

2015

Annual Report

(April - December)



Anti-Corruption Commission



credibility humility result-driven empathy accountability transparency
 leadership professionalism tenacity of purpose result-driven
 creativity Leadership integrity integrity integrity
 teamwork expediency credibility Leadership
 integrity impartiality fearlessness
 creativity teamwork credibility humility result-driven empathy
 credibility fearlessness professionalism accountability
 integrity empathy accountability tenacity of purpose
 transparency



uphold **integrity** the constitutional mandate with

Vision:

To strive towards building a happy, harmonious and corruption free society.

Mission:

To eliminate corruption through leading by example, achieving excellence in partnerships, and mainstreaming anti corruption strategies/measures in public/private organizations.



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Table of Contents

INTRODUCTION

8-9

SECTION 1

ACC AS AN INSTITUTION

11-20

SECTION 2

ACC'S PERFORMANCE

23-57

SECTION 3

THE RESOLUTIONS OF
PARLIAMENT

59-62

SECTION 4

RECOMMENDATIONS

64-65

CONCLUSION

66-67



LIST OF FIGURES AND ANNEXURES

Figure 1	New organizational structure
Figure 2	Workflow and coordination
Figure 3	Staff requirement by position level
Figure 4	Recruitment plan summary
Figure 5	Summary of backlog complaints
Figure 6	Mid-term progress against the 11 th FYP targets
Figure 7	Status of e-learning course on ethics and integrity
Figure 8	Corruption model used to estimate cost of corruption in HRM in civil service
Figure 9	Results of the SEM simulation for evaluation of the cost of corruption
Figure 10	Corruption model showing the main causes of potential wrong doing
Figure 11	Results of the SEM simulation for evaluation of the cost of corruption
Figure 12	Summary of CRM conducted during April - December 2015
Figure 13	Complaints and referrals management system
Figure 14	Average number of complaints received from 2010-2015
Figure 15	Percentage of anonymous and known complaints
Figure 16	Percentage of complaints received through various modes
Figure 17	Percentage of types of complaints received
Figure 18	Complaints by area of corruption
Figure 19	Complaints received Dzongkhag - wise
Figure 20	Complaints received agency - wise
Figure 21	Actions on complaints
Figure 22	Summary of shared complaints from April- December 2015
Figure 23	Status of complaints shared for action
Figure 24	Summary of RAA referrals to ACC from 2010 - 2015
Figure 25	Complaints investigated against complaints qualified for investigation
Figure 26	Summary of cases investigated by ACC from 2006 - 2015
Figure 27	Quantity of rice import from 2011- 2015
Figure 28	Cost of rice import from 2011 - 2015
Figure 29	Quantity of maida import from 2011 - 2015
Figure 30	Cost of maida import from 2011 - 2015
Figure 31	Quantity of sugar import from 2011 - 2015
Figure 32	Cost of sugar import from 2011 - 2015
Annexure I	ACC staff list as of 31 December 2015
Annexure I	List of investigation reports forwarded to OAG for the period 1 April to 31 December 2015

ABBREVIATIONS

ACA	Anti-Corruption Agency
ACAB	Anti-Corruption Act of Bhutan 2011
ACC	Anti-Corruption Commission
AD	Asset Declaration
ATR	Action Taken Report
BBS	Bhutan Broadcasting Service Corporation Limited
BCSR	Bhutan Civil Service Rules & Regulations
BIG	Basel Institute on Governance
BNLI	Bhutan National Legal Institute
CBI	Central Bureau of Investigation
CEC	Complaint Evaluation Committee
CoC	Code of Conduct
CoI	Conflict of Interests
CPI	Corruption Perception Index
CRM	Corruption Risk Management
CSO	Civil Society Organization
DGM	Department of Geology & Mines
DLG	Department of Local Governance
11 th FYP	11 th Five Year Plan
EIP	Ethics, Integrity and Professionalism
EIM	Ethics and Integrity Management
GPMS	Government Performance Management System
HR	Human Resource
HRD	Human Resource Development
HRM	Human Resource Management
HRO	Human Resource Officer
IACD	International Anti-Corruption Day
IDT	Integrity Diagnostic Tool
IEC	Information, Education and Communication
IMS	Investigation Management System
INR	Indian Rupee or Currency
MACA	Malaysia Anti-Corruption Academy
MoU	Memorandum of Understanding

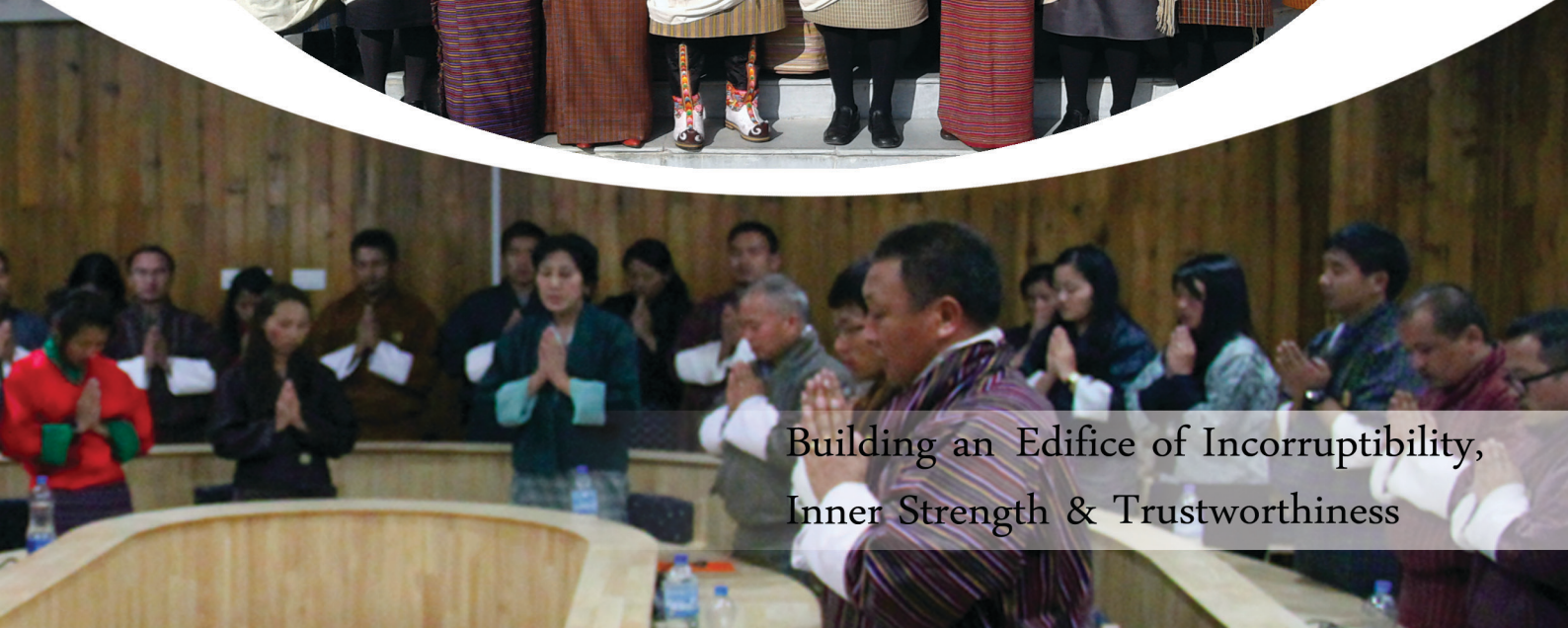
ABBREVIATIONS

NIACS	National Integrity and Anti-Corruption Strategy 2014 -2018
NACW	National Anti-Corruption Week
NKRA	National Key Result Area
Nu.	Ngultrum (Bhutanese currency)
OAG	Office of the Attorney General
PSIP	Private Sector Integrity Program
RAA	Royal Audit Authority
RCJ	Royal Court of Justice
RCSC	Royal Civil Service Commission
RGoB	Royal Government of Bhutan
RIGSS	Royal Institute for Governance and Strategic Studies
RIM	Royal Institute of Management
SAc	Social Accountability
SDC	Swiss Agency for Development and Cooperation
STCBL	State Trading Corporation of Bhutan Limited
TI	Transparency International
UNCAC	United Nations Convention Against Corruption

Adapting with
the process of



H A N G E



Building an Edifice of Incorruptibility,
Inner Strength & Trustworthiness

INTRODUCTION

The year 2015 was a landmark for Bhutan as the entire nation came together to celebrate the 60th birth anniversary of His Majesty the Fourth *Druk Gyalpo*. On this auspicious occasion, Bhutanese from all walks of life paid tribute to His Majesty's unparalleled legacy. The year also had special significance for the country and ACC in particular – it marked the completion of 10 years since the anti-corruption crusade was started under a Royal Decree issued on 31 December 2005 by His Majesty the Fourth *Druk Gyalpo*.

For the staff of ACC, 2015 was also a period of transition with the departure of the former Commission and joining of the current Commission. Chairperson *Dasho* Neten Zangmo and Commissioners Kezang Jamtsho and Thinlay Wangdi, ACC's first Commission, appointed by His Majesty the *Druk Gyalpo* on 22 July 2010 under the Constitution of the Kingdom of Bhutan completed their term on 21 July 2015. The succeeding (second) Commission was appointed by His Majesty the *Druk Gyalpo* on 31 July 2015.

In accordance with Section 169 (1) of the ACAB 2011 which stipulates “*The Commission shall, as provided for in the Constitution, submit an annual report on its policies and performance to the Druk Gyalpo, the Prime Minister and Parliament*” the Commission, so far, has submitted eight Annual Reports to the Parliament. This ninth Annual Report 2015 is the first report of the incumbent Commission.

The past annual reports covered the period from April to March. It was neither aligned with the financial year nor the calendar year. Henceforth, the report period will follow the calendar year i.e. January - December. The Annual Report 2014 covered up to March 2015. Hence this annual report covers a period of nine months only from April – December 2015, including five months of the current Commission.

This report has four sections, excluding introduction and conclusion as follows:

SECTION 1: ACC AS AN INSTITUTION

Presents an overview of ACC as an institution and its efforts in building and reinforcing itself as a trustworthy institution. It discusses the transition of the Commission and its priorities, collaboration and networking with the national stakeholders and international development partners.

SECTION 2: ACC'S PERFORMANCE

Discusses the mid-term review of the 11th FYP, performance in relation to the three core functions of public education, prevention, investigation and ACC's international standing.

Public education program takes stock of its efforts towards building an awakened citizenry through public education in the form of advocacy and behavioral change programs.

Prevention program includes research and systemic studies, implementation of anti-corruption measures such as judicial scan, social accountability, Corruption Risk Management (CRM) and Asset Declaration (AD).

Investigation function takes stock of all complaints and referrals received and cases investigated during the reporting period. International standing presents Bhutan's standings in the international and regional arena through the Transparency International Corruption Perception Index (TI-CPI) rankings which is one of the key performance indicators of the 11th FYP under its National Key Result Area (NKRA) of "*Corruption Reduced*". It also discusses the results of ACC assessments by international organizations along with broad recommendations.

SECTION 3: THE RESOLUTIONS OF PARLIAMENT

Outlines the parliamentary resolutions pertaining to ACC and their implementation status.

SECTION 4: RECOMMENDATIONS

Takes stock of the key recommendations which ACC believe are critical for it to sustain the momentum and build on the gains made thus far in upholding its constitutional mandate and is based on the experience it has gained over the decade of its existence.

Section 1

ACC AS AN INSTITUTION

1.1:	Transition – Change of Guard	11
1.2:	The Commission’s Priorities	12
1.2.1:	Immediate Priorities (2015 – 2016)	12
1.2.2:	Long-term Priorities	17
1.3:	Working in Partnership	20
1.3.1:	National Networking	20
1.3.2:	International Networking	20

ACC AS AN INSTITUTION

This section presents an overview of ACC as an institution, transition of the Commission and its efforts in building and reinforcing itself as a trustworthy institution. It discusses the priorities of the Commission, and its collaboration with national stakeholders and international development partners.

On 15 July 2015 ACC was blessed with an audience from His Majesty the *Druk Gyalpo* at its office premises. At that audience, His Majesty commanded that the motto “*clean, safe, organized and beautiful*” be pursued in ACC’s endeavours towards strengthening the nation, so that it is clearly evident to future generations. His Majesty highlighted the need for a public servant to not only be dynamic, professional and performing, but also to exercise compassion in its true essence. However, His Majesty emphasized that “*jam dang nyinje*” or compassion should not be misplaced while discharging one’s responsibilities and that the interest of the society at large and its future must prevail over individual interests in exercising this compassion. His Majesty commanded the Commission not to be complacent and to address every issue, however trivial it may appear as it carries the potential to cause far reaching damage to the society and the nation if left unaddressed.

His Majesty raised concerns on the growing complexity of corruption and the general attitude of senior public servants. His Majesty also touched upon the issue of disproportionate assets and the *modus operandi* used to acquire illegal assets. The need for an active stock exchange to encourage broad based ownership and investment by the common people to narrow rising inequalities was likewise emphasized.

His Majesty’s visit to ACC office and the audience was an occasion to celebrate, reinvigorate, circumspect and draw a deeper sense of inspiration and motivation to continue to discharge its responsibilities for the benefit of the present and future generations. The audience reassured the support of His Majesty to ACC in fighting corruption. His Majesty also underlined the need to institute an appropriate welfare scheme for ACC staff so as to provide them with a certain degree of protection from the repercussions that the nature of the job entailed.

As ACC prepared for the transition and change in leadership, the audience was timely as it enthused the staff to sustain the progress made thus far and to take it forward to greater heights.

1.1: TRANSITION – CHANGE OF GUARD

The current (second) Commission was appointed by His Majesty the *Druk Gyalpo* on 31 July 2015. Former Royal Civil Service Commission (RCSC) Commissioner Kinley Yangzom was appointed as the Chairperson while Eminent Member of the National Council Karma D. Nidup and Joint Auditor General Jamtsho were appointed as Commissioners. The Commission formally assumed office in the second week of August 2015 during which the Chief Justice of Bhutan administered the Oath of Affirmation to Office.

The outgoing Commission had done a comprehensive stock-taking of its performance and policies as reported in the Annual Report 2014. An internal report was handed over to the incoming Commission to establish institutional memory and achieve continuity in shaping the character of ACC, that is quintessentially about leading by example, being the nation’s conscience, ensuring transparency, accountability, meritocracy, cooperation, open communications, teamwork, rule of law, internalizing honesty, loyalty, discipline, fairness and courtesy. The note also reiterated strategic issues and highlighted pending matters

to guide the new Commission. In addition, the management team in ACC conducted a series of briefings to facilitate and induct the Commission.

For the new Commission, it was onboarding to understand the organization's strengths, weaknesses and strategic perspectives. The transition offered an opportunity for fresh perspectives and needed changes in the organization.

1.2: THE COMMISSION'S PRIORITIES

The core functions of ACC are prevention, education and investigation. The general perception is that the investigation function has been idealized and overemphasized at the expense of prevention and education programs. Thus, there was an urgent need to dispel this myth and to ensure balanced focus and attention to all elements of ACC functions through a structural review that entailed a clear delineation of roles and responsibilities. Further, given the high attrition rate of ACC employees, there was also a need for the Commission to focus on looking inwards and seeking solutions to stem this trend.

With the above issues in mind, the Commission conducted a review of the strengths, weaknesses and strategic perspectives of the Organizational Structure in effect. Following the review and after interaction and consultation with the staff, the Commission outlined its immediate and long term priorities which are presented hereunder.

1.2.1: Immediate Priorities (2015 – 2016)

ACC is entrusted with the critical mandate of preventing and combating corruption in the country. In order to carry out its mandate, ACC has made continuous and conscious efforts to build a professional anti-corruption cadre with a high level of motivation, integrity and professionalism. However, attracting and retaining good professionals continues to be one of its biggest challenges since its establishment in 2006. The issue has been highlighted in all ACC Annual Reports, discussed in Parliament and resolutions were passed on it. It has also received due attention at the highest level. Therefore, the first priority of this Commission is to work towards resolving the Human Resource (HR) issue. To this end, the Commission undertook organizational re-structuring and staffing as a starting point and as a fundamental intervention to addressing these HR issues.

Professionalizing internal operations of ACC, operationalizing Investigation Management System (IMS) and enhancing partnership and networking with critical partners are also being pursued simultaneously.

Organizational Restructuring

On its establishment in 2006, organizational structure of ACC was aligned along the three conventional core functions of investigation, prevention and public education. In 2013, it was restructured to comprehensively focus on vulnerable sectors and to build meaningful and effective synergy by merging the three primary functions. However, three years into implementation of this sector-based organizational structure and approach has resulted in ACC becoming more investigation-centric. The prevention and education functions were relegated to the Policy and Planning Section while Sectors were overwhelmed with investigation of cases. As such, the re-structuring neither enhanced the image of ACC as fighting corruption holistically nor demystified the perception of ACC being focused only on investigations.

Recognizing the implications of a misaligned organizational structure and the importance of prevention and education for sustaining anti-corruption measures, the Commission in consultation with its staff, initiated restructuring of ACC to make it more practical, effective and sustainable in carrying out its functions in October 2015.

In the new organizational structure (*Figure 1*), the departments and divisions are created along the functional lines so that no particular function takes precedence over the others. Among others, restructuring the organizational process is expected to enhance career paths, define roles and responsibilities and thereby help to alleviate HR issues to some extent.

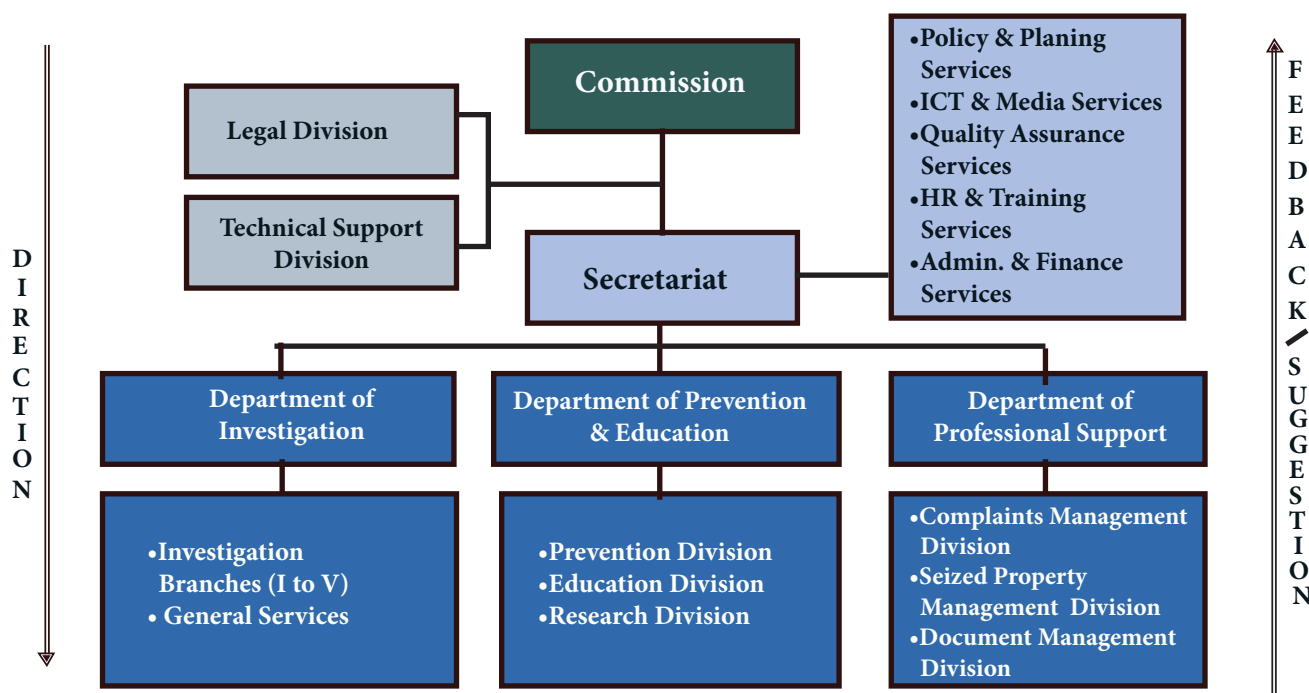


Figure 1: New Organizational Structure

The Department of Investigation and the Department of Prevention & Education will implement the core functions of investigation, prevention and education and will be supported by the Department of Professional Support, Technical Support (surveillance and intelligence) and Legal Divisions. This calls for the departments to coordinate and work closely in terms of mainstreaming anti-corruption measures and strengthening systems in the public agencies. The investigation reports of the Department of Investigation and the analysis of complaints and follow up reports from the Department of Professional Support will form the core inputs for the Department of Prevention and Education to design and implement appropriate prevention and advocacy measures (*Figure 2*).

