Bhutan has made impressive gains in social, economic, and political development over the years. Its unique approach in this regard—encapsulated in the philosophy of Gross National Happiness—serves as an anchor for sustained efforts at holistic development. The drive for good governance in the country has been a consistent, and well-supported, development objective of the government; the commendable work of the Royal Audit Authority and the Anti-Corruption Commission is testimony to this commitment. This book, in the main, tells the story of the work of these two organizations.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to approximately two-thirds of the world’s poor: 1.6 billion people who live on less than $2 a day, with 733 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.
20TH BY 2020

BHUTAN’S DRIVE FOR IMPROVED GOVERNANCE
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Abbreviations

ACC   Anti-Corruption Commission
ADB   Asian Development Bank
AIMS  Audit Information Management System
CMP   change management plan
CPAR  country procurement assessment review
CPI   Corruption Perception Index
CSO   civil society organization
ECC   Ethics and Credentials Committee
FCE   fraud, corruption, and embezzlement
G2B   government-to-business
G2C   government-to-citizen
G2G   government-to-government
GGC   Good Governance Committee
ICT   information and communication technology
IDI   INTOSAI Development Initiative
INTOSAI International Organization of Supreme Audit Institutions
ISSAI International Standards of Supreme Audit Institutions
IT    information technology
MoH   Ministry of Health
NGO   nongovernment organization
NIA   national integrity assessment
NIACS National Integrity and Anti-Corruption Strategy
OAG   Office of the Attorney General
OECD  Organisation for Economic Co-operation and Development
PAC   Public Accounts Committee
PPPD  Public Procurement Policy Division
PPRR  project procurement-related review
RAA   Royal Audit Authority
RCSC  Royal Civil Service Commission
RTI   right to information
SDC   Swiss Agency for Development and Cooperation
UN    United Nations
UNCAC United Nations Convention against Corruption
UNDP  United Nations Development Programme
Preface

A “national key result area” in governance in the 11th Five-Year Plan of the Government of Bhutan is that by 2020, the country will rank 20th or better in the Corruption Perception Index (CPI) annually prepared by the Berlin-based organization Transparency International. As of 2013, Bhutan stood 31st; back in 2009, it was 49th in the world.

The questions that this publication tackles are: (a) why focus on Bhutan’s efforts at strengthening governance; (b) what is it about Bhutan’s performance in instituting good governance in general, and in tackling corruption in particular, that merits attention; and (c) what specific areas could the government focus on for further improvements?

Bhutan is unique in so many ways, and its efforts at holistic development (i.e., encompassing economic, social, and cultural dimensions) make the country an interesting case. For an underdeveloped country with severe binding constraints such as harsh topography and being landlocked, to be able to perform as it has—for example, a forty-fold increase in per capita gross domestic product in five decades—is impressive. Also noteworthy are its efforts at instituting good governance, broadly defined. Its annual ranking in the CPI, tells a particular story about what the country has been able to achieve on this front.

The story that this report focuses on is, in essence, about the operating environment of two institutions that are at the vanguard of work on good governance in Bhutan: the Anti-Corruption Commission (ACC) and the Royal Audit Authority (RAA). Both are widely respected for their independence and the quality of their work, and are arguably the most powerful of their kind in South Asia. Both also have fairly strong legal and institutional anchors, and even stronger leadership. Given their mandates, however, they are also understandably viewed with a certain degree of wariness by others in the public sector in the country.

The government has accepted that whether the country attains the CPI rank that it seeks by 2020 will depend upon many variables, including the performance of those countries above it in the current ranking. There is, thus, a greater focus on improving its CPI score, which was 6.0 in 2006 and the equivalent of 6.3 in 2013; CPI scores since 2012 have been set out of 100. The score determines the rank, and so a focus on increasing the score should suffice.

There are lessons that can be gleaned from the experiences of the ACC and the RAA on how governance could be strengthened at the national level. Adequate resourcing to relevant agencies is critical, as is strong organizational leadership. This—coupled with consistent political support to the work of the key agencies—is critical for ethics institutions to fulfill their mandates well. Working relationships among relevant agencies are also central, while mainstreaming the work of the agencies adds value to ensuring that the efforts are broad-based. Finally, the willingness of the agencies to learn from others, to adhere to rules and regulations, and to be transparent in their work also helps considerably in instituting good governance. These are lessons other ethics agencies could do well to take into account.
This publication is not meant to be academic in nature nor indeed is it meant to be deeply analytical about the causes of corruption or about the context in which governance plays out in the country. It is meant to tell a story about how two agencies in the country, with strong leadership and commitment, have gone about their work, and how they could do even better. This caveat is important to mention here.

This publication is a product of the work carried out in Bhutan by two subprojects in Regional Technical Assistance (RETA) 6337 (Australia–ADB Development Partnership Facility for South Asia). The Facility itself has been supported generously by the Government of Australia.

The publication team would like to thank, first, the Honorable Prime Minister of Bhutan, Tshering Tobgay, for sharing his general vision of governance issues in Bhutan and of how to strengthen public service. The Honorable Prime Minister is confident Bhutan will continue to set the pace in good governance work in the region and beyond.

The impetus for the book came from ADB’s frequent engagement with the ACC and the RAA over the years, and by the need expressed by both to generate and disseminate knowledge from their work. The Chairperson of the ACC, Ms Neten Zangmo, in particular, was very supportive of this exercise, and deserves appreciation for providing access to information so readily. Mr. Jamtsho, Deputy Auditor General at RAA was also always available to share ideas and provide relevant information.

Tenzin Rigden and his team at Bhutan Media Pvt. Ltd., Thimphu, helped collect the information and worked on the design of the book. Ms. Ma. Arlene Tadle, consultant, ADB, contributed substantially to the book, and Mary-Anne Aclan-Chaneco, associate research analyst, ADB, supported the publication process. Several peer reviewers both within and outside ADB (including Kathleen Moktan, Clare Wee, and Derek Gill) also provided valuable feedback on improving the publication.

Overall leadership of the work on the publication of the book was provided by Gambhir Bhatta, principal knowledge management specialist, ADB, who was also the lead author.
Message from the Honorable Prime Minister
Royal Government of Bhutan

“20th by 2020” sounds like a target. As with all targets, there can be a sense of finality—i.e., once we attain them, we may have a tendency to relax. When it comes to good governance, we cannot relax. We need to want to continue to do better; the ranking will take care of itself.

It is this drive toward continuous improvement that is at the core of the manner in which we are now striving to change the way the public and public officials view each other. This change will not come easily nor will it be evident tomorrow. But our pledge to the Bhutanese people is that we will stay committed to the cause.

This book features the work of the Royal Audit Authority and the Anti-Corruption Commission, which are indeed at the vanguard of the drive toward improved governance in Bhutan. But there are others as well, and all contribute to this objective.

I’d like to record my appreciation for the support being provided by the Asian Development Bank (ADB) in our quest for development. I also look forward to a strong partnership with ADB in generating and sharing knowledge that will not only let others know what Bhutan is doing but also, equally important, let us find out more about where and how others have succeeded.

Tshering Tobgay
Honorable Prime Minister
Royal Government of Bhutan
Foreword from the Director General
South Asia Department
ADB

We are glad to see the work of strong institutions such as the Royal Audit Authority and the Anti-Corruption Commission in Bhutan highlighted. Their contribution to helping bring about good governance in Bhutan is nothing but remarkable.

We are also pleased to have played a part in the institutional and organizational strengthening of these two agencies. The generous support of the Government of Australia through the Australia–ADB South Asia Development Partnership Facility—which provided the resources for the technical assistance subprojects in Bhutan—is gratefully acknowledged.

We hope other institutions and countries will be able to take useful lessons from this publication. The Asian Development Bank is proud to be a reliable development partner of the Royal Government of Bhutan, and looks forward to a sustained and stronger partnership in its development efforts.

Hun Kim
Director General
South Asia Department
ADB
Executive Summary

Bhutan is currently in the middle of transformational socioeconomic and political change involving, among others, (a) democratization, (b) modernization, (c) marketization, (d) urbanization, and (e) progression toward balanced and sustainable development. A number of factors have contributed to the sustenance of this transition, including courageous and visionary leadership, rigor of policy design, and a capable civil service with a very competent leadership cadre. Another contributory factor is the coherent and cohesive system and structure of government.

The vision that Bhutan has set for itself as a peaceful, prosperous, and happy country is anchored in the unique development philosophy of gross national happiness, one pillar of which—good governance—holds the key to strong public management and service delivery. International perceptions of good governance and anti-corruption, in particular, in Bhutan have consistently stayed very positive: its global ranking of 31st in 2013 in the Corruption Perception Index is strong evidence of this.

This is largely a result of the visible and credible work of the Royal Audit Authority (RAA) and the Anti-Corruption Commission (ACC) although there are also other institutions that merit attention. The RAA and the ACC are at the forefront of the work on good governance in the country largely through the active and rigorous pursuit of their respective mandates. Organizationally, they are very strong. With committed leadership at the helm and coupled with active support from the political leadership, these two agencies have contributed significantly to good governance in the country.

To improve further, four areas remain key:

a. mainstreaming ethics and a value-based system in the broader social fabric;

b. strengthening service delivery mechanisms, particularly at the local level;

c. further simplifying the regulatory regime, including: (i) facilitating ease of doing business, and (ii) tackling challenges in procurement processes; and

d. further strengthening the institutional capacity of RAA and ACC—at the former, resourcing to attain its high-set benchmarks and strengthening its ability to reach out to the local level through a regional presence; and—at the ACC, greater independence from the Royal Civil Service Commission, as well as improvements in staffing and resourcing levels.

At the end of the day, good governance in Bhutan will result from the strong, visionary, and capable leadership demonstrated by the political leaders. On this count, Bhutan’s performance to date has been impressive.
Bhutan’s Impressive Transformation

Tashiccho Dzong, the seat of governance in Bhutan
CHAPTER 1

Bhutan’s Impressive Transformation

Our economy is small and fragile, and we are extremely vulnerable to shocks, both from within the country and from the outside world.

– Prime Minister Tshering Tobgay at the 12th Round Table Meeting, Thimphu, December 2013

Bhutan is a small landlocked country in South Asia with its less than a million people scattered across a harsh terrain with the altitude ranging from 200 to over 7,500 meters above sea level. Since its emergence from self-imposed isolation in the 1960s, the country has had very strong economic performance. In the past half-decade, the growth rate of its gross domestic product (GDP)—both in current prices and per capita—has been impressive (Figure 1). Indeed, using growth data from 2011 to 2013, observers have said Bhutan was the fourth fastest-growing economy in the world in that period.1

Economic Progress

There has been a dramatic jump of per capita GDP from the lowest in the world at $51 in 1961 to approximately $2,420 in 2012.2 In 2013, however, economic growth moderated from 6.5% in 2012 to an estimated 5.2%, a rate quite below the average growth of 8.4% over the past decade.

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3 Bhutan’s Impressive transformation

Left: Before planned development began about five decades ago, the Bhutanese people fully depended for their livelihood on agricultural subsistence farming. Today, agriculture’s share of the GDP has declined to less than 20% with a major occupational shift to secondary and tertiary sectors. Right: Agriculture has also been transformed with mechanization and commercial farming, and it is no surprise that fresh vegetables and fruits such as apple and orange are exported to India and Bangladesh.

The slowdown largely reflected policy measures adopted in 2012 to alleviate growing shortages of Indian rupee reserves. The measures entailed credit and import restrictions, particularly in import-heavy activities such as construction and transport that required large rupee payments.3

The production base of the economy was dominated by agriculture until the 1990s. In the mid-1980s, agriculture contributed about one half of the country’s total output. In the early 2000s, the contribution of industrial output at 39.5% of GDP exceeded that of agriculture sector’s 32.2%. By 2012, the contribution of agriculture, industry, and services to GDP was 17%, 39.3%, and 43.7%, respectively.4

What has then followed is a large transformation of Bhutan’s economic landscape from an agriculture-based economy to one that is industry-led.

Electricity remains the most important export of the country. The hydropower sector constitutes around 20% of Bhutan’s GDP, and growth in electricity production and related construction accounts for about one-third of GDP growth. Still, of the estimated potential of 30,000 megawatts (MW) of hydropower, the current total installed hydropower generating capacity is 1,488 MW.5 The government’s plan is to add 10,000 MW capacity by 2020. Hydropower development and construction will likely remain the fastest-growing sectors of the economy in the next decade.

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3 Footnote 2, p. 2.
Hydroelectricity has been the cornerstone of Bhutan's growth over the past recent years and has the potential to represent 50% of GDP in 2020. The implication is clear that other sectors must be developed to balance the growth.

One such sector is tourism. It is an important source of foreign exchange (Figure 2a) although the government continues to adopt a high-value, low volume/impact strategy to manage the development of tourism and mitigate potential adverse impacts. To diversify economic activity further, it is expanding and upgrading its hotel industry with a target to tap the high-end tourist market.

Total revenue from the tourism sector reached $60.6 million in 2013—a slight dip from the year before but still higher than the $47.7 million in 2011. Figures shows that the annual growth rate in revenues from tourism arrivals declining since 2011 (see Figures 2a and 2b). For a country that was off-limits to outsiders until only recently, the level of tourism arrivals—and the revenue that has generated—has been noteworthy.

Any lingering malaise in the advanced economies of the world from the recent economic crisis would normally tend to adversely impact tourism, but in reality it has done nothing to dent Bhutan’s popularity as a tourist destination.

