the foundations of democracy; and most importantly to achieve self reliance.

The Eleventh Five Year Plan (11th FYP) will meet most of these objectives. The over arching goal of the 11th FYP is to achieve “*self-reliance and inclusive green socio-economic development*”. Towards this end, we have allocated a total of Nu. 213 billion for the Plan, out of which Nu. 140 billion are met from the internal resources, and Nu. 58 billion are met from the donor support. A bulk of the donor support, about Nu. 45 billion, comes from the Government of India (GoI), and the rest (Nu. 13 billion) have been committed by EU, Japan, Austria, Switzerland and others. It is important that these resources are used efficiently and effectively to fulfill the ambitious targets that we have set in the 11th FYP.

This year is very critical for us because we are almost mid-way through the 11th FYP Plan period. So far, the implementation of the plan has been progressing well. All preliminary works with regard to the implementation of the plan is now complete, and here on, we can fully focus on implementation.

We will soon start the Mid-Term Review to evaluate the progress, identify issues and challenges, and fast track the implementation of the plan so that all the targets set in the 11th FYP can be achieved well within the time frame. To do so, I will be visiting all the Dzongkhags, and as many Gewogs as possible. I look forward to meeting our local leaders and people, and conducting the Mid-Term Review successfully.

Security

The 2014 Global Peace Index has listed Bhutan (16th) as being among the world’s most peaceful and stable societies. The annual survey assesses countries based on 22 indicators that gauge ongoing domestic and international conflict, societal safety and security, and militarization. While this is definitely something we can be proud of, and we can draw en-

couragement from being recognized as one of world's safest and most stable country, we can never afford to be complacent.

As a small country, our security is extremely important. His Majesty most recently at the passing out parade of the Royal Bhutan Army recruits said that, *"Our greatest objective is to ensure that the peace and security of our country remains intact for generations, and that our people can achieve progress and prosperity, and are able to fulfil all of their dreams and aspirations"*.

I would like to thank our armed forces for continuing to keep our country safe. In all directions - from the East to the West - from the hot, humid jungles in the South to the high, frigid mountains in the North, our armed forces constantly guard the borders (1094 km) and protect our country without hesitating to put their lives on the line.

This year we face renewed threats of militants attempting to enter our country as the Indian Army has launched operations against militant groups in Assam (India). Reminiscent of 2003, our armed forces have stepped up vigilance and are guarding our Southern borders to prevent Indian militants from entering our country.

Within the country, the Royal Bhutan Police (RBP) continues to ensure the safety of our people. The RBP has strengthened its services and improved public-police relations especially among the youths. The RBP registered a crime rate of 2367 cases in 2014 compared to 2926 cases in 2013, which was a decrease of 559 cases, or 19 %.The government will continue to support activities aimed at ensuring public safety.

Our armed forces continue to protect economic infrastructure such as hydro-power, bridges, airports and telecom stations from militants and miscreants. They have helped with disaster relief and reconstruction - the earthquakes in 2009 and 2011; fires in Wamrong (2009), Bumthang (2009, 2010) and Sarpang (2015); GLOF mitigation of Thorthomi lake. They are also helping with development by rebuilding dzongs and assisting with cadastral land surveys for His Majesty's second phase of land kidu.

Amidst all our vulnerabilities we are safe and secure and I would like to thank His Majesty's leadership as Supreme Commander-in-Chief of the Armed Forces. I would also like to thank all ranks of the armed forces for their dedicated service to the Tsa-Wa-Sum.

Foreign Relations

In the realm of our foreign relations, we continue to conscientiously build on the strong

foundations that have been laid by our successive Monarchs and nurtured by His Majesty The King in the advancement of our national interests. I would like to express our deep gratitude to His Majesty The King for the continued guidance and support in strengthening Bhutan's relations with the world.

At the bilateral level, a number of key outcomes have been achieved:

Of foremost significance is the reaffirmation of the excellent state of bilateral ties and strong friendship that exists between India and Bhutan through the exchange of visits at the highest level.

- Their Majesties the King and Gyaltsuen visited India in October 2014 to grace the Founder's Day Celebration of the Lawrence School in Sanawar, Himachal Pradesh. Their Majesties also embarked upon a pilgrimage to Bodhgaya and Varanasi on the invitation of the Government of India. Their Majesties' visit to India was symbolic of the many connections between the two countries including people-to-people ties and shared spiritual heritage.
- On the invitation of His Majesty The King, the President of the Republic of India, His Excellency Mr. Pranab Mukherjee paid a State Visit to Bhutan in November 2014. The visit was significant as it took place barely four months after His Excellency Mr. Narendra Modi's maiden visit to Bhutan after being sworn in as the Prime Minister of India. During this important visit, four Memoranda of Understanding (MoUs) related to the education sector, human resource capacity building and the establishment of the Nalanda University in Bihar were signed. The President also inaugurated the Yelchen Central School and launched the School Reform Programme, the East-West Highway Double-Lanning Project and the Jigme Wangchuck Power Training Institute.

I am pleased to report that I visited India in January this year on the invitation of the Indian Prime Minister to attend the 7th Vibrant Gujarat Summit in Ahmedabad. During the visit I also took the opportunity to meet the President of India, the Vice-President, Minister for External Affairs, Finance Minister, Defence Minister, Home Minister and other senior officials of the Government of India. The Government of India also presented a sapling of the Bodhi tree as a gift from the people of India to the people of Bhutan on the occasion of the 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo.

As a further testimony of the strong and close relations that our two countries enjoy H.E. Dr. S. Jaishankar made his first official visit abroad as Foreign Secretary to Bhutan in March. Regular consultations and visits at various levels continue to take place between the two

countries building upon this multi-faceted relationship. India remains our closest friend and neighbor - our relations serve as the cornerstone of our foreign policy - and we will continue to build on this special relationship.

We warmly welcome H.E. Ambassador Gautum Bambawale, who took over from Ambassador V. P. Haran, as the 16th Ambassador of India to Bhutan in August 2014. Ambassador Bambawale's commitment and contribution is highly appreciated and we are working very closely with him in furthering Indo-Bhutan relations.

I have the honor of reporting that, in addition to India, I visited the following countries in the interest of deepening bilateral relations:

- In June last year I visited Japan on the invitation of the Japanese Prime Minister Shinzo Abe, coinciding with the 50th anniversary of development cooperation between Bhutan and Japan. During the visit I received assurances for continued Japanese assistance to our socio-economic development.
- In December 2014, I visited Bangladesh on the invitation of Prime Minister Sheikh Hasina. I had very good meetings with the President, Prime Minister, various dignitaries and senior government officials. Both sides expressed confidence in the excellent and long standing relations, and also explored areas in which the two countries could deepen cooperation. During the visit, the Bilateral Trade Agreement between the two countries was renewed and as a special gesture of friendship the Government of Bangladesh gifted the Royal Government a plot measuring 3211.895 sq. meters for the construction of the Royal Bhutanese Embassy in Dhaka.
- In April this year, I visited Sri Lanka on the invitation of the President of Sri Lanka H.E. Mr. Maithripala Sirisena. During the visit, I called on the President and met with various dignitaries and senior officials of the government where we reaffirmed the existing good bilateral relations and discussed ways to strengthen the relationship. A Memorandum of Understanding on Foreign Office Consultations was signed establishing a mechanism for regular consultation between the Foreign Secretaries of the two countries. The Government of Sri Lanka also presented a sapling of the Sri Maha Bodhi tree as a gift from the Government and the people of Sri Lanka to the people of Bhutan on the occasion of the 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo.
- Earlier this month I visited Brussels at the invitation of the President of the European Commission, Mr. Jean-Claude Juncker. This was the first visit to the European Union by a Bhutanese Prime Minister. I held wide-ranging discussions with EU leaders on issues

of common interest, including development cooperation. I thanked the EU for the threefold increase in assistance to Bhutan during the period 2014-2020, and also discussed the possibility of further assistance in a number of climate change related projects. I also met the Prime Minister of Luxembourg, Mr. Xavier Bettel and discussed with him bilateral relations and ways to strengthen it.

These visits were significant because all of them were first official bilateral visits by a Bhutanese Prime Minister to these countries. My meetings with the leaders and senior officials of these countries will foster stronger friendship between our countries.

With our immediate neighbor China in the north, we continue to maintain warm and cordial relations. The 22nd Round of Boundary Talks was held in China in 2014 and the 23rd Round will take place in Thimphu soon. After the 22nd Round of Boundary Talks, two meetings at the Expert Group level have been held. The Joint Technical Field Survey (JTFS) of the disputed areas in the central sector (Bayul/Pasamlung) was carried out in 2013. The first phase of the JTFS of the disputed areas in the western sector has just been completed and the second phase will be carried out later this year. I am personally visiting the disputed areas. In October last year, I visited Charithang, Sinchulumpa and Dramana areas and just last month the Doklam area.

We are happy to note that the resettlement of the people from the camps in Nepal is progressing well. As of April this year, 96,237 people have been resettled in the “core group of countries”, with the USA accepting 81,482 people. I wish to thank the Government of Nepal and the “core group” led by the USA and including Canada, United Kingdom, Netherlands, Denmark, Norway, New Zealand and Australia for working hard to bring closure to the humanitarian issue of the people in the camps.

While we are a small nation facing big challenges, this has not discouraged us from providing assistance within our limited means to others in the international community in their time of need. As reported earlier, following the devastating earthquake in Nepal, Bhutan contributed USD \$ 1 million to the Government of Nepal to help support their relief and rehabilitation efforts, and was among the first responders to have a medical relief team on the ground. This is the first major disaster relief operation outside its borders that Bhutan has participated in. I would like to acknowledge and congratulate our 78 medical relief team for their outstanding work in providing much needed emergency medical assistance to the victims of the earthquake during the 22-days they were in Nepal. They have done our King and country proud. The experiences of the team would also contribute towards our own disaster preparedness.

During my visit to the United States to promote the “Bhutan for Life Initiative” I took the opportunity to meet with Ms. Nisha Desai Biswal, Assistant Secretary of State for South and Central Asian Affairs and discussed with her issues of common interest. Earlier I met the U.S. Secretary of State Mr. John Kerry in India during the 7th Vibrant Gujarat Summit. During the visit I also met with senior executives of various companies in the private sector, including Google, Facebook and Natel Energy, to explore partnerships for economic development. As a result, and in less than three months since my visit, we have signed a MOU with Natel Energy to jointly explore the potential of manufacturing micro hydropower turbines in Bhutan to meet our needs for sustainable energy as well as for export to the region.

As a country that is committed to international peace, security and cooperation we continue to broaden our engagements and contributions to various multilateral and regional fora.

Through the UN we continue to play an active role as a responsible and constructive member of the international community. In this context, notwithstanding our limitations and constraints, and as earlier reported Bhutan joined the fraternity of nations participating in UN peacekeeping operations in September 2014 by making a modest contribution of peacekeepers to a few peacekeeping missions around the world. The first ever peacekeepers from Bhutan (15 officers and 2 NCOs) are now deployed at six UN peacekeeping missions in UNTSO (Israel), MINUSCA (Central African Republic), UNMIL (Liberia), UNMISS (South Sudan), UNDOF (Syria) and MINUSMA (Mali). Within the next few months there would be 42 Bhutanese peacekeepers on the ground (30 officers and 12 NCOs) with peacekeepers also deploying to UNAMID (Darfur), UNISFA (Abyei), MINUSTAH (Haiti) and MINURSO (Western Sahara).

Our peacekeepers on the ground are all performing well, which is good for our reputation. They are gaining valuable experience and knowledge in different environments. Most importantly our armed forces are protecting international peace. This is indeed a proud moment for Bhutan as it reflects the coming of age and growth of our nation, and underscores our constructive role in international affairs. Having benefited through various UN assistance, Bhutan is now able to contribute meaningfully to the cause of peace and security. I would like to thank His Majesty The King for taking this laudable initiative. I would also like to congratulate the armed forces and our peacekeepers.

I met with the UN Secretary General on two occasions in India and in New York this year. On both occasions he appreciated our contributions to formulation of the Sustainable Development Goals and the post-2015 Development Agenda, our participation in UN peacekeeping operations and our proactive efforts to preserve the environment. I took the

opportunity to thank the UNSG for the significant contributions of the UN system to Bhutan's development and assured him of our continued support and cooperation in the UN.