**SECRETARIAT:
ICT & MS, HR & TS, AFS, QAS**

Organization-wide support/management: Finance & accounting, administration, HR Management & development, logistics, printing/publication, ICT, etc.

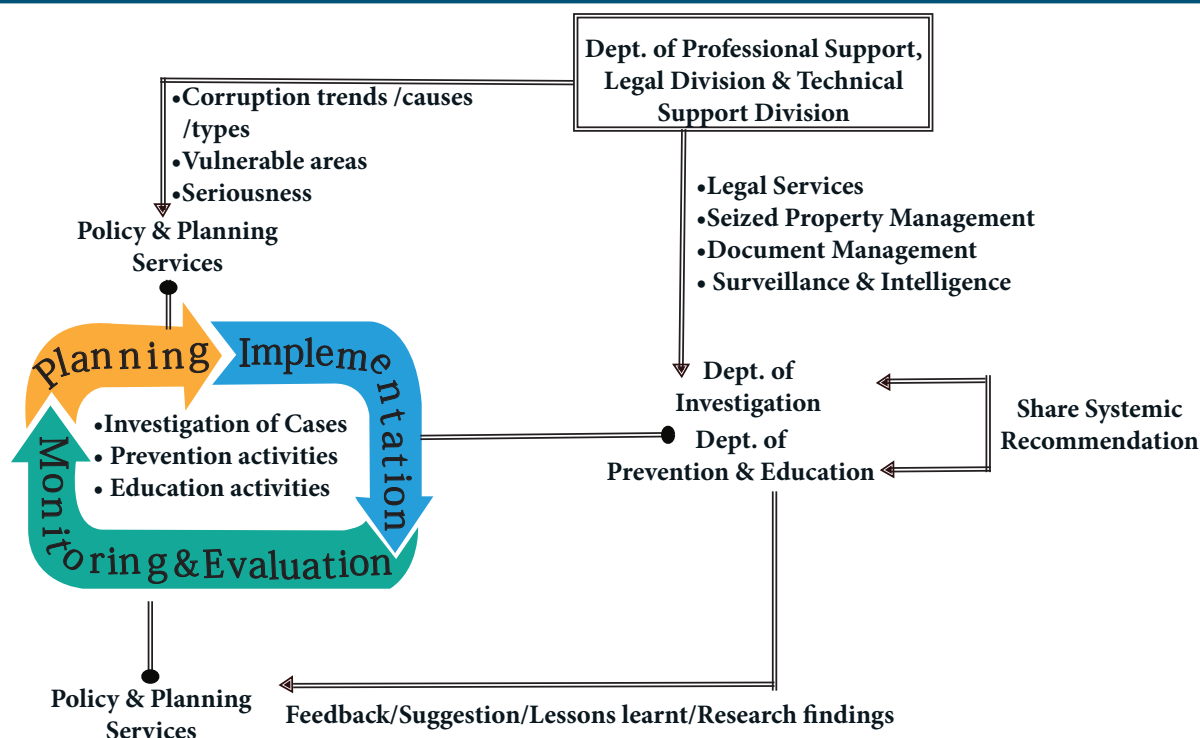


Figure 2: Workflow and coordination

Staff Requirement Projection

Taking into account ACC's current workload and its future plans while being mindful of RCSC's policy of maintaining a small, compact and efficient civil service, the staff requirement projection has been kept at its minimum. The total staff strength requirement is projected at 151 (excluding drivers, General and Elementary Service Personnel for the next four to five years (2016 – July 2020) as presented in *Figure 3*.

Dept/Division/Services/ Remarks	Requirement by Position Level							Existing	Gap
	EX	ES/P1(S)	P1	P2-P5/S1 (Officers)	S	0	Total		
Secretariat Services	1	0	2	14	9	2	28	16	12
Technical Support Division		1	1	9	6		17	5	12
Legal Division		1	1	9	4		15	7	8
Dept. of Investigation	1	2	5	37	15		60	32	28
Dept. of Prevention & Education	1		3	16	1		21	6	15
Dept. of Professional Support	1		1	6	2		10	4	6
Total Requirement (excluding drivers, GSP & ESP)	4	4	13	91	37	2	151	70	81
Existing Total	1	0	4	49	14	2	70		
Gap	3	4	9	42	23	0	81		

Figure 3: Staff requirement by position level (Includes the 3 officers recruited through BCSE and allotted to ACC from January 2016 under "Existing")

Further, ACC will pursue the following with RCSC:

- Either Chief or Principal position in P1 to head the Divisions recognizing ACC as an organization with both technical and non-technical functions and for flexibility in recruitment and filling in the vacancies; and
- Assign Integrity Promotion Officer/Integrity Promotion Asst. positions to the staff in the three departments to facilitate intra-departmental transfers etc.

Recruitment

Attracting and retaining competent and dedicated personnel despite the incentive of 20% – 45% Professional Allowance is a major challenge and ACC continues to be under-staffed thus affecting the ability of the institution to execute its functions and fulfill its mandate at an optimum level. It is overwhelmed with a huge backlog of cases that qualify for investigation. Moreover, the fight against corruption will become more challenging as new and complex forms of corruption continue to emerge over time and with rapid technological advancement. Therefore, fighting corruption will always demand highly professional personnel.

HR gap is largely in the Professional & Management position category in P1 – P3 levels. As a priority, ACC will proactively pursue the provisions of the Civil Service Act of Bhutan (CSAB) 2010, ACAB 2011 and BCSR 2012 for both pre-service and in-service recruitment. The options include Bhutan Civil Service Examination (BCSC), open competition, transfer, secondment, contract, internship/attachment/temporary recruitment, internal job rotation, and short-term assignment-based placement for joint investigations with relevant agencies. Given the current HR shortage, huge backlog of cases, growing complexity of corrupt acts, increased awareness of and enhanced demand for investigation into corrupt practices, maximum recruitment is envisaged in the first two years as shown in *Figure 4*.

Description		Recruitment Plan							
		EX	ES/P (S)	P1	P2-P5/S1 (Officers)	S	0	Total	
2016		2	Recruitment of 4 in ES/P (S) through pro-motion. Their replacements - recruitment in P-level	5	13	6	0	26	Plus 4 replacements on promotion to ES/P (S)
2017		1		4	12	5	0	22	
2018		0		0	8	5	0	13	
2019		0		0	6	5	0	11	
Jan - June 2020		0		0	3	2	0	5	
TOTAL RECRUITMENT	Total Recruitment against the Gap	3	4	9	42	23	0	77	4
								81	
	Additional Recruitment, if any:	Replacements: i) Attrition & ii) On promotion to Specialist positions - ES/P (S)							
		Carry over of unsuccessful recruitments of the previous years of 2016 & thereafter							

Figure 4: Recruitment Plan summary

ACC will endeavour to proactively recruit professionals with integrity to meet its HR requirements whereby it can grow as an institution that is ready, relevant and successful in combating and preventing corruption. The support of RCSC in this regard is absolutely critical.

The organizational structure along with the staffing and recruitment proposals is being pursued with RCSC and a positive response has been indicated.

Enhancing Coordination and Networking with Critical Key Partners

With RCSC: Taking due cognizance of the resolutions of Parliament for RCSC and ACC to mutually resolve HR issues, it is important for RCSC and ACC to establish a common understanding of HR issues that confront ACC and institute mechanisms to resolve it. Besides this, it is equally important to promote ethics & integrity in the civil service to prevent and minimize corruption and to facilitate access to and exchange of information between the two constitutional offices. Therefore it is a priority of the Commission to put in place a framework for greater cooperation and collaboration between the two institutions in this regard. To this end, a new draft MoU has been prepared and will be shared with RCSC for finalization and eventual signing. This MoU will be beneficial in addressing most, if not all of HR issues confronting ACC.

With OAG: While respecting the operational independence of the two institutions and acknowledging the mandate of OAG which prosecutes ACC investigated cases on behalf of the State, it is important for ACC to establish a clear line of communication and coordination between the two agencies. Towards this, a Working Committee comprising representatives of OAG and ACC has been formed. This Committee will meet as and when required to resolve issues pertaining to cases, judgment implementation etc. As a first step, it has started reviewing the efficacy of the existing MoU between the two agencies and will propose the necessary changes.

With CBI, India: Establishing formal links and a channel of communication with CBI, India is also a priority for the Commission. A brief exploratory visit was undertaken by the Director of ACC to CBI India in November 2015. ACC is expecting a similar visit from CBI in 2016 after which the process for a MoU between the two agencies will be initiated through the appropriate channels. In an era where corruption knows no borders and money laundering is rife, such cooperation between the two agencies is crucial to build a strong coalition against this global menace.

Operationalize Investigation Management System

Designed to support the complaint management and investigative process in ACC, IMS consists of six modules – Complaint Registration, Complaint Evaluation, Discreet Enquiry, Investigation, Follow-up, Reports and Administration. Although the system was implemented from 2011, only the Complaint Registration and Complaint Evaluation modules are currently operational. The other modules could not be successfully deployed due to technical problems. Moreover, it is a standalone system and therefore not accessible to investigators in the field.

IMS is an important tool to enhance the management of complaints and cases in ACC as it will enable the complaint and investigation workflow to be streamlined and the associated processes to be standardized. It will also serve as an information management system on complaints and cases. Therefore, the operationalization of a fully functional web-based system is one of the immediate priorities of the Commission.

A dedicated full-time IT person has been put on task and technical assistance is also being explored from the Malaysian Anti-Corruption Commission to operationalize the IMS.

Professionalize Internal Operations of ACC

In efforts to make ACC a system-driven organization, many policies, procedures, protocols, standards, manuals and guidelines have been put in place. However, there is a need to review and revise these documents based on best practices gathered over the years and the recommendations made by users, evaluators, and ACC staff.

Further, to enhance integrity of seized property and evidence, the Commission is also centralizing all seized property and evidence management functions to provide the necessary checks and balances and streamline control procedures. Two IT interns will be employed to develop the inventory management software for seized property and evidence. A separate Document Management Division will also be created for efficient management of complaint and case documents in ACC. The Division will ensure efficiency and consistency in document management with respect to access, confidentiality and security of documents.

1.2.2: Long-term Priorities

Branding ACC as an Employer of Choice

For ACC to be efficient and effective in fulfilling its mandate, it must have adequate HR. Therefore the Commission envisions making ACC a “*learning organization and employer of Choice*” to attract and retain professionals with integrity who believe in and are committed to fighting corruption. It will put in place a framework for recruiting, grooming talent and performance management based on the culture of learning.

As a priority, the Commission adopted the Human Resource Master Plan (HRMP) 2015-2020 in December 2015 which will complement and guide ACC’s HR matters with the following principles of human capital development:

- Pursue the internal environment that makes ACC an employer of choice for attraction and retention i.e. those who are already in ACC will stay in and attract potential recruits;
- Put in place a framework of nurturing and developing leaders who can nurture and develop others – work in ACC is necessarily onerous and thankless, but good leadership that promotes great camaraderie is of high value in making the road bearable;
- Prepare for transitions in leadership even before leaders transit;
- Promote a culture of learning, of truth seeking, of self-transcendence, so that adjusting to adversity can be achieved quicker, and adapting to change can be enacted better;
- Create value in the work, and develop the value of the employees; and
- Partner with the key stakeholders.

Beside ACC’s image branding with effective HRM and HRD programs in place, the Commission will endeavour to provide appropriate incentives and institute a welfare scheme for the employees of ACC.

Financial Security

ACC is highly dependent on external funds. As reported in the past reports, 58% of the total annual budget for ACC is resourced by the development partners. This is a big concern for ACC in sustaining anti-corruption programs and institutionalizing ethics and integrity promotion measures across agencies. Currently, most of the interventions are undertaken with the resources mobilized by ACC rather than the respective agencies.

Further, with the major donor partner SDC phasing out and the existing financial rules and regulations not permitting RGoB funding for HRD programs outside the country, there is a resource gap to fund HRD programs especially the mandatory courses for investigators and related professionals in ACC.

With SDC slated to wind up its support to Bhutan in September 2016, RGoB has to devise ways to adequately fund the ethics and integrity programs both at ACC and agency level. This need has been corroborated by an independent study conducted by TI using TI methodology called “*ACA Strengthening Initiative*”. The indicator on the “*budget sufficiency*” is one of the 50 indicators which scored ‘moderate and below’ and the recommendation highlights the need to have sufficient budget adapting the financing system to meet the problems and challenges arising from the changing environment while also sustaining the momentum. Moreover, if ACC is to depend solely on the discretion of the government for its funding, issues of perceived or actual conflict of interest could arise and this could undermine the ability of ACC to carry out its mandate independently.

Therefore, the Commission considers it necessary to initiate and explore funding alternatives for ACC such as a guaranteed allocation of a minimum percentage of the total national budget from the government through legal provisions; charging of expenditure directly to the Consolidated Fund of the Royal Government etc.

Reduce Backlog of Complaints

From the total of 677 complaints that qualified for investigation, 148 complaints were assigned for investigation, indicating a backlog of 529 complaints (78.1% of total cases that qualified for investigation) as of December 2015 as shown in *Figure 5*.

Year	Total Complaints received	Complaints qualified for Investigation	Cases Assigned for Investigation	Under Investigation/ pending	Backlog Cases
2006	498	47	9	0	38
2007	791	97	20	0	77
2008	366	36	21	0	15
2009	418	77	20	1	57
2010	375	45	15	0	30
2011	458	122	13	2	109
2012	415	108	14	2	94
2013	393	56	12	3	44
2014	336	47	13	4	34
2015	283	42	11	6	31
Total	4,333	677	148	18	529

Figure 5: Summary of Backlog Complaints

One of the key priorities of the Commission is to reduce the backlog to at least 40% by July 2020. Some of the strategies include desk reviews of the complaints and mop up operations. Allegations that are not likely to accrue any benefits to the State at this juncture due to huge cost implication and those not relevant to the present context will be closed.

Professionalize and Enhance Management of Complaints and Investigations

In general, to proactively manage public's anticipation and confidence, ACC will focus on further professionalizing and enhancing complaints and IMS with a fully functional on-line IMS in place. Concerted efforts to enhance public's understanding on how ACC handles complaints, makes investigation decisions, and prioritizes cases will be made. In addition to investigations based on complaints, ACC would like to conduct proactive investigations based on risks, emerging economic activity, established pattern and theory of corruption, etc. given adequate manpower. Through such strategy, ACC hopes to cope with the rising expectations of the public.

Enhance Prevention and Awareness Programs

ACC will focus on prevention and advocacy to deepen institutionalization of ethics and integrity management in public, private and civil society sectors. In particular, concretizing indicators to track progress of sectoral (public finance management, public procurement and construction, HRM, service delivery, policy-making and implementation, elections, clean and profitable business) anti-corruption programs with clear monitoring framework will be put in place. Upon integrating clear indicators and monitoring framework into Government Performance Management System (GPMS) and Multi-Year Rolling Budget (MYRB), ACC's role will be to proactively address rather than combat corrupt practices. The Commission will make dedicated effort to raise citizens' awareness against perils of the social menace – corruption, through engagement of media and civil society upon adopting a holistic communication strategy. In particular, the Commission envisages the following programs:

a. Conflict of Interest (CoI) Management

With the increased public and private sector interface, CoI, if not managed proactively increases risks of corruption. This can in particular distort competition and the allocation of public resources, waste public money and trigger well-publicized scandals that weaken citizens' trust in public institutions. While most of the existing regulations require declaration of CoI, there are no proper mechanisms to manage CoI effectively. Thus, the Commission plans to institutionalize management of CoI through integration with AD system and formulation of adequate measures to manage CoI in agencies.

b. Youth Engagement

As society continues to witness increasing ethical issues, the need for continuous ethics and integrity education among parents, children, teachers and the general public is constantly increasing. As today's youth are the potential leaders of tomorrow, their education on moral values can help break the cycle of corruption and sustain anti-corruption strategies. Such education can strengthen students' self-esteem, optimism and commitment to personal fulfillment and help students exercise ethical judgment and social responsibility.

With more than one sixth of the population comprising of students, the youth in schools, vocational and tertiary institutes provide a captive audience for imparting ethics and integrity education programs. Therefore, it is of paramount importance for ACC to develop a dedicated and concerted partnership with the Ministry of Education, Ministry of Labour and Human Resources and Royal University of Bhutan to this end. Similarly, ACC will collaborate with Youth Development Fund and relevant NGO for inclusion of the out-of-school youth in its ethics and integrity education programs.

c. Engagement with Media

Media has a critical role in raising awareness on anti-corruption measures and corruption issues and thereby building awakened citizenry to resist and act against corruption. The involvement and support of media is important for a credible and effective ACC in its fight against corruption as also to shore up its public profile and reputation. It also plays an equally important role in shaping public opinion and behavior which is crucial in sustaining the fight against corruption.

Thus, one of the Commission's priorities is to finalize the communication strategy for sustained engagement with media. Towards operationalizing the strategy, standard operating procedures on media engagement; use of social media; and public outreach programs will be developed and capacities built accordingly for effective implementation of the strategy.

1.3: WORKING IN PARTNERSHIP

Building coalition and partnership with key allies and stakeholders in particular and with all sections of society in general to generate and support an anti-corruption climate is one of the strategies that ACC has been promoting. In order to ensure that such collaborative efforts with key stakeholders are discharged in a professional manner, a clear guiding framework is required to be established.

1.3.1: National Networking

In June 2015, the “*Protocol of mutual assistance and information sharing between the Anti-Corruption Commission and Royal Audit Authority in preventing and combating corruption and promoting good governance*” was signed. The Protocol sets out the framework of cooperation, assistance and exchange of information between ACC and RAA to facilitate timely intervention to detect and report on fraud and corruption without prejudice to their respective functional independence.

Similarly, to enhance effective communication and partnership between ACC and RCSC in promoting the highest standards of ethics and integrity in the civil service and addressing HR issues, a revised MoU has been drafted and will soon be finalized with RCSC.

1.3.2 International Networking

ACC has come a long way in building and sustaining cooperation with its counterparts through participation in various regional and international forums and bilateral collaborations. Such exchange of experience and knowledge has helped in building ACC to be effective and professional and most importantly has reassured/validated that the Commission's policies and strategies are of international standards.

Partnership with SDC

SDC has been supporting ACC since 2007. In the 11th FYP, SDC under its *Democratic Governance+ Program* has allocated a total fund of Nu. 73.302 million with the following expected outcomes: *ACC remains a credible and effective institution; building strong and lasting integrity systems in the public and private sectors; and increased civil society engagement in anti-corruption efforts.*

During the reporting period, Nu.33.374 million has been allocated of which 57% is for building ACC into a trustworthy, credible and effective institution, 27% for mainstreaming National Integrity and Anti-Corruption Strategy (NIACS) in the agencies and 16% for building strong alliance with CSOs and media to strengthen integrity measures.

SDC's generous support has greatly contributed to ACC's achievements. Some of the key outcomes achieved as a result of this unstinting support are: from shyness and denial in 2006 to now an open public discourse about corruption; integrating "*Corruption Reduced*" as the 14th NKRA in the 11th FYP; indiscriminately investigating and prosecuting corrupt practices without fear and favour; professionalizing ACC's operations through complaints management policy and investigation manuals; and sustaining high "*control of corruption*" in World Bank's Governance Indicator. ACC has also come a long way in terms of strengthening the accountability, ethics and integrity infrastructure in the public and private sectors.