Social Development

Bhutan has also made impressive progress on a wide range of social indicators over the last two decades. In early 2000, the country was at the lower end of United Nations Development Programme’s (UNDP’s) country ranking of 136 out of 175 countries on the human development index (although this was still better than before—142nd in 1998 and 159th in 1990). Table 1 presents data for select indicators that document social development in Bhutan over the years.
5Bhutan's Impressive transformation

Figure 2a. Revenues from Tourism (2008–2013)

![Revenue from Tourism Graph]

Figure 2b. Growth Rate in Revenues from Tourist Arrivals (2009–2013)

![Growth Rate Graph]


Table 1. Bhutan’s Social Progress over the Years (Selected Indicators)

<table>
<thead>
<tr>
<th>Indicator of Progress</th>
<th>2000</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy at birth (years)</td>
<td>60.3</td>
<td>67.6</td>
</tr>
<tr>
<td>Maternal mortality ratio (per 100,000 live births)</td>
<td>255.0</td>
<td>146.0</td>
</tr>
<tr>
<td>Infant mortality ratio (below 1 year per 1,000 live births)</td>
<td>59.4</td>
<td>35.7</td>
</tr>
<tr>
<td>Adult literacy rate</td>
<td>52.8 (2005)</td>
<td>63.0</td>
</tr>
<tr>
<td>Gross primary enrollment ratio</td>
<td>72.0</td>
<td>118.0</td>
</tr>
<tr>
<td>Child malnutrition (% below five years)</td>
<td>14.1 (1999)</td>
<td>12.8</td>
</tr>
<tr>
<td>Population below national poverty level</td>
<td>36.3</td>
<td>12.0</td>
</tr>
<tr>
<td>Population with access to safe water (%)</td>
<td>78.0</td>
<td>98.0</td>
</tr>
<tr>
<td>Population with access to improved sanitation (%)</td>
<td>88.0</td>
<td>95.0</td>
</tr>
</tbody>
</table>


Government initiatives to address health related concerns have eliminated neonatal tetanus, polio, and diphtheria (with immunization of more than 90% of children); brought under control the incidence of malaria and leprosy (although malaria remains a problem in the southern part of the country); and significantly reduced iodine deficiency (through programs to iodize salt).
Bhutan is on track to achieve almost all its Millennium Development Goals by 2015. Clockwise from top: mother-child health has improved significantly over the years; the life expectancy of an average Bhutanese is now more than 67 years; and potable drinking water has reached nearly every Bhutanese home.
In Bhutan, basic health care is free, and the government has invested large resources into ensuring universal primary health care. By 2013, almost everyone (except the last 5% of the unreached population) had access to free basic health care, up from 90% in 1995 and 65% in 1987. The United Nations (UN) reports that Bhutan has made good progress in attaining, or is on track to achieve, almost all its Millennium Development Goals by 2015.

Over the past 40 years, significant progress has also been made in the education sector. The adult literacy rate has risen from an estimated 43% in 2003 to 63% in 2012. Considering that fewer than 450 children attended primary schools in the late 1950s and that the country had no secondary schools at that time, educational achievements in Bhutan have been remarkable.

The medium of instruction in Bhutan is English with Dzongkha (the national language) being taught as a second language. This system provides Bhutanese students with a range of opportunities for international-standard education at universities abroad. The government is committed to providing 10 years of education for all children by the year 2015, to meet the UN goal of “education for all.”

“Rapid economic development—along with strong commitment to education, health, and social inclusion—has provided the ‘rising tide that raised all boats’ and enabled impressive social development.”


Yet, despite stellar economic growth and higher per capita GDP, pockets of acute poverty still exist. It is true that the overall level of poverty has gone down; however, the rural poor participate in a subsistence economy that is dominated by rain-fed agriculture, the raising of livestock, and forestry. An estimated one-third of children under the age of five suffer from some form of stunted growth. In many rural communities, residents live close to the poverty line and are vulnerable to environmental shocks, including natural disasters. The relatively high per capita income of the country and incidence of poverty suggest that income inequality is also high—the Gini Coefficient estimate of 0.416 in the 2003 was among the highest in Asia, though this declined to 0.360 in 2012.

There have been two important developments in Bhutan affecting poverty:

1. First, while total unemployment has stayed at moderate levels (around 3% of the total labor force in 2013), youth unemployment remains higher (9.6% as reported by the Ministry of Labor and Human Resources). Extensive underemployment also persists, not helped by the weaknesses in vocational training opportunities.

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8 In 2005, the percent of population at $2 a day was 36.9%; by 2012, this had reduced to 12.6%; see http://wdi.worldbank.org/table/2.8
9 The Gross National Happiness Commission reported in 2011 that the Coefficient had diminished from 0.416 in 2003 to 0.352 in 2007 (see its SAARC Development Goals: Mid-Term Review Report 2011, p. 1). The Bhutan Poverty Analysis Report 2012 showed the Gini Coefficient to be 0.36 while the World Bank’s World Development Indicator Dataset for 2014 showed a figure of 0.39 for 2012 (see http://wdi.worldbank.org/table/2.9).
10 The flipside of this is that with 56% of the total population below the age of 24 years, the working age population is estimated to grow by around 73.6% during 2005–2050. If planned properly, Bhutan could reap substantial demographic dividends (see “Be able to reap demographic dividends,” Bhutan Today, 13 April 2014).
Modern education in Bhutan began in 1914 with a handful of students in the western district of Haa during the time of the first King. Another school came up in Bumthang during the reign of the second King. It was in the 1960s, with the onset of planned development, that a network of schools was built around the country and mass enrollment initiated. Schooling in the early years was a major challenge for teachers and students given the limited facilities and infrastructure. Initially, only boys were sent to schools. Today, primary level enrollment for both boys and girls has reached nearly 100%.
2. Second, there has been continued population drift to the cities with rapid urbanization. In 1990, Thimphu had a population of 27,000; a decade later this had more than trebled to 93,000; and in March 2014 its population was 120,000. Rapid escalation in rents and property values, primarily in the capital city and other urban areas, is giving rise to housing poverty (increasingly, people in Thimphu have had to spend anywhere from 25%-50% of their income on rents). A recent study has also cited Bhutan’s limited transport infrastructure network as contributing to underdevelopment and poverty problems particularly in remote isolated districts.\textsuperscript{11}

The road network in Bhutan comprises about 2,200 kilometers (km) of national highway; 900 km of feeder roads; 1,400 km of rural farm roads; 200 km of urban roads; and 1,300 km of other access roads. Almost all (93%) of the national highways and urban roads are paved, compared with only 13% of the rural roads.\textsuperscript{12}

There is only one international airport at Paro, west of Thimphu. The country’s access to international markets is limited by the lack of transit facilities through neighboring countries (thus adding to high transport costs). At the same time, a large part of its rural population has limited access to domestic markets with trading opportunities.

\begin{quotation}
Paro International Airport has been described as one of the most dangerous in the world. The approach into Paro can be disrupted frequently by adverse weather conditions.\end{quotation}


A huge challenge to the government is how to identify the appropriate strategies that will create employment and at the same time deliver basic services and infrastructure to both the rural dwellers and the new urban populations.

Successfully sustaining transformational socioeconomic and political changes is a significant achievement (see Box 1). A number of factors have contributed to this including: (i) courageous and visionary leadership; (ii) strategic visioning and rigor of policy design; (iii) a capable civil service with a very competent leadership cadre; and (iv) a coherent and cohesive system and structure of government.

**Box 1. Snapshots of Recent Changes in Bhutan**

Bhutan is currently in the middle of transformational socioeconomic and political change involving:

- Democratization, with local elections (2011) and change of national government (2013) reflecting greater confidence in peaceful political change.
- Modernization of the state, with new legislative pillars now in place for public sector management (including for public procurement), civil service, and anti-corruption; and growing independence from the executive of the judiciary, the Royal Audit Authority, and the Anti-Corruption Commission.
- Greater marketization as a traditional semi-subsistence rural economy is increasingly being integrated into the market economy.
- Rapid growth in urbanization, particularly focused on Thimphu as the primary city.
- Continuation of political decentralization, with locally elected community leaders and mayors in municipal centers and increasing fiscal decentralization to local governments.
- Strong economic growth, as tourism and new hydro-electric development projects are underpinning rapid and sustained increase in real GDP per capita.
- Balanced and sustainable development, with strong emphasis on environmental preservation and social inclusion to match economic development.


**Political Reforms**

The visionary leadership that is enabling Bhutan’s impressive transformation has been provided from the very top. A hereditary monarchy since 1907, Bhutan’s transition to democratic governance came about in 1998 with the Fourth King relinquishing his position as head of the government. The executive power devolved to the Council of Ministers, which was headed by the Prime Minister.

In 2001, Bhutan started drafting a constitution, as well as establishing legislation, policies, and institutions in anticipation of the constitution’s ratification.
Authority is gradually being decentralized from the central government to the districts and blocks (gewogs), which are represented by district development committees and block development committees. Bhutan is divided into 20 districts (dzongkhags), each of which is headed by a District Administrator (dzongda), and 205 elected gups (heads of gewogs).

In 2002, the National Assembly created a new structure for local governance at the block level. Each local area is responsible for creating and implementing its own development plan in coordination with the district.

Toward the end of 2006, the Fourth King abdicated in favour of his eldest son, Jigme Khesar Namgyel Wangchuck, now Bhutan’s fifth hereditary Monarch. Bhutan has enjoyed considerable political stability following the introduction of parliamentary democracy in 2008. The first democratic parliamentary elections were held in December 2007 and January 2008 with the election of 20 members for the National Council. This was followed by elections for the National Assembly in March 2008 where two major political parties competed against each other with the winning party taking 95.7% of the votes and 45 of 47 national assembly seats. The final draft for the country’s first constitution, which was completed in August 2007, formed the foundation for the parliamentary elections that were held in late 2007 and early 2008.

His Majesty the King awarded the Ceremonial Scarves to the 190 elected Local Government Leaders on 12 July 2011.

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13 The King nominates the remaining five members of the National Council.
On 18 July 2008, His Majesty the King signed the Constitution of Bhutan. Local elections were held for the first time in January 2011. The second parliamentary elections were successfully held in mid-2013. With an overall voter turnout of 66.1%, the winning party secured 32 of 47 National Assembly seats.
A school student poses before the picture of the Fourth King of Bhutan, Jigme Singye Wangchuck, who is credited to be the father of the Gross National Happiness (GNH) philosophy. Asked by an Indian journalist about Bhutan’s GDP while he was returning from the Non-Aligned Summit in Havana, Cuba, in 1979, the King replied: “Gross National Happiness is more important than Gross Domestic Product.”
Two Relevant Issues

Lawmakers enter the parliament building in the capital city, Thimphu.
CHAPTER 2
Two Relevant Issues

One of the more significant manifestations of transformational change in Bhutan is its unique development philosophy of gross national happiness (GNH), which since 1972 has anchored the country's long-term development vision. This philosophy, initiated by the Fourth King Jigme Singye Wangchuck, is based on the notions of material and spiritual well-being as the all-encompassing goal of development.

GNH is supported by four pillars, namely: (i) sustainable and equitable socioeconomic development, (ii) preservation and promotion of cultural values, (iii) conservation of natural environment, and (iv) promotion of good governance.14

Good Governance

As the fourth GNH pillar, good governance serves as the fundamental basis of democracy. From this pillar arises good laws, and institutional arrangements and processes that bring peace, stability, and progress to society (see Box 2). Good governance engenders justice and equity, and makes government responsible, transparent, and accountable. It also leads to a credible rule of law system which attracts private sector investment and steers the country toward sustainable development.

A substantial body of practice-based research now on good governance, especially for purposes of cross-jurisdictional comparisons and knowledge-sharing, has tended to focus on six main interconnected dimensions.

1. Voice and accountability. Citizens can select their government, have avenues to air their opinions (including through a free media) on how services are being delivered to them, and be able to hold to account those that provide such services. This is only possible when there is transparency in how the government operates.

Box 2. Components of Good Governance in Gross National Happiness


14 Good governance features in the GNH Index, which was developed in 2008, and which comprises 9 domains, 33 indicators, and 124 variables. It is one of five conventional domains; the other four have to do with the holistic ones on psychological well-being. Good governance also features in the GNH policy screening tool, designed in 2009.
2. **Political stability and absence of violence.** There are no arbitrary or unconstitutional changes in the political system or its processes, and where citizens can expect to live with no threats to their safety and security and with no politically motivated violence and terrorism.

3. **Government effectiveness.** The government is able to provide the right services to citizens in the right manner. The important attributes here are those of quality of public services, the degree of independence of the civil service from political pressures, and the credibility of the government’s commitment to reform policies.

4. **Regulatory quality.** Government regulations regarding various facets of business (e.g., private sector development) and other public spheres of economic activity are transparent, non-biased, cost-effective, and fair to all.
5. **Rule of law.** Citizens can be assured that the relevant laws that govern public life, including economic transactions, are applied uniformly, and that there is predictability in their application. The focus is also on the perceptions of the quality of contract enforcement and property rights, among others.

6. **Control of corruption.** The government is able to not only manage the vulnerabilities to corruption in the country (such as the “capture” of the state by elites and private interests) but is also able to take action against those involved in corrupt activities (such as those giving and receiving bribes).

The World Bank’s Worldwide Governance Indicators project reports aggregate individual governance indicators for 215 economies over the period 1996–2012. These results combine the perceptions of a large number of business enterprises and citizen and expert survey respondents across the countries. A review of these indicators for Bhutan shows some interesting results.

In Figure 3, three distinct trends are evident:

- The dimension on “voice and accountability” has been below par since the ratings were initiated. However, since 2008—and the far-reaching democratic and political reforms—this dimension has shown a positive trend.
- Regulatory quality is seen as below par for the duration, and moving further away from par in recent years. This is an area that will require particular attention from the government.
- The other four dimensions are already in the upper domain, with “political stability” and “control of corruption” well above the others.

It is the performance on “control of corruption” that has garnered considerable interest both within and outside Bhutan.

**“Control of Corruption”**

It is, first of all, inherently difficult to measure the incidence of corruption since reliable statistics are not normally kept on the actual degree of corruption. The best that can be done is to consider the perceptions and proxies of corruption.
Perceptions

There are many instruments and indices to measure corruption (or more appropriately its perceptions and proxies). The one that Transparency International, Berlin, developed in 1995—Corruption Perception Index (CPI)—has been popularized in usage particularly because of its universal coverage and because it facilitates comparisons across jurisdictions (see Box 4). It also uses many data sources (13 in the development of the CPI for 2013) to come up with its own index.

The CPI has, over the years, been considered a useful global benchmark to assess the perception of corruption in a country. The CPI focuses on corruption in the public sector, or corruption which involves public officials, civil servants, or politicians.

Even a cursory look at the CPI scores for Bhutan over the years shows that its performance has far exceeded that of the countries of the region (see Box 5 and Figure 4).