During my visit to the U.S. in March this year, I also took the opportunity to meet with the President of the World Bank, Dr. Jim Yong Kim. I thanked him for the assistance that the World Bank has been providing to Bhutan since 1981 and discussed how we could deepen our partnership, particularly in infrastructure and hydropower development, tourism, sustainable agriculture and poverty eradication through targeted interventions to realize our overall goal of self-reliance. I am happy to report that I received strong assurance from Dr. Kim that the World Bank remains committed to supporting Bhutan in these priority areas.

In August last year, I was elected the Chairman of the 70th Session of the UN Economic and Social Commission for Asia and the Pacific (UN-ESCAP). This was the first time Bhutan had been elected to hold this important post at the helm of the 62 member regional body, representing 4.1 billion people.

In September last year, I visited the ADB on the invitation of the President of the ADB Mr. Takehiko Nakao. During my meeting with Mr. Nakao and senior ADB officials, I thanked the ADB for their partnership and contribution to Bhutan's development process since 1982 and also highlighted the need for their continued assistance during the 11th Five Year Plan.

In November last year, I participated in the Eighteenth SAARC Summit in Nepal. Among others the Summit emphasized the importance of enhancing connectivity in the region. An important outcome of the Summit was the signing of the SAARC Framework Agreement for Energy Cooperation. At the sidelines of the Summit, I also had bilateral talks with the other SAARC Leaders where we discussed issues of mutual interest.

We have just hosted the BBIN (Bangladesh, Bhutan, India and Nepal) Transport Ministers Meeting where a Motor Vehicle Agreement was signed between the four countries. The agreement is expected to bolster connectivity, trade and people to people contact among the four SAARC countries on a sub-regional platform.

In the past year, we have had the honour of playing host to 141 important dignitaries and officials from various countries as well as various business delegations, and hosting a number of international conferences. His Majesty was pleased to grant audience to over 34 dignitaries and officials. The visits provided us with opportunities to show case the country, what we have achieved and can yet achieve through partnerships. These visits have further helped strengthen our relations with other countries and organizations.

As a small country with limited resources we also cannot afford to have many diplomatic and consular missions abroad. Our diplomatic and consular engagement is, therefore, also supported by 7 Honorary Consuls and 34 Friendship Associations in 22 countries around the world. And I would like to thank them for the important role they are playing in promoting Bhutan to the world, for their steadfast support to the Bhutanese, and for being a friend of Bhutan.

The regular exchange of visits, participation at major events and annual consultation mechanisms constitutes an important component of Bhutan's relations and cooperation with other countries. No nation-state is an island and we must recognize that as a landlocked nation of 750,000 we cannot survive, much less prosper, in isolation. Our challenges as a nation require for us to continuously reach out to others to reaffirm old friendships and forge new partnerships. It is but geared towards safeguarding and promoting our national interests in international affairs.

Here allow me to express my appreciation for the fact that the progress we have made as a nation since embarking on our planned development process over 50 years ago has been made possible through generous assistance of all our development partners, in particular our close friend India.

Gross National Happiness

In the pursuit of our development goals and objectives we continue to be guided by the timeless vision of "Gross National Happiness". While interest in GNH internationally continues to grow, the focus of the government is implementing the principles of GNH within the country. The Center for Bhutan Studies, which serves as the focal point for GNH, has been conducting nationwide GNH Surveys and GNH Research to measure happiness of our people. The third of such surveys has been completed and the Report will be published by the end of next month. The results of such surveys will guide the government in formulating development policies that are aligned to meet the aspirations of our people. I am happy to report that CBS is also organizing an international conference on GNH in November this year. This will be an important conference as it commemorates the 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo.

Rest of my report under COUNTRY will be presented under the four pillars of GNH:

THE FIRST PILLAR OF GNH: SUSTAINABLE AND EQUITABLE SOCIO-ECONOMIC DEVELOPMENT

Social Development

We have many things to be proud of as Bhutanese. Our unique healthcare and education system, which is a vital component of the pillar of sustainable and equitable socio-equitable development, is one of them. Despite being a poor country we are able to provide all people free healthcare and free education. This system is essential for social mobility as without it the rich would get richer and poor would remain marginalized. However, simply providing free healthcare and education is no longer enough in a rapidly changing Bhutan. Healthcare and education must be of highest possible quality if people are to have equal opportunities to increase their standard of living according to the times and serve the Tsa-wa-sum.

Health

Free healthcare is of paramount importance in the pursuit of GNH. It has been identified as one of the nine domains of GNH and enshrined in the Constitution of Bhutan as a “birth right of every Bhutanese.” According to WHO reports, only 58 countries in the world have enacted some form of legislation mandating Universal Health Care. Of these most cover only primary and emergency health services. What sets us apart is that our healthcare is completely free and includes preventive and curative healthcare, all medicine and hospital services and referrals outside the country. 8% of the total budget has been allocated for Health in the financial year 2015-16.

While we have made impressive strides, our healthcare system is faced with new challenges. These include a rise in incidence of non-communicable diseases, shortage of personnel, management issues and the sustainability of continuous improvements in services against the rising costs and expectations of our people. The government has undertaken major initiatives to meet the challenges.

- JDWNRH was granted autonomy in September 2014 to inject dynamism and better management of health resources. The increased financial, human resource and management autonomy and the starting to build this year 150-bedded Jetsuen Pema Maternal and Children Hospital, a Dialysis Unit and a Guest House at JDWNRH will further improve its services.
- Investment in the expansion of health infrastructure continues to absorb the most significant share of the sector’s annual budget. The construction of the 150-bedded Cen-

tral Regional Referral Hospital, the 40-bedded Samtse Hospital and the Public Health Laboratory are progressing well and construction of the Tsirang and Dewathang Hospital will start soon.

- To address the challenges of non-communicable diseases (NCDs), Diabetic Clinics have been established in 24 hospitals including 4 BHU-I in Zhemgang, Dagana, Samdrup Chholing and Nganglam. A BMI monitoring system has also been instituted in all the health centers in the country.
- The government is also integrating the use of ICT in delivering and coordinating critical public services across all sectors to ensure efficiency, economy and timely delivery. In this regard, the Bhutan Health Management and Information System (MS Access) has been upgraded to a web-based Druk Health Information System 2 (DHIS2). Training of Trainers on DHIS2 has been completed, and the rollout to health centers will be completed by the end of this month.
- Increasing number of people in the country is opting for traditional medicine as alternative means of treatment. It is not only popular in Bhutan but outside too. Traditional medicine services are an area where Bhutan can create a niche market. Further, the diversification of Menjong Sorig pharmaceutical in the fields of cosmetics, wellness, spa and traditional medicinal products development using local products will help promote the economy, and the traditional medical system in the country. The government will be corporatizing Menjong Sorig pharmaceutical in order to make best use of our rich medicinal resources.
- One of the most significant successes of our health system is the Health Trust Fund (HTF), which was established through the Command of His Majesty the Fourth Druk Gyalpo. The Fund has accumulated a capital of USD 21.9 Million to finance the procurement of both essential drugs and vaccines. The Trust Fund began financing all essential drugs - from paracetamol to cancer treatment and all vaccinations for immunization - in all health facilities in the country since July 2014. The cost of essential drugs for the financial year 2014-2015 is estimated at almost USD 3 Million. HTF is a success story and an example for other countries and I am pleased to report that its official launch this year will be a befitting tribute to commemorate the 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo.
- Access to safe drinking water is the most effective strategy to combat water-borne diseases and the government's priority is to ensure universal access. Currently about 94% of rural households have water supply schemes but only 83% are functioning. Why is this the case? It certainly can't be lack of money! In the 10th Plan Nu. 1.4 billion

was spent for rural water supply; in 2013-2014 it was almost Nu. 130 million; and in 2014-2015 it is Nu. 143 million. This year, Nu. 210 million will be spent to repair rural water supply schemes. Enough money has been allocated to rural water supply. Mostly through local government. It is imperative that resources are used well and, mostly the communities involved to maintain the schemes.

- Rural sanitation is another important area of focus as only 68% of rural household have proper sanitation. Despite high water and sanitation coverage, the incidence of illness due to water, sanitation and hygiene related diseases are still high in Bhutan. Diarrhoea continues to be top 10 diseases in Bhutan as a result of poor sanitation practices and, in particular, the poor state of toilets and associated facilities. Hygiene behavioural change is necessary and I would like to request people to build, use and maintain proper sanitation to prevent the emergence and spread of communicable diseases.
- A major challenge for the country is the growing problem of drug abuse, especially among our youth. It is a social problem that impacts not only the individual but also has a detrimental effect on the family, community and nation at large. All of us must, therefore, work together to address this menace. Parliament has passed the Drug and Psychotropic Substances Act to empower authorities and ensure that drug dealers get higher penalties. The government will also step up its efforts to support drug rehabilitation. Currently the Youth Development Fund (YDF) rehabilitation centre at Serbithang provides rehabilitation and reintegration programs. With a capacity for 24 patients, the centre is often overbooked. The YDF is building a new drug rehabilitation centre at Tshaluna. I would like to thank Her Majesty Gyalyum Tshering Pem Wangchuck for the important role that YDF is playing in addressing not just problem of drug abuse but many other activities that empower our youth.

Education.

As a small country with a very small population, our human resources are limited and a most valuable resource. As such, the quality of education we provide our youth today will determine our long-term success.

Globally, transformative changes are compelling countries, developed and developing alike, to take stock of their development strategies and embark on far reaching reforms to address new challenges and opportunities of the 21st Century. Bhutan finds itself in the midst of similar social, economic and political transformation. With our future increasingly linked to a globalized world, the rapid transformation has ushered in new realities that require innovative approaches to address them. The Eleventh Plan has provided an opportune time to take stock of the state of our nation against these new developments and build on the

strong foundations we have laid by ushering in new plans, strategies and preparations that reflect the changing realities as well as the new opportunities and challenges that they bring. In going forward, the relevance of our education system to achieve our national goals and objectives must remain at the forefront of our thinking, our planning and the implementation of the current and successive Five Year Plans. His Majesty The King has often underscored that the quality of education for our youth is of paramount importance, reminding us that *“a nation’s future will mirror the quality of her youth – a nation cannot fool herself into thinking of a bright future when she has not invested wisely in her children”*. For neither our vision for our nation nor the goals in our plans are possible if we do not relentlessly and uncompromisingly invest in building a dynamic education system.

Every Bhutanese must be given an opportunity to be educated and trained and we have no doubt made remarkable progress in ensuring access to education. Today, with 551 schools and 107 extended classrooms, almost every child is in school. This year 172,303 students were enrolled from PP through Class XII. Our net enrollment is 98.7% and with 8572 teachers we have an impressive teacher student ratio of 1:20. The government has also achieved significant success in expanding access to early childhood care and education (ECCE). Today, there are 210 ECCE centers as compared to 165 in 2013. Thirty two per cent of the ECCE centers are run through private participation.

The task at hand is to build a dynamic education system that nurtures our youth with the right values, knowledge and skills that are relevant for the times. The complexity and enormity of this task cannot be denied. It will require a systemic approach, new thinking, institutions and tools, a longer-term perspective in our planning, predictable resources, and the collaboration and commitment of all our people. However, the urgency of sowing the seeds for such an education system cannot be overemphasized as our window of opportunity is small, given that the largest section of our population today are youth. The education sector will continue to be given special emphasis by the government to provide the necessary impetus for achieving our shared goals and vision for our future. Towards this end, the government has launched several far-reaching initiatives. 18% of the total budget for the financial year 2015-16 has been allocated to education.

- The Education Blueprint, a 10-year strategic plan formulated through nation-wide consultations, seeks to further improve the overall quality of education by addressing the four educational dimensions of access, quality, equity, and support efficiency through strategic interventions and initiatives to be implemented.
- The School Reform Program was initiated in 2014 to enhance efficiency and quality of educational outcomes while also ensuring sustainability of service provision. A key

element of the Program involves the reforming schools into Central Schools for PP to Class X or Class XII, with the provision of boarding and bussing services where necessary. The Program is being implemented on a pilot basis, with a total of 24 schools this year and 25 schools in 2015. I would like to thank GOI for providing Nu. 4.3 billion in assistance for this important Program.

