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ROYAL GOVERNMENT OF BHUTAN
ANTI-CORRUPTION COMMISSION

"NATION'S CONSCIENCE"
THIMPHU, BHUTAN

ACC/PREVENTION-02/2007/9 05

February 12, 2007

Home & Cultural Affairs Secretary
Chairman,
Committee of Secretaries,
Tashichodzong

Sub: **Measuring and Reducing Administrative Burden: Creating an Enabling Environment & Preventing Corruption**

Ref: **Finance Ministry's Letter no. DADM/RNE/02 date January 5, 2007 (with our letter & proposal)**

Dear Dasha,

"Henceforth, our responsibilities will always be first and foremost, the peace and tranquility of the nation, the sovereignty and security of our country, the fulfilling of the vision of Gross National Happiness and the strengthening of this new system of democracy. To fulfill these aspirations, in this age, we must first build a strong and dynamic economy. And doing so we must remember that as a landlocked nation with a small population, it is vital that whatever we do, we work harder and do it better than other nations. For a small kingdom, excellence must be the only standard." (His Majesty the King's 99th National Day address to the nation).

"The policy of decentralization – a royal initiative- culminated in the devolution of all executive authority to an elected council of ministers in 1998. His Majesty the King bestowed on the Lhengye Zhungtshog a clear mandate to take the nation forward into the era of governance and as one of the first responsibilities, the Lhengye Zhungtshog was entrusted with the task of streamlining the Bhutanese civil service. It is in this environment of political change that the Council of Ministers has initiated this reform exercise (1999 Good Governance Initiative) to review, rationalize and find solutions to strengthen the Bhutanese bureaucracy. In many organizations there are too many layers of bureaucracy, e.g. "circle," "wings," etc. and too many compartmentalization within the same office. In addition, it is evident that inappropriate and inefficient use of manpower, duplication of roles and responsibilities prevail and unnecessary posts are created simply for career advancement avenue. Having focused on the future we are building a strong foundation for

FIGHTING CORRUPTION IS A COLLECTIVE RESPONSIBILITY

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enlightened governance in the 21st century. Effective and efficient civil service, dynamic private sector, active peoples' participation and a stable government are some of our Hopes and Aspirations for the New Millennium. A governance that is responsive to the needs of our people, which is closest to the heart of our beloved King." (Excerpts from the 1999 Good Governance Initiative).

"Many of the recommendations emanating from this reform (1999 GG Initiative) have been implemented, but the core issues relating to coordination, quality and delivery of services still prevail. Large segments of the Bhutanese society are no longer content to regard the government as the benevolent benefactor, but expect it to be a responsible and responsive institution that serves the current and emerging needs of the populace towards realizing Gross National Happiness (GNH). Overall, citizens expect higher standards and greater range of services from the government, delivered by a small and compact public service. It (GG+) recommends pragmatic solutions to resolve fundamental issues of form, structure and sharpening the roles of each institute and defining their interdependence to ensure a unity of purpose in the present and the new democratic Constitutional System. It seeks to exploit information technology to deliver new services and for sectors to re-engineer the processes of traditional service delivery. Overall, it tries to lessen bureaucracy and reinforce the value of service delivery over form and procedures. Ultimately the impact of these public administrative reforms is expected to give a new image and character to the public service representing high degree of professionalism and dedication. All rules should be reviewed and updated periodically to ensure that they do not constrain the effective implementation of programs and management. It should be also ensured that there are no exceptions to any rules at any levels (189th recommendation), interagency coordination to minimize duplications (157th recommendation), establishing one-window service (159th recommendation), customer oriented service (160th recommendation)." (Excerpts from 2005 Good Governance Initiative).

The above quotations clearly highlight government's development priority and commitment to creating an enabling environment for achieving the national goals. A strong and dynamic economy is our King's strategy in building a united, secure and a happy nation. For the economy to be strong and dynamic, the main machinery – organization, system and people, has to be well "oiled." Conscious articulation of GNH in the day to day work of an organization, appreciation for efficient customer service culture and determination to attain excellence, the indicators of a responsive and dynamic bureaucracy, have to be conscientiously promoted in our system.

A system is created to achieve the political, social and economic goals of a nation. Regulation, an inherent element of a system, is important in governance but should not be an end or an objective in itself, but a means of assuring public interest or a public goal. Overregulation makes it difficult for people to grasp and hence hinders compliance, becomes unnecessarily time consuming and irritating. Further, when there are unclear and conflicting policies and laws, long processes and over-regulation, administrative burden and costs to the government, private sector and the people are huge and stunts economic growth as these irritants discourage business initiatives; corruption finds refuge in the jungle of unclear and unnecessary regulation and procedures.