Box 4. Transparency International’s Corruption Perceptions Index (CPI)

The CPI was created in 1995 by Transparency International covering 41 countries. Using an aggregate indicator (composite index) it now ranks some 200 countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. The index combines results from polls and draws on corruption-related data collected by a variety of independent and reputable institutions. On a scale of zero to 100, zero indicates high levels of corruption and 100 indicates low levels.

Inclusion in the index is not an indication of the existence of corruption but rather dependent solely on the availability of sufficient information. A country’s rank indicates its position relative to the other countries/territories included in the index. It is important to keep in mind that a country’s rank can change simply because new countries enter the index or others drop out.

The CPI should not be used for future trending but it can provide a comprehensive picture of the scale, spread, and dynamics of corruption around the world when complemented by qualitative approaches combined with quantitative ones, macro-level indicators with in-depth diagnostics, expert analysis with experience, and perceptions-based survey work.

Source: Transparency International.

Box 5. Bhutan’s Position in Asia

For 2012 and 2013, Bhutan has featured in the CPI in spectacular fashion:

1st among countries of South Asia
6th in the Asia Pacific region
8th in all of Asia


Figure 4. CPI Trends in Six Countries of South Asia (2001–2013)

CPI = corruption perception index.
Source: Transparency International, CPI rankings, various years.
Bhutan’s pre-eminent position in the CPI ranking over the years is also mirrored in the performance of “control of corruption” as tracked by the World Bank Governance Indicators Database (see Figure 5).

Regionally—indeed, even globally—the level of corruption is perceived to be low in Bhutan. Across South and Southeast Asia, and the Far East, only three economies—Japan; Hong Kong, China; and Singapore—regularly outdo Bhutan in the CPI rankings.

Yet corruption has been recognized as a problem within the country. The 2009 National Integrity Assessment survey, the first in the country, revealed that some 70% of the citizens believe that corruption exists in various forms. A more recent survey undertaken in 2012 showed 66% of the respondents perceiving that corruption had declined, but that it remains a concern.

The results of an Enterprises Survey done by the World Bank in 2009 showed that Bhutan does not appear to have the severity of problem that others in South Asia do when it comes to expectations—and culture—of businesses having to pay bribes to get relevant services (Table 2).

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Bhutan</th>
<th>South Asia</th>
<th>All countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of firms expected to give gifts to public officials “to get things done”</td>
<td>10.1</td>
<td>24.0</td>
<td>19.2</td>
</tr>
<tr>
<td>Bribery depth (percent of public transactions where a gift or informal payment was requested)</td>
<td>3.9</td>
<td>20.5</td>
<td>12.7</td>
</tr>
<tr>
<td>Bribery incidence (percent of firms experiencing at least one bribe payment request)</td>
<td>6.3</td>
<td>24.5</td>
<td>16.9</td>
</tr>
<tr>
<td>Percent of firms identifying corruption as a major constraint</td>
<td>6.0</td>
<td>35.6</td>
<td>37.1</td>
</tr>
</tbody>
</table>

Note: Business owners and top managers in 250 firms were interviewed from April 2009 through June 2009.

Source: Enterprise Surveys (http://www.enterprisesurveys.org), The World Bank. Business owners and top managers in 250 firms were interviewed from April 2009 through June 2009.

Proxies

As for the proxies of corruption, one of the best sets of indicators in Bhutan can be derived from the statistics that the Royal Audit Authority (RAA) generates as a result of its extensive audit work throughout the country every year. The level of irregularities in usage of public resources is comprised of four types (see Table 3).

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15 This issue of a more conducive business environment has come up recently in Bhutan; this is discussed in Chapter 4.
This categorization of audit irregularities by RAA is applied to both budgetary and non-budgetary agencies in the country. Given that the RAA audits nongovernment organizations, political parties, financial institutions, corporations, autonomous bodies, local governments (districts and gewogs), and ministries—and does so every year—what is yielded is one of the most consistent and thorough sets of proxy indicators on “corruption” (broadly defined)\(^{16}\) in Bhutan.

A review of the dataset from RAA (from 2008 to 2013)\(^{17}\) (see Figure 6) in the public sector in Bhutan shows the following:

1. Trends in levels of irregularities in public sector entities show a sharp increase from 2008 to 2011 then dipping substantially. The RAA is of the view that this reflects the “demonstration effect” of strong anti-corruption action in some high-profile cases (such as the Ministry of Health, discussed elsewhere in this report).

2. The levels of irregularities in local governments, however, are generally in a downward trend, with the 2012 figures showing a sizable decrease (albeit with an increase in 2013). In terms of the proportion of such levels of irregularities vis-à-vis the country as a whole, from a high of more than 40% in 2008 the decrease has been pronounced since then. However, the 8% share for local governments is the largest since 2010.

3. This is an important point to note in the current context of decentralization in Bhutan. The general fear is that with increasing decentralized governance, the risk is greater that corruption at local level will be higher (largely given the generally-assumed inadequacy of capacity of local governments).

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### Table 3. Categories of Irregularities in Audits

<table>
<thead>
<tr>
<th>Category and sub-category</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1. Fraud, corruption, and embezzlement | 1. Forgery and tampering of documents  
2. Malpractices and abuses  
3. Misappropriation  
4. Intentional double/irregular/unauthorized payment  
5. Non/short accountal |
| 2. Mismanagement | 1. Mismanagement of funds  
2. Mismanagement of properties  
3. Mismanagement of human resources  
4. Mismanagement of revenue and taxes |
| 3. Violation of laws and rules | 1. Violation of service rules  
2. Violation of budgetary norms  
3. Violation of accounting norms  
4. Violation of procurement norms  
5. Violation of acts, directives, and policies |
| 4. Shortfalls, lapses, and deficiencies | 1. Over/inadmissible/irregular/double payments  
2. Non maintenance of records  
3. Improper maintenance of records  
4. Non/improper recording in books  
5. Non-reconciliation/certification of balances  
6. Irregularities in advances  
7. Irregularities in recoveries  
8. Irregularities in disposals and auctions  
9. Irregularities in property management  
10. Non-cooperation  
11. Non/short deduction  
12. Shortfalls & uneconomical operations  
13. Missing documents/receipts |

Source: Royal Audit Authority.

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\(^{16}\) While all four categories of irregularities can be jointly taken to be construed as corruption, the RAA dataset also has a specific sub-category termed “fraud, corruption, and embezzlement”. Both sets of data are considered here.

\(^{17}\) It is instructive to assess the degree of irregularities since democratization began in 2008; and 2013 is the latest year of data availability.
In this regard, a particular area of interest with respect to irregularities at the local level has to do with category 1 irregularities (i.e., “fraud, corruption, and embezzlement”, FCE). The evidence shows a rather interesting swing in levels of irregularities in local governments—decreasing from 2008 to 2010 but shifting erratically since then.\(^{18}\) As percent of national incidence of FCE, the local governments’ share has also mirrored the swing mentioned above (Figure 7).

The discussion here on the perceptions and proxies of corruption in Bhutan points to the need to analyze the relevant institutions and their work. A primary reason for the sustained performance of Bhutan in good governance, especially on control of corruption, has to do with the quality of those institutions that stand at the vanguard of ethics in public sector management in the country. In this regard, the Anti-Corruption Commission and the RAA merit scrutiny; there are others as well. These are considered next.

\(^{18}\) The spike in 2011 is explained by one particular instance of payment (of Nu3.914 million) for road works only partly executed by a contractor in the Punakha Dzongkhag Administration. In 2013, it was Punakha district too, which accounted for a full 50% of FCE at the local level pertaining to the release of entire payments to the contractor before completion of construction work at a local school.
The annual reports of the Royal Audit Authority (RAA) of Bhutan are significant publications and are accorded due importance. The Parliament discusses the results in some detail; and the press coverage of the discussions is extensive. First published in 2002, the annual reports cover the following areas for the year under review: (i) discussions of the RAA’s internal work (for example, on organization development); (ii) summary of audit findings (including on fraud, corruption, and embezzlement; mismanagement; violation of laws and rules; and shortfalls, lapses, and deficiencies); (iii) detailed audit findings for ministries, local governments, autonomous bodies, corporations, financial institutions, nongovernment organizations, and political parties; and (iv) performance and thematic audits. The reports end with recommendations for the government on specific areas that the RAA considers important to enhance the economy, efficiency, and effectiveness of the use of public resources. This is in accordance with Section 44 of the Audit Act of Bhutan 2006.
The cantilever bridge over the Mochu (Female River) leads to Punakha Dzong, the birthplace of the Bhutanese nation state in the 17th century.
The Anti-Corruption Commission (ACC), an independent constitutional body as per Article 27 of the Constitution was established in January 2006 as a result of a Royal Decree on 31 December 2005. Its establishment before the adoption of the Constitution in 2008 enabled it to hit the ground running, and laid a strong foundation for it to effectively carry out its functions and responsibilities. The ACC was tasked to fulfill its responsibility of curbing and rooting out corruption through timely and effective checks on private utilization of public funds and persons engaged in unauthorized use of public resources.

The ACC’s vision is a corruption-free society, and its mission of corruption elimination has three components: (i) leading by example, (ii) focusing on partnerships, and (iii) mainstreaming anti-corruption measures. While all three are critical, the third—on mainstreaming—assumes greater significance since its work will be facilitated if other organizations (both in the public and private sectors) do their part to stem corrupt practices.

The 2006 Anti-Corruption Act, which was the basis for ACC work when it was first established, was amended in 2011 to institute a comprehensive stand-alone anti-corruption law based on the United Nations Convention against Corruption (UNCAC), and to make corruption highly costly and risky. The amended Anti-Corruption Act of Bhutan, which was passed in 2011, clearly states that the ACC is operationally independent, including to decide how to spend allocated funds within the broad principles of the Financial Rules. However, the Act also states that the appointment and terms and conditions of service of the staff member of the ACC will be in accordance with the Civil Service Act. There is thus an inherent conflict between these two propositions, which is at the heart of the relationship between the ACC and the Royal Civil Service Commission (RCSC), as discussed later.

The ACC has had several organizational and institutional reviews and assessments done over the years. These have been geared toward making it a strong, credible, and effective agency. These reviews have included, among those by the United Kingdom Crown Agents (2007), Capacity Assessment by the United Nations Development Programme (UNDP) and the United Nations Office on Drugs and Crime (August 2010), ADB (2011), and human resource strategy by Partnership for Transparency Fund (2012), among others.
the ACC’s media and public communication strategy is based on the assumption that there needs to be greater engagement with the public about the work of the commission. Given that there is a tendency to sensationalize individual corruption cases (at the expense of awareness-raising and advocacy issues), the ACC is keen on making that another plank of its work along with that of investigation.

the ACC has also, in the recent past, finalized and put in place a change management plan (CMP) for the organization. The plan is important as the ACC begins to address major challenges facing it, particularly on recruitment and retention of qualified staff, public misperceptions about its work related to enforcement, and a backlog of cases, among others.

The CMP has also led to the application of an Integrity Diagnostic Tool. The tool helps diagnose and strengthen integrity systems in agencies and sustainably improve their resistance to corruption. The CMP was the anchor behind the organizational restructuring that took place at the ACC in early 2013. The Commission feels that the restructuring has enabled it to better target work related to its three-pronged strategy of prevention, education, and investigation. The CMP is also being used for a revamped public communication strategy.

As part of the restructuring, there are dedicated units in the ACC looking after sectors as diverse as land and natural resources, business and finance, procurement and construction, and human resources. The ACC still has some way to go to have the departments fully staffed but programs and activities have commenced. The ACC feels that its sector-based structure is the first of its kind in the anti-corruption fraternity, and that if it is effective, it can be another model that countries can consider adopting.

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19 The ACC’s media and public communication strategy is based on the assumption that there needs to be greater engagement with the public about the work of the commission. Given that there is a tendency to sensationalize individual corruption cases (at the expense of awareness-raising and advocacy issues), the ACC is keen on making that another plank of its work along with that of investigation.
MILESTONES

2006

- Royal Decree of 31 December 2005 establishes the Office of the Anti-Corruption Commission
- Neten Zangmo appointed Chairperson
- The Anti-Corruption Act of Bhutan 2006 passed
- Bhutan featured for the first time in the Transparency International Corruption Perception Index
- Asset declaration system introduced

2007

- ACC becomes the 28th member of the ADB–Organisation of Economic Co-operation and Development (OECD) Anti-Corruption Initiative for Asia–Pacific Region
- A Corruption Perception Survey is conducted; established the baseline for assessing trends, causes, and forms of corruption in the country
- Awareness and advocacy programs held in 33 schools across the country

2008

- 1st investigation on elections conducted
- Major investigation in mining industry carried out
- Piloting of the Standard Cost Model started in Road Safety Transport Authority

2009

- The National Anti-Corruption Strategy Framework adopted
- Revision of investigation manual to ensure due process of law
- Investigation into health procurement and referral of patients
- Gift Rules, 2009, finalized
2010

- First investigation of a hydropower project conducted
- Report on first National Integrity Assessment survey launched
- Corruption Risk Management tool adopted and piloted in the ACC
- Online Asset Declaration System launched
- Prosecution referral guidelines adopted by the ACC
- Self-assessment of domestic laws vis-à-vis UNCAC conducted

2011

- First investigation of road network project funded by ADB
- Amended Anti-Corruption Act of Bhutan 2011 passed by Parliament
- Institutional development plan (2011–2020) developed
- Investigation initiated on the Gyalpoizhing land allotment case
- ACC signs memorandum of understanding with five civil society organizations
- ACC launches e-learning modules on ethics and anti-corruption measures in civil service

2012

- Asset Declaration Rules, 2012, adopted
- First investigation under Supreme Court’s writ commenced
- National survey on values education in schools conducted
- ACC operates from its new office complex
- ACC prosecutes its first case on Gyalpoizhing land allotment
- Integrity diagnostic tool piloted in three agencies for the first time

2013

- Review of National Anti-Corruption Strategy carried out
- Study on independence of the ACC carried out
- ACC adapts Debarment Rules, 2013
- ACC introduces social accountability plan of action
In parallel to the organizational restructuring work, the ACC has also concentrated on an overall strategy for anti-corruption work. The first National Anti-Corruption Strategy Framework (prepared in 2009) was developed to give effect to the government policy of “zero tolerance to corruption” (Box 7). The framework provided for all-inclusive forms and causes of corruption and recommended measures to effectively and efficiently tackle corruption from taking deep roots in the country. The framework also provided insights into how corruption may adversely impact the four pillars of GNH and ultimately, the national mission of GNH itself.