ADB-OECD Anti-Corruption Initiative

ACC is being invited to different forums to share its experience as it is recognized as a progressive anti-corruption agency in the region. In November 2015, a team led by the Chairperson attended the 20th Steering Group Meeting and the 13th Regional Seminar in Mongolia where Bhutan proposed to host the next events in 2016. Hosting the regional event in November 2016 will be an important platform for ACC to showcase its best practices and learn from the regional counterparts. It will also be an occasion to demonstrate the political will that exists in the country to combat corruption.

Strengthening relationship with Basel Institute on Governance (BIG)

The BIG is an independent and non-profit think tank conducting research and offering policy advice and capacity building support in the fields of public and private sector governance, anti-corruption, asset recovery, anti-money laundering and counter terrorism financing.

ACC and the BIG have had a fruitful working relationship, made possible under SDC support. A range of joint endeavors such as the development of long term Institutional Development Plan, review of the national anti-corruption strategy, development of NIACS and study on measures to safeguard Constitutional Role of ACC were carried out. The BIG also conducted trainings for the law enforcement agencies and financial institutions on conducting complex financial investigations.

With the phasing out of SDC's support to Bhutan, it is imperative that ACC sign MoU with the BIG to continue working together to draw from its pool of expertise and experience.

Section 2

ACC'S PERFORMANCE

2.1:	Mid-term Review	23
2.2:	Annual Performance	24
2.3:	Public Education	26
2.3.1:	Education/Advocacy Programs	26
2.3.2:	Behavioral Change Program	28
2.4:	Prevention	29
2.4.1:	Systemic Studies	29
2.4.2:	Reactive Studies: Emanating from complaints and investigations	34
2.4.3:	Implementation of National Integrity and Anti- Corruption Strategy (NIACS)	36
2.5:	Complaints and Investigations	41
2.5.1:	Complaints and Referrals Management	41
2.5.2:	Analysis of Complaints and Referrals	43
2.5.3:	Investigation of Cases	49
2.5.4:	Update on Investigations of Phuentsholing Case	51
2.6:	International Standing	56
2.6.1:	Transparency International Corruption Perception Index (TI-CPI) 2015	56
2.6.2:	ACA Strengthening Initiative - Assessment of Bhutan ACC 2015	57

ACC'S PERFORMANCE

This section presents mid-term review of the ACC's 11th FYP, performance in terms of its three core functions of Prevention, Education and Investigation, and its international standing. It also highlights key issues that need to be focused upon.

2.1: MID-TERM REVIEW - 11TH FYP (2013-2018)

ACC targets to achieve the following by the end of the 11th FYP: (i) building ACC as an effective and a credible institution in fostering zero tolerance for corruption in Bhutan, (ii) creating an informed citizenry to enlist their support to create a social fence against corruption, (iii) mainstreaming anti-corruption measures in public and private institutions, and (iv) deterring acts of corruption through investigations without fear or favor.

As of December 2015, aggregate achievement of the 11th FYP target was 61% as against 54% in terms of financial expenditure. Some of the significant targets achieved are: Bhutan attained 27th position in 2015 TI-CPI ranking and continuous effort is being made to achieve the target of 20th position by 2018; 98% of the general advocacy targets were achieved; eight system studies have been conducted against the target of 17; and 55% are known complaints, which has surpassed the target of 25%.

An assessment of ACC's mid-term progress against the set targets is depicted in *Figure 6*.

11 th FYP indicators	Targets	Status
Corruption reported freely by citizens (%)	Increase known complaints to 25%	55% known complaints (of which 22% are walk-in complaints).
National Integrity score	8	3 rd National Integrity Assessment (NIA) to be conducted in 2016-2017 Annual Work Plan
TI Corruption Perception Index (Rank)	20 th	27 th position in 2015
No. of cases investigated	150	65
Rate of Conviction and Prosecution (%)	95%	Conviction rate by persons charge sheeted -90% Prosecution rate by cases registered with Court -100%
Interactive sessions with schools, institutions/agencies, CSO, religious organization and Gewogs (Nos.)	General advocacy in 205 gewogs and 85 institutions	General advocacy in 135 gewogs, sensitization/training in social accountability measures in 78 gewogs and 72 public institutions and schools completed
Information, Education and Communication (IEC) Materials developed and disseminated in the media (Nos.)	50	67
System studies conducted to improve/strengthen the systems, procedures and practices (Nos.)	17	8
Functional intelligence unit (Nos.)	1	Technical Support Division established
Laws pertaining to anti-corruption amended and formulated	7	3
Networks built with international agencies (Nos.)	20	8
Delegations fielded to other anti-corruption agencies in the region/abroad to share knowledge and experience (Nos.)	20	9 delegations fielded to regional and international anti-corruption agencies

Figure 6:- Mid-term progress against the 11th FYP targets

However, the target of 60 days to complete a regular investigation and fostering partnership with 10 media houses has not been achieved. With the increasing complexity of corruption cases due to the advancements in technology, fighting corruption has become even more challenging and arduous. Furthermore, in the criminal investigations, the inevitable requirement to “*prove beyond reasonable doubt*” demands strong evidentiary documents and witnesses which in turn prolongs the investigation period. However, with the professionalization of technical support in gathering clinching information, the average number of days is expected to reduce to at least 90.

The Commission’s priorities of restructuring ACC and finalization of its communication strategy for sustained engagement with the media will greatly facilitate achievement of the targets as planned.

2.2: ANNUAL PERFORMANCE

For the reporting period, the total expenditure was Nu. 68.036 million of which Nu. 23.437 million was for the period, April – June 2015 and Nu. 44.599 million for July – December 2015.

Recruitment and Separation

During this reporting period, ACC appointed four new staff: one with diploma in national law, two with diploma in computer hardware and networking and one with diploma in civil engineering. Fortunately, ACC did not lose any staff during the period. ACC staff list is in *Annexure 1*.

Human Capital Development

ACC accords high priority in enhancing its competencies. During the report period, 44 ACC officials and staff attended HRD programs: 37 in 19 short-term ex-country trainings and regional/international workshops/seminars and seven in four in-country training programs. Six officers from the civil service and one from Druk Holdings & Investment (partner agencies) were funded by ACC for the Certified Integrity Officer course in Malaysia Anti-Corruption Academy (MACA). In addition, there were seven undergoing long term studies (six masters and one bachelors). The total investment in Human Capital Development is Nu. 11.875 million.

Gifts Declaration

One of the governing principles of ACC is leading by example. As required of other agencies, gift declaration was strictly implemented in ACC and 60 gifts were declared by the staff.

Enforcement of Ethical Code of Conduct (CoC)

As an institution of integrity, the ethical code of conduct has been enforced in letter and spirit. During this reporting period, the Commission sanctioned HR action on a staff member.

Auditing of ACC

RAA audited the accounts and operation of the LC Account of ACC and the accounts and operation of the SDC funded Project for the period 1 July 2014 to 30 June 2015. The Auditor’s Report on the financial statements in respect of both the LC and project accounts noted that “*the project had generally maintained proper book of accounts and the financial statements were in agreements with accounting records. Accordingly, the RAA has issued unmodified (clean) report*” through AIN:13127 and AIN: 13128 respectively.

ACCHD

Human Capital Development



“

Keeping conversant with
the knowledge and skills so as to remain effective in
“preventing and combating” corruption

The Civil Service Awards 2015

During the reporting period, three officials received the Civil Service award comprising two silver medals and one bronze medal. So far, 27 staff received the award since it was commissioned by RCSC in 2013.

Commemoration of ACC's 11th Foundation Day, 31 December 2015

Foundation Day 2015 was preceded by an annual *Rimdro* performed by the monks of *Pangri Zampa Tshizhung Lobdra* led by *Guenzhug Lam Neten* of the Central Monastic Body. The day was commemorated with an office picnic to strengthen teamwork and the spirit of camaraderie.

2.3: PUBLIC EDUCATION— *society to widely apply high moral principles and act against corruption.*

Public education efforts are aimed towards building awakened citizenry through advocacy and behavioral change programs. The fight against corruption can only be sustained if appropriate behavioral change is brought about and ethics and integrity are embedded at all levels of society through timely interventions and education. Advocacy programs are used for creating awareness on corruption and the means to combat it.

2.3.1: Education/Advocacy Programs

Engagement with local leaders

Analysis of complaints over the years shows that the highest number of complaints is against the local governments. Realizing that corruption at the local government level has the most damaging and immediate impact on the lives of ordinary people and their livelihood, ACC seizes every opportunity it gets to engage with local leaders in a meaningful manner. During the period under report, ACC engaged with two batches of 202 local leaders in June 2015 during the 8th Biennial Dzongkhag Tshogdu (DT) and Gewog Tshogde (GT) Chairpersons' Conference organized by the Department of Local Governance (DLG). The focus of the sessions was on enhancing accountability, transparency and professionalism in service delivery of the local governments. ACC also presented social accountability (SAc) tools and Ethics, Integrity and Professionalism (EIP) in the public service delivery.

Session on public procurement and contract administration

With increasing funds allocated for public procurement and construction, complaints related to these sectors also reflect a corresponding increase. During the reporting period, procurement and construction saw the third highest complaints with 52 complaints as presented in Section 2.3. Considering the importance of the sector both in terms of resource allocation during the 11th FYP and the susceptibility of these areas to corruption, interactive sessions on “*Public Procurement and Contract Administration*” is a regular education program of ACC. In September 2015, ACC conducted a session on “*Public Procurement and Contract Administration*” for 70 officials of dzong conservation and construction projects on the invitation of the Department of Culture. A similar session was also conducted for 65 procurement officers during the first Annual Procurement Workshop organized by the Ministry of Finance.

Sessions on Ethics, Integrity and Professionalism

Complaints pertaining to land issues feature regularly amongst the top five complaint areas. It is therefore imperative that the staff of National Land Commission (NLC) Secretariat is adequately sensitized on ethics, integrity and professionalism. During the period under report, ACC conducted sessions on “*EIP in public service delivery*” for four batches of 140 staff of NLC during the Integrated Training Program in Tashigatshel, Chhukha

During the year, ACC has also used other forums to sensitize targeted groups of people on the importance of fighting corruption and the important role of individuals in building a credible governance system. These include De-suung, the National Graduates Orientation Program and the Post Graduate Diploma Program on National Law, Public Administration and Financial Management in RIM.

12th IACD and NACW Commemoration 2015

Bhutan joined the rest of the world in commemorating the 12th International Anti-Corruption Day (IACD) on 9 December 2015 with the theme “*Break the corruption chain*” and also observed the National Anti-Corruption Week (NACW) from 10 - 16 December, 2015. ACC’s message to the public was:

“The theme for the 12th International Anti-corruption day on 9th December is, Break the Corruption Chain. As we commemorate this day and Bhutan observes the National Anti-Corruption Week (10 – 16 Dec), ACC remains committed to combating corruption without favour, prejudice or fear of consequences.

Corruption, as you know, is a social menace that affects all sections of society. The culture of complacency and tolerance for corruption must no longer have a place in our society. This calls for each and every one of us to act proactively, and do so with integrity at all times. Let us, therefore, enhance collaboration, encourage ethical behaviour and build a culture of integrity.

Collectively, We Can Break The Corruption Chain!”

The day was marked with the launch of the Business Integrity Portal by *Lyonpo* Norbu Wangchuk, Ministry of Economic Affairs which was attended by 75 participants from government, corporate and private entities. A training on Business Code of Conduct was also conducted which was attended by 17 participants at the Royal Institute for Governance and Strategic Studies (RIGSS), Phuentsholing.

In observing NACW, ACC hosted the following programs:

- Launched the TI report, “*ACA Strengthening Initiative*”- an assessment report on ACC by the Hon’ble Chief Justice of Bhutan in collaboration with Bhutan Transparency Initiative (BTI);
- Screened a Dakinny production documentary film, “*Heart in the Mandala*” - a modern Bhutanese love story, tragically scarred by a past once forgotten act of corruption for the faculty and trainees of RIM as well as aired on BBS;
- Produced and screened five TV spots (two Dzongkha and three English) titled “*Voice of the children*”: *children talking about good attributes of their parents in their professional life* in collaboration with BBS;
- BBS conducted a panel discussion on the theme “*Better Corporate Governance for sustainable economic*

development” involving officials from DHI, Construction Development Corporation Limited and Druk Green Power Corporation Limited;

- On ACC’s request, Lam Kinzang Thinlay, Principal of *Tango Sheydra* spoke on “*Tha Damtsi and Ley Jumdrey: integral to fighting corruption*” as part of *Choeshey* program of BBS Channel 2.
- Signed the pledge against corruption by 77 individuals; and
- Conducted CRM and Integrity Diagnostic Tool (IDT) in STCBL, Phuentsholing.

2.3.2: Behavioral Change Program

e-Learning program on Ethics and Integrity Management (EIM)

The e-learning courses on ethics and integrity were developed and implemented in collaboration with RIM, RCSC, Secretariats of NA and NC and RCJ. The courses have been developed with the aim of building clean public servants who uphold integrity, honesty, justice and rule of law. *Figure 7* presents the status in terms of participation from various agencies. The successful implementation of the program however, is challenged by lack of ownership by agencies. ACC plans to work collaboratively with the key agencies on its institutionalization in 2016.

Public officials	No. of registered participants	No. of participants who completed the course	Remarks
Justices/Judges	69	8	
Parliamentarians	24	24	Members of NC
	37	27	Members of NA
Civil Servants	19,737	14,881	

Figure 7:- Status of e-learning course on ethics and integrity

Embedding Ethics and Integrity in the Civil Service

ACC has always maintained that “*fighting corruption is a collective responsibility*”. To this end, ACC has been working in close collaboration with RCSC in 2015 to develop a code of conduct for executives and to streamline the functions of HR Officers (HRO) to include the role of ‘*Integrity Advocate*’. This collaboration also seeks to institutionalize integrity promotion tools like code of conduct, conflict of interest, AD, gift disclosure, CRM and integrity diagnosis in the Civil Service.

The terms of reference for HROs has been developed and finalized. RCSC has already initiated a training program called ‘*Bhutan Executive Service Training*’ at RIGSS which includes the fundamentals of ethics and integrity infrastructure.

In order to build capacity of national counterparts and sustain programs on ethics and integrity, ACC and RCSC with support from SDC trained 10 officers (six from RCSC, one from DHI & three from ACC) as Certified Integrity Officer (CeIO) in Malaysia. CeIO program is an accredited integrity program conducted by MACA. As an outcome of the training, this team of officers is expected to develop a standard guideline on “*EIM*” by June 2016.

2.4: PREVENTION - *mainstream anti-corruption measures effectively in sectoral plans and in public and private institutions.*

Together with public education and behavioral change programs, it is imperative that systemic changes are brought about so as to minimize opportunities for corruption. This can be achieved through robust prevention programs that identify the weak links in governance systems and induce desired changes in them so as to mitigate any such risks. Prevention programs include research and systemic studies, implementation of anti-corruption measures such as judicial scan, social accountability, CRM and IDT in various agencies and the private sector integrity program.

2.4.1: *Systemic Studies*

Proactive studies: Facilitating evidence based systemic improvement

In collaboration with RIM, ACC conducted empirical research on good governance and anti-corruption measures in two sectors namely: HRM and Mining sector. These two sectors were prioritized amongst the five areas identified for research which include land, procurement and construction, and elections. The decision was based on the importance of the sectors, the extent of collaboration/cooperation from the stakeholder agencies and the expertise of the international partner.

Researchers from Gaeddu College of Business Studies under the RUB, Department of Geology and Mines (DGM), RIM and ACC with technical support from the Audencia Business School, France conducted the two studies over a period of nine months (April – December 2015) with the financial support of SDC to the tune of Nu. 6.97 million.

HRM in the Civil Service

The HRM Research titled “*Towards Enhanced Transparency and Accountability in Human Resource Management Processes in the Civil Service: A Matter of Favoritism*”, evaluated corruption in selected HRM processes in the civil service, calculated the cost of such corruption, identified gaps between HRM policies and practices and provided recommendations to improve transparency and accountability. HRM processes covered recruitment, performance management, promotion, transfer, short and long term training and executive selection.

The research used various qualitative and quantitative methods. The three key methods were desk research including analysis of three illustrative case studies and complaints related to HRM received by ACC, semi-structured interviews and a survey questionnaire. The total number of respondents to the survey was 1,528 civil servants from 27 agencies.

The research concluded that while corruption in the form of bribery is insignificant, it exists in the form of favoritism in HRM processes in the civil service. The possible causes of such favoritism include weakness in the functioning of HRC, misapplication of compassion in agencies, lack of integrity, weak enforcement of BCSR 2012, disturbing influence of social ties in all HRM processes and irregular performance management, among others. The research also shows that the perception of favoritism influences both job satisfaction and individual performance. It also re-affirmed that the reform initiatives of RCSC are being well received by the civil servants and will go a long way to address a number of HRM issues.

In order to evaluate the cost of corruption or favoritism, a model using XLSTAT was deployed. The theoretical model given in *Figure 8* was tested linking corruption, job satisfaction, developmental opportunities and employee performance. An equation of the model was generated and a simulation was done.

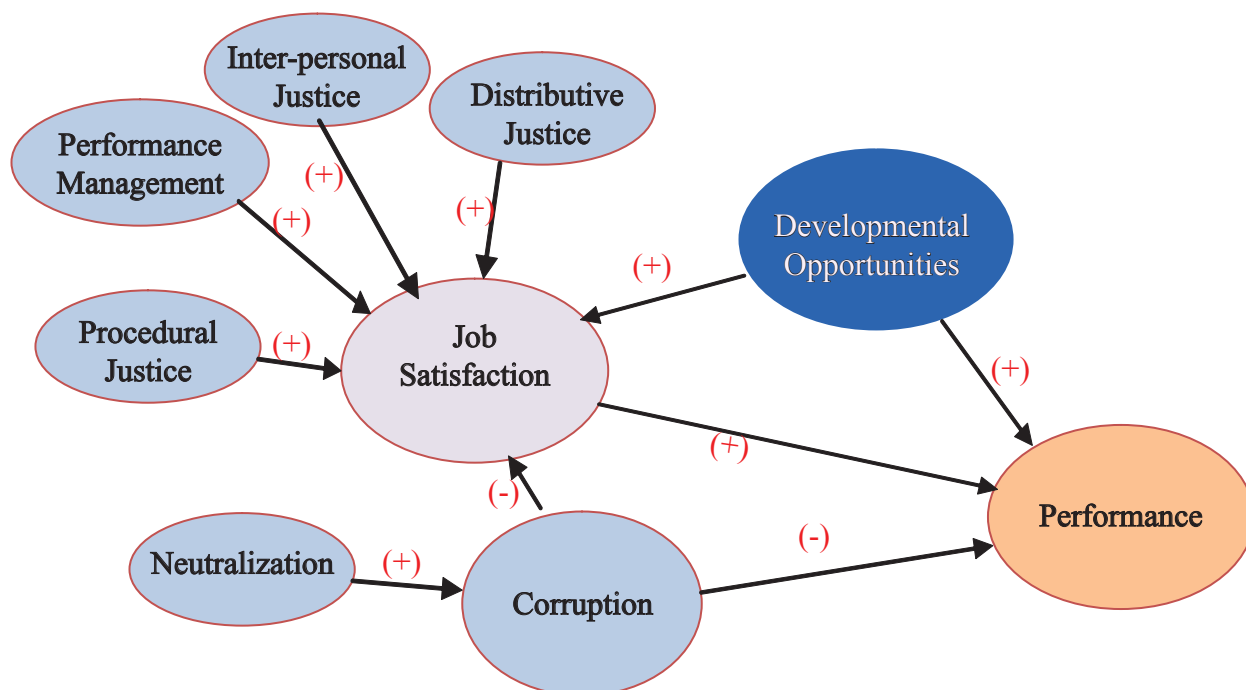


Figure 8: Corruption model used to estimate cost of corruption in HRM in the civil service

The results of the simulation are in *Figure 9*. The simulation basically shows the cost of corruption or reversely, the benefits that could accrue to the country as a result of an increase in the performance of employees brought about by better control of corruption. Countries denoting various control levels of corruption (all higher than Bhutan) were chosen as benchmarks for this purpose. USA as a benchmark was also integrated since Bhutan strives to be in the top 20 countries in the fight against corruption by 2018. With the smallest percentage difference in the level of control of corruption, achieving the level of USA is a reasonable target for Bhutan. Thus, if Bhutan had the same control of corruption as USA, the SEM predicts an increase of +0.23% in the performance of the civil service. Applying this percentage to the total salary cost of the civil servants in Bhutan, the benefits would amount to Nu. 17.9 million in a single year.