- In addition to establishing central schools, 45 schools operate as “autonomous schools” with greater financial, management and human resource autonomy to promote greater accountability for the quality of education in the school system. This initiative is expected to foster greater innovation and thereby enhance learning outcomes.
- To ensure objective, critical and unbiased research based perspectives on the state of education, the Department of Curriculum Research and Development has been delinked from the Ministry of Education and merged with the Royal Education Council. REC has been accorded autonomy to focus on curriculum, teacher development, independent research and provide the government with objective feedback and recommendations to improve all aspects of our education system.
- The National Scouts Program is receiving renewed focus to ensure that the education system imparts education with values such as teamwork and promotes learning beyond the classrooms. The 1st National Scouts Day was observed on His Majesty The King’s birthday.
- The School feeding system is being improved. Vitamin B-complex is being provided to all students to prevent incidences of peripheral neuropathy, which had affected 36 students. A Centralized School Feeding Programme was also instituted from July 2014 for RGoB-stipend supported schools to achieve economy of scale in food procurement, fortify food commodities and improve the quality of food commodities. A Memorandum of Understanding has been signed between the Ministry of Education and Food Corporation of Bhutan Limited to procure, store and distribute food commodities to schools. This Programme is significant, as WFP’s assistance for the school feeding programme will be phased out completely by the end of the 2018 academic year. The Ministry of Agriculture and Forests is going to provide pullets in some schools on pilot basis to ensure that every child gets 3 eggs a week.

The National Reading Year 2015 was launched on 9th December 2014 by His Majesty The King to celebrate 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo. Every school is participating in this important event to promote good reading habits, life-long learning and personal growth. The Jigme Dorji Wangchuck National Library will be relocated to a bigger building to accommodate more books and more readers. E-library do-

nated by India during the visit of Prime Minister Modi would significantly enhance access to learning materials and the use of ICT in all schools and colleges. The e-library will be launched this year, covering 49 schools and colleges.

There are 672 student training in 6 technical training institue and 2 institue of zorig chusum.

In the field of higher education, the government will continue to support RUB which now has 10,000 students enrolled in 8 colleges. Of the total 10,000 students 82 % of students receive government scholarship and 18 % are self-financed. The government deems it equally important to improve quality of education in all colleges. For that, RUB requires adequate resources to improve teacher conditions and facilities. The government is therefore supporting the increase in student fees from an average of Nu. 67,000 per student per year to about Nu. 78,000 per year and has paid more than Nu. 700 million in fees this year. Additionally, the government is spending Nu. 255 million this year for capital works, with Sherbutse alone receiving Nu. 85 million. RUB has been receiving the necessary financial support. It is time now for it to improve quality!

To promote inclusive development, the government has accorded a high priority to ensure that children with special needs have equal access to quality education so that they can realize their potential and become responsible and productive citizens. The number of schools catering to children with special needs has increased to seven in 2015 and various support systems are also being put in place. Bhutan also celebrated the International Day of Persons with Disabilities on 3rd December 2014, which was graced by Her Majesty the Gyaltsuen.

The government has also established Research Endowment Fund to encourage and support research in various fields and students and colleges can compete for grants.

To enable students who do not receive scholarships, the government has provisions for student loans. So far, 47 students have availed education loans totalling Nu. 0.70 million.

The government will accord high priority to promoting private colleges. While we have 33 private schools there is only 1 private college in the country. There is tremendous opportunity for private colleges as currently more than 5,275 Bhutanese are studying in colleges abroad. This is not only a severe drain on our economy and foreign currency reserves but many of our students are not getting quality education. While existing polices encourage the establishment of private colleges the government is looking at additional incentives.

Poverty

In the recent decades we made impressive progress in our socio-economic development. Improvements in social sectors such as health and education are important and benefit everyone in the country. However, for the very poor this is not enough in being able to realize their full potential and, therefore, targeted poverty intervention is the only solution.

His Majesty's kidu programs have had the biggest impact in terms of targeted intervention in poverty reduction. Support from the kidu programs through land, scholarship and direct financial support have brought about significant improvements in the lives of the people.

Civil Society Organizations like the Tarayana Foundation also play an important role in achieving the social objectives. Tarayana Foundation is working in 150 villages in uplifting the lives of the people. I would like to thank Her Majesty Gyalum Dorji Wangmo Wangchuck for her Royal patronage of Tarayana Foundation and for her noble initiatives. This year also marks Her Majesty 60th Birth Anniversary and I wish to offer Tashi Delek and wish Her Majesty the Gyalum long life on behalf of the people.

Under the Rural Economy Advancement Programme (REAP), 75 villages have been identified to receive support and for which Nu. 150 million has been approved. 41 villages will receive support through Tarayana Foundation and 34 villages through local governments.

To further ramp up efforts towards poverty alleviation, the government has directed for the Targeted Household Poverty Program (THPP), in which the survey for validation and formulation of targeted interventions for the poorest 3154 households identified by the Dzongkhags is being carried out. Bhutan may be the only country that engages at such a level.

Economic Growth

We have achieved remarkable socio-economic progress over the five decades of our planned development. Today, Bhutan is poised to graduate from the category of LDCs by 2021. However, sustaining development through our own means continues to be a major challenge. We are still highly dependent on development aid. Virtually all of capital expenditure of our Five Year Plans is still met from foreign assistance and loans. Achieving self-reliance is therefore a vital national objective for which we must strengthen our economy. Being a small landlocked country, with a small population and limited resources we must work harder to strengthen our economy through our own productive capacities if we are to realize this vision of our Monarchs.

As we are aware, two years ago our country faced unprecedented macro-economic challenges arising from a severe shortfall in our Rupee reserves. The total government debt soared from Nu. 33.07 billion in 2008, to Nu. 62.8 billion in 2012 to Nu. 10.13 billion by June 2013 and were growing. To address the Rupee crisis, the government was compelled to borrow Rs. 15 billion from the State Bank of India and paid Nu. 1.2 billion in interest alone.

To redress the situation, temporary restrictions were also imposed on personal construction and vehicle loans while import of various consumer items were embargoed. As a result of the ensuing credit shortage in the financial market economic activities virtually came to a standstill. Inflation reached an all-time high of 8.6% and youth unemployment reached 9.6%. GDP growth fell to an all-time low of 2.1% in 2013 - the lowest growth in the last 20 years.

I had emphasized in my last two state of the nation reports that revitalization of our economy is a major and urgent priority of the government. I am happy to report that as a result of the various initiatives taken by the government our economy has not only shown positive signs of recovery but is bouncing back as evident from 2.05% in 2013 to 6.8% growth in GDP in 2014. The growth projections by the World Bank are even better at 7.9% for the fiscal year 2014-15 and 8.4% by 2016. The Asian Development Bank has projected similar growth figures.

There are many other indicators that suggest a positive trend in our economy. For instance, our total trade increased from Nu. 80 billion in 2013 to Nu. 92 billion in 2014. Most significantly, trade deficit decreased from Nu. 21.42 billion to Nu. 21.3 billion during the same period. The suspension on housing and vehicle loans were lifted in 2014 and housing construction loans increased from Nu. 12.031 billion in 2012 to Nu. 13.82 billion. Commercial borrowings have already increased from Nu. 45.4 billion in 2012 to Nu. 55.3 billion as of June 2014. The embargo on imports of vehicle, fuel and furniture was also lifted in July 2014 and the government revised taxes on vehicle imports and introduced new taxes on fuel consumption to replace ad hoc import embargos. Inflation has dropped to 6.3%. Although overall outstanding debt has increased to Nu. 108.3 billion as of June 2014, non-hydropower loans have decreased from Nu. 16.9 billion in 2012/13 to Nu. 11.2 billion in 2013/14. This is the first decrease in non-hydropower loans in a long time. The Rupee situation has stabilized. Our foreign currency reserves, which declined to US\$ 770 million in 2012, have now grown to US\$ 834.3 million. The rupee reserves are at a healthy figure of Rs. 10.7 billion as compared to Rs. 1.5 billion in 2012.

Despite the recovery process and the government's efforts, there is no room for complacency. The government is working closely with the Royal Monetary Authority, other key agencies and stakeholders in the private sector to ensure strong economic fundamentals and address two major and long-standing challenges of our economy.

The first challenge is the large and persistent negative trade balance over the decades. Though showing signs of improvement, it stands at Nu. 21.3 billion which is 20% of GDP and continues to pose a major risk. Our exports are confined to mainly electricity and a few mineral based industries while we virtually import everything else.

The only solution is to work hard, diversify our economy by enhancing productivity and boosting domestic production of goods and services for exports. This needs to be complemented by promoting local products, for which many opportunities exist. Efforts are being made to strengthen FCB to collect food products and distribute them to markets, institutions and schools. In the transport sector, we must increasingly substitute fossil fuel with electricity. Last year we imported Nu. 7.692 billion worth of petrol and diesel. If we can replace even part of that we will improve our trade balance, rupee situation and also protect our environment. In the construction industry, we import Nu. 9.88 billion worth of construction material. With better designs that support using local material and establishing a permanent exhibition center for local building material, we can change that.

The second, and a more critical problem, is the continued unemployment of youth, which is unacceptable for a small country with a large proportion of young people. Although youth unemployment decreased from 9.6% in 2013 to 9.4% in 2014, this is not good enough and we cannot allow youth unemployment. The government will continue its support measures to create jobs for our youth. A key ongoing initiative of the government is the Guaranteed Employment Programme for which Nu.192.550 million has been allocated to implement overseas employment, direct employment and youth employment schemes. So far 718 job seekers have been sent abroad under the Overseas Employment Scheme; 1,222 job seekers have been employed by various enterprises under Direct Employment Scheme, and 240 youth have been trained under the Youth Employment Scheme. Under the Graduate Skills Programme, fresh graduates are provided with self-employment skills and as of date, a total of 69 graduates have completed and 158 are undergoing training. The government has also established a high-level multi-sectoral employment task force to identify immediate solutions for creating employment. I am personally overseeing the efforts of the task force and am happy to report that the initial recommendations are very promising.

While the government will continue to build on these initiatives the role of the private

sector is vital to address youth unemployment. Currently, the government and its corporations remains the largest source of employment. This must change if we are to effectively address this national challenge. Opportunities for gainful employment must increasingly come from private sector. There is no other way out.

Here, I would like to thank all those private sector employers that have already taken upon themselves this important task of creating jobs for our people. I am aware that there are many other SMEs that are increasingly creating jobs for our youth. This is indeed encouraging and the government will continue to promote the private sector as a strategic partner in strengthening our economy through our own productive capacities, providing gainful employment for our people and ultimately achieving our common national goal of self-reliance.

In this regard, I would like to provide an update on the Five Jewels of our economy that I announced in my last State of the Nation Address and which continues to take centre stage in our programmes to achieve our national development goals.

Jewel 1 – Hydropower

We are blessed with a rich environment and a network of swift flowing rivers that provide us a unique opportunity to generate clean energy that is vital to strengthen our economy, promote overall socio-economic progress and our national goal of self-reliance. As such, development of hydropower remains the backbone of our economy.

The total hydropower generation capacity of 30,000 MW out of which 23,760 MW is economically feasible. The installed capacity is 1488 MW, which is less than 5% of our capacity. In 2014, hydropower was 14.3% of GDP and we produced 7,147.10 million units of electricity of which 72.5 % was exported bringing in Nu. 10.7 billion in revenue.

I am happy to report that despite some delays and challenges, we are making good progress in the ongoing hydropower projects under construction, which would add an additional 3,658 MW when completed. The 1,200 MW PHPA I project is 74% complete, the 1,020 MW PHPA II project is 60% complete and the 720 MW Mangdechhu project is 65% complete. Work has also started on the 600 MW Kholongchhu and 118 MW Nikachhu projects. Furthermore, the government has approved the detailed project reports (DPRs) for Wangchhu, Bunakha, Chamkharchhu and Amochhu hydropower projects.

The development of this vital sector of our economy would not have been possible without the generous support and cooperation of India. Almost all our hydropower projects

have been developed with assistance from the Government of India. Hydropower remains the centerpiece of mutually beneficial economic cooperation between Bhutan and India. While India benefits from the clean energy we export, Bhutan benefits from the revenue we earn as well as the availability of cheap and clean energy for our domestic use. I take this opportunity to thank the government and people of India for their continued support in this vital sector.