An in-depth evaluation of the level and quality of implementation of the 2009 framework was undertaken in 2013, including the impact it has had on improving governance and preventing corruption in the country. The evaluation revealed that considerable progress was made in terms of preventing and prosecuting corruption.

A parody on the previous government’s focus on “Zero Tolerance to Corruption,” in which the government allowed the appointment of a new Managing Director of Bhutan Post even though he was interviewed for the post before he resigned from the civil service. - 5 December 2008, Bhutan Observer

<table>
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<tr>
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<tbody>
<tr>
<td>Operationalization of Zero Tolerance to Corruption for Gross National Happiness</td>
</tr>
<tr>
<td>The first strategic framework to fight corruption in Bhutan provided seven broad, interrelated platforms for action:</td>
</tr>
<tr>
<td>1. Promote quality leadership.</td>
</tr>
<tr>
<td>2. Ensure sustained political will.</td>
</tr>
<tr>
<td>4. Review and strengthen institutional capacity.</td>
</tr>
<tr>
<td>5. Review and reform public procurement system, strengthen public financial management system, simplify procedures and regulations, minimize discretionary powers in decision making, establish clear and transparent protocols on policy and rule making, enforce code of conduct and ethics, and enforce declaration of conflict of interest.</td>
</tr>
<tr>
<td>6. Develop long-term educational strategy in building an awakened citizenry.</td>
</tr>
<tr>
<td>7. Promote partnership with all stakeholders—including citizens, media, private sector, civil society, spiritual institutions, and regional and international anti-corruption initiatives.</td>
</tr>
</tbody>
</table>

Source: Anti-Corruption Commission.
However, this achievement cannot necessarily be credited to the existence of the strategy framework above. Only a few stakeholders were aware of the strategy, perhaps because the education and awareness-raising work of the ACC was not as well-reported by the media as the investigation work. The link between anti-corruption measures and good governance was not fully understood and the implementation of the strategy was perceived to be the sole responsibility of the ACC.

Despite the seeming lack of widespread awareness of the strategy, the trend in corruption complaints to the ACC has not substantially diminished in recent years (Figure 8). About a third of it, the ACC says, are matters of administrative lapses to be dealt with by other agencies such as the RAA. Its push for asset declaration by public officials, however, has yielded a higher response.

The former is a result of the commission’s “Corruption Complaint” mechanism under which complaints may be submitted by one of several means: post, email, fax, or via the ACC website (Figure 9). Complaints can be lodged with contact details or anonymously. The mechanism guarantees confidentiality. In practice, confidentiality is ensured by maintaining all complaints in a database, which can only be accessed by three appointed ACC officers, thereby ensuring both transparency and secrecy. So far, there have been no cases of confidentiality breaches. One significant case the ACC has recently investigated demonstrates not only the complexity of its work but also its resolve (Box 8).

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20 As an indicator of public trust in the ACC, the data shows that in recent years, over 50% of complaints are from known resources. Even in instances where anonymous complaints are filed, the ACC carries out a due diligence test where its “discreet inquiry” protocol screens out vindictive and malicious anonymous complaints. Such due diligence measures contribute to confidence building in the public and reduce waste of scarce investigation resources.
Box 8. The Anti-Corruption Commission Investigates the Ministry of Health

An audit report completed by the Royal Audit Authority in 2010 pointed to major irregularities in the procurement of drugs by the Drugs, Vaccine, and Equipment Division of the Ministry of Health (MoH).

The investigation of the Anti-Corruption Commission (ACC) revealed irregularities in procurement right from tender document preparation, selection process, and awarding and implementation of contract. Of Nu300 million worth of procurement in 2007–2008, a quarter was lost to fraud and corruption. This included equipment not delivered; or supplied but found incomplete, defective, or not as per specifications. Other weaknesses included tender documents without an indicated number of equipment for purchase, leaving room for manipulation and collusion.

The ACC noted with serious concern that corruption in procurement not only squandered government’s scarce financial resources but also exposed the general public to high risks associated with defective equipment. ACC provided MoH with several recommendations for systemic improvement. Since then, MoH has taken strong measures to strengthen its procurement management system.

Source: ACC.

On asset declaration, the ACC’s role in ensuring a high degree of compliance is significant (Figure 10). Declaration of assets and liabilities is an important tool to enhance transparency and accountability of public officials as custodians of public resources.

There are two tiers of asset declarations for public officials in Bhutan: (i) those who file their declaration with ACC (Schedule I), and (ii) those who file their declarations with their respective agencies (Schedule II). The compliance rate of Schedule I-covered persons has significantly improved over the years, starting from only 8% in 2006 and reaching a high of 90.3% in 2011 (in 2013, however, this decreased to 86%). As for Schedule II-covered persons, as of April 2014, approximately 19,650 individuals had filed their declarations (up from 12,862 in 2012).

The responsibility to administer and manage the asset declaration system lies with the heads of respective agencies while the responsibility to audit and conduct investigations has been decentralized to the RAA for certain categories of public servants.

The ACC is active in international and regional fora organized by various relevant agencies and governments such as UNDP’s Asia–Pacific Regional Centre; the Central Bureau of Investigation, India, with which ties are particularly close; the International Association of Anti-Corruption Authorities; and the World Bank’s International Corruption Hunters Alliance. At forums such as these, the ACC is often asked to share its experiences—e.g., on asset declaration...
administration at the 2012 ADB–OECD Anti-Corruption Initiative for Asia and the Pacific;\textsuperscript{21} and on Bhutan’s anti-corruption efforts at ADB’s 2012 Anti-corruption Week with the theme “IACT: Let’s Keep up the Fight.”

At the sidelines of such meetings, the ACC often shares its experiences with other jurisdictions (such as with the Government of Myanmar on the anti-corruption legal framework). The ACC experiences in UNCAC self-assessment, complaints, and investigation management system; asset declaration administration; operations guidelines; and institution building have been particularly sought.

Bhutan has signed the UNCAC and is expected to ratify it in the near future. The Convention is the first global legally binding international anti-corruption instrument, which focuses on prevention, criminalization, international cooperation, and asset recovery. As of February 2014, 170 parties were signatories to UNCAC.

The ACC has received assistance from several development partners, particularly ADB on institutional and organizational development; the Government of India, which financed the construction of a new office complex; the Swiss Agency for Development and Cooperation (SDC), which supports the ACC in several areas of work, including mainstreaming anticorruption in sectoral plans and strengthening investigative capability;\textsuperscript{22} and the Danish International Development Agency, which has supported development of e-learning modules on ethics and integrity for civil servants.

\textsuperscript{21} Established in 1999, the Initiative currently has 31 countries and jurisdictions in the Asia–Pacific region, which have formally endorsed an action plan to combat corruption by sharing expertise and experiences. Bhutan joined the Initiative in 2007; its designated representative to the Initiative’s steering group is the ACC chairperson. The ACC has been a strong participant in the Initiative’s meetings, and is often called to share its experiences in matters related to ethics and value-based approaches to combating corruption. The ACC feels that the relatively small size of the Initiative provides a more intense knowledge and experience-sharing platform (see Box 9 for further details on the Initiative).

\textsuperscript{22} It was the SDC that funded the independent study carried out by the Basel Institute on Governance, which analyzed the issue of the independence of the ACC, as discussed in the next chapter.
Box 9. The ADB–Organisation for Economic Co-operation and Development Anti-Corruption Initiative for Asia and the Pacific

The Initiative supports governments’ efforts through three mechanisms:

(i) policy dialogue—through regular Steering Group meetings and conferences,
(ii) policy analysis—through thematic reviews and stocktaking exercises carried out regularly, and
(iii) regional seminars—which bring together members regularly to share experiences and learn about good practices.

The Initiative’s Action Plan has a three-pronged approach to fighting corruption in the region: (i) measures in the public service, (ii) private sector integrity, and (iii) citizen involvement. While all three pillars are important, the Initiative uniquely focuses on the private sector. Issues of corporate governance are often not brought to the forefront while countries aggressively pursue an anti-corruption strategy. The Initiative is designed to support the signatories to access expertise and knowledge in this regard. By that yardstick alone, it demonstrates value added to member agencies such as the ACC.

The Initiative also has participation from several international and regional development partners such as the United Nations (UN), including its associated agencies such as the United Nations Development Programme and the United Nations Office on Drugs and Crime; World Bank; and Transparency International.

The Initiative is jointly managed by ADB, Manila and the Organisation for Economic Co-operation and Development, Paris.

Source: ADB.

The ACC is now at the helm of the implementation of a national integrity and anti-corruption strategy, which draws upon lessons from the previous strategy’s implementation. The new strategy (Box 10) is fundamentally built on the understanding that integrity is best strengthened and corruption is best fought through a multipronged approach.

Box 10. Objectives of the National Integrity and Anti-Corruption Strategy

- Ensure political will and promote leadership and integrity
- Promote cooperation and partnerships with all concerned stakeholders
- Raise awareness and foster integrity education throughout society
- Mitigate corruption risks through the use of corruption risk management, integrity diagnostics, social accountability, and other tools
- Strengthen institutional capacity, including through the use of information technology and other systems
- Strengthen legal and regulatory framework on corruption prevention and detection, including those on cross-border issues, which are increasingly emerging in practice

Source: Anti-Corruption Commission.

Adherence to this multipronged approach has meant that the ACC has had to reorient its operating philosophy and take on new challenges. The degree of political openness and democratization now in place in Bhutan will test ACC in the coming years.

This inevitably makes ethics in the public sphere a core concern of ACC’s work. Already the ACC has had to take recourse to the amended ACC Act to warn of the emerging challenges (e.g., active and passive trading in political influence).

The multipronged nature of its strategy also means that the ACC will work even more closely with institutions such as the RAA and Parliament.
Royal Audit Authority

The mandate of the RAA is derived from Bhutan’s Constitution. Articles 25.1 and 25.4 anchor the RAA’s work and require it to audit the accounts of all departments and offices of the government, including all offices in the legislature and judiciary; all public authorities and bodies administering public funds; police and the defense forces; revenues, public proceeds, and other monies received; and the advances and reserves of Bhutan. This makes the RAA central to the control of corruption in the country.

Drawing from its constitutional mandate, the RAA’s vision is to be “a premier audit institution that promotes value for money in government operations and contributes toward good governance.” It is this focus on value-for-money that drives much of the RAA’s work.

The RAA’s role in instituting good governance in Bhutan is manifest in the mission it has set for itself where the focus is on audit on the prudent and effective use of public resources. The results of the audits are then reported to the National Assembly and other stakeholders to enhance transparency and accountability in government.

Box 11. The Logo of the Royal Audit Authority

The logo of the Royal Audit Authority (RAA) spells out its acronym as Reliability, Assertive, and Accountable.

Reliability refers to reports of high standard so that they can provide useful input for decision making.

Assertiveness refers to staff not yielding to pressure and vested interests but instead persisting to attain RAA’s intended goals and objectives.

Accountability refers to holding audited bodies accountable for the use of resources at their disposal.

Source: RAA.

Box 12. The RAA’s Core Values of the Royal Audit Authority

Independence. The Royal Audit Authority (RAA) is independent from the executive, judiciary, and legislative arms of the government, and is able to make decisions in the public interest.

Objectivity. The RAA provides unbiased opinions and does not let conflict of interest or undue influence override professional judgment.

Integrity. The RAA is being straightforward and honest, maintaining the trust of the public in the services provided.

Commitment. The RAA ably performs to fulfill its constitutional responsibility.

Professionalism. The RAA ensures that stakeholders receive competent services, and that the auditing profession is not discredited.

Reliability. The RAA ensures that the services are of high quality, and that stakeholders can be assured of such.

Source: RAA.
ROYAL AUDIT AUTHORITY

MILESTONES

1961
National Assembly proposes a separate audit system

1963
Accounts and Audit Organization instituted

1970
• Royal Audit Office established under Royal Decree
• Four Royal Auditors appointed

1974
• Royal Audit Department placed in the Ministry of Finance
• Financial management system restructured and Financial Manual developed

1980
Regional office established in Phuentsholing

1985
Autonomous RAA established

1987
Financial Management System started

1988
Financial Manual revised

1989
Adopted General Auditing Rules and Regulations

1997
Audit information management system started

1999
Royal Edict further reiterating independence of RAA
2005
- RAA becomes constitutional body
- Ugen Chewang appointed first Auditor General after RAA becomes a constitutional body

2003
- Performance audit started
- Certification of annual financial statement of government started

2002
- Preparation of Annual Audit Report begins

2001
- Financial rules and regulations adopted

2006
- Audit Act passed by Parliament

2008
- Continuing professional development policy released

2009
- Dedicated division established on review and follow-up of audit issues

2010
- Adopted International Standards of Supreme Audit Institutions
- Audit clearance goes online
- Field audit monitoring system developed
- Strategic Plan, 2010–2015 prepared
- Financial Audit Manual released

2011
- Construction and procurement audit manuals released
- Development of Audit Resources Management System

2012
- RAA received institutional Druk Thuksey (highest civilian award)

2013
- Performance audit on leasing of government reserve land, mines, and quarries
- Auditor General’s Advisory Series on Consultancy Services released

2014
- Renewed memorandum of understanding with the Comptroller and Auditor General of India for technical cooperation
- Environmental audit guidelines updated
- Audit of public debt management

The Institutions at the Vanguard
While the RAA is now a constitutional body and is independent and powerful, it was not always like this.

The establishment of an audit system in Bhutan coincided with the launching of the first Five-Year Plan in 1961. The first edition of the Financial Manual, issued two years later, provided for the creation of a Development Wing in the government and an Accounts and Audit group under it.

The Audit and Accounts group maintained the books of accounts, conducted budgetary controls of revenues and expenditures, and undertook periodic audits and inspections of accounts and records of the government. Under a Royal Ordinance, four Royal Auditors were appointed in April 1970.

The ordinance defined and authorized the jurisdiction of what was then the Royal Audit Department as being primarily responsible for the audit of accounts of the ministry of Finance, all other Ministries, the Royal Bhutan Army, the Royal Bhutan Police, and His Majesty’s Secretariat. The restructuring of the financial management system in 1974 placed the Royal Audit Department under the Ministry of Finance. In 1985, the audit service was restructured as an autonomous entity and renamed the RAA.