Country	Difference between the level of control with Bhutan in %	Increase in employees' performance due to decrease of the level of corruption	Cost of corruption in Nu. Million
Denmark	80.8%	+ 3.37%	257.9
Australia	49.6%	+ 2.07%	158.3
Japan or UK	38.4%	+ 1.6%	122.6
Hong Kong	31.2%	+ 1.3%	99.6
USA	5.6%	+ 0.23%	17.9

Figure 9: Results of the SEM simulation for evaluation of the cost of corruption

Key recommendations emanating from this study include, among others, the need to:

- Develop a policy on Whistle Blowing and protection of whistle blowers for wrong doings in Civil Service and incorporate in BCSR and regulations of corporate and CSOs;
- Develop a policy for effective communication and coordination among the agencies in terms of sharing information and taking actions on wrong doings particularly among RCSC, RAA, ACC, Internal Auditors of agencies and HROs;
- Incorporate an ethics and integrity module/course in pre-service training programs of training institutes and colleges as well as strengthen value education programs in schools; and
- Strictly implement and manage CoI.

Mining Sector

The Mining Research titled “*Improving Business Environment: The case of Mining Industry in Bhutan*” was aimed to illustrate corruption in the mining industry using cases, evaluate causes and consequences of corruption, and provide recommendations to promote Business Environment in Bhutan, leading to reduction of potential corruption.

A total of 207 respondents comprising mine representatives, mining inspectors, Dzongkhag Land Lease Committee members, local leaders and local community representatives were interviewed. Survey questionnaires and semi-structured interview guides were used to interview the respondents.

The study revealed that the mining industry is a growing business in the country with an increasing trend of contribution to Gross National Income (GNI) over the years. However, due to inefficient management of regulations and policies as well as dubious practices in the mining sector, much has been lost to corruption. Issues such as concentration of benefits from mining in the hands of a few and the lack of equity and transparency in the allocation of mining resources have also been highlighted. Based on RAA Report 2014 on the sector, the average loss was estimated at Nu. 134 million per year. Further, using the contribution by mining industry to Gross Domestic Product (GDP), the loss of GDP over the five years (2008-2012) was estimated at Nu. 670.81 million.

The study identified several factors that could have made this sector vulnerable to corruption. These include, among others, the presence of multiple monitoring agencies which led to miscommunication and delayed decision making, weak DGM power and monitoring, unclear procedures, short lease period and weak data mining. The mining corruption model was developed to explain the causes of corruption as given in *Figure 10*.

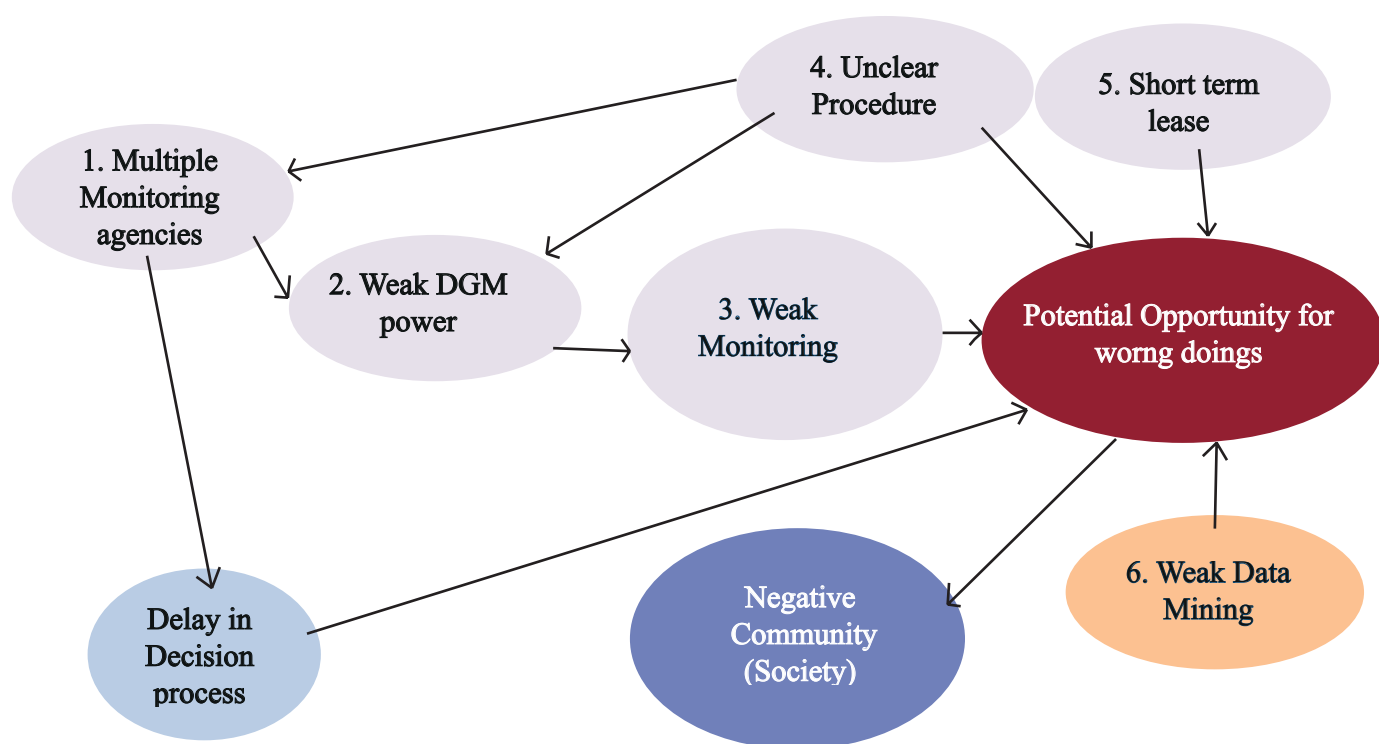


Figure 10: Corruption model showing the main causes for potential wrong doings

At the macro level, cost of corruption was estimated using Partial Least Squares. An equation of the above model was generated and a simulation was done like in the HRM study. The results of the simulation are in *Figure 11*.

Level of Control of Corruption	Potential Economic Wealth Gain in %	Increase in revenues in the Mining and Quarrying Sector in Nu. Million per year
Denmark	33.14	1,118.9
Australia	20.08	678.2
Japan or UK	15.39	519.9
Hong Kong	12.38	418.2
USA	1.67	56.5

Figure 11: Results of the SEM simulation for evaluation of the cost of corruption

If Bhutan had the same level of control of corruption as USA, the SEM predicts an increase in the contribution of the Mining and Quarrying sector of Nu. 56.5 million per year.

The main recommendations from this study include, among others, the need to:

- Improve business environment in the mining industry;
- Draw up a Mining Strategic Development Plan (MSDP);



Facilitating

Clean,
profitable and
trustworthy
business



- Establish an independent Mining Regulatory Authority (MRA) for periodic monitoring;
- Establish a system for periodical revision and realization of royalty, mineral rent, license fees and surface rent; and
- Strengthen effective community involvement through public consultation and putting in place appropriate guidelines for the Corporate Social Responsibility Strategy and Actions.

Dissemination and Validation of the research through National Conference

A daylong National Conference was organized on 21 December 2015 at RIM to present the findings of the studies and to validate and seek feedback and recommendations from stakeholders. Around 150 participants from ministries, constitutional and autonomous bodies, community leaders, media, CSOs, corporations and private agencies attended the conference. The two studies were well received and participants expressed the need for such initiatives to be sustained in the future as well. RCSC and DGM also appreciated the research and undertook to make the best use of the findings and recommendations.

The closing ceremony of the conference was graced by Hon'ble Prime Minister. He expressed his appreciation for the work done by ACC and RIM to prevent corruption and highlighted the need to carry out similar studies in the remaining three sectors. He assured the support of the government both in terms of budget as well as in working with the stakeholders concerned (RCSC and DGM) and ACC to earnestly take up the recommendations.

ACC will collaborate with the key stakeholders (the Cabinet, RCSC and DGM) to take forward the findings and recommendations for improvements at the strategic and operational levels. The reports will be published by June 2016.

2.4.2: Reactive Studies: Emanating from complaints and investigations

Strengthening Systems Related to Trade, Tax and Customs

Review of systems and recommendations for strengthening them are inherent to all investigations for avoiding recurrence of lapses and problems, improvement of services and strengthening of internal control systems. In view of the on-going investigations related to trade and customs in Phuentsholing and owing to complexity of the study, an expert was engaged with support from Asian Development Bank (ADB) to study existing systems related to trade and commerce including customs duties, taxation policy and its administration, licensing and monitoring, among others. Officials from Department of Revenue and Customs (DRC), Department of Trade (DoT) and ACC worked closely with the expert during the course of the study.

The purpose of the study is to streamline the governance of trade and commerce; customs and excise administration and address issues such as revenue leakage, entrenched corruption, fraud in tax and repatriation of INR. Implementation of the recommendations from this study as well as those that will emanate from the investigations in Phuentsholing is expected to enhance service delivery, revenue collection as well as reduce corruption opportunities. The report will be published by June 2016.



Facilitating
evidence
based systemic
improvement



2.4.3: Implementation of National Integrity and Anti-Corruption Strategy

NIACS was launched in June 2014 to strengthen systems and build alliances with agencies (public, private and civil society) to prevent and combat corruption collectively. Implementation of NIACS besides being a key performance indicator of the 11th FYP is also integrated into the GPMS with 5% weightage being assigned in the aggregate evaluation and monitoring framework. ACC is working on developing clear indicators to assess the outcomes of NIACS.

As a first step towards institutionalizing NIACS, ACC has developed prevention tools such as Corruption Risk Management, Judicial Integrity Scan, Corporate Integrity Pledge, Business Code of Conduct, etc. which are being introduced in public and private agencies. While the tools are being administered by ACC for the moment, the ultimate aim is to adequately train the agencies to be able to proactively undertake these exercises on their own and integrate in their annual work plan. ACC should then assume a monitoring role only.

Corruption Risk Management

CRM is a tool that helps to identify potential corruption risks, and assess the risks in terms of severity to the organization's performance. It also facilitates to analyze the causes and develop corrective measures to minimize risks. An action plan is drawn by the agencies based on the prioritized risks and causes.

During the period under report, CRMs were administered in the Bhutan Council for School Examination and Assessment (BCSEA), Dzongkhag Administrations of Gasa and Punakha and STCBL as depicted in *Figure 12*.

Agency & Date of Conduct	No. of employees engaged	Total No of risks identified	No of Risks Prioritized
BCSEA - 28 August 2015	18	12	7
Gasa Dzongkhag - 28 September 2015	40	15	10
Punakha Dzongkhag - 30 September 2015	64	16	10
STCBL - 10 December 2015	32	18	10
Total	154	61	37

Figure 12: Summary of CRM conducted during April – Dec 2015

Some of the risks identified in BCSEA were favoritism in the selection of examination officials, misuse of authority by HRC members, manipulation of data, leakage of test papers and manipulation of TA/DA claims by examination officials. The probable causes to these risks were identified as lack of integrity, professionalism, proper check and balance and transparency in the selection system.

For Gasa and Punakha Dzongkhags, public procurement and construction services was chosen for CRM. The major risks identified were embezzlement, collusion between the concerned officer and suppliers/contractors, favoritism in the award of tender, manipulation of bidding documents and muster roll payment, breach of confidentiality and bid rigging by the bidders. Lack of integrity, due-diligence and non-compliance to the existing Rules and Regulation were identified as probable causes for these risks.

INTEGRITY PACT SERVICE STANDARDS SYSTEM STUDIES

CONFLICT OF INTEREST

COI

CODE OF
CONDUCT

GIFT RULE

ASSET DECLARATION

CODE OF
CONDUCT

IDT

SYSTEM STUDIES

CONFLICT OF INTEREST

GIFT RULE

IDT

CODE OF
CONDUCT

CRM



IMPLEMENTATION OF **NIACS**
2014-2018

Enhancing
Judicial
Integrity



Similarly, CRM for STCBL was also conducted in procurement and sales of vehicles and spare parts services. A few of the major risks identified were collusion, embezzlement, pilferage of parts and preferential treatment to customers pointing towards unchecked discretionary power. The probable causes to these risks were lack of integrity, accountability and professionalism in overall administration of procurement and sale services.

After each CRM, an action plan to mitigate the identified risks was drawn up jointly by the agency and ACC. The agency is required to submit a status report on its implementation after six months.

In order for CRM to be efficacious, it is imperative that the Action Plans are implemented seriously by the agencies and systematic follow up is undertaken by ACC. This however, continues to pose a challenge. Therefore, ACC is exploring the possibility of incorporating the implementation of CRM Action Plans as one of the organizational improvement measures under their Annual Performance Agreement in collaboration with the agencies. At the same time, once the proposed restructuring and organizational development of ACC is in place, ACC will be better placed to undertake the required follow up in a systematic manner. In the interim, ACC will facilitate CRM in the remaining 16 Dzongkhags within June 2016.

Enhancement of Judicial Integrity

A credible judiciary is essential for protecting individual rights, promoting socio-economic advancement and enhancing democratic culture. A weak judicial system not only undermines the morale and rights of citizens but is detrimental to good governance and can adversely affect national integrity and sovereignty.

The Judicial Integrity Scan is one of the 18 OECD integrity promotion tools designed based on the Bangalore principles of Judicial Conduct, which conceptualizes judicial integrity and accountability. It assesses legal and institutional framework with judicial integrity gaps at the national level.

The Commission in collaboration with BNLI and RCJ, coordinated the conduct of the integrity scan in June 2015 as part of implementing NIACS. The Scan not only ensures the integrity reforms in RCJ but complements its mission of “*upholding and protecting Due Process of Law, Fair Trial, Rule of Law and Reviewing system*” and the ongoing reform initiatives of the RCJ.

On the scale of 0% (for the greater part not fulfilled) to 100% (full compliance), 5 of the 18 areas were rated as 100% while 13 areas scored more than 50%. The integrity scan identified 10 recommendations most of which are being pursued either by the Supreme Court, BNLI or ACC. In order to maximize ownership of the implementation and institutionalization of integrity based reforms in RCJ, a MoU has been signed amongst RCJ, BNLI and ACC in October 2015. ACC has apportioned Nu.2.1 million of the funds secured for ACC from SDC to BNLI for implementation of the recommendations on enhancing judiciary integrity. The final report of the integrity scan will be published by June 2016.

Private Sector Integrity Program (PSIP) - Facilitating clean, profitable and trustworthy business

The private sector is the backbone of the economy and has a major role to play in the development of the country. The interface between the public and private sector is highly prone to corruption, which bears serious political and socio-economic ramifications. According to the World Economic Forum (WEF), the major integrity issues that pertain to the private sector include bribery, improper political contributions, improper charitable contributions and sponsorships, improper facilitations, gifts and hospitality expenses.

It is therefore essential that measures are taken to establish effective integrity infrastructure at the earliest to combat private sector corruption. The PSIP consists of four tools namely Corporate Integrity Pledge, Business Code of Conduct, Business Integrity Portal and Integrity Pact. Programs for these tools were developed in 2015 by Trident Integrity Solutions, Malaysia with financial support of SDC. Coinciding with IACD, 17 business proprietors and managers were trained on Corporate Integrity Pledge and Business Code of Conduct and the Business Integrity Portal was launched at RIGSS, Phuentsholing. The Portal is a one-stop-shop for the business integrity program in Bhutan that includes a repository of signatories for Corporate Integrity Pledge, information on integrity initiatives by companies, and functional tools for self-assessment. It can also serve to showcase the nature and strength of the Bhutanese private sector to the world at large.

ACC is in the process of designing strategies to garner voluntary acceptance from the private sector and validating the instruments developed. At the same time, efforts are also being made to incorporate integrity clauses into the existing or new legal framework such as the Enterprise Registration Bill 2015.

The success of the program will largely depend on the private sector taking ownership and their capacity to institutionalize the tools in their business process. ACC's efforts to hire a local trainer to roll out the tools have been unsuccessful so far. In the interim, ACC is looking to partner with some major public companies for implementing the tools which can serve to showcase its benefits.

SAC - Facilitating citizens' participation in community development

Towards realizing the vision of the Kings in building a strong democracy, it is not only important to develop and strengthen the government but equally important to engage citizens in the decision making process so as to build a responsive, inclusive and resilient state.

SAC provides a platform for citizens to engage effectively in promoting accountability in policy prioritization, budget allocation, expenditure tracking and monitoring results. With active participation of citizens in decision making, the overall performance of the service provider will inevitably improve. ACC, therefore, initiated SAC in 2013. To date, SAC tools have been implemented in 19 gewogs and awareness programs on SAC have been carried out in 78 gewogs.

However, for SAC to take root and thrive, it is imperative that it be mainstreamed and institutionalized in the governance systems. To this end, tripartite discussions were held amongst DLG, RIM and ACC in November 2015. It was agreed that DLG would henceforth take the lead role on SAC initiatives while ACC and RIM would provide the technical backstopping.

As a first step, DLG will incorporate appropriate SAC tools in the Local Government Rules and Regulation 2012. ACC and RIM will be engaged in developing SAC Training Manuals, building capacity and rolling out SAC in the local development program. The need to mainstream and legally institute SAC mechanism has also been recommended in the Local Government Assessment Study of the National Council.

United Nations Convention Against Corruption (UNCAC)

Acknowledging that UNCAC provides a comprehensive and multi-disciplinary framework for prevention of and fight against corruption at the national level, as well as for effective regional and international cooperation, the 6th Session of the second Parliament ratified the Convention, with reservations on Article 66 pertaining to Dispute Settlement. The ratification is expected to further benchmark Bhutan's legal and institutional basis to international standards.

Pursuant to the ratification, the key follow up activities to be undertaken entails the review of implementation matrix with stakeholders; drawing up an action plan identifying appropriate lead agencies and setting deadlines; and seeking the endorsement of the relevant authorities.

2.5: COMPLAINTS AND INVESTIGATIONS - *Expose & deter acts of corruption by effective investigation without fear & favor.*

This segment covers details of all complaints received, managed and investigated during the reporting period. Comparisons to previous years are made in the analysis. However, it is limited by data for nine months only (April – December 2015) for this report. During the period of the report, ACC has received 283 complaints and assigned 41 for investigations i.e. 11 cases plus another 30 off-shoot cases from Phuentsholing investigation (as explained under 2.5.3) of which 35 reports were forwarded to OAG for prosecution.

2.5.1: Complaints and Referrals Management

Complaints management is a critical part of combating corruption. For effective investigation, an effective complaints management system to attract quality corruption reports/complaints as well as deter frivolous complaints is a pre-requisite. Complaints are also a source of information for targeted systemic improvements and public education.

ACC follows its Complaints Management Policy and Procedure guidelines and uses the IMS software to manage complaints. Every complaint goes through three levels of evaluation and decision making by IMS, the Complaint Evaluation Committee (CEC) and the Commission. CEC and the Commission hold their respective meetings every week. The quorum needed in both instances is 2/3 of its members. Members are mandatorily required to declare CoI on each and every complaint and a member who has CoI cannot participate in the decision making of that particular case. However, the Chair of the Committee/Commission may decide otherwise but is required to provide and record the justification. Declaration of CoI, attendance of CEC and Commission members in the meeting and all decisions are recorded in IMS and serves as an audit trail on each complaint.

A dedicated Complaint and Follow-up Section in ACC receives, registers and processes all complaints including referrals from agencies. CEC comprising of senior officers and chaired by a Director/Chief evaluates the complaints on a weekly basis. While CEC notes the evaluation score generated by the system, it is not bound by it and may recommend a different course of action. Similarly, the Commission within the same week of CEC meeting reviews the complaints for further scrutiny and final decision. In most cases, the Commission endorses the recommendation of CEC. However, should the decision of the Commission differ, it is required to provide and record its justification/basis.