While we will continue to develop this sector, there is a need to move beyond simply generating and selling power. We must invest and build our capacity to become leading experts and a knowledge centre for hydropower development in our own country, in the region and globally. In this regard, I am happy to report that several initiatives are already underway under the able leadership of Druk Green Power Corporation. From operating and managing hydropower projects built jointly by the Governments of India and Bhutan, DGPC is now making significant contributions to self-reliance and capacity building in this vital sector. Till recently, DGPC focused on operating and managing hydropower projects built jointly by the governments of India and Bhutan. But now, DGPC has increased its contribution in the hydropower sector by marking these important milestones.

- On June 2014, DGPC successfully completed the Tsibjulumchhu Diversion Scheme that increased Tala's generation capacity by 15 MW. The scheme was designed, managed and financed by DGPC.
- On 21 February this year, the 126 MW Dagachhu hydropower project was commissioned. This joint venture project between Tata and DGPC was managed and monitored by DGPC.
- In October last year, DGPC started construction of the 118 MW Nikachhu power project. The project was developed by DGPC and is being financed and managed entirely by DGPC.
- In October last year Bhutan Hydropower Service Center, joint venture between Alstom and DGPC, began its operations and have started repairing hydro-mechanical components. We no longer need to send the crucial components outside the country for expensive and time-consuming repairs. Discussions are under way to expand the Center to manufacture hydropower components in Bhutan. This venture is a significant step towards our goal of self-reliance.
- By the end of this year, DGPC would have completed the DPR for the 1230 MW Rotposhong project, the largest project that they have taken on independently.
- In addition, DGPC is undertaking several prefeasibility and feasibility studies for vari-

ous other projects that will be used for preparing Detailed Project Reports (DPRs). All this has added expertise and knowledge in hydropower. We can become the center for hydropower knowledge and skills. Furthermore, the government has also taken the following initiatives to build additional capacity in hydropower:

- The Construction Development Corporation Limited has been transferred to DHI with a mandate to build capacity to undertake hydropower construction and promote the standard of construction in the country.
- A Power Training Institute has been established in Dekiling and was inaugurated by President of India in November 2014.

I assure the Nation that the government will continue to ensure that the development of the hydropower is in our national interest and benefits first and foremost the people of Bhutan. We will continue to actively encourage the building of domestic national capacity to undertake construction of power projects and take a lead role in the supply of goods and services to the hydropower projects.

Jewel 2 – Agriculture

Agriculture is the foundation of a nation ensuring economic growth, people's livelihood and social stability. It is important for our economy for two reasons:

- a) 62% of our people depend on farming and this is important in terms of employment and poverty alleviation.
- b) We cannot become truly self-reliant unless we grow enough food of our own to sustain our people.

In the last year agriculture amounted to 16.2 % of the GDP and this is good progress - with a 3 % growth rate for the first time. We will now aim to increase this growth rate through:

- a. Cereal production and horticulture
- b. Cash crops - where we are more than self sufficient. Cardamom and potatoes have been fetching record prices.
- c. Eggs - we are self sufficient - production continuing to increase
- d. Vegetables - there is a 31.4% increase in production and we are on target to be self sufficient by 2017.
- e. Dairy - we will be self sufficient by 2018

Investments that have been made by the government to increase production include:

- a) **Farm Roads:** To improve accessibility and also connect people and markets 730.80 km of farm roads have been constructed in the last two years. This year alone, 131 new farm roads measuring 657 km were constructed. A farm road is not a road if it can only be accessible in the spring and autumn. Therefore, to ensure that the farm roads are accessible at all times, 112 farm roads measuring 427km were renovated. The roads built by the Central Maintenance Unit is generally all weather roads.
- b) **Irrigation:** More than 100 km of irrigation was built during the last two years. This year 12 schemes of 125 km will benefit 3840 acres for over 1746 households. Some schemes that were built in the 1970s by His Majesty the Fourth Druk Gyalpo have fallen into disrepair. Two major schemes that have been renovated and relaunched include the 11.4 km long Buyang irrigation channel in Trashy Yangtshi and 7 km long Taklai irrigation scheme. In addition, 6.83 km Kuchi Diana irrigation scheme in Yoeseltse Gewog in Samtse is also being rebuilt and will benefit 1043 acres of land for over 300 households. These three irrigation schemes will boost agricultural productivity by providing water to about 7743 acres of land. We humbly dedicate them to the 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo. Another 145 km is being renovated, which will benefit 1401 households and 4665 acres of land.
- c) **Farm mechanization:** 13 farm machinery hiring units have been established with 89 tractors, 174 power tillers and other machineries. 4600 acres is under mechanization. To support our farmers, one power tiller has been issued to every gewog. By the end of this year, another power tiller will be provided. The aim is to provide one power tiller per chiwog. Each gewog will also receive one utility vehicle by this financial year.
- d) **Electric fencing:** Our farmers work hard to till their lands and grow their crops. One big challenge they constantly encounter is the encroachment of their land and increasing crop depredation by wild animals. A total length of 477.17 km of electric fencing has been built across 20 Dzongkhags benefitting more than 3479 households. The experience of farmers on the impact of electric fencing is encouraging as they no longer have to lose sleep by guarding their crop. This is the most effective solution against wild animals but maintenance is important. In the coming year the government will build 485 km more of electric fencing. However, I urge farmers and Local Government to maintain the fence properly from time to time.
- e) **Green houses:** Towards promoting off-season vegetable production and enhance nursery production, 176 greenhouses were installed in the past year. In the coming year, we plan to support 650 more green houses.

- f) **Livestock:** The government has already expanded 13 livestock centers. We will invest Nu. 817.786 million in the coming fiscal year to further upgrade and expand so that these livestock centers are able to provide inputs like calves, piglets, poultry input (day old chicks) and fingerling to our farmers.
- g) **Financing:** One of the constraints faced in the agricultural sector is access to finance and, therefore, the establishment of Gewog Banks. The Bhutan Development Bank (BDB) has already established 19 gewog banks. By the end of June we would have established 50 banks, and by the end of next year, we would have established banks in almost every gewog in the country. Our farmers will get banking services without having to travel to the dzongkhags. I would like to encourage all rural households to open bank accounts as this will draw them into the mainstream of the economy.

Many farmers are also availing loans from the Business Opportunity and Information Centre (BOIC). So far, 1211 projects amounting to Nu. 338 million have been approved. 1953 more applications are still pending. Farmers are eager to avail the loans even impatient but the applications need to be processed properly. All this has been achieved in barely 10 months that BOIC has been operational.

- h) **Farm shops:** One of the biggest challenges that farmers face is that the lack of access to a market outlet in which to sell their produce. To address this issue, farm shops will be introduced to sell seeds, fertilizers, animal feeds and farming tools/implements. The farm shops will also buy produce from the farmers. The first farm shop was inaugurated in Sephu Gewog. By this year, there would be 74 more farm shops.

The Annual Performance Agreements (APA) with all the dzongkhags focus mainly on agriculture, given the importance it has for the people in all the dzongkhags. Hence all the leaders including the dzongdas and gups are making serious efforts in boosting the sector and in measuring agricultural outputs which is already growing. The government expects the agricultural output to grow significantly in the coming years.

Jewel 3 – Tourism

Tourism is 3.57% of GDP but the second largest revenue earner for the country contributing more than Nu. 20.8 billion to the economy in 2014, which is an increase of 25 % from the previous year and Nu. 1.35 billion to government revenue. More importantly, tourism generates the largest number of jobs employing 24,645 Bhutanese that include not just tour operators but also drivers, guides, staff in hotels and local artisans in the handicraft sector. With joint efforts by the government and private stakeholders, this vital sector of our economy can create many more jobs.

The government will continue to support the “high value low impact” tourism policy and promote the holistic development of this vital sector in collaboration with all relevant stakeholders. Such coordinated efforts have helped the industry to maintain a steady growth. In 2014, Bhutan received a total of 133,480 visitors which is the highest number of tourist arrivals recorded. Of the total, 62,129 were from India and 71,351 were from other countries.

A major highlight of this sector in 2014 was the Bhutan–Thailand Friendship Offer initiated by the government targeting Thai tourists during the off-season period. The initiative was highly successful with 12,105 Thai tourists having visited Bhutan. This generated more than Nu.150 million in revenues for the government.

The government has also announced the year 2015 as the “Visit Bhutan Year” to commemorate the 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo. The number of arrivals has already increased by more than 62% in the first three months with a total of 39,899 visitors compared to 24,500 arrivals last year.

The government will continue to invest in the tourism sector by developing trekking trails, promoting festivals and building roadside amenities. Over 11 new trek routes will be developed during the upcoming fiscal year with a focus in eastern Bhutan to diversify tourism destinations and take its benefits across the country. The development of facilities such as campsites and other services along the Salt Trek Route in eastern Bhutan have already been initiated. The construction of four roadside amenities is nearing completion and an additional 11 new roadside amenities will be built. Community-Based Tourism Models are also being explored to benefit local communities.

The Royal Institute of Tourism and Hospitality is complete and will strengthen capacity development in the tourism sector. The adoption of tourism rules and regulations will provide an enabling policy environment and the government plans to introduce helicopter services this year.

As infrastructure is critical in the tourism industry, the government will continue its support measures to attract domestic and foreign investment to strengthen our tourism infrastructure. Such support has already resulted in an increase in private investments in the hotel sector, increasing hotel capacity from 1,619 rooms in 2013 to 2,186 rooms in 2014 – a 35 % increase in just one year. However, most of this increase is concentrated in Thimphu and Paro. More needs to be done elsewhere, especially in eastern Bhutan. With the development of additional tourism products beyond central and western Bhutan, I am confident that investors will gradually focus their investments in other parts of the country.

Another area that remains largely untapped is domestic tourism with many Bhutanese increasingly travelling outside for holidays. The Tourism Council of Bhutan is developing packages to promote domestic tourism.

All this will strengthen this vital sector of our economy.

Jewel 4 – Small and Medium Enterprises

SMEs are vital for the creation of self-employment and employment, diversification and deepening of our economy and promoting balanced and inclusive development. Small enterprises forms 4.4% of GDP and their growth has been significant, with 2,645 new enterprises being established in 2014 creating jobs for more than 7,500 Bhutanese. In 2014, the newly established Business Opportunity and Information Centre (BOIC) alone approved 589 projects for small enterprises that are spread across the 20 Dzongkhags. With a total investment of Nu.178.45 million, these projects have generated employment for 905 Bhutanese. The Agency for Promotion of Indigenous Craft has also set up 360 new rural households in *zorig chusum*.

To promote this vital sector of our economy, the government has granted tax exemptions for micro and small businesses in the rural areas under which 10,254 enterprises were exempted from taxes amounting to Nu. 14.315 million till April 2015. The BOIC will be further strengthened and streamlined to provide financing for small enterprises throughout the country. Services will be taken to the people through ICT to reduce administrative burden and enhance service delivery. Employment and enterprise establishment targets will be increased and entrepreneurship development programs targeting unemployed graduates will be initiated. A business incubator at the Changzamtog service center to support small business startups is expected to be completed by 2017. The 110-acre Bondeyma industrial estate in Mongar is being developed to largely focus on small and medium enterprises. To ensure an enabling policy environment for SMEs, the National Assembly has passed the Enterprise Registration Bill.

Jewel 5 – Mining

As a country rich in natural resources, the mining sector plays an important role in our economy contributing to 2.7 % of GDP. The sector registered a real growth of 32.2% in 2013/14, a marked improvement from the negative growth of 2.2% in the previous year. There are currently 29 active mines and 36 quarries in the country covering 3,471 acres. Mines constitute an important source of revenue to the government. Though mining is only 2.8% of GDP, mines contributed Nu. 282.4 million in license fee and royalty in 2014.

To provide a holistic policy framework and a clear roadmap for the sustainable development of this strategic sector the government is developing a Mineral Development Policy. The Policy, which is in its final stages of development and will be ready for implementation by this year, will resolve issues related to allocation of mines, value addition, compliance monitoring, environmental and social concerns and maximize returns.

Furthermore, the government has also established a State Mining Corporation (SMC) under Druk Holding and Investments in December 2014. The SMC is expected to lead the way for scientific and sustainable mining. It will complement the efforts of the private sector, support the efforts of the government in mineral prospecting, optimize economic returns from the mining sector towards achieving economic self-reliance and set the standards for socially responsible and sustainable mining. All the proceeds from the SMC will be used to finance the school reform.

Other Sectors

To complement the Five Jewels in strengthening our economy, the government is also promoting economic opportunities in other sectors. These include ICT and high quality education.