A Royal Edict on 2 March 1999 further reiterated the independence of the RAA.

In June 2006, the National Assembly enacted the Audit Act of Bhutan 2006, providing the RAA with full organizational and functional independence to audit and report on the economy, efficiency, and effectiveness of the use of public resources.

This audit function covers all government agencies, corporations, financial institutions, nongovernment organizations, externally funded projects, judiciary and judicial bodies, legislature and related bodies, religious institutions, civil society organizations, and constitutional bodies—any entity that administers public (including donor-provided) funds. There are approximately 1,191 agencies and/or offices that require annual auditing and reporting.

As provided for in the Constitution and similar to ACC, the RAA enjoys full organizational as well as functional independence and authority to determine and administer its organizational structure, budget, and personnel requirements.

The Audit Act also states that the State will make adequate financial provisions for the independent administration of the RAA, which the Parliament approves as part of the national budget. When it comes to service conditions, except for the Auditor General, the appointment, terms, and conditions of service of staff must be in accordance with the Civil Service Act.

Most of the RAA’s work is focused on “value-for-money audit”—economy, efficiency, and effectiveness, also known as audit-Es. In recent years, it has been clear that the RAA’s approach to audit and the gamut of services it provides, not only to the public but also to those that it audits have been more proactive. This is evident in numerous ways.

1. **Fundamental shift in approach to audit.** In recent years, the RAA has shifted its basic approach to audits from one of transactional auditing to that of risk-based auditing. This is an important shift. It has allowed the RAA to minimize transaction costs (in not having to look at each and every transaction of the audited agency), to establish a degree of trust in the RAA, and to provide the government with audit observations that are directly helpful in managing public funds (e.g., where the most risks and vulnerabilities in the system may jeopardize an agency’s work).
2. **Range of agencies covered and diversity of services provided.** As mentioned in Chapter 2, the RAA audits the use of public resources by the following types of agencies: nongovernment organizations, political parties, financial institutions, corporations, autonomous bodies, gewogs, districts, and ministries. The RAA undertakes the full range of audit functions including value-for-money performance, financial, and systems audits.

All institutions are audited at least once in 2 years while government ministries and dzongkhags, including gewogs are audited annually; and others on the basis of a risk assessment.\(^\text{23}\) The RAA has a strong follow-up portfolio of work; there is a dedicated division just for follow-up work.\(^\text{24}\)

The Audit Clearance Certificates issued by the RAA are important for all staff in personnel matters such as promotions, training, etc. There has been a rapid growth in the number of such certificates issued by the RAA with a high reached in 2011 (Table 4).

The government has taken the RAA's performance audits seriously. Examples of these audits include those on civil service training, human resource management in the Ministry of Education, information technology controls in the revenue management system, drinking water and sanitation, farm road construction, constitutional development grants, and many others. Performance audits that are deemed of significance (e.g., for example, the first two listed here) are directly submitted to Parliament.

The RAA is also increasingly playing an advisory role as mandated by the Audit Act 2006. Accordingly, the RAA formulates the Auditor General’s Advisory Series to report on the findings and recommendations of significant and frequently occurring issues requiring timely attention of the government. One such advisory series of reports is on enhancing internal audit systems in government, a theme the RAA has touched upon on a very regular basis.

### Table 4. Number of Audit Clearance Certificates Issued by the Royal Audit Authority, 2008–2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Certificates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>9,945</td>
</tr>
<tr>
<td>2009</td>
<td>12,173</td>
</tr>
<tr>
<td>2010</td>
<td>12,803</td>
</tr>
<tr>
<td>2011</td>
<td>15,372</td>
</tr>
<tr>
<td>2012</td>
<td>12,374</td>
</tr>
<tr>
<td>2013</td>
<td>13,166</td>
</tr>
</tbody>
</table>

Source: Royal Audit Authority. Annual Audit Reports, various years.

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\(^\text{23}\) Since 2008, the RAA has completed several hundred audits a year, ranging from a low of 447 in 2008 to a high of 743 in 2011; in 2013, it completed 534.

\(^\text{24}\) Every year, the RAA issues follow-up reports in addition to the usual audit reports. These follow-up reports document the nature of resolution of prior audits. The number of RAA’s follow-up reports has increased in recent years (91 in 2010, 289 in 2011, 515 in 2013).
In parallel, the recommendations made by the RAA to the government as a result of its audit work are compelling. A advice from recent years in the broad area of corruption control is shown in Table 5.

### Table 5. RAA Recommendations to the Government based on Audit Findings

#### Specific Recommendations in the Broad Area of Corruption Control

**2008**
- Proper studies, consultations, and planning in the construction activities need improvement.
- A systematic approach in the administration of advances should be established.
- The internal control system and internal audit should be strengthened.
- Momentum in the follow-up of audit reports should be maintained.
- Follow-up actions on cases of fraud and corruption need to be reinforced.

**2009**
None documented in the Annual Audit Report.

**2010**
- Strengthening of internal control systems and internal auditing.
- Instituting of risk management systems in organizations.
- Irregularities in procurement and construction need to be addressed.
- Appropriate actions on serious reported cases are warranted.

**2011**
- Ensuring compliance to government norms in execution of agreements with donors.
- Enhancing supervision and monitoring mechanisms in construction.
- Adequate guidelines must be issued for proper implementation of framework contracting process.
- Need to revise the format of the Annual Financial Statement in the Financial Rules and Regulations.

**2012**
- Need to avoid the rush of expenditure at the close of the financial year through appropriate directives.
- Need to develop a policy framework for leasing of government land.

**2013**
- Reinforce adherence to the Property Management Manual for repair and maintenance of infrastructure.
- Need to stipulate requirements for undertaking pre-feasibility studies in construction projects.
- Need to institute a workable system to avoid retention of unexpended funds.
- Enhance reliability of e-tools for tender evaluation.
- Enhance internal controls and safeguards to reduce irregularities in procurement and construction.

Source: RAA. Annual Audit Report, various years.

In parallel, the recommendations made by the RAA to the government as a result of its audit work are compelling. A advice from recent years in the broad area of corruption control is shown in Table 5.

3. **Greater engagement with internal stakeholders.** In its work, the RAA has active and regular engagement with internal stakeholders, including local government leaders, political leaders, internal auditors in government ministries, the ACC, and others. The RAA also provides specific recommendations to the audited agencies on the issues and lapses in the audit reports for those agencies. This is done so that they can take necessary corrective and preventive measures.

In addition, the RAA provides training to internal auditors in government ministries on internal control assessment. Finally, the RAA has audit awareness and sensitization programs for elected leaders and public officials of local governments. To the RAA, this work embeds its operating philosophy on to that of the
audited agencies. It feels that its relationship with the audited agencies has undergone a shift toward greater trust and understanding.

4. **Links with the ACC.** One of the RAA’s closest engagements is with the ACC by virtue of their interconnected work. There are formal and informal interactions between the two agencies. Every year, the RAA forwards to the ACC individual cases of suspected “significant indicators of fraud and corruption” for review and possible action (see Table 6). The working relationship between these two key ethics- and oversight-oriented agencies is central to the government’s success in combating corruption and mismanagement in the country.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of reports on cases of fraud and corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>8</td>
</tr>
<tr>
<td>2009</td>
<td>11</td>
</tr>
<tr>
<td>2010</td>
<td>19</td>
</tr>
<tr>
<td>2011</td>
<td>30</td>
</tr>
<tr>
<td>2012</td>
<td>14</td>
</tr>
<tr>
<td>2013</td>
<td>6</td>
</tr>
</tbody>
</table>

Note: Each report can have more than one suspected case.  
Source: RAA. Annual Audit Reports, various years

5. **Expanding its domain to the limits of its mandate.** The RAA has been active in what can be considered the outer limits of its mandate. While the focus continues to be on risk-based auditing of agencies that use public resources, the RAA also seriously considers the context of this work, as gleaned from these examples:

a. Recommending that the government improve the budgetary process and strengthen implementation capabilities.

b. Encouraging the government to carry out an assessment of its absorption capacity in undertaking an increasing number of developmental works.25

c. Encouraging the government to pay attention to the issue of deserted rural households (“gungs”) as a result of rising rural-urban migration; the RAA argues that if not addressed soon, this may impact the social and economic conditions of Bhutan.

The RAA has a comprehensive system for maintaining and administering audit reports called the Audit Information Management System (AIMS). The system operates on a local area network within the RAA and is accessible to all auditors. AIMS enables the collection and maintenance of all audit data—agencies covered by the audit, names of audit teams, audit findings, accountable and nonaccountable losses, and details of settlement on recovery data.

RAA is one of the very first government organizations to go online. It started issuing online audit clearance certificates in January 2010. Also the dzongkhag-based agencies being audited are now connected with the system, which has contributed to timely delivery of audit services. All gewog-based offices will be connected as soon as internet services become more widely and effectively available.

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25 This is an oft-recurring theme of RAA’s audit work. In successive annual audit reports, it has argued for a review of the absorptive capacity of the government to spend the allocated capital budget. The RAA’s argument is that constrained capacity impedes the effective and efficient utilization of allocated development funds. In recent years, the broad range of under-utilization of the capital budget outlay has been in the range of 27%–35% of total capital outlay. Its purpose in highlighting these numbers, the RAA says, is to show that the government is otherwise incurring cost of mobilization of resources and opportunity costs of non-implementation of other activities.
With the Ministry of Information and Communications working on establishing community centers with internet facilities in every gewog (as of March 2013, 122 were already completed), the RAA can be expected to bring its online audit clearance system to the gewog level very soon. All important documents, rulings, issues, and announcements available in the public domain of the RAA’s webpage will be widely accessible across the country.

Currently, there are 22 audit manuals and two policy documents at various stages of drafting in the RAA. The policy documents are on continuing professional development policy within the RAA, and on policy of outsourcing audit assignments. The manuals are a significant tool in building the competencies of auditors. Some of the manuals and guidelines will have little or no revisions, but there are a few that will require in-depth review and major updating to reflect the evolving developments in audit practices.

**Involvement with External Parties**

The RAA has a strong and vibrant relationship with external agencies—those that provide financial and technical assistance and those that serve as knowledge-sharing forums. The RAA has benefited from ADB assistance in the areas of audit manual preparation, computer-assisted auditing tools, and audit resource management system. Capacity-building support has been provided by the Netherlands, UNDP, and SDC in past years; and the Institutional Development Fund of the World Bank has provided institutional development support.

The RAA is an active member of the International Organization of Supreme Audit Institutions (INTOSAI) and its Asian chapter, the Asian Organization of Supreme Audit Institutions. With both, there has been a considerable amount of knowledge-sharing. INTOSAI’s motto of “Mutual experience benefits all” is incorporated in the RAA’s international cooperation and knowledge sharing (including audit materials, practices, audit methodologies, and training).

The 2008 agreement with INTOSAI Development Initiative (IDI) to strengthen the quality assurance system in RAA helped train a core group of officers at RAA. The IDI has also helped RAA in its capacity building needs assessment.

One of the primary areas of work the RAA has done with INTOSAI has been on the International Standards of Supreme Audit Institutions (ISSAI). The RAA has used these standards as a benchmark for its work, comparing it with other SAIs around the world. Already, the RAA has started the process of realigning its practices, tools, and systems with those specified in the ISSAI.

There has also been capacity building of staff from working with multilateral and bilateral agencies and other countries. These support the RAA’s Continuing Professional Development Policy under which RAA staff can avail of opportunities for in-house and external training for professional development.

For example, RAA staff have benefited from training on accountability index at the National Audit Department of Malaysia. The Indo-Bhutan Audit Training partnership helps staff in professional development by utilizing capacity building opportunities in India. In 2011, RAA participated in ADB’s first project procurement-related review (PPRR) of a selected ADB-financed project in Bhutan. Through the PPRR, ADB and RAA exchanged knowledge on audit concepts, techniques, and best practices as well as experience on fraud detection and prevention.

RAA also has independent peer review work done by the Office of the Comptroller and Auditor General of India to assess whether its operating practices, including on quality assurance, are to international standards.

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26 See pages 31-32 of RAA’s Institutional Development Initiatives (2013) for a complete list of audit manuals and policy documents under preparation.
Joint Responsibility

ACC and RAA work closely with other independent institutions in Bhutan in the fight against corruption. One of them is the Office of the Attorney General (OAG), which was established in 2008.

Previously known as the Department of Legal Affairs, the OAG has nine prosecutors who are allowed to advise on cases to the ACC, although the ACC does not normally ask for advice until the case file is submitted. The relationship between the ACC and the OAG is close. For example, of the 119 charge sheets submitted to the courts between 2008 and 2010, 71 (or almost three out of five charge sheets) were related to ACC work. In that sense, once the ACC conducts its investigations, if prima facie case is established, the OAG takes it up for prosecution.

While the OAG is not normally engaged in the investigative process of the ACC, it is actively engaged in improving the legal capacity of various accountability and law enforcement institutions. In April 2013, for example, the OAG and the Queensland University of Technology, Australia, jointly organized a workshop focusing on new legislation drafting, amendment methodology, planning and design, and usage of words and phrases in legal drafting. Non-OAG participants included officials from both legislative houses, Election Commission, the corporate sector, and other oversight agencies.

ACC also works with the judicial system which comprises the Supreme Court, High Court, district courts, and sub-district courts that deal with both criminal and civil cases (Box 13). Generally, the courts are able to fast track the cases related to ACC because the cases are well documented and have appropriate evidence.

Although the OAG’s prosecution guidelines and ACC’s referral guidelines are not contradictory, there is still room for better understanding of each institution’s functions and interpretation of their respective mandates. For example, ACC considers confiscation and asset recovery as legitimate means to recover proceeds of corruption but the courts have yet to be familiar with the modality as an integral sanction.

The judiciary’s annual conference, which is attended by officials from the accountability institutions in the country, is also an effective venue for discussing the anticorruption program and initiatives to address it, as well as exchange views on how to strengthen the working relationship among the government institutions.