Complaints and referrals are processed as shown in *Figure 13*.

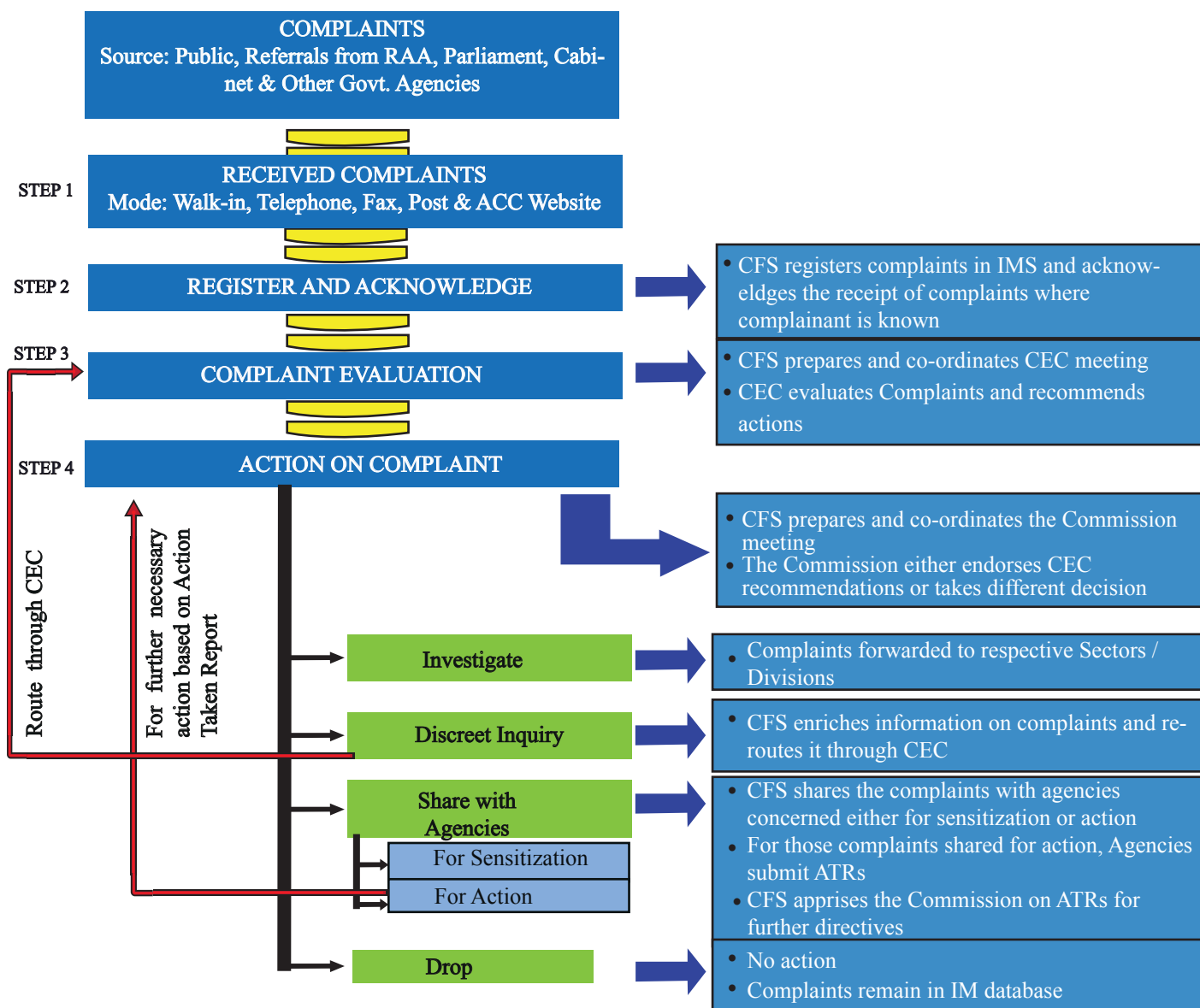


Figure 13: Complaints and referrals management system

The evaluation of complaints mainly entails discussions on identifying the type of corruption by corruption offence, area of corruption, the accused party, etc. and in determining whether it merits to be pursued based on broad parameters such as the details available in the complaint, availability of witnesses and evidence(s), and financial, social and political implications. Based on the above, the decision to either drop, share with agencies for sensitization or action, enrich information/enquire discreetly or investigate a complaint is made.

However, in those instances where the commission of a corruption offence is in progress requiring rapid response such as when the payment of a bribe is being actually made, such cases are pursued immediately and the other requirements are completed later.

2.5.2 Analysis of Complaints and Referrals

The number of complaints over four years from April 2011 to March 2015 has been declining with an average of 38 complaints in 2011, 35 in 2012, 33 in 2013, and 28 in 2014. However, there is an increase in the number of complaints for this report period of nine months. ACC received a total of 283 complaints with an average of 31. This increase in complaints could be due to the upcoming Local Government elections. Similar increase in complaints was observed for April 2011 – March 2012 coinciding with the first Local Government elections in 2011 where it increased from 375 for the period, April 2010 to March 2011 as depicted in *Figure 14*.

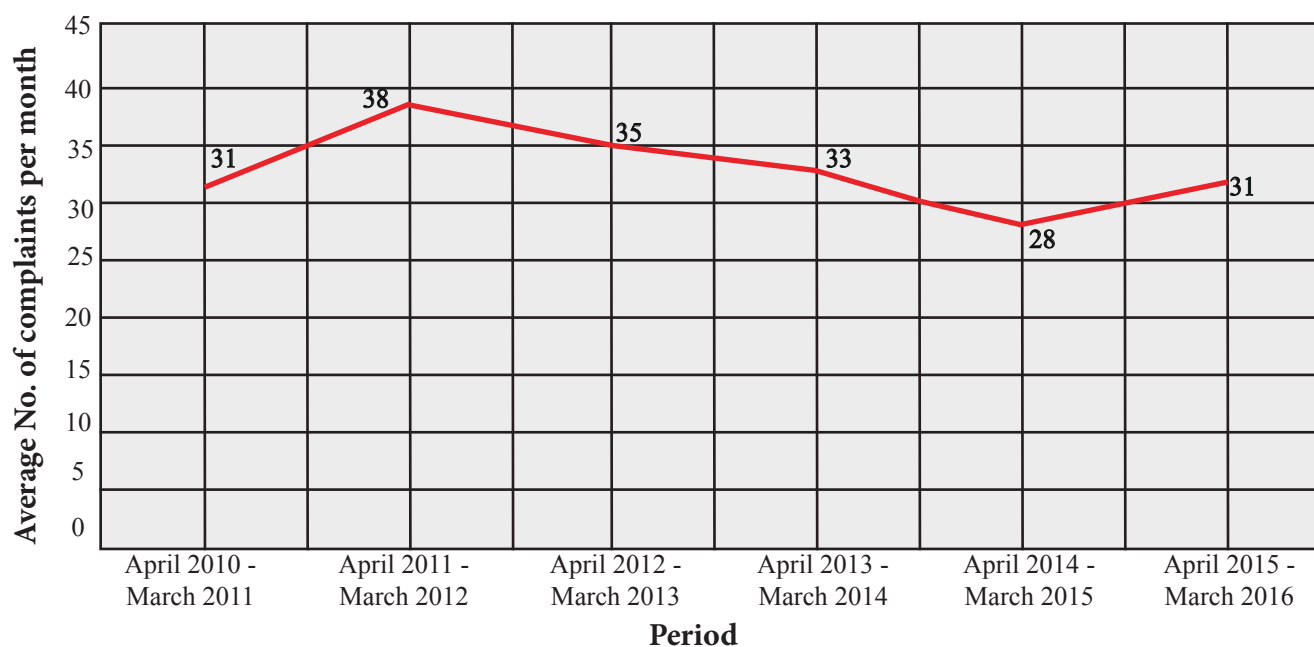


Figure 14: Average number of complaints received from 2010-2015

Modes of Complaints

From a total of 283 complaints received during the period of report, 51.2% were from known sources and 48.8% were from unknown sources as indicated in *Figure 15*. The percentage of complaints from known sources has dropped by almost 17% as compared to 68% in 2014.

The predominant mode of complaint is through post, making up to 42%, which also includes referrals from RAA. As indicated in *Figure 16*, Walk-in complaints comprised 19.8% of the total 283 complaints received in 2015. This is a drop of 9.4% from the previous year. This drop in percentage of both known sources of complaints and walk-in complaints is a concern for ACC as it is one of the possible indicators of public trust in ACC. This could be attributed to the time taken by ACC in responding to the complaints that qualified for investigation which in turn is due to its manpower constraints. A further study of public perception of ACC as an organization is deemed necessary to ascertain this claim. The percentage of complaints through ACC website saw an increase from 19% in the previous year to 31.4% in 2015. An increasing trend of on-line complaints through ACC website provides opportunities to reduce the clerical task of registering complaints by adopting appropriate new software or synchronizing the existing software systems.

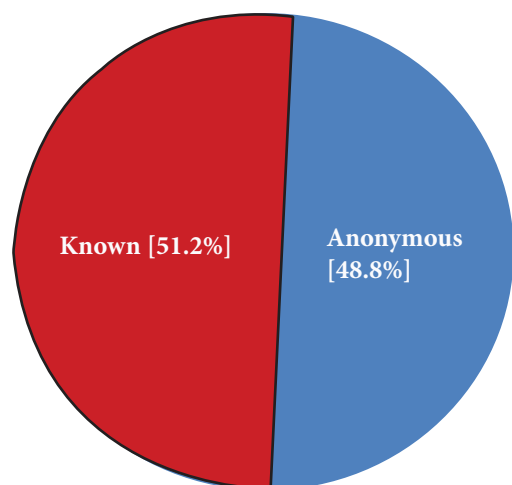


Figure 15: Percentage of anonymous and known complaints

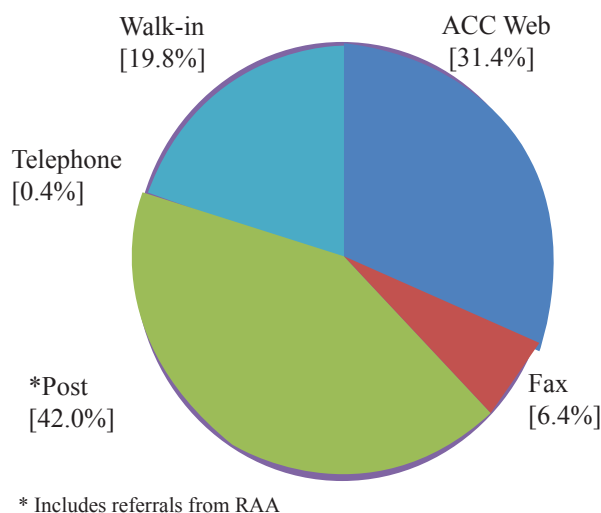


Figure 16: Percentage of complaints received through various modes

Complaints by Type of Corruption

Complaints on “*Abuse of Functions*” by public servants are predominant comprising 45.6% of the total 283 complaints as shown in *Figure 17*. Allegations in this category pertain to public servants either performing or omitting to perform an act amounting to favoritism, nepotism or patronage in violation of laws or in discharging their functions to obtain advantage for themselves or for another person or entity.

Allegations of “*Embezzlement*” are the second highest at 20.8% while the lowest is “*Bribery*” with 2.5% of corruption offences. The category “*Others*” includes those complaints that were either grievances or those that did not constitute a corruption offence *per se* but were the means to corrupt acts such as deception, coercion, forgery, collusion, etc. Despite a drop of almost 13% from 2014, this category constituted 31.1% of the total complaints which is still substantial. The analysis of offences indicate that ACC needs to step up its public education and advocacy efforts as well as work in close collaboration with agencies on grievance mechanisms to further reduce allegations in the “*Others*” category.

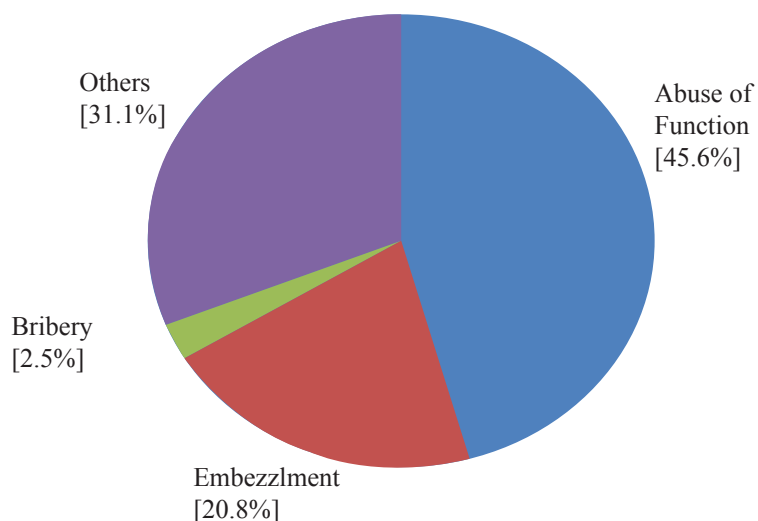


Figure 17: Percentage of types of complaints received

Complaints by Area of Corruption

The maximum number of complaints was on Resources (Funds and Properties) with a total of 100 complaints comprising 35.3% of the total 283 complaints as shown in *Figure 18*. Complaints in this area have increased by 11.3% in 2015. The commonly alleged corruption in resources includes misuse of project funds and government properties like vehicles, office equipment and machineries. Land and Construction continues to be a major area of complaints with 32 complaints (11.3%) each.

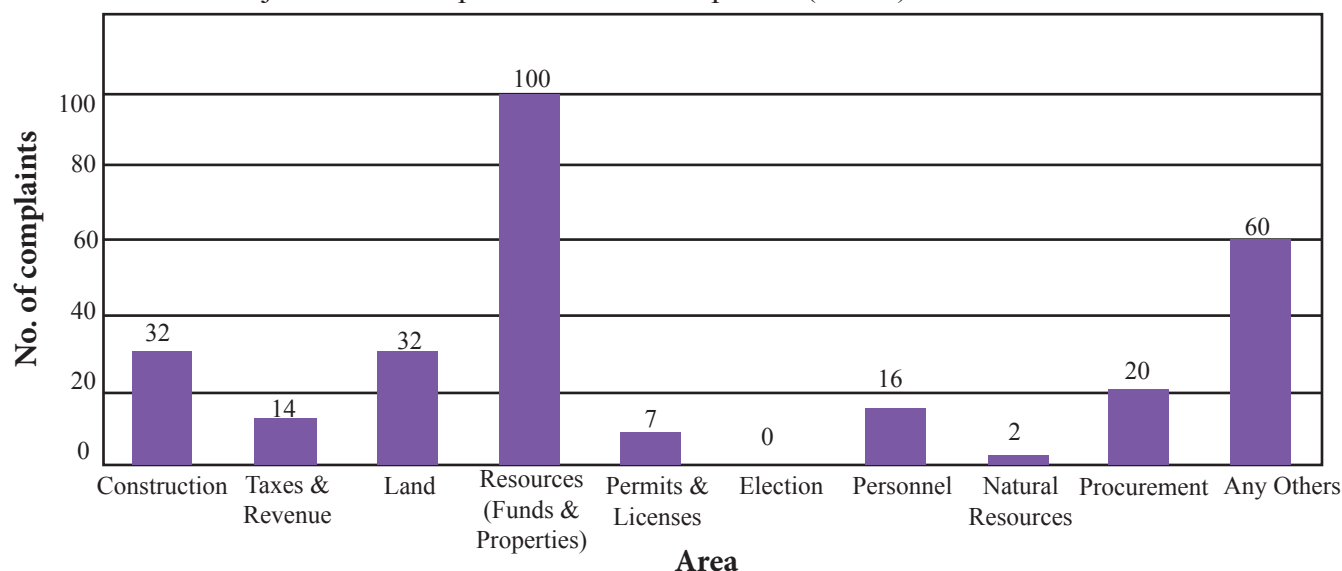


Figure 18: Complaints by area of Corruption

Complaints received Dzongkhag - wise

Figure 19 shows complaints received by Dzongkhags. The pattern remained same as that of the previous years, with Thimphu accounting for the highest number of complaints i.e. 72 complaints (25.4%) and Gasa the lowest with one complaint (0.4%).

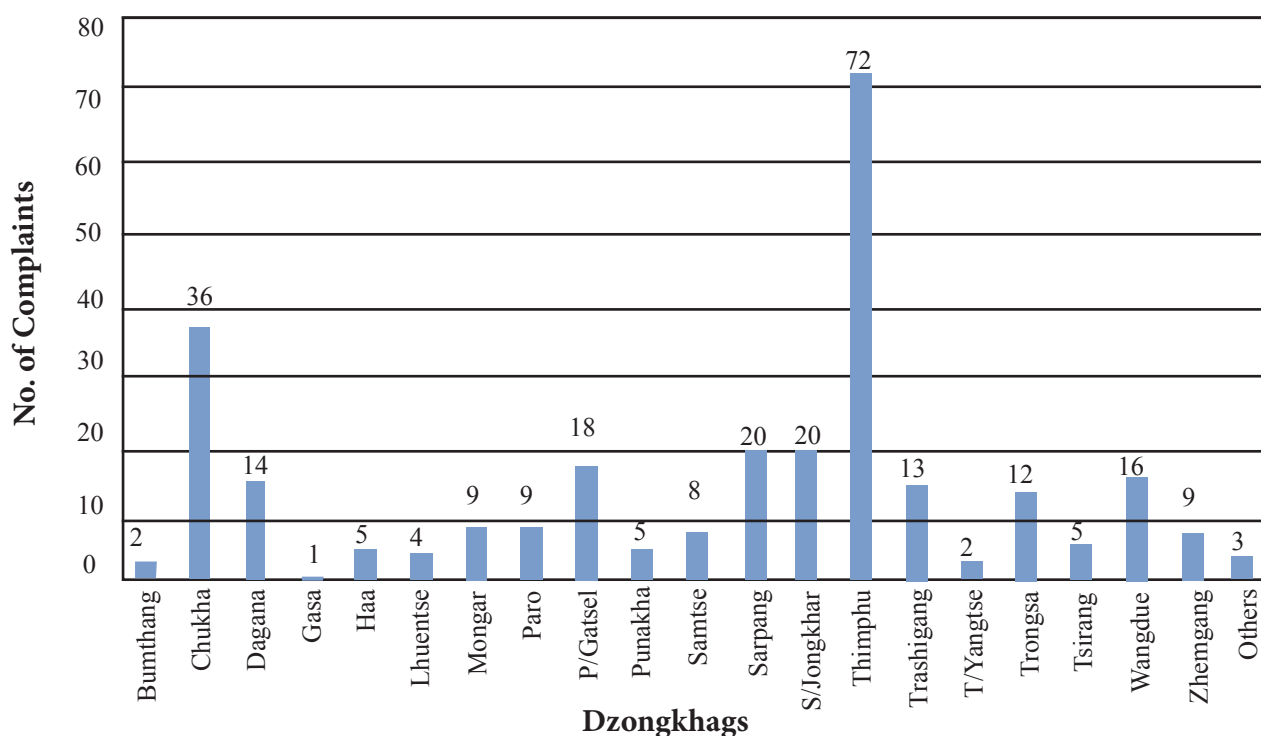


Figure 19: Complaints received Dzongkhag - wise

This pattern of complaints may be attributed to the density of population, number of public agencies, economic activities, proximity to ACC, and the level of public awareness on corruption as well as on where and how to report corrupt practices. The category “Others” include those complaints that did not specify a location.

Complaints received Agency - wise

Complaints lodged against Local Governments continue to be the highest comprising 27.9% of the total 283 complaints. With 205 Gewogs, Local Governments are more susceptible to corruption as they interface directly with citizens for development programs and service delivery, and as more resources and authority have been decentralized over the years.