To fully realize the potential of the 5 economic jewels and other areas, the government will continue to invest in private sector development, developing economic infrastructure, promoting access to finance and ensuring an enabling business environment.

Infrastructure

- i. **Roads:** Enhancing domestic and external connectivity is vital to strengthening our economy and achieving self-reliance. The government will focus on the completion of the East-West Highway double-lanning and blacktopping of Gewog center roads to enhance our internal road connectivity.

Today we have a total road network of 10,713 km of which 2478 are national highways; 1387 Dzongkhag highways; and 5129 gewog roads and farm roads. The roads under construction:

- a) East-West Highway widening where 42 contractors are involved. 14 work packages have been awarded and 20 are under evaluation.
- b) Raidak – Lhamoizingkha (18km) - only the bridge is left.
- c) Panbang – Nganglam (55.6km) - 4 km of blacktopping left.

- d) Samdrupcholing – Samrang (24 km)- completed.
- e) Gyalposhing – Nganglam (75 km) - 2km of formation cutting is left.
- f) Dagapela – Dalbari (80.5 km)
- g) Jengkana – Khamina (65 km)
- h) Namchukhola – Gakiling (16 km)

In addition the blacktopping of 52 Gewog center road is going on.

- ii. **Connectivity:** Given the challenges of our natural geography, internet connectivity is not only important but an essential infrastructure for economic development. With 3G now available throughout country, the government will focus on enhancing services and reducing cost. An E-Business and E-Masterplan are among the initiatives in the pipeline that will further integrate ICT as a key pillar for economic diversification.
- iii. **Air transport:** As a landlocked and mountainous country, air transport connectivity is vital both for tourism and diversifying the manufacturing and services sectors. Much has been achieved in this regard. The number of passengers flying through Paro airport last year 296,422 was the highest ever recorded - a 38% increase. A new aircraft has joined the Druk Air fleet which now includes 6 Airbus 319 and 1 ATR. The government is exploring new routes and Air Service Agreements with Myanmar and Sri Lanka are being processed that will further enhance international connectivity. The government is also working on getting all three domestic airports functioning. Bumthang and Gelephu airport terminals are ready and Yongphula will be ready by next year. Domestic air connectivity will be further augmented with the helicopter services that will be launched in November to commemorate the 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo.
- iv. **Industrial estates:** A key challenge for private sector development has been the lack of industrial land and infrastructure. Pasakha Industrial Estate with 188 acres was established in 2006. As part of its infrastructure development a Nu. 35.5 million waste management project has been completed in 2014. This year Nu. 360 will be spent for road and construction of 2 bridges. Four industrial estates comprising of a total of 1,650 acres are also being planned across the country:
 - a) Bondeyma estate in Mongar with 110.34 acres is expected to be completed by June 2016. Nu. 197.7 million has been mobilized from the GoI for its development. The estate will largely be reserved for small and medium enterprises engag-

ing in the agriculture sector and immensely benefit the eastern Dzongkhags.

- b) Motanga estate in Samdrup Jongkhar with 145.52 Acres will be funded by RGOB and is expected to be completed within the current plan period. Preliminary works will begin in the new fiscal year.
 - c) Jigmeling estate in Sarpang with 755.57 Acres will be funded by GOI. Nu. 326.5 million has been mobilized and infrastructure work is scheduled to begin from the new fiscal year.
 - d) Dhamdum estate in Samtse with 613.78 Acres will be funded by GOI. Nu. 300 million has been mobilized and infrastructure work is scheduled to begin from the new fiscal year.
- v. **Finance:** Another key priority of the government is to ensure a sound financial sector and promote access to finance. The Royal Monetary Authority has been managing the financial sector well and the health of the banking system has significantly improved. The Nu. 2.1 billion of ESP has contributed towards injecting the much needed financial liquidity in the banking system. The government is also exploring ways to increase access to finance with international development banks and has signed an agreement with the European Investment Bank.

Business Environment

To ensure an enabling environment for the five jewels it is imperative that the legal and regulatory frameworks are harmonious and supportive. Towards this end, the government has undertaken the following Policy and regulatory reforms:

- i. On the World Bank's Ease of Doing Business index, Bhutan is ranked 125 out of 189 countries. A multi-sectoral Doing Business Task Force has been established to improve our ranking and we are on track towards getting to the top 100 this year.
- ii. The Foreign Direct Investment Policy 2010 has been revised. In the last two years, 16 projects worth Nu. 5.13 billion have been approved. Four of them are already operating while the remaining 12 are at various stages of construction. These new investments are expected to create hundreds of jobs for our people.
- iii. The Economic Development Policy of 2010 is being reviewed to provide the highest level of "strategic direction", and to ensure that economy takes the centre stage of our development initiatives. The new policy will be ready by end of this year.
- iv. To promote strong public private partnerships the Better Business Council has been

established and includes representatives from the government, private and corporate sectors. I am personally chairing this important council and we are setting an ambitious agenda to resolve challenges to the investment climate in the country. The Council will soon review the private sector development plan, which has been completed as announced last year. As part of forum, the government recently initiated a “Doing Business: Meet Your Government” program that provides direct redress system for businesses. We are currently helping 15 enterprises resolve various issues related to doing business and more have shown interest.

- v. The Enterprise Registration Bill, which was passed during this session of Parliament will make doing business easier and accord SMEs legal protection and associated rights.
- vi. The Companies Act 2000 is under consideration by the Parliament for amendment. The revised act will simplify registration processes for incorporated companies while ensuring enhanced corporate governance in line with international best practices.
- vii. The Tourism Rules and Regulations has been adopted to facilitate the development of this sector.

Promoting local products

The trade deficit stands at Nu. 21.3 billion which is 20% of our GDP. Therefore, we must work harder towards narrowing the trade deficit.

In this regard, I see a lot of opportunities that can help us reduce import, increase export and correct the trade balance. A lot can be done if we promote the production of and usage of our local products in our markets, instead of importing everything from outside.

In 2014 alone, we have imported food items worth Nu. 6.68 billion. In a country where more than two-thirds of the population works in the farms, we can certainly produce food products enough for ourselves if we prioritize on production and distribution of the agricultural products. Therefore, the government is strengthening the Food Cooperation of Bhutan (FCB) to collect the food products and distribute them to the markets, institutions, and schools.

We also spend a huge amount of money on importing construction materials into the country every year. Last year, we spent a total of Nu. 9.58 billion. We produce but we are not using local material likes bricks to promote our local economy. To promote the production and use of local materials, the government will construct a permanent exhibition centre for local building materials, and incorporate local materials in the Bhutan Schedule of Rates

(BSR) and drawings.

We also must make use of the Bhutanese workers in the construction sector. Some say this is difficult. However, the experience of CDCL, which employs 500 Bhutanese engineers, technicians and skilled workers, suggests otherwise and that solutions can be found. I congratulate CDCL for showing the way and would like to reiterate the government's offer to provide work to any contractor with a full Bhutanese workforce.

Promotion of domestic tourism would be one other way. It would be wonderful if our people can go camping, undertake pilgrimages, and spend vacations in places of interest within the country and, thereby contribute to the local economy.

Last year we imported Nu. 7.6 billion worth of fossil fuel. Therefore, we must replace fossil fuel with electricity for transportation. If we can replace part of that we will improve our trade balance and rupee situation, and protect our environment.

Private sector development

I would like to reiterate that a strong private sector is vital if we are to build a strong economy, address our unemployment challenge and achieve self-reliance.

No doubt that the private sector has faced difficulty due to macroeconomic situation following the Rupee crisis. However, now that we are on the path to full recovery the private sector can and must grow. Our economy is stable again, the Rupee situation has significantly improved, loans are available and the government is sparing no effort to promote the 5 Jewels of the economy, improve ease of doing business and developing strategic economic infrastructure. The EDP is being revised and FDI has been revised and the government is promoting the use of local products. The pay increase to government employees has increased disposable income by more than Nu. 2 billion and most importantly the budget of Nu. 213 billion in the 11th FYP is an unprecedented opportunity for private sector. For instance, in construction alone there is about Nu. 72 billion of work planned with Nu. 33 billion for national highways, bridges, gewog roads and farm roads; Nu. 4.024 billion for construction of schools; and Nu. 1.329 billion for hospitals. Additionally there is a lot of work through the non-planned budget of the hydropower sector and similar opportunities through targeted intervention programs of the government in agriculture, tourism and small enterprises.

I call upon the private sector to rise to the challenge and work towards strengthening its partnership with the government to achieve our common goals and objectives.

SECOND PILLAR OF GNH: PRESERVATION AND PROMOTION OF CULTURE

If there is one thing that sets us apart from the rest of the world today, it is our rich and unique culture, which is widely admired by the outside world. Many wonder how we managed to keep our culture intact. We in Bhutan know that it is a result of the tireless and conscientious efforts made by our visionary Kings and forefathers to guard, nurture, and bequeath the legacy to us.

His Majesty the Fourth Druk Gyalpo had rightly said that for a small country like Bhutan, without military might or economic clout, it is the vibrancy of our unique culture and traditions that will serve as the hallmarks of our sovereignty and security. Indeed it is our shared values, traditions, and beliefs that shape our common national identity, and continue to bind us together as a nation as we navigate our way forward in the 21st Century. And increasingly, it has also become important for our economy and development.

Spiritual Heritage

Our spiritual heritage is one aspect that singularly imbues us with sublime values and enriches our society with spirituality even as we pursue modern socio-economic development. Under the enlightened leadership and patronage of our Kings and the Royal Family, His Holiness the Je Khenpo and the Zhung Dratshang along with other eminent religious personalities of all lineages around the country, have been pivotal in preserving and promoting our spiritual heritage.

Over the past one year, significant religious events were conducted all over the country. In January this year, the Zhung Dratshang conducted the “*sip-chi-doe-kurim*”. This was a tribute to His Majesty the Fourth Druk Gyalpo on his 60th birth anniversary and I would like to thank His Holiness the Je Khenpo, Zhung Dratshang and civil servants for successfully organizing this historic event.

Many other *kurims* and religious events were also organized by members of the royal family, dratshang, choedey, and rabdey throughout the country to commemorate the 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo. All these are a fitting tribute as Drukgyal Zhipa is a true Dharma King.

This year is also the 60th birth anniversary of His Holiness the Je Khenpo, who is presently on yearlong retreat for the wellbeing of our King, Country, and the People. Respectfully I wish to offer Tashi Delek and wish His Holiness the Je Khenpo long life on behalf of the people.

Towards making religious education more accessible to those who aspire to pursue it, numerous new monastic schools and colleges have been or are being opened, upgraded or built in different parts of the country during the past year:

- The Phochhu Dumra Central Monastic School (Zhirim Tewa) have been established in Punakha, and the Monastic astrological school (Tshizhung Lobdra) in Sershong under Sarpang Dzongkhag.
- Construction of Tango Buddhist College in Dodena (Thimphu) is nearing completion, and that of Zhirim Lobdra Tewa each in Gelephu and Sibsoo will start soon.
- The Wolakha nunnery in Punakha, and Khotha Rinchenling Shedra are both being upgraded into Thorim Wogma.
- The Zhirim Lobdra Tewa Buddhist school, envisaged by His Holiness the Je Khenpo is being built in Tashichhoeling, Samtse. The construction is being supported by the Government of India and once completed will provide an eight year long course to young monks and novices.

Our Lhotsham Hindu community also continues to receive support from His Majesty The King in terms of religious patronage. The Shivalaya Mandir in Samtse, an old and sacred *Mandir*, is being renovated upon the Command of His Majesty The King. His Majesty has contributed to the Mandir and is personally overseeing the renovation works. Similarly, the construction of a *Mandir* in Thimphu is also nearing completion. It is hoped that these *Mandirs* will serve as places of worship, and enhance the spiritual wellbeing of our Lhotsham Hindu community.

During my visit to India and Sri Lanka this year, the President of India and the President of Sri Lanka both donated Bodhi tree saplings. The Bodhi tree or *Janchub Shing* holds great religious significance in Buddhism as it is associated with the life of Lord Buddha, his enlightenment and teachings. I am sure that the sacred trees will inspire a deep sense of spiritual devotion and fulfillment among our people. They will be planted in suitable locations at the Command of His Majesty The King to commemorate the 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo.