Another strong partner is the legislature (Parliament) which, for its part, plays a significant role in instituting the broad facets of good governance in the country. For example, the National Assembly (one of two houses in Parliament, the other being the National Council) has passed a draft bill on the right to information, which should ensure accountability in public agencies. The bill is to be discussed in the upcoming parliamentary session and the National Council is expected to approve it.

Box 13. Working with the Courts

A recent example of the interactions between the ethics body—in this case, the ACC—and the courts was when ACC registered the Gyalpoizhing land case for prosecution with the Mongar Dzongkhag court in November 2012 even after the OAG ruled that the ACC had no legal case in the matter. In May 2013, the High Court affirmed the Mongar District Court’s verdict, which was also upheld by the Supreme Court in July 2013.

Working with the courts is an integral part of anti-corruption work, and it is unlikely that the Gyalpoizhing land case will be the last such instance of interactions between the ACC and the courts.

* The case involved the allotment of state land in Gyalpoizhing town to individuals without proper adherence to existing rules. The court found several senior officials guilty in this regard of official misconduct.

Source: ACC.
The legislative committees of the National Assembly and the National Council review legislation such as the Civil Service Act and the Anti-Corruption Act, and deliberate on findings of the annual reports submitted by ACC and RAA. Until 2013, the ACC’s annual report was reviewed by the Good Governance Committee of the National Council and the Ethics and Credentials Committee of the National Assembly. However, the Good Governance Committee in the National Assembly will henceforth review the ACC’s reports (see Box 14 for the Good Governance Committee’s recent work with respect to the ACC).

The Public Accounts Committee—which has membership from the National Assembly and National Council—has a key role in shepherding the audit findings of the RAA such that executive agencies are mandated to respond to them and report back to Parliament.

The National Assembly’s Ethics and Credentials Committee is more concerned with the development of good governance arrangements with the civil service, including internal accountability of supervisors, and information sharing among the ACC, Land Commission, Tax Authority, and other agencies. With the formation of the GGC, some of these functions have migrated to the Committee.

It is clear that the fight against corruption is not the domain of the ACC and RAA alone although they do have primary roles. How successful Bhutan will be in sustaining its good governance achievements and building on its successes to date, will be a function of the extent to which all the actors can jointly attack the problem.

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**Box 14. Parliament and the ACC**

In September 2013, the National Assembly instructed its Legislative Committee (with the work eventually taken up by the Good Governance Committee) to review the constraints faced by the ACC in not having full authority over its human resource administration and other related issues. The National Assembly extensively deliberated on the report and endorsed the recommendations submitted by the committee.

The Committee’s recommendations demonstrated the extent of thinking and analysis put into the issue.

Previous committee reports have included recommendations covering the role of internal audit, the need to sensitize local government to anti-corruption issues, the importance of government-wide ownership of the national anti-corruption framework, and the introduction of a model civil service code.

Source: ADB, based on media reports.

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27 In January 2014, the Ethics and Credentials Committee (ECC) was merged with the Good Governance Committee (GGC) of the National Assembly after the revision of the Rules of Procedures. However, the functions of the GGC are similar to those of the earlier functions undertaken by the ECC.
The newly built Supreme Court complex of the Kingdom of Bhutan at Hejo, Thimphu.
4 The Future: Getting to 20th

Young Bhutanese graduates at a job fair in the capital city.
In the discussions on what will be required for Bhutan to rank 20th in the Corruption Perception Index (CPI) survey by 2020, it is useful to review the measures Transparency International takes into account when formulating the index. This would give a good indication on what areas are generally measured by way of perception of citizens. For 2013, Transparency International used a set of 13 data sources, while not all of them were relevant to Bhutan, a vector of variables from the relevant data sources is useful to consider (see Box 15).

Box 15. Relevant Variables in Determining the CPI Rating (2013)

- Accountability of the executive body to oversight institutions;
- Access of civil society to information on public affairs;
- Nature of audits in the public sector and accountability of officeholders (i.e., asset declarations, conflict of interest, transparent public procurement systems, effective prosecution of corruption, etc.);
- Transparency in public fund usage, meritocracy in civil service;
- Independence of judiciary;
- Anti-corruption drives of government, laws on financial disclosures, nature of bureaucratic regulations and registration requirements for business and
- Powerful anticorruption laws, including provisions for whistle-blowing.

Source: Based on Transparency International.

Bhutan has already made substantial progress on many of the areas listed in Box 15. Parliament is approving a new Right to Information Act, and the independence of the judiciary in the country is well-established. Several tools, such as asset declaration, are stringently put in practice, as are service delivery standards manifest in practices such as benchmarking. Observers have lauded Bhutan’s meritocratic system of recruitment and movement in civil service—what makes the process impressive is the transparent manner in which the Royal Civil Service Commission informs the public about its work.

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[28] The data sources used to compile the index include questions relating to the abuse of public power and focus on: bribery of public officials, kickbacks in public procurement, embezzlement of public funds, and on questions that probe the strength and effectiveness of anti-corruption efforts in the public sector. As such, the index covers both the administrative and political aspects of corruption.
## Areas to Focus on

Specific areas that need to be emphasized in the coming years, which could determine the scope for Bhutan’s improved performance in the 2020 CPI ratings include: (a) mainstreaming ethics and value-based system, (b) strengthening service delivery mechanisms, (c) further simplifying the regulatory regime, including tackling challenges in procurement processes, and (d) strengthening the institutional capacity of key ethics institutions.

Three of these four areas are part of the strategic objectives of the government’s National Integrity and Anti-Corruption Strategy (NIACS), 2014–2018 (see Box 10 in Chapter 3). Each merits further discussion.

1. **Mainstreaming ethics and value-based systems**

   Much progress on instituting a durable ethics and value system in the public sector and across society will be required in order for Bhutan to get to the higher level of the CPI ranking.

   At the moment, the ACC feels more could be done to strengthen integrity development and education on values in the curriculum of education and training institutions. Targeting dissemination of the appropriate value system and knowledge through schools and vocational and other training institutions will be an effective way to sustain the good work that has been initiated. Inculcating the values of integrity in the youth is a powerful way to build a strong ethical and value-based system in society. For this, citizenship education is a key element.

   The NIACS, which the ACC put in place, is a very good beginning. However, the government will need to continually support implementation of the Strategy in order for the country to move up the CPI ranking.

   A particular strategy that could be used more extensively across the public sector to mainstream ethics is that of social accountability. Enhancing social accountability means jointly emphasizing four core areas (Figure 11): (i) building social awareness and civic engagement; (ii) advancing information and knowledge; (iii) strengthening media engagement; and (iv) strengthening political will and support.

   All four areas of social accountability need to be jointly targeted. For example, it is clear that there is need to continue to focus on enhancing the role of the media, private sector, and external partnerships (such as with the ADB-OECD Anticorruption Initiative for Asia and the Pacific, and more active implementation of the United Nations Convention Against Corruption, UNCAC) in order to be able to sustain the efforts against corruption. This will also help build the core of the value/ethics system in the country.

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**Figure 11. Core Areas to Enhance Social Accountability**

- Building social awareness and civic engagement
- Advancing information and knowledge
- Strengthening media engagement
- Strengthening political will and support

Underlying the core component of social accountability—and the need to seek its enhancement—is the importance of strengthening political will and support for greater governance reforms in the country to ensure that a strong ethics system is in place. The government’s integrity and anti-corruption strategy for the coming years states that integrity at the top of political and public service leadership is an essential prerequisite for reducing risks associated with political corruption.

The two elected governments since 2008 have publicly supported the anti-corruption drive; the degree of sustenance of those efforts will determine just how fast and far the country will move up the CPI rankings, and thus act as proxy to show how successfully the country has been perceived to tackle the problem.

Media has played a particular role in helping bring about an ethics and value-based system. In recent years, the Bhutanese media has become more vocal, and the ethics institutions in the country have welcomed its new role in helping curb corruption in the country. With media’s considerable growth in all forms—print, broadcast, film, music, and internet—transparency and accountability have been further enhanced with increased public participation.

However, despite the common perception that the media is more active, the 2010 Media Assessment Report highlighted several difficulties that the media continue to face in Bhutan. The assessment did find that a liberalized media licensing policy has been effective in encouraging media diversity and development and that constitutional guarantees exist, which give Bhutanese citizens and the media considerable freedom of expression and speech.

But the study also revealed a need to encourage a culture of public discussion by enhancing access to the media, especially in rural districts and villages. The findings also showed a need for a stronger right to information law to be put in place in order to create a more transparent and democratic system as well as ensure that citizens could access relevant information from government agencies.

2. **Strengthening service delivery mechanisms**

The first two areas of social accountability (i.e., building civic engagement and advancing information and knowledge) have direct implications on strengthening service delivery mechanisms. Leveraging citizens’ voice through increased social accountability means using tools such as citizen report cards and community scorecards (see Box 16) to hold service providers accountable.

Both these tools should be even more widely used in the Bhutan public sector work, particularly at the local level in the context of the government’s drive to devolve more authority to districts and gewogs.

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**Box 16. Citizen Report Cards and Community Scorecards**

Two appealing tools used in enhancing social accountability are citizen report cards and community scorecards. These tools allow service providers to hear directly from the recipients about the quality and adequacy of services. The overall impact of the use of these tools is to be able to effectively match the demand and supply of services to citizens by the government.

Both emphasize the role of citizens in holding public officials accountable for the manner in which services are provided. What makes both of these tools work, however, is the transparency of the process of information sharing and of a dialogue between the recipients and service providers.

Facilitation of the process by a third party such as a nongovernment, or a community-based, organization contributes considerably to the independence and effectiveness of the process.

*Source: ADB.*
Making public service delivery simpler and more transparent contributes substantially to good governance in the public sector. The work of the Integrated Public Service Delivery System, which facilitates the provision of services through a one-stop shop modality and using an e-platform) has been a huge success. For example, people in rural areas can now get services (even as basic as applying for fencing poles) without having to travel to the district headquarters.29

The time for receiving clearances from government offices has also, in many cases, been reduced from about 30 days to seven. Also, a one-stop shop approach in rural areas has contributed to greater efficiency and effectiveness of services.

However, there is more that can be done to improve service delivery in rural areas. For many, access to services is limited to a few centralized locations, forcing them to travel several days to avail these services.

Greater use of the e-platform will enable the government to shift all e-services and it is assumed that 75% of all public services are available online. ADB is piloting a service delivery platform in the health sector (for services such as telemedicine and basic medical laboratory testing).

The Bhutan Business License e-Portal (operated by the Ministry of Economic Affairs) provides a gateway to access detailed information on relevant business licenses and permits, including requirements, costs, application forms, and contact details for the relevant regulatory and issuing agency.

Thus, continued emphasis on the use of information and communications technology (ICT) based e-governance should be at the core of improving efficiency and enabling wider reach of public service delivery.

The government has targeted linkages that focus on several “G2” services (i.e., the flow of government information and services that others use)—government-to-business (G2B), government-to-citizens (G2C), and government-to-government (G2G), as in between government agencies at the same level—such as ministry to ministry—or across different levels—such as a ministry to a district office). The primary purpose here is to promote transparency and efficiency in all government services delivered. Ten ministries, 12 agencies, and 20 dzongkhags are currently involved in providing over 200 G2C, G2B, and G2G services.

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29 In a country where approximately 80% of the people live more than an hour’s walk from the nearest road, this is an impressive service.
While the G2B and G2G services are important, G2C services directly impact the average person. The government is keen to ensure that this service delivery system is enhanced and simplified. Four key results are sought in G2C service delivery (Box 17):

a. Accessibility—providing access to services within a maximum of one day’s reach of the citizen’s location;
b. Turnaround-time—reducing this time by 70%;
c. Effective utilization of human resources—achieving the best-in-class ratio of civil servants employed in G2C services to population; and
d. Quality—focusing on continuous quality improvement in service delivery.

In parallel, the government’s ambitious Human Capacity Building project (in partnership with the Government of India)—“Chiphen Ripeg”—Enabling a Society, Empowering a Nation—is providing ICT skills to about a fifth of the population of the country. This will complement delivery of the government’s own G2C services.

3. Further simplifying the regulatory regime

As the evidence has suggested, Bhutan has some way to go in order to enable the private sector to be even more active in the economy. In general, businesses do not perceive corruption as an issue that constrains their work in the 2009 Enterprise Survey carried out by the World Bank, corruption ranked below labor regulations, transportation, business licenses and permits, tax administration, practices of the informal sector, crime, and theft and disorder as areas of business environment constraint.

“Ease of Doing Business”

One particular area where the government will need to put in reinvigorated measures in the years to come is in easing the process of doing business and all that it implies (including issues of access to credit and contract enforcement).

Figure 12 shows that in recent years Bhutan’s rank in this indicator has stagnated.

Bhutan has managed to improve in only a few components of this ranking such as enforcing contracts. The scope for corruption exists where there are no transparent systems in place and where the scope for discretionary behavior of public officials is high. As such, the regulatory and business environments need to be improved. Sooner or later, Bhutan will need to focus attention on these issues (e.g., by amending the Companies Act, as needed) if it is to attain the high ranking that it seeks.30

In March 2014, the first Better Business Summit was held in Thimphu. The Summit focused on how an enabling environment for entrepreneurship and private sector development could be fostered in the country.

30 The government has recently announced that it is targeting to advance to the list of top 100 countries in this rank in the next two years (“Breaking into the top 100 by 2016,” Kuensel, 19 February 2014.)
As a result of the summit, the government—in a recent “Meet the Press” session—announced that it will initiate a “meet the business” program to provide a platform for regular government-business interactions. The hope is that this will help better address the concerns of the private sector. The government is also set to announce the establishment of a Better Business Council.

**Procurement**

Challenges in the procurement process also impact the efficacy of the regulatory regime. As the economy expands and becomes more complex—and as public procurement becomes a substantial part of the development work (it is already about 40%–45% of the national budget)—it will remain the primary area of vulnerability if the relevant capacities in the government (particularly at the local level) are not enhanced.

This message is consistently highlighted in RAA’s audits (Table 7 documents the degree of “violation of procurement norms” at both the national and local government level). The data reveals that procurement violations are rather significant (at slightly less than 25% in 2013) as share of total irregularities at local government level and at 9% of total level of procurement violations across the country. The first measure may be more useful since the local governments have a lower share of economic activity and because irregularities in large projects situated in districts are not counted against local government accounts.