While regulation is a major instrument of government policies, their quality has to be ensured by a process of regular reviews focusing on their objectives, costs and benefits. Compliance with increasing volume of regulation without clear benefit or purpose can be costly to the government, economic agents and the public. **Process and rules driven management paradigm with an emphasis on hierarchical decision making and control have to give way to decentralized result-oriented system based on principles that centre on entrepreneurial dynamism and competition (9th Plan).** Policy options, laws, rules and procedures have to be simplified, consolidated, harmonized and disseminated, collaboration and coordination between concerned agencies need to be enhanced, reduce human interface through ICT and service providers.

In pursuance of the good governance policies, reinforcing the GG Initiatives and drawing wisdom from the best practices of other countries, we propose to introduce the Standard Cost Model (SCM) adapted by over 19 European countries. The developed countries growing concern over huge administrative burden borne by the government and the economy led to the formulation of SCM. Using the SCM, it revealed that unnecessary regulation and paper work cost the Danish government € 4.3 billion (2.4% of GDP) and paperwork alone cost the Dutch companies €16.4 billion a year (3.6% of GDP). Also using the SCM, the Dutch government saved € 1.9 billion with the introduction of about 100 measures and hopes to save another € 2.1 billion in 2007 with 700 more interventions.

The Standard Cost Model is a methodological approach for systematically measuring a significant share of existing administrative burdens: the burdens borne by the economy, by citizens and by public administrations which are attributable to mandatory statutory information and reporting obligations (applications, forms, statistics, supporting documentation, etc.) – in other words, burdens which are imposed by government. **The priority aim of an administrative cost measurement on the basis of the SCM is to alleviate the burden on the economy by identifying and reducing costly and time-consuming information obligations.** It represents a starting point for the elimination of duplicate information obligations, the simplification of existing obligations and the limitation of new information obligations to what is necessary. A systematic measurement of administrative costs is the indispensable prerequisite for a controlled, across-the-board reduction of administrative burdens. **A comprehensible and reliable quantitative presentation of bureaucracy reduction becomes thus possible. The SCM provides indispensable information for designing legal norms as efficiently as possible in order to avoid unnecessary red tape, simplify procedures and achieve a balanced cost-benefit ratio. For the duty of public administration to operate efficiently calls for careful management of limited government resources.** A further long-term aim of this approach is to heighten awareness of the extent and impact of the burdens imposed by government information obligations and, in the future, to consider the need for such obligations more closely in the light of their economic implications for the affected parties.

In short, SCM is considered to be an effective and accurate methodology to identify and quantify the cost of administrative action. The aim of the SCM initiative is to measure the costs entailed in compliance with regulation, design a regulation that serves its intended purpose and at the same time impose the least possible burden. More importantly, it enables to set cost reduction targets. SCM can be adapted to suit our context and needs.

The focus of the initiative will be the regulations pertaining to permits, licenses, taxes, subsidies, procurement, information gathering/accessibility, annual reports and service delivery. The SCM process would involve simplification, standardization, cancellation of obligation, removal, reduction or merging of regulation, improvement of service delivery, application of ICT, revision and adjusting new working methods. Further, it is also an integral component of the Organizational Development (OD) initiative being undertaken by the RCSC.

The Netherlands is an active member of the SCM Network; it has successfully implemented the SCM. We have sought assistance from the Dutch government and it has responded affirmatively to our request. A copy of the Finance Ministry's letter with the framework of the proposal in enclosed for information. A core group of critical stakeholders may have to be formed to lead the process to its logical end. A number of workshops and study tours involving senior and mid level officers have been planned. The core group with active participation of the ministries have to quantify current administrative costs and draw action plan to reduce such costs. It is hoped that the SCM process will become an important and an integral element of our sustained efforts towards creating an enabling environment for a vibrant economy. A work plan has to be developed duly in consultation with the principal stakeholders.

The initiative is imperative but general acceptance is crucial to achieve its intended objectives. Implementation responsibilities need to be clearly delineated, coordinated and monitored. We will only facilitate, if necessary and only in the initial phase, as part of a corruption prevention strategy.

Therefore, as part of coordinated efforts in achieving the noble vision of our Kings, the objectives of the GG Initiatives and in creating an enabling environment for growth, we seek the valuable and sustained support of the Committee of Secretaries as an institution and individually as leaders. Unless there is conviction and ownership, the initiative will meet the same fate as many other initiatives of the government. We are optimistic that with our leaders' sustained guidance and support, we can totally remove unnecessary bureaucracy that impede development, efficient service delivery and undermine our vision of Gross National Happiness and make our system truly professional, efficient, transparent and accountable.

With warm regards,

Yours sincerely,


(Netch Zangmo)
Chairperson

Encl:

- 1 Letters under reference
- 2 A document entitled "Focus on Administrative Burdens! Guide for defining & quantifying administrative burdens for businesses."

Copy to:

- 1 Hon'ble Prime Minister, Cabinet Secretariat, Tashichhodzong.
- 2 Secretary to His Majesty the King, Tashichhodzong.