Architectural Heritage

Our art and architectural heritage, especially our majestic Dzongs and Lhakhangs and the marvelous paintings and artworks thereof, is a physical manifestation of the grandeur of our forefathers' imagination and ingenuity. It was through these structures that our country has been defended and administered, and is much of what constitutes our culture today

preserved and perpetuated over the centuries. Therefore, conservation of our architectural heritage is vital.

Following His Majesty The King's Command, the reconstruction of the Wangdue Phodrang Dzong is underway and is progressing well. The construction of the Dzong's Kuenrey has already started. We lost a treasure gifted by Zhabdrung Ngawang Namgyal but we have been given the responsibility and opportunity to rebuild the dzong. This is a national project for all the people of Bhutan and not just for the people of *sha-da-gyed*. Therefore, we must all join hands to rebuilding the historic dzong to its former glory. As Prime Minister, I will leave no stone unturned to achieve this.

Some other important conservation and restoration projects are also being carried out across the country. Many Lhakhangs including Phajoding, Lhakhang Karpo, Gasa Dzong, Paro Ta-Dzong and Trashigang Dzong are being renovated. New dzongs are being built in Denchi for Pemagatshel Dzongkhag, Sarpang-Tar under Shompangkha Gewog for Sarpang Dzongkhag.

Chortens are perhaps the most common religious landmarks in Bhutan, and hold immense spiritual significance for our people built by various religious figures, lams and our forefathers. They were built to ward off evil, to preserve religious relics and symbolize enlightenment. There are 8,065 Chortens in the country with 4,226 in need of repair - many having been vandalized. To commemorate the 60th birth anniversary of His Majesty the Fourth Druk Gyalpo, all chortens around the country are being restored. So far, a total of 1,238 chortens in 7 dzongkhags have been repaired. I urge the Dzongdas, local government and the people to repair these heritage and to let me know if you need government help or approvals.

Besides, we have completed the drafting of the Heritages Sites Bill, and are constructing a National Conservation Laboratory at Kawa Jangsa in Thimphu which will facilitate our efforts in conservation.

National Language

Language is both a component and a carrier of culture. It is mostly in the form of language and literature that a culture is passed on from one generation to the next. We, in Bhutan, are proud to have a strong national language that is distinctive, vibrant and functional and our gratitude goes to the foresight of our leaders for developing and promoting Dzongkha as an important national goal from early on.

Challenges however remain as to how best to make it relevant to the modernizing contexts of our society that calls for a whole new set of vocabulary. The fact that English is seen as more useful in today's age of globalization does not make the task any easier.

Over the years, the Dzongkha Development Commission (DDC) has published a range of books, dictionaries and documented the lineage of lamas and local festival of Samten Choeling Monastery in Tsakaling. The DDC has also collected language data on four grammatical topics of Brokpake, Chochangacha and Olekha, and analyzed and described them in order to write grammars of these languages in Dzongkha. Without such documentations some of our dialects face the risk of disappearing and with that a part of our cultural heritage. Grammatical analysis, Natural Language Processing (NLP) and other Dzongkha development works have also been carried out. These are, but just few examples of the commendable works that DDC has done and continues to do towards the development and promotion of the national language.

While the DDC is doing its part, it would take cooperation and commitment from each of the stakeholders in the society to also promote the national language.

Movie Industry

The role-played in promoting language and culture by our entertainment industry must be recognized. They are perhaps the most ingenious and effective but least acknowledged media through which Dzongkha and our culture are promoted. Scores of local movies and music that are produced every year serves to not only keep our people (especially the youth) entertained but also, to an extent, shield them against the onslaught of foreign cultures. Therefore, I would like to encourage the members of our movie industry to continue promoting our national language and culture consciously through their work. The benefit is not just within the country but this also promotes the country outside. The government will provide support through endowment established for culture and the arts.

Performing Arts and Textiles

Our age-old songs, dances, and music are among the more tangible and exhilarating forms of our culture. The Royal Academy of Performing Arts (RAPA) was established under the command of Drukgyal Sumpa in 1954. Since then it has contributed immensely to the development and promotion of performing arts in the country, while also providing employment.

I am pleased to report that towards strengthening the work of the Academy in the area of performing arts, the Academy was upgraded to an Institute on June 4th this year upon the

Command of His Majesty The King. The Royal Institute of Performing Arts will now offer courses in practical and theory of mask dance, folk dance, music, Lozey and Tsangmo, drama, Driglam Namzhag, and story-telling.

Bhutanese textiles are not only an integral part of our culture, but have been instrumental in empowering many of our women with economic self-reliance. The Royal Textile Academy (RTA) has been training our women in this living art of traditional weaving, thereby preserving and promoting the culture of Bhutanese textiles. It is encouraging to see the RTA expanding to be a very dynamic centre to preserve and promote this important aspect of our culture. The RTA recently held two special exhibitions, “In the service of our Kings” and “A Tribute to His Majesty Drukgyal Zhipa,” both to commemorate 60th birth anniversary of His Majesty the Fourth Druk Gyalpo. I would like to thank Her Majesty Gyalyum Sangay Choden Wangchuck for making the exhibitions possible, her Royal patronage to the RTA and in the promotion of Bhutanese textiles within and outside the country.

THE THIRD PILLAR OF GNH: CONSERVATION OF THE ENVIRONMENT

Bhutan is modernizing rapidly. But I am happy to say that even as we modernize, our society's belief in and commitment to environmental conservation is not waning. Our rich natural environment is largely intact due to the foresight of our Monarchs in recognizing the conservation of environment for the benefit of the people. It is a precious gift of our Kings and we must always protect the environment for ourselves, our children and the world at large.

Bhutan is considered a role model in conservation, especially with climate change and global warming taking center stage. The government continues to take part in regional and global discourses on the environment, because there is a lot of expectation for Bhutan to take a leadership role. We are preparing for the United Nations Framework Convention on Climate Change (UNFCCC) Paris Conference on Climate Change or COP21 to be held in November this year.

Climate change will be one of the major drivers of change on the state of the natural environment in Bhutan. The IPCC, in its Fourth Assessment Report warns that glaciers in the Himalayas are retreating "faster than in any part of the world" and "may even disappear by the year 2035". Such dire trends are alarming. Due to rapid glacial melt, some of the glacial lakes are growing rapidly in size leading to increased risk of 'glacial lake outburst floods'. So far 25 such dangerous glacial lakes have been identified in Bhutan. This could also impact our hydropower generation.

There are reports of dwindling water flow in our rivers and disappearance of smaller streams and creeks. This is a matter of concern in terms of water security and the National Environment Commission (NEC) in collaboration with other relevant stakeholders has completed undertaking a nationwide survey on water resources inventory. The output of the water resources inventory will be crucial to manage and protect our watersheds so that there is adequate water in our rivers to sustain hydropower generation.

The Forest Inventory Survey for 11 Dzongkhags has been completed and survey for the remaining 9 Dzongkhags is underway. Besides, we are also conducting survey of tigers in the country. These surveys will not only help us to determine the health of our environment scientifically, but also provide us with comprehensive picture of our environment so that we can come up with better management practices and policies.

Under the Green Bhutan Initiative, we are planting trees and flowers along our highways and in the towns, especially in Thimphu. In this connection, I am particularly happy to mention two significant events:

- The Royal Flower Exhibition at Ugyen Pelri Palace in Paro earlier this year was a resounding success. About 50,000 people visited Ugyen Pelri Palace in 5 days to enjoy the beautiful flowers and gardens that were on display to commemorate the 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo. I would like to thank Her Majesty Gyalyum Tshering Yangdon Wangchuck for the Royal patronage.
- We set a Guinness World Record in Tree Planting on 2 June 2015 when some 100 volunteers planted a record of 49,672 trees at Kuensel Phodrang in just one hour. Her Majesty Gyalyum Dorji Wangmo Wangchuck dedicated this and other People's Initiative in Celebrating the Sixtieth Anniversary (PICSA) activities to the 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo. We must now nurture the trees that have been planted so that each of the trees grows big and add to the greenery in the area.

His Majesty The King has Commanded that, *"Where we live must be clean, safe, organised, and beautiful, for national integrity, national pride, and for our bright future. This too is nation building."*

So I urge all our fellow citizens to follow His Majesty's personal examples by nurturing greenery.

The Green Bhutan has been corporatized to promote flowers and trees in the country. There is good business potential in floriculture, and I encourage our private sector to take this up seriously.

But greening our towns is not enough. We must keep Bhutan clean and litter-free. Therefore, under the Clean Bhutan Initiative, our volunteers have been working to keep the country clean through various clean-up campaigns, advocating on the importance of living in a clean and healthy environment and creating awareness on waste management. I would like to request everyone, if possible, to help our volunteers with the clean-up campaigns and activities. At the least, I would request everyone not to litter.

In March this year, at the invitation of the President of WWF, I visited the United States to promote the Bhutan for Life (BFL) initiative. BFL is a major initiative by the government in partnership with WWF to ensure sustainable financing for the conservation of Bhutan's

protected areas and biological corridors. We expect to raise a fund of \$45 million by June 2016 for the conservation of 6 million acres of forests and other natural habitats, and sustainable economic livelihood of communities in these areas. During the various events and media engagements to promote BFL in United States, I was able to raise awareness of Bhutan's conservation values and achievements, and the challenges and opportunities that we face in the process of our country's development.

Her Majesty the Gyaltsuen, as patron of the environment, continues to provide guidance, and promote various environmental projects geared towards sustainable development and protection of the environment. Coinciding with the World Environment Day this year, Her Majesty launched the initiative to reduce paper usage in the government offices. The Google Apps is expected to not only help increase environmental sustainability but also help reduce costs. I would like to thank Her Majesty the Gyaltsuen for her patronage.

Disaster Management

The natural disasters caused by climate change and global warming around the world are increasingly becoming a commonplace. We are fortunate that no major natural disasters have hit Bhutan as yet. I would like to thank our Zhung Dratshang and other religious communities for their constant prayers to keep our country safe.

We are fortunate to have His Majesty The King to help us in times of disasters, whether big or small. Therefore, I would like to thank His Majesty for providing continued guidance to the government and benevolence to the people.

The government has established the National Disaster Management Authority and District Disaster Management Committees in all 20 Dzongkhags. We are now in the process of strengthening the offices and building the capacity for disaster management.

The government has also established Bhutan Red Cross Society, which will, among other things, be involved in initiatives that promote disaster preparedness and response, and provide emergency relief and assistance. We are grateful to Her Majesty the Gyaltsuen for graciously consenting to be the President of the Society.

THE FOURTH PILLAR OF GNH: GOOD GOVERNANCE

Good Governance is not just a vernacular used but actually practiced, and the foundation for it has been established by our successive Monarchs. This is embodied in His Majesty The King who personally always stresses in his many Addresses on the need for the government machinery to be always efficient, effective, productive and proactive as well as sensitive to the needs of the people. His Majesty provides guidance and counsel to the Members of Parliament, Civil Servants and local government officials. The government also continues to benefit from His Majesty's guidance but without any interference. I would like to thank His Majesty for being a huge source of inspiration and instilling confidence in us to serve our people.

Democracy

Our democracy is unique because it was gifted by the throne and our democracy is strong because it is the Monarchy which strengthens our democratic ideals towards fulfilling the aspiration of the people. We must always remember that our people did not want democracy, but it has bequeathed to the people and, therefore, it is incumbent upon each one of us to protect and nurture it so that His Majesty The King and His Majesty the Fourth Druk Gyalpo's vision is truly realized, the hopes and aspirations of the people are met, and our country becomes stronger.

We are now in the seventh year of Democratic Constitutional Monarchy and our democratic institutions continue to be strengthened and entrenched with effective checks and balances. There are five political parties and all are functioning well, bringing vibrancy and strength to our democracy. The Election Commission of Bhutan is engaged with all the political parties. The Bhutan Democracy Dialogue has recently been launched as a forum which will enable political parties to work together and take a common position on issues that will help consolidate Bhutanese democracy.

In order to encourage students to learn about the roles and responsibilities of citizens in nation building and in sustaining democracy the Constitution of the Bhutan, Children's Parliament was signed in Punakha earlier this month. The Children's Parliament would strengthen the future of democracy by making young people understand the democratic procedures better.

Local Government

A strong and dynamic local government is an important element of democracy. Working

in close and constant interaction with the people and having intimate knowledge about the daily lives, problems, aspirations of the people, the local government is an important bridge between the government and the citizens. *“Local government is not the lowest level of government; it is the nearest and closest level of government for our people”* is what His Majesty The King said to the Gups right after the first local government elections in 2011. Hence, the importance of *Wangtse Chirphel*.