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31 In 2009, an integrity assessment survey undertaken by ACC showed “public procurement” as a major problem area in anti-corruption work in Bhutan. The complaints lodged with ACC against local public servants were also largely related to procurement.

32 The RAA defines “violation of procurement norms” to include non-deduction of rebates, liquidated damages, execution of sub-standard works, abnormal delay in completion of works, etc.
In the Annual Audit reports of 2010 and 2011, the rAA pointed out that despite tighter regulations since 2008, procurement and construction works continued to represent major irregularities in the audited agencies. In 2010, for example, the sharp increase in irregularities compared to 2009 was attributed to procurement lapses in the Drugs, Vaccine, and Equipment Division of the Ministry of Health, among others. rAA now has a separate Procurement Audit Manual, and—because procurement issues feature so prominently in construction—a separate Construction Audit Manual as well.

Similarly, the country procurement assessment review (CPAR), carried out in 2010, showed that procurement was the most vulnerable area of economic sector work with respect to the risks that Bhutan faces in its drive toward better governance.

In order to forestall problems in this area, the government will need to consider four specific areas highlighted in the CPAR (see Table 8).

Looking ahead, the main challenge for public procurement in Bhutan is to ensure that adequate capability exists for adherence to applicable rules and procedures. This is critical as the government has in place an ambitious investment program for the 11th Five-Year Plan. A governance risk assessment carried out by ADB in 2013 concluded that “any further policy development (in the area of public procurement in Bhutan) will need to be shaped less by compliance with international norms and more by the abilities of front-line staff to understand and execute any enhancement to procedures.”

### Table 7. Results of Audits on “Violation of Procurement Norms” (2009–2013)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>In Local Governments</th>
<th>% share of LG procurement violation to total procurement violation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Irregularities</td>
<td>Of which, in procurement</td>
<td>% of total irregularities</td>
</tr>
<tr>
<td>2009</td>
<td>348,340</td>
<td>64,650</td>
<td>18.56</td>
</tr>
<tr>
<td>2010</td>
<td>681,593</td>
<td>170,587</td>
<td>25.03</td>
</tr>
<tr>
<td>2011</td>
<td>770,141</td>
<td>84,907</td>
<td>11.02</td>
</tr>
<tr>
<td>2012</td>
<td>391,007</td>
<td>17,460</td>
<td>4.47</td>
</tr>
<tr>
<td>2013</td>
<td>261,464</td>
<td>23,150</td>
<td>8.85</td>
</tr>
</tbody>
</table>

LG = local government.

Source: rAA. Annual Audit Reports, various years.

In the Annual Audit Reports of 2010 and 2011, the RAA pointed out that despite tighter regulations since 2008, procurement and construction works continued to represent major irregularities in the audited agencies. In 2010, for example, the sharp increase in irregularities compared to 2009 was attributed to procurement lapses in the Drugs, Vaccine, and Equipment Division of the Ministry of Health, among others. RAA now has a separate Procurement Audit Manual, and—because procurement issues feature so prominently in construction—a separate Construction Audit Manual as well.

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### 4. Further strengthening the institutional capacity of key ethics institutions

At the ACC, a measure of autonomy/independence from the civil service rules and regulations would give it the space it needs to be able to recruit and retain qualified and incentivized staff members.33 Good practice in similar bodies across the world where corruption has been successfully fought shows this to be the case. It also shows that the independence of the national agency fighting corruption is manifest in three areas (see Box 18).

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33 On the matter of its legal independence, the ACC’s view is that this is guaranteed by the Constitution and the Anti-Corruption Act 2011 [Article 26(1) & section 5(1)]. However, this is undermined by sections 29, 53, 57, 62, 64, and 72 of the Civil Service Act 2010 and sections 8(1) and 8(2) of the Anti-Corruption Act 2011. The major issue of independence is obviously authority over financial and human resources. The ACC’s views are that after operating within the ambit of the civil service for two and a half years, it can never effectively and independently function; hence, the drive for greater delinking from the civil service.
## Table 8. Status of Work on the Four Pillars of Public Procurement

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Component</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Legislative &amp; Regulatory Framework</strong></td>
<td>Primary vs. secondary legislation</td>
<td>Would procurement provisions have greater legitimacy if they were enacted as primary legislation rather than secondary legislation implemented by administrative directives from the Ministry of Finance? As procurement levels rise substantially given the pipeline of large-scale projects, this is a valid issue.</td>
</tr>
<tr>
<td></td>
<td>Application across agencies</td>
<td>The regulatory system applies to all public agencies except SOEs, which have the authority to adopt their own rules and regulations so long as these are consistent with the principles of the procurement rules and regulations; the Bhutan Power Corporation, for instance, has its own regulations.</td>
</tr>
<tr>
<td></td>
<td>Debarment rules</td>
<td>The ACC and the Ministry of Finance in 2013 finalized the Debarment Rules, which now need to be put into operation.</td>
</tr>
<tr>
<td><strong>2 Institutional Framework &amp; Management Capability</strong></td>
<td>Development of a professional cadre</td>
<td>Professional qualifications are being developed by the Chartered Institute of Purchasing &amp; Supply. Both RIM and RUB play key roles in enhancing these. Sustained emphasis is needed on continued provision of training opportunities for procurement personnel. A procurement cadre has been established and is governed by Bhutan Civil Service Rules and Regulations, 2012.</td>
</tr>
<tr>
<td></td>
<td>Procurement planning, information, &amp; monitoring</td>
<td>Aggressive follow-up is required to ensure that all agencies prepare procurement plans. PPPD should also have greater capability to quickly respond to queries from government agencies and local governments, and to monitor their work related to procurement.</td>
</tr>
<tr>
<td></td>
<td>Organizational arrangements</td>
<td>The current PPPD under the Ministry of Finance could be upgraded to a department so that it would have more influence.</td>
</tr>
<tr>
<td><strong>3 Procurement Operations &amp; Practice</strong></td>
<td>Contract monitoring and administration</td>
<td>While in the past, poor quality of construction work was mainly due to the lack of on-site monitoring, there is also a gap in quality assurance to supervise large-scale works. Chronic shortages of civil engineers, as well as procurement specialists, continue to pose risks.</td>
</tr>
<tr>
<td></td>
<td>Level of trust between the contracting industry and government</td>
<td>Following a patch of some degree of mistrust (particularly on issues such as defects liability period and cost escalation provisions), this has been better in recent years. The main task is to ensure that the trust factor continues to remain strong.</td>
</tr>
<tr>
<td></td>
<td>Arbitration process</td>
<td>The Alternative Dispute Resolution Act has enabled the Construction Development Board to be at arm’s length from the parent ministry so that its arbitration work on contract disputes is perceived as being fair.</td>
</tr>
<tr>
<td></td>
<td>Access to credit</td>
<td>This is currently a serious issue. RMA has a raft of measures in place to improve the operation of financial markets over time but the recent credit crunch continues to be a concern for availability of finance.</td>
</tr>
<tr>
<td><strong>4 Integrity &amp; Transparency</strong></td>
<td>Integrity pacts and relevant audits</td>
<td>The ACC’s integrity pacts help to reduce the scope for corrupt practices during procurement, and the RAA has prepared an Audit of Construction Manual and an Audit of Procurement Manual. A dedicated team has also been set up in the RAA for construction and procurement audits.</td>
</tr>
<tr>
<td></td>
<td>Internal audit capacity</td>
<td>This capability needs to be improved outside the RAA. Internal auditors are often recruited directly after graduation without the necessary skills.</td>
</tr>
</tbody>
</table>

ACC=Anti-Corruption Commission, PPPD=Public Procurement Policy Division, RAA=Royal Audit Authority, RIM=Royal Institute of Management, RMA=Royal Monetary Authority, RUB=Royal University of Bhutan, SOEs=state-owned enterprises.

Box 18. What Makes an Anti-Corruption Commission Independent?

International standards and good practice have identified three key components of independence for anti-corruption bodies: (a) measures to safeguard the institution from undue political influence; (b) adequate financial and human resources, and related procedures; and (c) internal and external checks and balances.

As such, measures to safeguard the constitutional role of the ACC in Bhutan have been summarized as follows by the independent study carried out by the Basel Institute on Governance in 2013.

<table>
<thead>
<tr>
<th>Domain of Independence</th>
<th>Suggested steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freedom from undue political influence</td>
<td>• Enhance transparency and clarify existing procedures (or create new ones, including in Parliament)</td>
</tr>
<tr>
<td></td>
<td>• Amend relevant parts of the Anti-Corruption Act dealing with operational and organizational structure</td>
</tr>
<tr>
<td>Freedom to manage resources</td>
<td>• Introduce binding provisions on budget allocation to ACC</td>
</tr>
<tr>
<td></td>
<td>• Enable quick access to extra funds or human resources for complex or high-profile cases</td>
</tr>
<tr>
<td></td>
<td>• Strengthen internal financial procedures</td>
</tr>
<tr>
<td></td>
<td>• Delink ACC provisions from those mandated by the Royal Civil Service Commission*</td>
</tr>
<tr>
<td>Adequate checks and balance</td>
<td>• Establish oversight over the ACC’s investigative practice and its human resource management</td>
</tr>
<tr>
<td></td>
<td>• Strengthen external oversight, including agreement with RAA on appropriate audit procedures</td>
</tr>
</tbody>
</table>

* On this issue, the ACC said in its 2012 Annual Report that a proposal for delinking the ACC from the civil service has become “compelling and opportune” (p. 23.).


A study done in 2013 by the Basel Institute on Governance for the ACC concluded that while the broad principle of independence is provided for in the Constitution, there are several areas that may cause limitations to the independence of the ACC (Table 9 in Box 18); these merit a closer look by the government.

As for staff size, the ACC has managed to ramp up the number of employees (from 8 in early 2006 to 72 in 2014). However, it has also pointed to gaps in its capacities to effectively sustain its work, including continuing to experience a perennial and pressing challenge in recruitment and retention of good professionals, particularly at mid-level.14 Largely to work around these constraints, the ACC has begun to recruit staff, for example, legal

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14 ACC currently has a large number of young staff members. There is a huge mid-level vacuum coupled with RCSC-imposed restrictions in promoting young officers with high leadership potential and reluctance of in-service civil servants to join the ACC. The small cadre of senior members is also unable to sufficiently guide and mentor the young team members—hence, the ACC’s drive to target mid-level professionals.
officers—on contract with flexible contract allowance. The RCSC, for now, has endorsed such moves by the ACC.

Still, the ACC has done a commendable job of helping its staff members gain opportunities to develop professionally. It seeks to ensure that appropriate opportunities are made available through training and exchange of experiences and knowledge with leading anti-corruption agencies in the region and beyond. Such opportunities are also seen as appropriate platforms to share ACC’s own experiences. ACC staff that have had opportunities to attend the various regional and international workshops, meetings, and sessions have done so in various fields of financial disclosure, anti-corruption and asset recovery, legislative drafting, human values and professional ethics, and institutional integrity management and investigation.

The ACC has also benefited from strengthening efforts in the policy and legislative arrangements against corruption, particularly evident in the amendment to the Anti-Corruption Act, 2011; Gift Rules, 2010; Prosecution Referral Guidelines, 2008; and Debarment Rules, 2013.35 A more institutionalized relationship with key ethics institutions (such as the RAA) would further strengthen their synergies, which would assist in better combatting corruption on the ground.

The ACC’s capacity to work more effectively on the ground would also be enhanced if there were a greater degree of collaboration with civil society organizations. The ACC has rue’d that despite having signed MOUs with seven of these, the partnerships have not been strengthened. This is an important issue because fighting corruption without the participation of civil society organizations is a tall order.

As for the RAA, it has identified several challenges that it faces going forward (Box 19). To respond to these challenges, its institutional development plan for 2013–2018 highlights several responses. All these initiatives, however, will need to be resourced adequately. They will allow the RAA to possess the necessary capability to fulfill its mandates more effectively in the years to come. The RAA is of the opinion that this, in turn, will enhance G2C service delivery and thus reduce corruption vulnerabilities.

### Box 19. Key Challenges Facing the Royal Audit Authority

The RAA has identified several challenges in its work going forward. Some of the more serious ones include:

1. Expectations on RAA have substantially increased since the democratic reforms have been in place.
2. RAA is required to upgrade its technical standards to those of the International Standards of Supreme Audit Institutions. This requires substantial investments in its processes, systems, and human resources.
3. Given the rising complexities in the work of the public sector, the RAA is required to be on top of these developments and complexities. For this, it needs competent human resources, among others.
4. Physical facilities of the RAA are in need of strengthening (e.g., the regional offices of RAA in Phuentsholing and Bumthang are in rental premises thus compromising confidentiality of RAA work).


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35 In November 2013, ACC organized a tripartite meeting with major partner agencies toward implementation of these Rules, including the modalities of their operationalization (prepared in close consultation with the Public Procurement Policy Division – PPPD, and Construction Development Board) and effective functioning of the Debarment Committee. Follow-up work is ongoing to give effect to the Rules.
Table 10 shows that the staff size at RAA has shown an appreciable increase since 2006 when there were 192 employees (however, since 2009, the RAA has tended to have around 230 to 235 staff members). In the recent past, it has had difficulties in attracting qualified professionals in the areas of performance audit, IT audit, environment audit, and financial audit.

The RAA now has a dedicated division to follow up on audit issues, and quality assurance. In 2011, it upgraded this unit to a division headed by an Assistant Auditor General.

Its four regional offices (in Bumthang, Tsirang, Phuentsholing, and Samdrup Jongkhar) allow the RAA to reach out to local governments in providing services efficiently. The Audit Training Center being constructed in Tsirang will help decentralize the RAA capacity building portfolio of work. However, resource constraints prevent the regional offices from providing a more efficient and effective range of services.

Since video conferencing facilities were installed in the RAA in 2011, communication between headquarters and the regional offices has been more effective and efficient.

Work on the two policy documents in RAA mentioned in Chapter 3 will be significant for the RAA to strengthen its work. The first—one on revamping the continuing professional development policy—will incentivize staff members to avail of professional development opportunities. Given the RAA’s active participation in regional and international forums, and its enduring partnerships with bilateral and multilateral agencies, such opportunities should not be scarce.