Alleged corrupt practices in Local Governments include: embezzlement, misuse of public funds, abuse of functions for land transactions, encroachment into government land, contract awards and extraction of natural resources. Most of the complaints related to the Local Government are administrative grievances, indicating the need for ACC and Ministry of Home and Cultural Affairs (MoHCA) to focus on public education and institute grievance redressal mechanisms. *Figure 20* illustrates the agencies against which complaints were lodged during the reporting period.

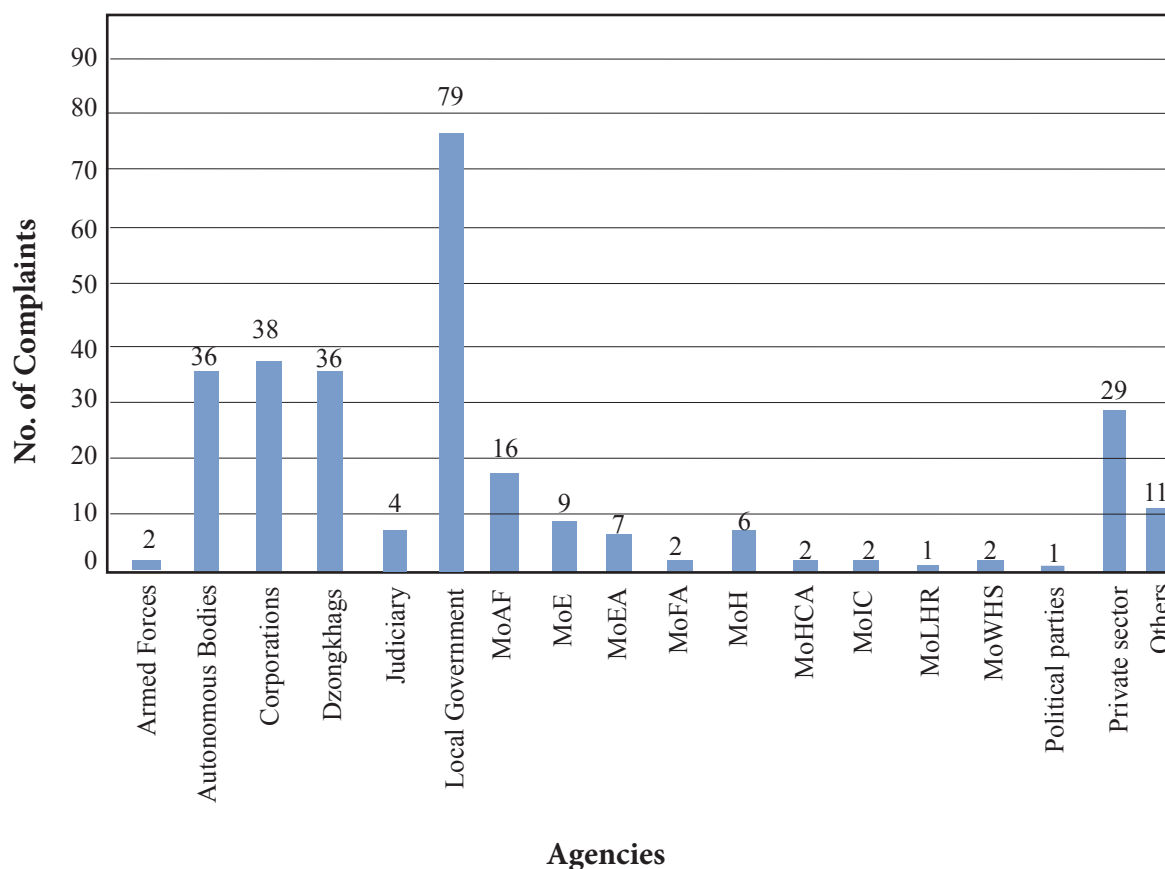


Figure 20: Complaints received agency - wise

Actions on Complaints

Actions taken on complaints received during the period is presented in *Figure 21*. During this report period, 42 complaints (14.8%) qualified for investigation, 18 complaints (6.4%) qualified for discreet inquiry, 151 complaints (53.4%) were shared with agencies either for sensitization or administrative inquiry and 72 complaints (25.4%) were dropped or stored in database.

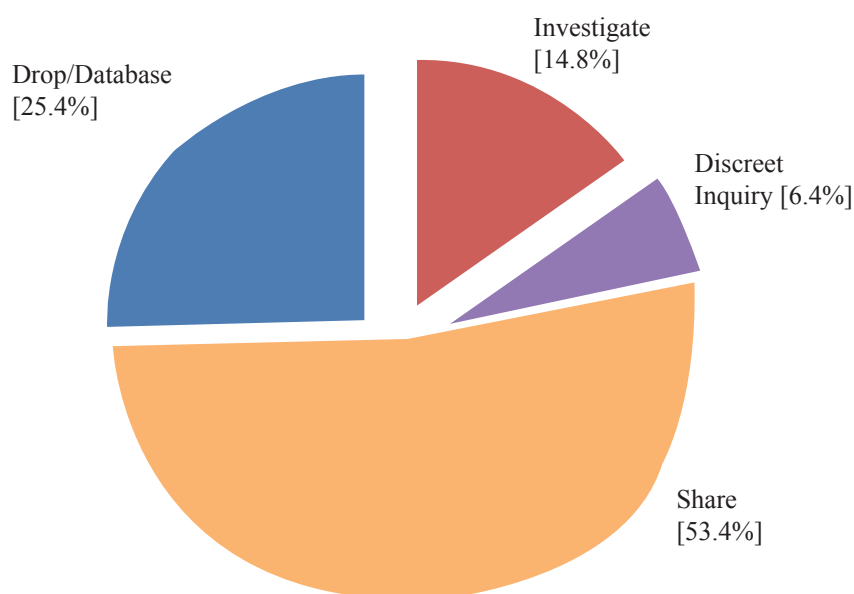


Figure 21: Actions on complaints

The analysis indicates that more than half the complaints received relate to administrative lapses and do not involve a criminal offence. This calls for improvement in strategic and operational systems like HRM, public procurement and finance, and service delivery. Improving transparency and accountability, strengthening grievance mechanisms, and institution of whistle blowing systems in public organizations are deemed necessary to reduce administrative lapses.

Further, bulk of the complaints (31.8%) being dropped or requiring additional information through discreet inquiry indicates that ACC needs to further enhance its public education programs on corruption and its offences in general.

Status of Shared Complaints

From the total of 151 complaints shared during the three quarters of 2015, 126 complaints were shared for action and 25 complaints for sensitization as summarized in *Figure 22*.

No. of Complaints		Status		Total No. of Complaints shared
Shared for Action	Shared for Sensitization	Closed (including shared for sensitization)	Open	
126	25	45	106	151

Figure 22: Summary of shared complaints from April - December 2015

In case of complaints shared for action, agencies concerned are required to examine the allegations and submit an Action Taken Report (ATR) to ACC within a month. The reports are reviewed by CEC and its recommendations submitted to the Commission for its final decision. The case is endorsed and closed if the Commission is satisfied with ATR. However, the Commission may ask agencies to re-examine or take appropriate action(s), if deemed necessary. In such a case, agencies are required to re-submit a final ATR to ACC. Further, complaints related to mismanagement of funds disbursed by the Ministry of Finance are shared with RAA with a request to verify the allegations during its annual routine audits.

As shown in *Figure 23*, ACC received 52 ATRs from agencies, of which 20 were endorsed by the Commission. Of the 20 ATRs, seven allegations were found to be true and 13 allegations were baseless. For the seven true allegations, agencies took action on four individuals and made three recommendations for systemic improvement.

No. of Complaints Shared for Action	No. of ATRs Received	No. of ATRs pending appraisal to Commission	No. of ATRs endorsed by Commission	No. of complaints for which agencies have not submitted ATR
126	52	32	20	74

Figure 23: Status of complaints shared for action

The remaining 32 ATRs are yet to be reviewed. This backlog is yet again due to shortage of human resources in the Complaints and Follow-up Section. ACC is yet to receive ATRs for the remaining 74 complaints.

Referrals from RAA

RAA, in accordance with Section 67 of the Audit Act of Bhutan 2006, refers Audit Reports to ACC when there are suspicions of corrupt offences. The Audit reports, like complaints, are registered and evaluated by CEC and the Commission. *Figure 24* depicts the summary of RAA report referrals from 2010 to 2015.

Year	No. of Reports	STATUS					
		ACC	OAG	Under Trial	Shared with agencies for follow up/ action	Closed	Remarks
2010	9	1	1	1	4	2	RAA to follow up on AIN 6819, No.7499 & No.8778. ACC & RAA to work on individual restitution for No.8931 as court proceedings are completed.
2011	29		1		1	27	RAA to follow up on penalty amount for No.9765.
2012	12	2	2	0	1	7	Ministry forwarded No.10757 to OAG and RAA to follow up with Ministry for No.10788.
2013	7	1	0	0	0	6	
2014	8	2	0	3	2	1	Dzongkhag took the incumbent to court for No.12503 and RAA to verify on penalty imposed for No. 12636.
2015	20	4	2	0	6	8	RAA to follow up on No.12660, No.12657, No.12778, No.12773 & No.13105. RAA to send the ATR to ACC for No. 12942. RAA to review the ATR for 12916.
Total	85	10	6	4	14	51	
In %	100	11.76	7.06	4.71	16.47	60	

Figure 24: Summary of RAA Referrals to ACC from 2010 - 2015

Bilateral meetings are held annually to discuss status and follow up actions on the referrals. Over the period of six years from 2010 to 2015, ACC received 85 referral cases from RAA of which 51 cases (60%) have been closed through the bilateral meetings. The closed category includes various referrals on which actions were taken either through court proceedings or by agencies administratively and referrals on which actions were taken by RAA and ACC. The four (4.7%) referrals currently under trail include a referral being prosecuted by a Dzongkhag.

During the report period, ACC received a total of 20 referrals from RAA. From this, six referrals (30%) qualified for investigation, of which two investigations have been completed and duly forwarded to OAG, while two are under investigation and two are yet to be investigated. Another six referrals were shared with agencies for action and RAA will continue to follow up on the remaining eight referrals.

2.5.3: Investigation of Cases

Over the last ten years, the number of investigations conducted per year range from 9-21 cases. This high variation is attributed to factors such as the complexity of cases and the availability of human resources. *Figure 25* represents the number of complaints assigned for investigation against the number of complaints that qualified for investigation from 2006 to 2015.

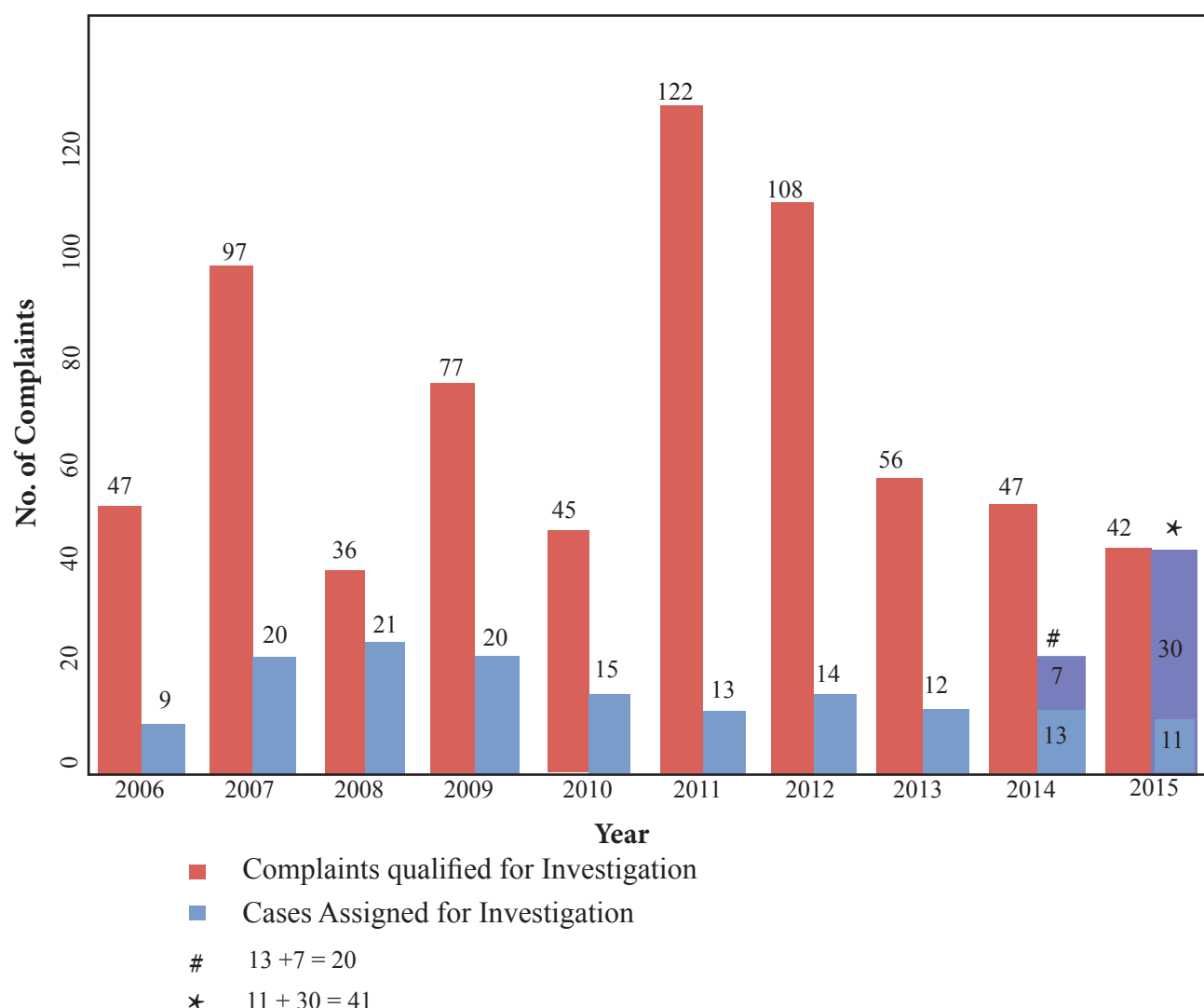


Figure 25: Complaints investigated against complaints qualified for investigation

On an average, ACC was able to assign 15 complaints per year for investigation. From the total complaints that qualified for investigation (677 complaints from 2006-2015) only 22% have been assigned for investigation indicating a backlog of 78%. Efforts to reduce the backlog through desk reviews, information enrichment and verification continued during 2015.

During the reporting period, despite concentration of efforts and resources on investigations of cases in Phuentsholing, 11 cases were assigned for investigation, of which six have been investigated and referred to OAG for prosecution and one shared for systemic improvement. Although the Phuentsholing case was assigned towards the end of 2014, the actual investigation began in 2015.

Initially, started as a single case involving fronting, the investigations in Phuentsholing branched out to another 30 cases and covered other deceptive trade practices such as tax evasion, deflection of goods etc. Similarly, another case in Gelephu branched out to another seven separate cases during the course of investigation in 2014. The past practice of counting related cases as a single case posed difficulty in accurately determining the number of cases investigated. Therefore, the Commission decided that every case investigated will henceforth be treated as a separate case and duly reflected as such, hence the apparent aberration for the year 2015. This will address the issue of determining the actual number of cases investigated. However, it should be mentioned here that it will still not be possible to reconcile the number of complaints qualified for investigation, with the cases assigned, investigated and pending from 2014 onwards due to the unforeseen off-shoot cases that could arise.

Until December 2015, 30 investigations related to the Phuentsholing case alone have been referred to OAG for prosecution. Summary of cases investigated by ACC from 2006 to 2015 is given in *Figure 26*.

Year	Cases Assigned	ACTION ON CASES						OAG - Number of Prosecution				
		Dropped after/during Investigation	Under Investigation/Pending	Adm. Referrals		Referred to OAG		Under OAG Re-view	Under Prosecution	Cases Adjudicated		
				Cases	Persons	Cases	Person Charged			Cases	Person Convicted	Person Acquitted
2006	9	0	0	1	28	8	103	0	0	8	17	86
2007	20	0	0	12	33	8	46	0	0	8	36	10
2008	21	1	0	9	26	11	34	0	0	11	23	11
2009	20	0	1	9	20	10	32	0	2	8	24	8
2010	15	0	0	6	12	9	29	0	0	9	28	1
2011	13	1	2	3	7	7	25	0	0	7	24	1
2012	14	2	2	2	6	8	25	0	2	6	21	4
2013	12	0	3	2	2	7	11	1	2	4	11	0
2014	13 + 7	1	2	5	0	12	42	3	9	0	0	0
2015	11+30	0	5	1	2	35	150	10	25	0	0	0
Total	148 + 37	5	15	50	136	115	497	14	40	61	184	121
In %	100	2.7	8.1	27.0		62.2		12.2	34.8	53.0		

Figure 26: Summary of cases investigated by ACC from 2006 – 2015

Outcomes of investigations

The outcomes of investigations are categorized broadly into Prosecution Referral, Disciplinary Referral and Recommendations for systemic improvement. However, an investigation may also lead to closure of a case upon finding no corrupt conduct and intent.

As per Section 128 of the ACAB 2011 and the Prosecution Referral Guideline 2011, ACC refers a case to OAG upon completion of investigation in the event there is sufficient evidence and the prosecution serves public interests. During the report period, ACC has forwarded 35 investigation reports to OAG for prosecution (*Annexure II*).

2.5.4: Update on Investigations of Phuentsholing Case

RGoB in its effort to ensure peace and prosperity for its people has always endeavoured to create an enabling environment for economic growth and social development. This aspiration is reflected in the Constitution of the Kingdom of Bhutan, as a fundamental right to practice any lawful trade, profession or vocation to make a decent living. To encourage private sector development and subsequent job creation, RGoB has enacted a plethora of trade liberalization and facilitation guidelines, rules and regulations. As a result of these policy initiatives, the total number of trade license holders in the country has increased creating opportunity for income and livelihood generation for its people across the country.

At the same time, in order to prevent illegal trade and fraudulent business practices, the Constitution of the Kingdom of Bhutan, explicitly imposes the fundamental duty on every person to pay taxes in accordance with the law and to uphold justice and act against corruption.

Provisions on guaranteeing rights to pursue trade vis-à-vis safeguards to prevent unlawful practices are explicitly provided in trade liberalization and facilitation legislations. Rule 3 of the Rules and Regulations for Establishment and Operation of Industrial and Commercial Ventures in Bhutan, 1995, Point 5 of the Procedure for Liberalization of Trade and Service Licenses in Phuentsholing, Gelephu and Samdrupjongkhar Towns, 2005, Regulation No. 6.3 and 7.4 of the Bhutan Micro Trade Regulation, 2006 and Regulation No. 7.4 of the Bhutan Wholesale Trade Regulation, 2006 all prohibit leasing/sub-leasing or in other words fronting.

Fronting occurs where an unlicensed or unregulated person or business controls or owns a regulated or licensed business via a licensed person or business¹. In return, the license holder (the front) is paid a commission or fee by the non-licensed entity. The license holders in Phuentsholing, Gelephu, Samdrup Jongkhar and Samtse towns were required to sign an undertaking that they will not engage in fronting. However, after signing the undertaking, neither did many license holders abide by the rule nor did the authority concerned adequately monitor its implementation as many licenses were found to have been leased to non-Bhutanese for a monthly commission.

Further, the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan requires businesses to maintain books of accounts and documents for tax computation purposes for five years. However, the findings of the investigations indicate that the implementation and enforcement of laws, rules and regulations was weak. In many cases, the individuals responsible for the enforcement of the laws were indirect beneficiaries of fraudulent practices.

¹ Basel Institute on Governance, National Anti-Corruption Strategy (NACS) of Bhutan 2008-13, Oct 2013

Thus fronting continued to remain a chronic problem since 1990s. By 2011, the situation worsened when INR crises hit the country. In order to mitigate the growing INR deficits and resuscitate the economy, RGoB was compelled to sell USD 200 million in December 2011. By the beginning of 2012, INR reserve had reached a critical level that RGoB had to resort to borrowing from the State Bank of India and Punjab National Bank, India at interest rates of 9.75% and 10.5% per annum respectively. RGoB borrowed Rs. 10 billion in March 2012, Rs. two billion in May 2012 and Rs. three billion in June 2012². In addition, RGoB imposed several restrictions including stopping loans for new constructions and import of vehicles.