Considerable power and authority have been devolved to the local government in line with the Constitution (Article 22 Clause 1) to facilitate the direct participation of the people in the development and management of their own social, economic and environmental well-being.

To begin with, we have increased the budget allocated to the local governments. This year, a record Nu. 11.563 billion was allocated directly to Local Government, i.e. 24% of the total budget. The amount increases to Nu. 15.415 billion if central activities for the gewogs are added, which is 33% of the total budget. In addition, Gewog Development Grants of Nu. 20 lakhs have been provided every year and how this should be used is entirely up to the local government.

All this is indicative of the importance of local government. But more importantly, the Parliament has in this session declared 15 more Dzongkhag Thromdes and 18 Yenlag Thromdes. This is expected to facilitate proper town planning and development in all the dzongkhags and bring about balanced socio-economic development. The government will continue to work closely with the local governments to this effect. With regard to Pema Gatshel Dzongkhag Thromde, we will work together with all the relevant stakeholders to ensure that the establishment of thromde is not delayed.

Furthermore, the Parliament has passed the Local Government Entitlement Act, which will not only enable the local government leaders to serve with added motivation but also attract more people to aspire to serve as leaders and participate at the grassroots level.

The recent decision taken by the RCSC to increase the entry level position for Dzongdas will also ensure that more qualified and experienced Dzongdas administer the Dzongkhags, and this will undoubtedly contribute to robust and progressive development in the Dzongkhags.

Coincidentally, the annual local government conference is currently being held in Thimphu. I would like to thank the GT Chairpersons for participating in this very important conference and also thank them for attending today’s State of the Nation Report session.

The Executive

Given that the public service is the country's largest employer and provider of services, it is clear that its performance is crucial for our wider economic and social wellbeing. The Royal Civil Service Commission (RCSC) is conducting reform in the civil service to improve leadership, the working environment and recognition for hard work. The Organizational Development (OD) exercise is one major reform. The OD exercise was initiated in August 2014 and so far it has involved 17,038 civil servants covering 10 ministries, 5 agencies, 7 dzongkhags and 3 thromdes. The government is implementing the results of the OD, which is expected to lead to more efficiency and delivery of better services.

The RCSC has also identified Civil Service Welfare (CSW) as another key area of reform and implemented the following:

- Exit management – to ensure civil servants exit with full grace and dignity upon superannuation;
- Civil service support desk – to provide an avenue to raise grievances and help retain the best and the brightest; and
- Civil servants welfare scheme – a self-help programme, to provide financial support to civil servants or family of deceased civil servants in times of bereavement and grief.

During the 107th National Day celebration, a total of 4,501 civil and public servants were conferred the Royal Civil Service Award by His Majesty for their dedicated and lifetime Services to the Tsa-Wa-Sum. His Majesty also granted audience to 75 lifetime service award recipients from the six eastern Dzongkhags during the National Day celebrations at Kanglung, Trashigang. I would like to thank His Majesty for the recognition which is a big motivation for our civil servants.

The biggest change in the government's way of doing work is the Government Performance Management System (GPMS). The Annual Performance Agreement (APA) for 2014-2015 was a pilot exercise. But all ministries, autonomous agencies, and Dzongkhags signed the APAs and successfully completed most of the objectives and achieved targets. I would like to thank everybody.

The APA for 2015-16 is being implemented fully. The APA targets were discussed with government agencies and all targets are in line with the Eleventh Plan objectives. The APA is also used as basis for budget and, therefore, all activities in the APA are funded. I look forward to signing the APA with the Ministers, Secretaries, Heads of Agencies and Dzongdags. More importantly, I look forward to working together to achieving the targets.

I would like to thank all the civil servants for coming on board on this important initiative and for their support in achieving the APA targets. International experts and donors have been impressed. The results will help service delivery and the attainment of our national objectives.

In November 2014, the Government to Citizen (G2C) Office was established directly under the Prime Minister's Office and is aimed towards improving public service delivery. Since then, the G2C Office has been reviewing the systems and services, exploring alternatives to improve the service delivery through infrastructure enhancement and capacity development, and carrying out awareness activities where necessary, to keep the citizens informed. There are currently 36 services online; 16 open services can be availed from any computer, from any place; and for farmers, there are 7 services available (timber permit; firewood/fencing issuance; birth and death registration; census transfer; head of household services; and security clearance) from Community Centers.

The legislature

During the Opening Ceremony of the Third Session of the Second Parliament on 16 May, 2014, His Majesty had commanded to be mindful of the number of laws and the need to harmonize them. Further, His Majesty Commanded that more than numbers, quality and implementation is important. Following the Command, the government formed a Task Force to harmonize and to check for any conflict in the existing laws. The Task Force included members from the Judiciary, Office of the Attorney General, Cabinet Secretariat, Bhutan National Legal Institute, the Royal Bhutan Police and a Private Law Firm. Bhutan has 126 Acts and the Task Force reviewed all. The initial findings of the Task Force is that:

- 14 of the 126 Acts conflict with the Constitution and other Acts, and require consolidation/harmonization
- 14 Acts should be repealed
- 2 Acts are redundant and should be repealed
- 3 Acts have not been implemented

The Second Parliament passed/amended five laws. In particular, the National Assembly Act and National Council Act were amended. Six international treaties and conventions were also ratified.

The following Bills are to be introduced by the government this year following approval by the Lhengye Zhungtshog:

- a) Sales Tax, customs and Excise Act (Amend)
- b) Environment Assessment Act (Amend)
- c) Bhutan Information Communications and Media Act (Amend)
- d) Statistics Bill of Bhutan
- e) BCCI Act

The Hon'ble Speaker Jigme Zangpo is also strengthening the legislature. The Rules of Procedure for Public Accounts Committee and Guidelines for Finance Committee have been developed. He has travelled to various parts of the country to explain about democracy and laws to the people. He has participated in important international conferences, visited foreign parliaments and hosted parliamentary delegations from other countries, which have all strengthened relations and enhanced ties and cooperation between the legislative bodies.

I would also like to welcome the appointment of the new Secretary General to the National Assembly, Sangay Duba.

The judiciary

In a democracy, the role of judiciary is crucial for it is the faithful keeper of the constitutional assurance. It plays an important role in upholding the rule of law thereby strengthening the confidence of the people.

On 15 November 2014, former Thrimche Lyonpo Sonam Tobgye demitted office after completing 43 years of service to the Tsa-Wa-Sum. I would like to thank him for his long and illustrious service serving three Kings and for having brought many progressive reforms in the judiciary as Chief Justice. Lyonpo Sonam Tobgye was also actively involved in the drafting of the Constitution as the Chairman of the Constitution Drafting Committee.

On 28 November 2014, His Majesty The King conferred the Dakyen to Thrimche Lyonpo Tshering Wangchuk, the new Chief Justice of the Supreme Court. I would like to congratulate Thrimche Lyonpo Tshering Wangchuk on his appointment and express confidence that the new Chief Justice will enhance the stature of the judiciary and its independence such that it always remains capable of fulfilling its solemn duties of protecting the rights of Bhutanese citizens - safeguarding their freedoms and instilling the values of justice and

equality while entrenching the principle of the rule of law. Government will work towards strengthening judiciary.

Judicial infrastructure is important for the rule of law and to provide access to justice. The Supreme Court moved to its new building, which was built with the generous assistance from the Government of India, on 15th June, 2014. This is a beautiful and significant structure in keeping with the importance and dignity of the Court and the Judiciary as a coequal, independent branch of the government. Three courts are currently being built and they will further enhance the administration of justice. The 37 courts across the country decided 20,249 of the total 21,604 cases in 2014.

To further strengthen the judicial system and provide high quality legal education, His Majesty had Commanded the establishment of the Royal Institute of Law in 2009. The Royal Institute of Law is being established at Pangbisa, Paro by Royal Charter and the construction of the institute will begin this year for which Nu. 500 million has been budgeted. I would like to take the opportunity to thank and acknowledge Her Royal Highness Ashi Sonam Dechan Wangchuck's personal contribution in seeing this project to fruition following the Command of His Majesty.

Two laws have been amended by the Parliament to strengthen rule of law i.e. the Attorney General Act and the Jambi Act.

Constitutional Bodies

The constitutional bodies not only uphold the principles of the Constitution but also actively promote constitutional values while ensuring effective functioning of the government. Together with Parliament, they act as watchdogs over the government and state machinery. They help to restore the credibility of the state and its institutions in the eyes of the citizens, ensure that democracy and the values associated with it flourishes, ensure respect for the rule of law, and contribute to an open, accountable and transparent government.

I would like to commend the excellent work being done by the Constitutional bodies in their respective areas of mandates, and thank them for providing the necessary checks and balance in our democracy.

During the 107th National Day Celebrations in Trashigang, His Majesty The King rightly reminded us of the risks of corruption as we pursue socio-economic development. His Majesty stated: *"The highest probable risk to development that I foresee is corruption. Our national development efforts will be hindered by unchecked corruption."* Ignoring corruption, His Maj-

esty said, is even a greater threat.

Indeed, for a small country with limited resources, we cannot afford to tolerate corruption. Otherwise, the rich will become richer, and the poor poorer. And we will never be able to achieve our goal of self-reliance. Corruption is a threat and will remain a threat. Therefore, the role of fighting corruption in the country cannot be ACC's job alone - it's a collective responsibility and will take combined efforts to succeed. The fight against corruption starts with each one of us.

Bhutan is among the least corrupt countries in the world, with Transparency International's 2014 Corruption Perception Index (CPI) putting the country on the top among South Asian countries and 30th globally among 175 countries. But this also means that we can't afford to lose our guard but rather to keep the momentum. On the government's part, we take all the ACC's recommendations very seriously, and will continue to do so. In fact, anti-corruption commitments are mandatory in every Performance Agreement the government signs.

Civil Society Organizations

Civil Society Organizations (CSO) are playing an important role in our democracy and have contributed to nation building by complementing the efforts of the government in improving the lives of the people in Bhutan.

There are CSOs involved with the environment, women, art, youth, the poor and vulnerable, nuns, businesses, media all of whom are doing well. Some CSOs have directly helped in strengthening initiatives towards self-reliance and sustainable development. The Loden Foundation is an example.

There are now 47 registered CSOs, with 9 CSOs having been registered within the last year itself. The government will continue to support the work of the existing CSOs and welcomes new applications. But, at the same time, we also need to be mindful that as a small country, we can easily have too many CSOs that may be doing the same thing and duplicating efforts.

Many of CSOs are under the patronage of Their Majesties the Queen Mothers whose tireless support and guidance has brought about meaningful results for the people. On behalf of the people and government, I thank Their Majesties the Queen Mothers for their Royal Patronage and continued support.

Media

The presence of robust media is both a precondition for and an indicator of a vibrant democracy. Therefore, the media has a very important role to play in our fledgling democracy. Over and above its traditional role to inform, educate, and entertain, it must be at the vanguard of providing checks and balances in the system, and ensuring transparency and accountability for good governance. How successfully we grow and function as a democracy in the coming years will, to a large extent, depend on how effective and strong our media evolves into.

For a small market, we have a fairly impressive number of media houses. Today we have 10 newspapers, 5 radio stations including BBS, and one TV station. If we go by numbers, the media is vibrant in Bhutan. There is a lot of news, opinions and even debate. Also, the government does not interfere. But the media scenario is not as vibrant as the numbers indicate. Many media houses are facing serious financial problems and struggling to survive. Part of this problem we realize, is the near, total dependence of the media houses on government advertisements for their revenue. The government on its part will continue to support the media houses but sustaining on advertisement revenue alone will not be enough. Senior journalists are leaving the media in search of better opportunities in other sectors, and the quality of reporting or the media content is deteriorating.

Nonetheless, owners of the media houses have not given up. They continue to publish newspapers and stories even when they run through big losses. We would like to encourage our media houses, especially the newspapers, to consider merging together in order to sustain. On the part of the government, we remain ready and committed to helping our media not just to survive but thrive, in all possible ways. But at the same time we must be careful not to interfere in the freedom and functioning of our media.

OUR PEOPLE

On the occasion of the 10th Convocation of the Royal University of Bhutan His Majesty said and I quote:

“As a small country with a small population and limited resources, we can’t afford to have the problems associated with large nations. What we lack in numbers, we must make up in talent.”