The second policy paper that is being finalized—one on outsourcing audit assignments—will also substantially impact the capability of the RAA. The implications of this policy being accepted by the RAA management and the government are numerous: (i) the RAA can free up resources (both human and financial) to carry out more complex audits; (ii) it will demonstrate that there is a degree of trust placed by RAA in the work of the party being outsourced if the initial selection process is rigorous; and (iii) there may be a “perception gap” in the minds of those being audited if the quality of the work, or the follow-up, is not up to expectations. This downside risk of a “perception mismatch” is something to which the RAA may have to give due consideration should an extensive outsourcing policy be taken on board.

However, it is not yet clear how or even whether the outsourcing will include only “business-as-usual” work of the RAA (e.g., some nonsensitive audit, or a noncomplex one).

In both the ACC and RAA, issues of inadequacies of financial resources will be important. While both agencies have maintained that this is not a serious constraint at this moment, experience from elsewhere shows that the government would be prudent to keep this potential institutional vulnerability in mind (see Box 20 and Table 11).
Conclusion

The four areas of focus will surely task the government in the months and years to come. However, the ACC is of the view that continued demonstration of political will is necessary and sufficient to ensure that Bhutan stays on the right course.

The ACC has always reiterated that the controlled status of corruption in Bhutan is largely due to the “fear factor,” which is not a sustainable and a long-term solution to the problem. ACC believes that the main cause of corruption in Bhutan is system deficiencies or nonenforcement of rules, procedures, or oversight functions. The system thus offers opportunities to public officials with corrupt intent. As a result, more than one-third of complaints are administrative in nature and shared with the agencies for administrative inquiries. The ACC thus believes that the scope of improvement is sustainable if systematic flaws are addressed by agencies in their collective drive against corruption (e.g., by aggressively implementing NIACS).

Political will, as applied in this context, is about ensuring that (i) a vision of ethics and value-based governance is clearly laid out and adequate resources are made available for its implementation; and (ii) all stakeholders throughout the country are engaged actively.36

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36 The ACC appears to have some reason to raise this particular point. In its 2012 Annual Report, the ACC lamented that the government agencies’ response to the National Anti-Corruption Strategy Framework had been “lukewarm” (p. 2), and that anti-corruption and integrity promotion measures were seen as mere bureaucratic imposition rather than as being integral to strengthening the internal system of governance.
This gamut of engagement from the top to the bottom (grassroots level) is a tall order. But the government’s pledge of ensuring “prosperity for all” through effective empowerment of the people (“Wangtshe Chhirpel”), if put into practice as stated, could be a way of ensuring that engagement.

The ACC leadership has mentioned that the true measure of the ACC’s success is to be in a position where its own existence is redundant (implying that anti-corruption work will have ideally been mainstreamed into the work of all agencies). As impressive as its work has been over the years, the ACC’s role is still deemed critical in Bhutan.

In particular, as the exercise of politics becomes increasingly embedded in daily public life, and as associated ills (such as influence-peddling) may be manifest, a central agency that will be at the vanguard of ethics and ethical behavior will be needed. The ACC is already set to play that role well.

While it is not realistic to accept that the ACC will be redundant by 2020, as long as the country can sustain the political will, there is no reason why it cannot continue to show impressive results on the anti-corruption front.

“A typical risk area... in a nascent democracy is political corruption, where elected officials and candidates to public office as well as the electorate are inexperienced in political and electoral processes, thereby creating opportunities for misuse of the democratic system.”

Dasho Neten Zangmo takes part in the “Run Against Corruption” campaign in 2008. She recalls that the fact she fell in the course of the run made her realize the importance of getting up after every fall.

The ACC’s 2012 Annual Report stated that political and electoral corruption is an area that is “fast emerging” (page 2).
Annex

From the Frontline

Experiences & Opinions
Experiences with ACC & RAA

“We made more enemies than friends”

Ugyen Wangdi, ACC’s first legal officer (2006–2007) and later Member of Parliament

As the first lawyer of the ACC, Ugyen Wangdi and his colleagues had to work “day in and day out” to ready the ACC Bill for submission to the National Assembly.

After the Anti-Corruption Act 2006 was enacted, the ACC began investigating corrupt practices such as the land scandal cases in Gelephu and Thimphu City Corporation, and fraud cases at the Royal Insurance Corporation of Bhutan Ltd.

In the beginning, the ACC received very little cooperation from the agencies confronted.

“Besides constant threats from the people involved in the investigations, we made more enemies than friends,” he said. “At times, it was difficult for us to visit offices freely and interact with civil servants. We felt insecure even in market places. Thankfully, nothing happened.”

Ugyen Wangdi later chaired the parliamentary Legislative Committee as National Assembly member. The Parliament, he recalls, debated on prison terms for those convicted of corruption and came to the conclusion that heavier prison terms alone, without other strategies, would not prevent corruption.
“We did not compromise professionalism”

Lyonpo Sonam Tobgye, Chief Justice of Bhutan and the first Auditor General (March 1985 to August 1991)

It was not easy. Fortunately, my colleagues in the RAA were very good, fearless, and innovative. Indeed, the auditing of the Fifth Plan was the watershed in the history of auditing. With fewer staff, we had to seek maximum output with minimum resources.

We had difficulties. Those audited felt that we were too tough whilst others in government thought we were too lenient. Both had misconceptions: we did what we ought to do without fear and favor, not what we were told to do. We did not have any propensity to claim fame and avoid blame. We did not compromise professionalism.

The results were remarkable. Financial discipline and respect for the rules and regulations were inculcated.

After six years and five months, I left the institution I loved and respected with pride and satisfaction.
When I joined public service in early 1978, the first thing I came across was the Financial Manual. Of the eight volumes it comprised, one was the Bhutan Civil Service Rules and other the Audit Manual. The rules were introduced in 1972 and upgraded from time to time.

An important milestone was the creation of the National Finance Service under the control of the Ministry of Finance. All new entrants were provided specific training at the Royal Institute of Management.

The drive to instill financial discipline was strongly backed by the auditing system, which was also put in place very early on. One of the strongest measures contributing to accountability was the introduction of an audit clearance certificate in the early eighties. This was required whenever a public servant’s career enhancement was considered. Later, in my service with RAA, we devised a system of fixing accountability for each observation. We pointed out direct accountability and supervisory accountability, thus bringing the heads of organizations into the picture.
“It was a challenge.”


My work as Auditor General was a challenge as far as accountability and utilization of public resources was concerned.

In order to move with the times, we adopted new concepts such as Performance Audit, and IT Value for Money Audit.

And in preparation of the political changes to come, there was the felt need to draft legislation in the field of auditing and combating and preventing corruption.

Our work in the Institutionalized Annual Audit, IT Audit, and Environmental Audit was significant. We also adopted the Performance Audit, which was received very well.

Armed forces audits were my first assignment but for which I had no professional or management background!
Collective Efforts Against Corruption

“No one section of society can be clean if the rest is dirty.”

Jimi Y. Thinley, Bhutan’s first democratically elected Prime Minister (2008–2013)

Corruption-free society is a great vision that no other society has achieved thus far... Everyone has a role to play: it is not enough that ACC alone is prepared to die on the battlefront.

Relentless advocacy, intelligent laws, value education in schools, and strong self-regulation of ethical behavior by political parties and businesses are essential.

We need to recognize corruption in all its forms as, indeed, the ACC tells us. We also need to appreciate that no one section of society can be clean if the rest is dirty. Government, for instance, can never be free of corruption if those in business and politics are corrupt.

ACC needs to have a direct role in keeping our electoral process and parties clean, given the pervasive influence of politics on all aspects of life in society. If it succeeds here, fighting and eradicating corruption in all other areas will be less of a challenge.

The price of corruption is loss of freedom, justice, and equity. It corrodes societal values and threatens the integrity of our fragile ecology. It is the cause for the loss of trust in government and business and consequently respect for leaders.
“Fighting corruption is beyond the mandate of ACC alone.”

Tharchen, Chairman, Public Accounts Committee (PAC), National Assembly (2013-present)

The role of Parliament in curbing corruption is to enact stringent anti-corruption laws; strengthen the role and independence of the ACC both in human resources and finance; recognize and highlight the prevalence of corruption in government as well as in private and corporate institutions; fix accountability on institutions and individuals, and initiate public hearing and create awareness on social accountability to the general public.

I believe that, in general, our Anti-Corruption Act has adequate provisions; however, fighting corruption is beyond the mandate of ACC alone—it requires necessary support from independent institutions like the Royal Civil Service Commission, Office of the Attorney General, and the courts. Therefore, it’s important to review legislation of related institutions and make them more appropriate.
“Leading by example is not an option but a necessity.”

Lyonpo Sonam Kinga, Chairperson, National Council (2013-present)

ACC’s uncompromising and ethical approach to tackle corruption has earned it a place in Bhutan’s governance process. This, in my view, is a great accomplishment both of ACC leaders and its staff. ACC has come under criticism and, sometimes, undue pressure. This, however, is only a consequence of its boldness. What ACC stands for and what it does matter in our public life!

Rigorous integrity checks and assessments of public servants as well as corporate and private employees (and particularly their leaders) must become the benchmark of building public confidence in governance.

The legislature can do a few things too in the fight against corruption. First, it must lead by example: this is not an option but a necessity. Second, it must continually assess government’s commitment to, and implementation of, anti-corruption strategies. Third, where laxity is perceived in terms of holding public officials to account for corruption-related activities, the legislature must demand and push for greater accountability.
“Corruption is everybody’s fight.”

Dawa, a senior national television news presenter

Dawa—a senior national television news presenter—says that in his early days as a journalist when he began his career ten years ago, it was rare to hear people talk about corruption. “My job required me to educate people on the importance of washing hands before eating instead of going after some officials embezzling public funds.”

But in 2006, he understood the gravity of the issue while moderating a live panel discussion, and has since been educating and making people aware of the forms, extent, and costs of corruption.

“It is everybody’s fight,” he says.

Tenzin Lamzang, a print journalist who has done some extensive coverage of issues of corruption in Bhutan, believes the media has been a game changer in terms of fighting corruption in the country.

The overall process of democracy, he says, opened up the media environment and freedoms that gave investigative journalism a boost. Newspapers, in particular, exposed various forms of corruption in government procurement, land ownership, and nepotism in the last five years.

“The political and societal discourse and narrative on corruption have strongly been impacted by the media. For a society that is not used to criticizing the powerful, the media has been an instrument to bring the corrupt to account.”
Bhutanese journalists question the previous government at the monthly “Meet the Press” program at the Convention Centre in Thimphu.
Views from the Ground

“We cannot be complacent.”

Views from rural Bhutan

Dawa Tshering, a 49-year old farmer from Samkhar in Trashigang, says, “Yes, there is corruption in Bhutan.” However, he feels it may not affect him “at a personal level.”

His counterpart Ugyen Tshering, 37, from Trongsa says that corruption particularly affects the poor as it leads to unequal distribution of public resources and opportunities. “Those guilty must be prosecuted and punished,” he says. “There is no other way to stop it.”

Dorji Thinley, 29, from Wangduephodrang feels that the ACC must be more vigilant than ever before. “We are lucky that there is very little corruption in Bhutan but we cannot be complacent.”
“I simply hope and pray that over time, Bhutan becomes a corruption-free country.”

Phub Tshering, 3rd year student, Sherubtse College

Tashi Dhendup, a trainee with a vocational institute in Trashiyangtse, wants to become an entrepreneur and says that how he performs would depend a lot on the policies and bureaucratic systems in place.

“I hope it’s a clean and smooth process out there,” he says, adding that he was aware that corruption in Bhutan did exist in certain pockets but it was not as bad as in some other countries.

Phub Tshering, a 3rd year student in Sherubtse College, Kanglung, says subtle forms of corruption do exist in the country as evident in the 2013 parliamentary elections where the media houses, although mandated to be apolitical, supported certain political groups. He is worried that corruption, if not controlled, would affect his future, including his ability to find a job.

“I simply hope and pray that over time, Bhutan becomes a corruption-free country.”
Satirical Commentary

The subject of good governance, in general—and of mismanagement and corruption, in particular—has always been of substantive interest in the media. That the press in Bhutan regularly features satirical commentary of the type exemplified here demonstrates two facets of note: (a) that there is a vibrant press in Bhutan, one that does not necessarily pull any punches when it comes to commenting on sensitive subjects; and (b) that successive governments have been remarkably tolerant and accepting of such commentary.

Zero tolerance of corruption. The Prime Minister struggles to juggle several issues particularly after making a commitment to “zero tolerance” against corruption. - 16 May 2009, Kuensel.

“Kidu” refers to a social safety net instituted by the monarchs to address the grievances and needs of the vulnerable people (such as the economically disadvantaged, destitute, aged and disabled people, landless farmers, and students) with a clear objective of improving the lives of the beneficiaries.

Gyalpozhing Land Case. Two protagonists share their views on the high profile Gyalpozhing land allotment case investigated by the ACC. The ACC published online a list of names of plot holders who had illegally acquired plots in Gyalpozhing. - 7 September 2012, Kuensel.
OAG & ACC Tussle. Citizens discuss the Office of the Attorney General (OAG) filing a case against the Anti-Corruption Commission (ACC) for the second time on ACC’s legality to prosecute the Gyalpoizhing plot allotment case involving members of the executive government. - 8 December 2012, Kuensel

Whither Transparency? When the government began appointing media focal persons in the ministries, the move was perceived as an important step toward imbibing transparency in the bureaucracy. However, the initiative backfired because the media focal persons were neither adequately trained nor given the authority to release information. - 16 January 2013, Kuensel

Politics. A satirical take on the four pillars of GNH and the politicians perceivably bogged down in mud-slinging, with the people being the ultimate losers. - 18 August 2011, Kuensel

Investigation of MoH. A satire on major problems unearthed by the media with health ministry’s procurement system. - 21 October 2008, Kuensel
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With Special Thanks to the Royal Government of Bhutan
Bhutan has made impressive gains in social, economic, and political development over the years. Its unique approach in this regard—encapsulated in the philosophy of Gross National Happiness—serves as an anchor for sustained efforts at holistic development. The drive for good governance in the country has been a consistent, and well-supported, development objective of the government; the commendable work of the Royal Audit Authority and the Anti-Corruption Commission is testimony to this commitment. This book, in the main, tells the story of the work of these two organizations.

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