Fronting added further fuel to the already burning problem, when some people who ran businesses on Bhutanese licenses remitted INR fraudulently. Such fraud included remitting INR through forged invoices and forged Customs Declaration Forms to convert cash earned in Ngultrum through sales of commodities in Bhutan into INR. To maximize profits through such fraudulent means, import of zero tax commodities were targeted. As shown in *Figure 27* and *Figure 28*, import of rice increased by 33.7% from 2011 to 2012.

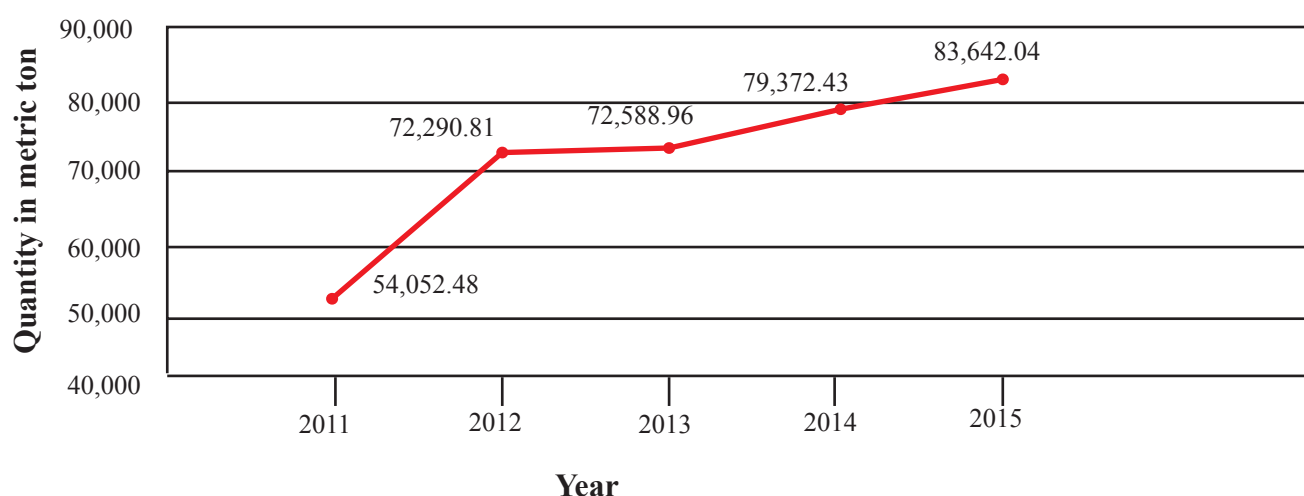


Figure 27: Quantity of Rice Import from 2011-2015³

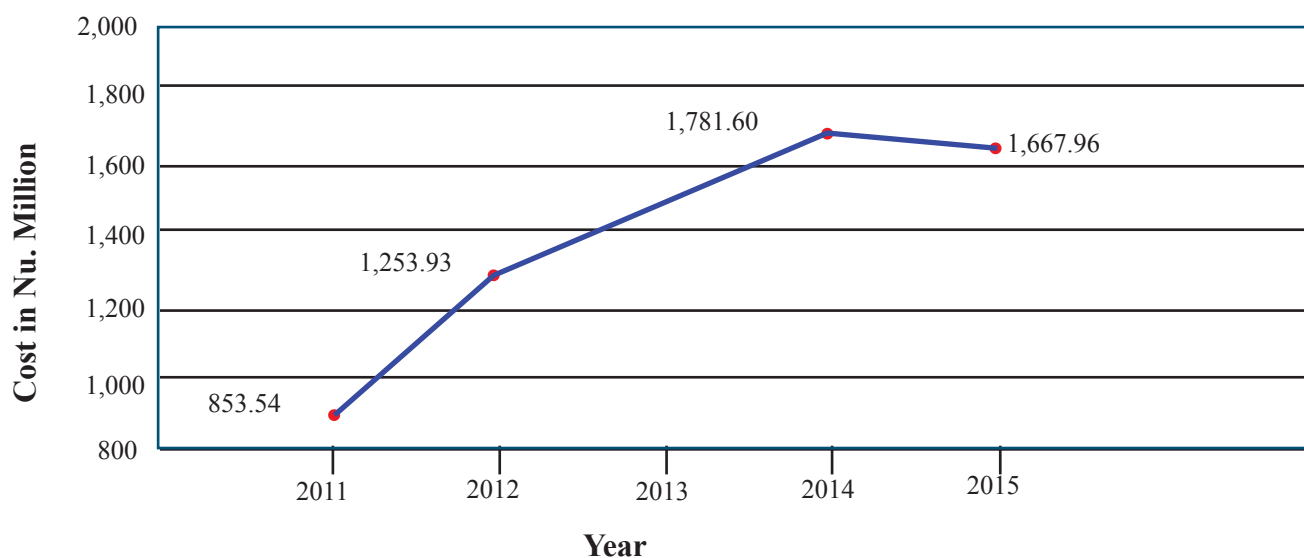


Figure 28: Cost of Rice Import from 2011-2015⁴

² Royal Monetary Authority (2013). Annual Report 2011/2012, Thimphu, Bhutan

³ Department of Revenue and Customs (2011, 2012, 2013, 2014, 2015), Bhutan Trade Statistics, Thimphu, Bhutan

⁴ Department of Revenue and Customs (2011, 2012, 2013, 2014, 2015), Bhutan Trade Statistics, Thimphu, Bhutan

Further, the quantity of maida flour imported almost doubled from less than 4,000 metric tons in 2011 to more than 7,400 metric tons in 2012 as shown in *Figure 29* and *Figure 30*.

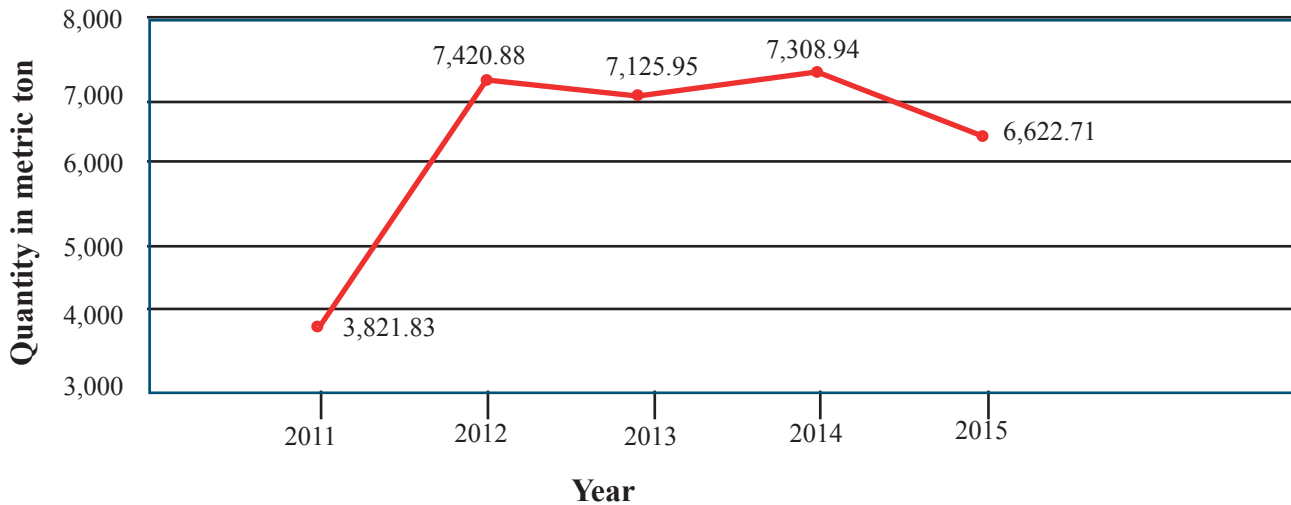


Figure 29: Quantity of Maida Import from 2011 -2015⁵

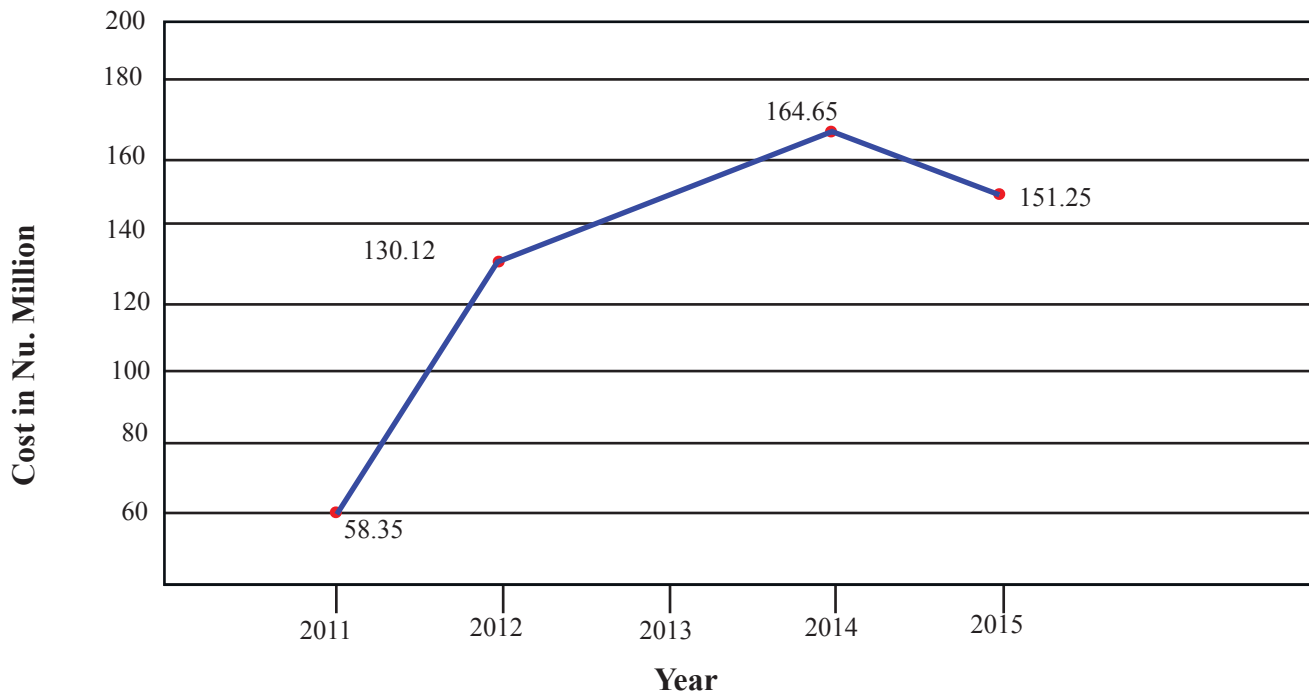


Figure 30: Cost of Maida Import from 2011-2015⁶

⁵ Department of Revenue and Customs (2011, 2012, 2013, 2014, 2015), Bhutan Trade Statistics, Thimphu, Bhutan

⁶ Department of Revenue and Customs (2011, 2012, 2013, 2014, 2015), Bhutan Trade Statistics, Thimphu, Bhutan

Even worse, import of Sugar increased drastically from 3.15 metric tons in 2011 to 154.74 metric tons in 2012. Similar trend is shown for 2013 as shown in *Figure 31* and *Figure 32*.

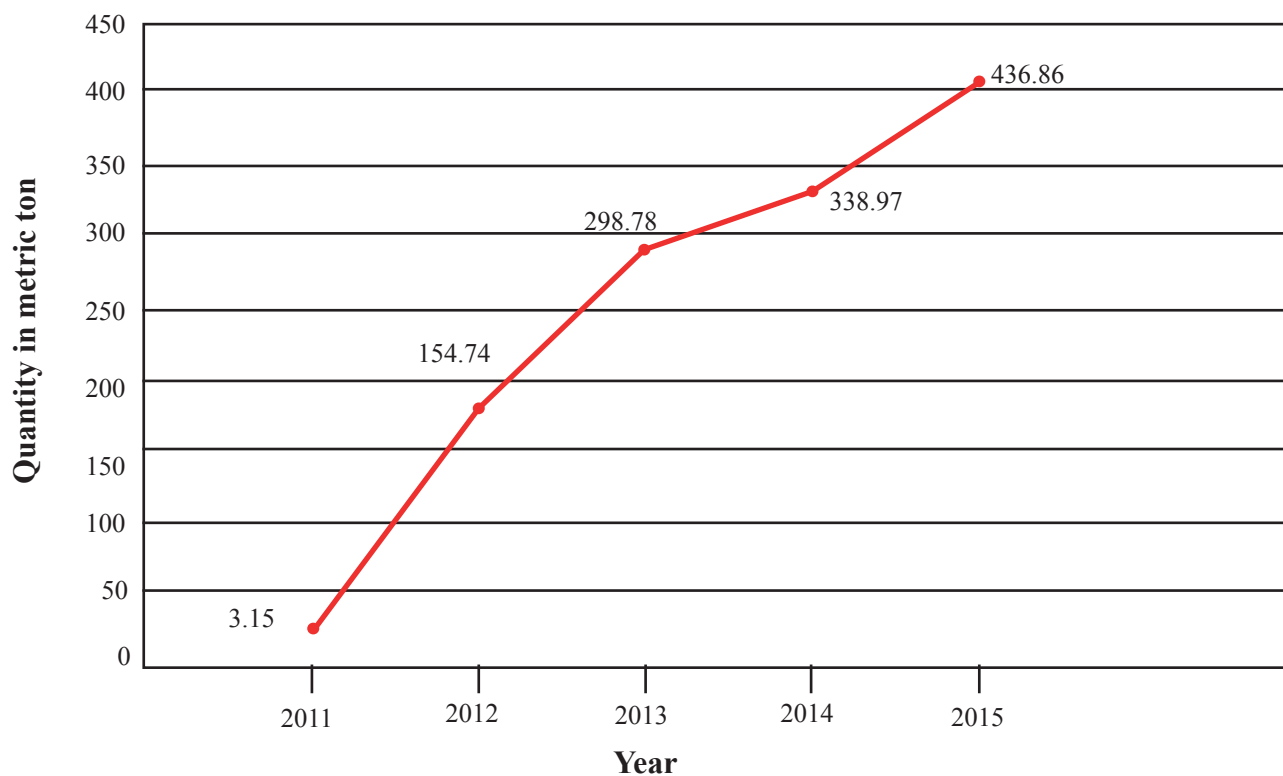


Figure 31: Quantity of Sugar Import from 2011-2015⁷

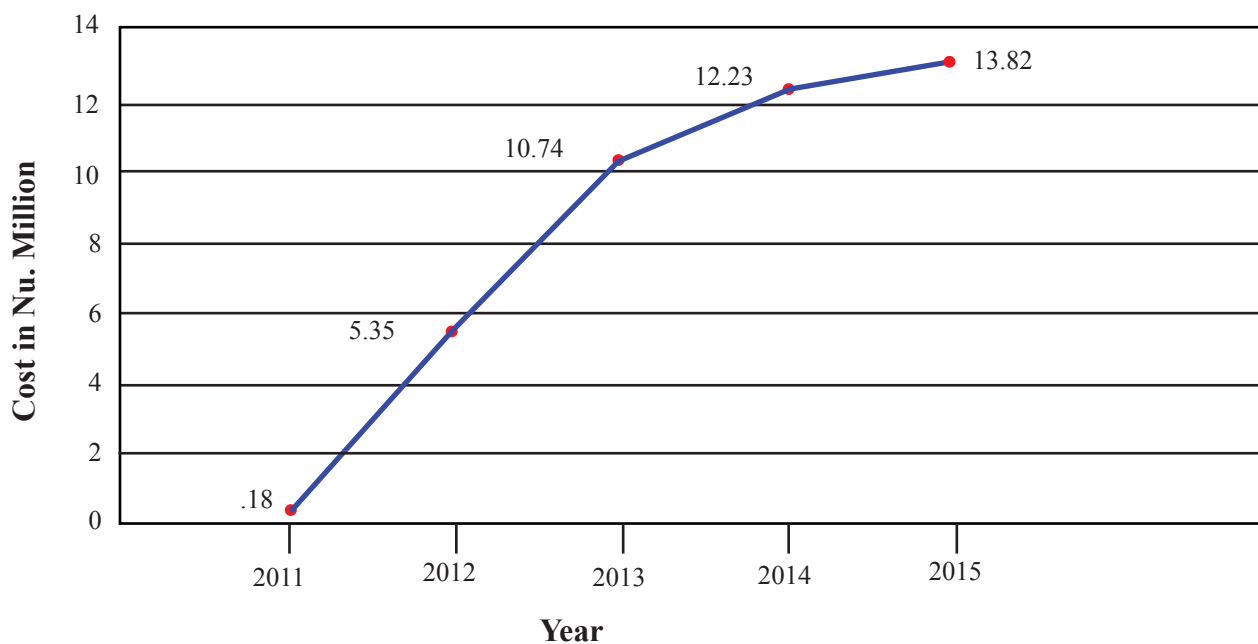


Figure 32: Cost of Sugar Import from 2011-2015⁸

⁷ Department of Revenue and Customs (2011, 2012, 2013, 2014, 2015), Bhutan Trade Statistics, Thimphu, Bhutan

⁸ Department of Revenue and Customs (2011, 2012, 2013, 2014, 2015), Bhutan Trade Statistics, Thimphu, Bhutan

While a part of this increase in imports of above commodities may be attributed to the hydro-power construction projects, it does not fully explain the sudden upsurge which is still on the higher side.

The above trend strongly indicates that the zero-tax commodities were used as the means to obtain INR through fake imports by the businesses engaged in fronting. INR acquired through such fraud were then re-circulated in the black market at a commission of 7% to 10% and this has become a booming business in itself. Fronting compounded this fraud since the money realized through businesses conducted in Phuentsholing in the name of Bhutanese license holders ultimately went across the border. Analysis of bank transactions indicate huge volumes of cash flows but the balances in bank accounts were always a few thousands only indicating that the money did not belong to the account holders.

Fronting engendered a breeding ground for many fraudulent and corrupt activities. The common ones are commercial bribery, bribery, deflection of goods across the border, forgery of invoices and Customs Declaration Forms and trade-based money laundering. In order to tackle these businesses that were fronting with great impunity, ACC decided to investigate the cases and charge sheet the culprits under relevant legal provisions. ACC also seized and auctioned goods after securing court orders.

During the report period, the Commission completed investigation of 30 cases in Phuentsholing which have been sent to OAG for prosecution and included 27 cases of fronting involving 36 licenses. ACC has sought restitution of Nu. 594.790 million from these cases for the State.

Phuentsholing as a commercial hub of the Kingdom and an important port through which 80% to 90% of imports enter Bhutan must be sanitized as the country cannot afford to risk the financial, social and political ramifications it entails.

Associated Challenges

1. In the course of investigation into an offence, ACC has to resort to seizure of moveable properties which the Commission has reasonable grounds to suspect to be the subject of the offence or evidence. While the Commission makes every effort to protect and maintain such goods and properties from the start of investigation to closure of cases, it is becoming increasingly challenging due to lack of adequate storage facilities. ACC has been requesting agencies with storage facilities to accommodate the seized properties. However, such temporary arrangements are neither tenable nor desirable.

2. Investigation is only as effective as its timely prosecution and adjudication. As the State prosecutor, OAG is overwhelmed by cases referred for prosecution by different agencies. This issue deserves urgent interventions in terms of building adequate capacity in OAG, both quantitatively and qualitatively if the criminal justice system is to be effective and bring accountability issues to a logical conclusion at the earliest.

3. Owing to the complexity of corruption cases and the fact that all criminal cases are registered and prosecuted in the same court along with civil suits, judgment on corruption cases prosecuted are taking longer than the time it would take if there were separate courts/benches specialized in corruption matters.