Human resource is the key to a country’s development. It is the most invaluable asset of a country to improve its economy and social development. It is important because the development of other resources solely depends upon this resource. Countries like Singapore have relied on their human resource to prosper.

The government will be conducting a Population and Housing Census, the preparatory work for which will start this year. The last census was conducted in 2005 and it is time to conduct another census to see the status of our people. The census will give a comprehensive picture of the social and living conditions of our people, and provide valuable information for planning and policy purposes.

Youth

Youth is the largest segment of our population with 145,611 youth between the ages of 15 to 24. The government has always and will continue to place high importance in investing in our children and youth and in empowering the future nation-builders of our country. His Majesty The King has, time and again, reminded us of the importance of inculcating values, skills and a sense of national identity in our youth so that they grow up as responsible citizens and make positive contributions to the community and the nation.

Given this importance, the need has been felt for greater strategic investment in our youth. Unemployment, drug abuse, depression, crime and the rising number of suicide cases are among some of the key challenges faced by this group of our population.

Over the years, one of the biggest problems that our youth face is unemployment. To address this issue, the government has taken many initiatives toward addressing the issue of unemployment over the past year. As a result, we were able to bring down the national unemployment rate from 2.9 % in 2013 to 2.6 % in 2014. The youth unemployment rate has similarly fallen from 9.6 % in 2013 to 9.4 % in 2014. This suggests that there are 3,680 youths left unemployed today.

Though by global standards, the current unemployment rate of Bhutan may not be significant - but for Bhutan the trend is seen as high and unacceptable. Hence, despite the achievement of the government in tackling the youth unemployment issue over the last one year, this should not give us reason for complacency. In order to make the country self-reliant, each and every citizen of a productive age should have the opportunity to work and contribute toward nation-building. Both employment and nation-building demand the collective effort of our people and they should go hand in hand, and should be complementing and reinforcing one another. Only then can we be able to nurture ourselves as productive citizens and make our economy strong and self-reliant over the long run.

The government is doing its best in addressing youth unemployment. The Ministry of Labour and Human Resource (MoLHR) registered 5869 job seekers last year. Of them 3842 have been placed in government offices, corporations and private sector. Various other schemes and opportunities have also been made available:

- Vocational training - there are 672 students training in 6 technical training institutes and 2 institutes of zorig chusum.
- Under the Direct Employment Scheme 1352 job seekers have been placed.
- Under the Guaranteed Employment Scheme graduates get paid Nu. 7500 by the government with the private employer - paying equal or more but not less than Nu. 3750; for those who have completed Class XII it is Nu. 5000 from the government and Nu. 3750 from the private employer; and for those who have completed Class X it is Nu. 3750 from the government and Nu. 3750 from the private employer.
- Under entrepreneurship training program there are 99 youth.
- Under overseas employment 718 job seekers have been sent to India, Qatar, UAE, Thailand and Israel. 78 will be sent to Kuwait next month followed by 80 in October - with many more needed.

However one challenge that we constantly face is the mismatch between the jobs available in the market and the skills and aptitude possessed by our youth. It is further compounded by the dichotomy between the blue-collar jobs and attitude of our youth towards such jobs. The government has undertaken numerous initiatives and programmes to reconcile such dichotomies. However, the government alone cannot address this issue and addressing youth unemployment will also require the collective effort from our youth's side. They must change their attitude and outlook toward the available jobs and should be willing to accept and embrace the available employment opportunities. Out of 3,500 jobs available 1,718

jobs are still vacant but the irony is that the youth don't want these jobs. Whether the youth accept the jobs or want better jobs, it is about choice and they should not give up. The government is still resolved to creating and providing meaningful employment opportunities.

Some of the other social issues that our young people are facing include drug and alcohol abuse as well as increase in suicide and mental health issues. The government has undertaken a myriad of initiatives to address these issues including more awareness on harmful effects of drugs including through documentary programs, prevention programs in schools and with families, strengthening counselling and other services including outreach by peer counsellors, and support to rehabilitation and reintegration initiatives for those addicted to substance abuse.

Suicide and mental health issues has emerged as an issue of concern of Bhutan. Initiatives undertaken by the government to address this issue include a study on the trend in suicide between years 2009 and 2013. Given the urgency of the issue, based on the result of the study, a 3-year action plan for prevention of suicide in Bhutan has been approved. This would among other things strengthen counselling and support programs and ensure that principals and teachers are more aware and vigilant about the signs and symptoms of depression and suicide and hence prevent suicide attempts.

I am happy to report that our youth today benefit from a comprehensive framework of assistance in the form of the youth programmes and services initiated by the government and CSOs such as the Youth Development Fund. In addition to numerous other initiatives undertaken by government and CSO agencies, a number of programmes has been conducted by the Bhutan Scouts Association (BSA) with the objective of revitalizing scouting-related activities and assuring our youth acquire leadership qualities and strong values of "*Tha Dhamtsi*" and "*Lay Jumday*,"; they include, among other things, the celebration of the first National Scouts Day on 21 February 2015, the 2nd Scouts Conference in February 2015, the 3rd Leadership Training Camp for Scouts at RBA Military Training Center in Tencholing, and the Rural Urban Youth Exchange Programme. To promote the culture of Contemporary Arts among the youth, training was also organized for 30 students by the Department of Information and Media in conjunction with VAST this year.

Women

Compared to most countries, women have always held a better position in Bhutanese society. However they also face challenges which have constrained their participation in elected offices and at the workplace. To address some of these challenges the government has undertaken the following initiatives in the past year:

- Finalization of the National Plan of Action to Promote Gender Equality in Elected Offices. This identifies different ways of creating demand for women's participation in the local government, National Council and National Assembly elections. Some key interventions proposed include strengthening the legal and policy environment, enhancing adequate awareness, establishing mechanisms to support women candidate and building capacity of both aspiring and elected women
- Study conducted towards enhancing women's participation in civil service and private sector. The findings revealed that social and cultural attitudes and practices, gender roles in household chores and childcare responsibilities were seen as the main factors that constrained their representation
- National Review on the Implementation of the Beijing Declaration and Platform for Action (BPFA)
- In addition to the ongoing awareness and sensitization programs on women issues, trainings in different trades were provided to over 513 women, out of which 251 women were gainfully employed
- Establishment of 63 Self Help Groups with 90% participation of women in four districts of Samtse, Pema Gatsel, Zhemgang and Trashigang through the JFPR/ADB supported project on 'Enhancing Economic Opportunities for Women and Girls'
- Towards supporting working mothers, the Royal Civil Service Commission has started reviewing measures to make working conditions more favourable for breastfeeding mothers such as flexi-timing for working mothers. The Commission is exploring providing extended paid maternity leave and a yearlong unpaid maternity leave to enable mothers to spend more time with their new born babies. The Commission is also looking at extending the baby feeding hours (noon to 2 pm) from a year to two years for mother and also incorporating flexi-leave (flexi-timing) for 24 months period.
- Towards providing more support to working mothers, crèche services have also been introduced in some Ministries.
- Early Childhood Care and Development programs are also being expanded to support holistic development of a child.

The government also prepared and submitted:

- Bhutan's 8th to 9th Periodic Report on the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) to the UN CEDAW Committee.

- Bhutan's 3rd to 5th Periodic Report on the Convention on the Rights of the Child (CRC) and the Initial Reports on the two Optional Protocols to the CRC i.e. the Optional Protocol on the Sale of Children, Child Prostitution and Child Pornography, and the Optional Protocol on the Involvement of Children in Armed Conflict, to the United Nations Committee on the Rights of the Child.

Sports

HRH Prince Jigyel Ugyen Wangchuck, was re-elected as the President of Bhutan Olympic Committee (BOC) by the BOC General Assembly on May 31, this year. A keen sportsman, His Royal Highness had streamlined sports administration and encouraged professionalism both on and off the sports fields. His re-election is a testimony of the significant role His Royal Highness has played in strengthening the sports sector in the country. I would like to congratulate His Royal Highness on his re-election and thank him for improving and promoting sports in the country, especially among the youth. Many sporting events have been held and are being held in the country to commemorate the 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo.

The Bhutan Olympic Committee and National Sports Federations are playing an important role in the development of sports and in promoting physical fitness and wellness. Sports is also an important part of education and growth especially for the youth. Through participation in sports young people learn about the importance of key values such as honesty, teamwork, respect for themselves and others, fair play and adherence to rules. It also provides a forum for young people to learn how to deal with competition and to cope with both winning and losing. All this contributes to their social and moral development. The development of clubs further encourages youth leadership development and the various tournaments organized provide a convenient platform for engaging the youth and spreading healthy living messages.

The government is committed to supporting sports and have budgeted Nu. 96 million for the development of sports. To encourage and sustain good performance in sports, the government has also approved the increase of the Sports Excellence Awards by three folds. The government will continue to play its role of developing appropriate policies and legislation to ensure effective sports governance. I would also like to acknowledge the role of the Royal University of Bhutan and the Royal Thimphu College in promoting sports through scholarships, and the private sector for their sponsorship of the sporting events.

Bhutan participated in over 25 international competitions in the last one year. Our teams and athletes continue to distinguish themselves and I applaud our dedicated athletes for

their sterling performances. Until recently, Bhutan was ranked last i.e. 209 in football. However, the FIFA ranking has now shot up to 163 following our first world cup qualifying win over Sri Lanka. I would like to congratulate our team. I know they could not fare too well against their match with Hong Kong. But as they play against China at Changlimithang today, the whole nation stands behind them and I would like to wish our team the very best.

CONCLUSION

Our nation remains strong and united. Blessed by our guardian deities. Secure and stable under the wise and able leadership of His Majesty The King and the prayers of His Holiness The Je Khenpo, the Zhung Dratshang and Choedays. And we are making steady progress towards realizing our national goals and objectives.

But we need to work harder! We need to work collectively with unity of purpose - to consolidate our gains and to seize opportunities. To fulfill the hopes and aspirations of our people. To address the challenges that our communities and people face. To ensure that our great nation emerges stronger each passing year.

The security situation of our country, both internal and external, is secure. Our culture and spirituality continues to flourish. Our natural environment is pristine and thriving - a source of immense pride for us and an inspiration for the outside world.

The rule of law is deeply entrenched, and our people have equal access to justice. Democracy, despite being less than a decade old, is institutionalized, vibrant and functioning.

Our economy has become more stable and we can look forward to more robust growth in the years ahead. Socially, we have come a long way, and the people today have equal opportunities and facilities to progress and prosper provided they are willing to work hard.

Most importantly, we have His Majesty The King to lead and guide us. To inspire us to do better and excel. To give hope and confidence to our people. And to provide a vision for an inclusive, prosperous and just society. His Majesty is the source of peace, stability, unity and harmony in the country. He is the *Sokshing* of the Pelden Drukpa!

Despite the vulnerabilities that we face as a small landlocked country, we remain confident, united and undaunted in our commitment and resolve because of the leadership that His Majesty The King inspires in all of us. A King who exemplifies the highest standards of integrity, commitment and service to the nation. He is our most important benefactor and our conscience to serve the country and people – to work hard and conscientiously towards achieving our national goal of self-reliance.

In closing, I offer my humble prayers for the continued good health, long life and well being of His Majesty The Fourth Druk Gyalpo on his 60th Birth Anniversary. His Majesty The Fourth Druk Gyalpo is an extraordinary statesman. A selfless and visionary leader who

contributions towards nation building is unparalleled.

It is my singular honour to respectfully express our heartfelt gratitude to His Majesty The King. With His Majesty's continued guidance and counsel, we look into the future with renewed hope, confidence and enthusiasm as a nation.

I would also like to express my deep appreciation to His Holiness The Je Khenpo, the Zhung Dratshang and Choedays for their prayers for the continued peace and prosperity of the people and well being of the nation.

Let me also thank the Hon'ble Speaker, the Leader of Opposition and all the Hon'ble Members of this august House for the critical role that you play in the development of our nation.

Allow me to also thank the *Dhakha-Sum, Dessungs*, Civil Service, Private Sector and all Bhutanese for the role they play to secure our future as a more prosperous and productive nation.

Finally, I take the opportunity to reaffirm my government's full commitment to work with even greater resolve and commitment to fulfill the vision of His Majesty The King and His Majesty The Fourth Druk Gyalpo; to meet the aspirations of our people; and to ensure that we succeed in realizing our national priorities and goals.

TASHI DELEK.