4. Judgment implementation is another challenge. Long after the judgments of the courts have been handed down, restitution or recovery of proceeds of crime or administrative action still remains unexecuted. For instance, restitution of Nu.90.00 million from the Samtse mining case is still pending although the final adjudication order by the Supreme Court was given more than four years ago. Similarly, restitution of procurement funds embezzled by Ministry of Health officials is yet to be made even after the final judgment was pronounced almost three years ago.

With delayed implementation of court orders/judgments, the entire cycle of the criminal justice system risks being rendered ineffective and investigation and prosecution redundant with the resultant wastage of precious public resources.

“Without restitution, the perpetrators will enjoy the fruits of corruption after serving penal sentences”.

His Majesty, the Fourth Druk Gyalpo, 1985

2.6: INTERNATIONAL STANDING

This segment presents ACC’s international standing in relation to TI-CPI rankings and ACA strengthening initiative assessment including priority areas of focus for the nation to further improve the scores as targeted.

2.6.1 TI-CPI 2015

In TI-CPI 2015, Bhutan is ranked 27th out of 168 countries and territories. In comparison to TI-CPI 2014, Bhutan’s position has increased by three places while sustaining its score of 65. Since Bhutan’s inclusion by TI in CPI ranking in 2006, its rank and score have improved over the years. Out of the 13 sources that TI uses for its CPI, for Bhutan, it has used Bertelsmann Stiftung Transformation Index, World Bank’s Country Performance and Institutional Assessment, WEF’s Executive Opinion Survey and Global Insight’s Country Risk Ratings. In addition, TI also uses business people opinion surveys and assessment (scores) provided by country experts or analysts.

Comparing with global and Asia Pacific Region’s average score of 43 each, on a scale of 0 (highly corrupt) to 100 (very clean), Bhutan’s score of 65 is significantly higher, exhibiting better control of corruption in Bhutan. In the Asia Pacific Region, Bhutan’s rank has sustained its 6th position from 2012 onwards. It is worthwhile to note that Bhutan has sustained the score of 65 – close to European Union and Western Europe average score of 67, which is better than the threshold score of 60. It is also important to point out that this score has greater significance than rank as it is based on several established parameters as compared to ranking, which is relative.

Bhutan’s constant improvement may be largely attributed to the political commitment to fight corruption. The incorporation of the implementation of NIACS as a KPI of the 11th FYP and also its integration into GPMS aggregate evaluation and monitoring framework, Parliament’s ratification of UNCAC, and the first piloting of TI-ACA Strengthening Initiative: Assessment of ACC in 2015 are few manifestations of such commitment.

However, if Bhutan is to achieve the stated objective of the 20th position by 2018 as well as sustain and improve upon its CPI score, the following areas need to be addressed with greater urgency:

- “burden of government regulation” i.e. extent of obligation for companies to comply with public administration’s requirement.
- “favoritism in decisions of government officials” or extent government officials show favoritism to well-connected firms and individuals when deciding upon policies and contracts.

- “*irregular payments and bribes*” and how common such payments may be in imports and exports and awarding of public contract and licenses.
- “*financial auditing and accounting standards*” in the private sector.

This calls for the concerted efforts of the government, in particular Ministry of Finance, Ministry of Economic Affairs and Ministry of Works and Human Settlement to bring about the necessary changes that will minimize the aforementioned systemic vulnerabilities. The active involvement of trade and industry bodies such as Bhutan Chamber of Commerce and Industry, Construction Development Board, Construction Association of Bhutan and the private sector at large is critical in this regard.

2.6.2. *ACA Strengthening Initiative - Assessment of Bhutan ACC 2015*

This initiative of TI is designed to assess the performance and capacities of ACAs as well as the environment in which they function using a benchmarking tool developed by TI. The tool has 50 indicators, which benchmarks the performance of ACA in terms of independence, human resource, financial resource, outputs of investigation, prevention & education, partnerships, accountability and public perception.

ACC, Bhutan is one among 35 ACAs in the Asia – Pacific region that has participated in the development of the tool since its inception and is also the first ACA in the world to be piloted. The assessment was carried out in June-August 2015 with financial support from SDC. The lessons gleaned from this pilot assessment in Bhutan will be used to further improve the tool prior to applying it in other countries. ACAs of Bangladesh, Pakistan, Maldives, Mongolia, Malaysia and Indonesia have been identified for the next round of assessments.

The indicators are assessed on the scale of High, Moderate and Low. ACC scored High in 70%, Moderate in 26% and Low in 4% of the indicators assessed. The dimensions with the strongest scores are independence, mandate and legal basis, as well as state support and inter-agency coordination.

Despite obtaining an overall score of “*Very Good*”, there are a number of areas where improvement is needed. These include the need for:

- ACC’s investigative capacity to be enhanced;
- improvement in the capacities of both OAG and ACC to prosecute corruption;
- allocation of sufficient funds for ACC;
- greater citizen engagement in prevention and education programs as well as in oversight; and
- ACC to develop a broader and more nuanced communication strategy so as to reach the target audience effectively.

While ACC is already working on addressing those areas directly under its control, others require the intervention of the government and Parliament. The section on Recommendations of this Annual Report also touches on some of these areas, albeit from a slightly different angle.

The Assessment report was launched on 10 December 2015 during NACW by the Hon’ble Chief Justice of Bhutan.



Oversight
and
Accountability

Detection
and
Investigation

Legal Basis,
Independence
and Mandate

Financial and
Human
Resource

Prevention,
Education
and
Outreach

State
Support,
Interagency
Cooperation

Assessment of Bhutan ACC 2015

Section 3

THE RESOLUTIONS OF PARLIAMENT

3.1:	Resolutions of the 5 th Session of the Second Parliament - National Assembly	60
3.2:	Resolutions of the 15 th session of the National Council	62

THE RESOLUTIONS OF PARLIAMENT

This section outlines the parliamentary resolutions pertaining to ACC and their implementation status.

3.1: RESOLUTIONS OF THE 5TH SESSION OF THE SECOND PARLIAMENT-NATIONAL ASSEMBLY

1. As per the Section 8 of Article 26 of the Constitution, it would not be possible for the Anti-Corruption Commission to be given autonomy. However, as per Resolution No. 11.1 of the 2nd Session of the Second Parliament, it was resolved that Anti-Corruption Commission and Royal Civil Service Commission should continue to address the problem of human resource constraint in consultation with each other.

As elaborated upon earlier under Section 1.3.1, the proposed MoU between the two Commissions also covers the exigent HR needs of ACC and provides for a degree of flexibility in HR management and administration in view of the specific nature of ACC's work. The MoU is expected to be signed by June, 2016.

At the same time, the organizational structure along with the staffing and recruitment proposals is being pursued with RCSC and a positive response has been indicated.

2. The government and ACC need to hold discussion and clarify whether or not the policies for import of electric vehicles (EV) caused conflict of interest and if it was not in accordance with the Constitution and rules.

As reported in ACC Annual Report 2014, the Commission could not establish direct conflict between the private interests of the Honorable Prime Minister and the Government's actions on import of Electric Vehicles in the country. Nonetheless, ACC had made three recommendations to the Government.

This issue was discussed extensively during the 73rd Session of the Lhengye Zhungtshog and according to the report received from the government, the following points were made:

a. To revoke or rescind Government's order on allowing import of second hand Nissan Leaf Vehicles.

Under Chapter 13, Section 45 of the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan 2000, the import of used or second hand goods, vehicles, machinery and equipment is "restricted". "Restricted" goods is defined as goods on which limitations shall apply to the quantity or quality of the import or export of goods, while "Prohibited" goods meant any goods, for which import or export was not allowed under this Act or any other Acts. The Government, with due diligence, had consulted OAG who opined that "the decision to allow import of the used car is policy issue and that such policies are subject to change from time to time."

However, holding the institute of ACC highest in esteem, the Lhengye Zhungtshog has decided that it would reconsider the policy on the import of second hand electric vehicles based on ACC's recommendation.

b. To nullify or terminate the MoUs signed with NISSAN Motors Co. Ltd. (Japan) and Mahindra Reva Electric vehicles Private Limited (India).

The Royal Government had extended invitations to all manufacturing companies of EVs through public addresses made in various fora both within and outside the country. However, only NISSAN Motors Co. Ltd (Japan) and Mahindra Reva Private Limited (India) came forward to engage in this initiative. Further, it may be noted that MoU signed with Nissan Motor Co. Ltd expired since 31 March 2015 and the government did not renew the MoU. The MoU with Mahindra Reva Private Limited (India) is broad and has no commitment on either of the parties.

c. To return EV gifts.

The two Leaf electric cars presented to the Royal Government by the NISSAN Motors Co. Ltd. was offered to the Royal Secretariat. The third car was included in the lottery prize list and given away during the celebration of His Majesty's Birth Anniversary held in Changlimithang on 21 February 2015. The Tesla electric car from Tesla Company had been registered as a Government vehicle (BG-1-A2323) while in the country and had been test driven by the Hon'ble Prime Minister. The car has been returned to the company in October 2015.

In light of the actions taken by the government, ACC will not pursue this issue any further. However, ACC would like to reiterate that while a Government initiative may be based on noble objectives, due regard should be paid to avoid "perceived" and "potential" conflict of interests as it has a bearing on free market growth and can affect the confidence of the public in the transparency and integrity of the government.

3. The Human Right Committee in coordination with the Commission should assess the investigation procedures of the people detained for corruption cases and report in the 6th session.

ACC made a presentation to the Human Rights Committee on 4 September 2015 which was followed by a number of discussions on different occasions. The Committee duly presented its report on this resolution to the 6th Session of the Second Parliament on 16 November 2015.

4. ACC must prioritize and soon resolve pending cases which could not be resolved due to human resource constraint.

ACC is acutely aware of the large number of investigation cases that are pending and doing its utmost to clear them on a priority basis with the limited manpower at its disposal. On the other hand, the sheer scale of the investigation operations in Phuentsholing has necessitated almost all its staff to be engaged on the case over an extended period of time. As a result, other investigations had to be stalled which has further exacerbated the situation. ACC is making concerted efforts to address its perennial HR problems in collaboration with RCSC and is optimistic on the outcome.

3.2: RESOLUTIONS OF THE 15TH SESSION OF THE NATIONAL COUNCIL

1. Establish an effective appellate system for cases investigated by the Dzongkhag investigation team in collaboration with the Royal Government.

As provided for in Sections 137, 138 and 139 of ACAB 2011, ACC refers the cases that are generally administrative in nature to the Dzongkhags/agencies concerned for investigations and/or administrative (disciplinary) action. A report in relation to the matter and on ATR is required to be submitted to ACC by the agency concerned. Based on the reports and after further clarification, where necessary, is obtained, the Commission may close the case or initiate necessary action on its own.

In those instances where the complainant is dissatisfied with the outcome(s) or the action(s) taken at the Dzongkhag level, ACC is prepared to provide the opportunity for the complainant to be heard. However, at that point, he/she should be in a position to further substantiate the allegations and should also reveal his/her identity to the Commission.

2. Annex the log sheet of complaints received and action taken in ACC's Annual Report.

3. Include in the annual report the status of implementation of administrative actions taken by agencies to whom cases have been referred by ACC.

In view of the confidential and sensitive nature of the information sought, ACC is unable to provide such information in a public document such as the Annual Report. Instead, ACC will make a presentation on the above (No.2 & 3) to the National Council.

4. Share report on systemic studies with the National Council.

ACC will be carrying out a review of the actions taken by agencies concerned on the recommendations made in the systemic studies. Thereafter as directed, a report on those areas which, in the opinion of ACC, have not been adequately addressed by the relevant agencies will accordingly be submitted to the National Council.

Section 4

RECOMMENDATIONS

4.1:	Financial Security	64
4.2:	Human Resources Development	64
4.3:	Strengthening Corruption-related Justice System	64
4.4:	Management of Seized Goods and Properties	65
4.5:	The “Fronting” Menace	65

RECOMMENDATIONS

Recommendations emanating from specific studies and assessments have already been presented in previous sections. This section contains recommendations which ACC believes are critical for it to sustain the momentum and build on the gains made thus far in upholding its constitutional mandate and is based on the experience it has gained over the decade of its existence.

4.1: FINANCIAL SECURITY

As discussed in Section 1, since 2007, over 58% of ACC's annual budget was met through the unstinted support of SDC and other development partners without which ACC would have been hard pressed to reach thus far. With the departure of SDC from Bhutan imminent, this portion will also have to be met from public resources which will entail a substantial increase from RGoB. At this critical juncture, ACC cannot afford to let up on the anti-corruption momentum built so far and hence, the imperative need for sufficient funds to be allocated to ACC to sustain and mainstream its anti-corruption programs. Alternative financing methods such as anchoring its budget to a proportion of the national budget, charging of expenditure directly to the Consolidated Fund of RGoB, etc. need to be explored.

4.2: HUMAN RESOURCES DEVELOPMENT

ACC is currently working closely with RCSC to address its perennial human resource constraints and has therefore not reflected this matter in the Annual Report at this stage. However, the issue of HRD needs to be highlighted as it is directly affected by the above point on financial security. Up until now, ACC's HRD and training needs were also met from SDC's support mentioned earlier. Besides further studies programs, it enabled ACC to provide ex-country mandatory basic courses for its staff in the diverse field of anti-corruption as well as specialized trainings in investigation and associated fields. This resource gap will have to be met from public resources. Further, the current RGoB policy on HRD does not normally allow courses and trainings outside the country through government funding. Therefore, there are two interconnected elements that need to be addressed under this recommendation:

- (a) The policy on HRD needs to be looked into to enable ACC to continue to train its staff.
- (b) Adequate budgetary provisions need to be made for the same.

The importance of such courses/trainings needs to be underscored. The rapid advancements in technology coupled with the ingenuity of the corrupt demands enforcement agencies such as ACC to keep commensurate pace by constantly upgrading their knowledge and skills so as to remain relevant and effective in *"preventing and combating"* corruption.

4.3: STRENGTHENING CORRUPTION-RELATED JUSTICE SYSTEM

- (a) OAG is charged with prosecuting all cases on behalf of the State, which includes corruption cases referred by ACC. As mentioned earlier, ACC would like to clear the backlog of cases it has and is working with RCSC to resolve its HR needs. As this gradually gets addressed and ACC begins investigating more cases, the prosecutorial capacity of OAG must be able to complement the increase in volume. This therefore, calls for OAG to be strengthened to prosecute the cases efficiently.

(b) The need for specialized courts/benches to deal with corruption cases is becoming more apparent in view of the increasing complexity of such cases. This will also reduce the time taken to decide on corruption cases. Alternatively, corruption cases could be registered directly with the High Court which would reduce prosecution time.

(c) Long after the judgments of the courts have been pronounced, responsibility to retribute or recover proceeds of crime still remains unclear. Therefore, proper reporting mechanisms on implementation of court judgments that require restitution of funds and resources need to be put in place to ensure that Bhutanese citizens are informed of the complete circle of the accountability process relating to prosecution of corruption offences.

4.4: MANAGEMENT OF SEIZED GOODS AND PROPERTIES

Currently, ACC and other regulatory and law enforcement agencies like the Royal Bhutan Police, Bhutan Agriculture and Food Regulatory Authority, Bhutan Narcotic Control Agency, Department of Forests & Park Services, Department of Revenue & Customs etc. maintain on their own the goods and properties they have seized. For efficient and professional management of such goods and properties, creation of a dedicated and centralized agency is desirable. The Department of National Properties under the Ministry of Finance is responsible only for government properties and may not be the appropriate agency to undertake this responsibility.

Should the Parliament endorse the creation of such an agency, a new law establishing this agency may be considered. This would also address the need to amend the respective laws of the relevant agencies.

4.5: THE “FRONTING” MENACE

The subject of “*fronting*” and its associated illegal activities has been covered in great detail under Section 2.3.3: Update on Investigations of Phuentsholing case. While fronting is forbidden under various guidelines, rules and regulations, it continues to be rampant especially in the border towns as evinced during ACC’s operations in Phuentsholing which clearly indicates that these rules, etc. are ineffective. During the course of its investigations, ACC discussed charging such fronting cases under Sections 66 and 67 of ACAB 2011 that pertain to “*Active/Passive Commercial Bribery*” with OAG. Once affirmed by OAG, charges under these two sections were accordingly framed for the 27 completed fronting cases by ACC.

ACC would also like to draw the attention of the Parliament to the magnitude of the fronting problem in particular to the adverse political, social and economic consequences of fronting which cannot and should not be taken lightly. Experience thus far demonstrates that mere administrative sanctions (as provided for in the rules and regulations) are ineffectual in curbing fronting. If this menace is to be purposefully tackled, it should be made either an explicit corruption offence or at least a criminal one and incorporated into relevant legislations such as the stalled Enterprise Registration Bill.

“If there comes a time when you have to forgo personal comfort and self-interest, your own consciousness must guide you to take the right decision in the interest of the nation”

His Majesty, the Druk Gyalpo
at the Opening Ceremony of the 3rd Session of the Second Parliament,
16 May, 2014

CONCLUSION

The Annual Report 2015, amongst others, presents momentous and historic events for ACC. The gracious visit by His Majesty the *Druk Gyalpo* to ACC and the audience on 15 July 2015 was truly a blessing and joy for the fraternity. His Majesty's words of wisdom were a source of inspiration and rejuvenation to shoulder the heavy but sacred responsibilities for the benefit of the society at large and the future of the country.

The year also marked the culmination of the first Commission's term. Chairperson *Dasho* Neten Zangmo and Commissioners, Kezang Jamtsho and Thinley Wangdi successfully completed their term on 21 July 2015 leaving behind a rich legacy of accomplishments for ACC and the nation. ACC has been nurtured from infancy to a progressive anti-corruption agency by the first Commission under the dynamic leadership of the Chairperson, *Dasho* Neten Zangmo with the vision of "*building an incorruptible, happy and harmonious society.*"

The year saw yet another milestone in the collective efforts to combat corruption as Bhutan moved up to 27th position in TI-CPI rankings, taking it closer to the target of 20th by 2018.

Corruption is best fought by building integrity and remaining true to the age old adage "prevention is better than cure". In terms of prevention, the year marked the successful completion of two proactive research studies on the business environment in the Mining Industry and HRM in the Civil Service. The presence of the Hon'ble Prime Minister at the closing session of the National Conference on these two studies signified the importance of these issues and the work of ACC. Similarly, the year also saw a number of activities to reinforce NIACS, while also acknowledging some of the challenges faced by agencies to fully operationalize it. Some of the key activities were Judicial Integrity Scan, CRM in four agencies, Private sector Integrity program to reiterate a few. Further, a number of systemic recommendations emanating from investigation of cases were also shared with the agencies concerned.

Complaints and cases reflected similar trends as in the previous year with a declining trend of number of complaints qualified for investigation and being assigned for investigation. Majority of ACC's resources and efforts in 2015 were focused on investigating cases related to Trade and Customs in Phuentsholing.

The investigations revealed among others, issues of weak enforcement of rules, collusion, INR repatriation, deflection of goods and tax evasion. If left unaddressed, their consequences will be dire. This is just the tip of the iceberg and to unearth all the issues and address them effectively calls for concerted efforts from the government, the private sector and the public. Further, a comprehensive review of the foreign exchange and banking environment that extends beyond the administration of import and business license systems is needed to be carried out.

The complexities of cases coupled with manpower constraints continue to impede the rate of investigation, resulting in a substantial backlog. While efforts to resolve HR issues continue through short and long term strategies, the Commission will initiate appropriate strategies to address the backlog cases.

In bidding farewell to the first Commission, ACC staff and the current Commission would like to put on record its sincere gratitude and appreciation for their contribution. In doing so, ACC pledges to live up to the high standards they have set and rededicates its commitment to continue the fight against corruption. The Commission will strive to not only sustain the momentum but take forward what ACC has achieved up

until this stage in upholding the constitutional mandate. ACC is optimistic of the continued support of the Parliament, the Executive and the Judiciary as well as the citizenry.

2016 is a propitious year for Bhutan. It brings together three significant events: the birth year of *Guru Rinpoche*, the 400th anniversary of *Zhabdrung Ngawang Namgyel's* arrival in Bhutan and most significantly, the birth of His Royal Highness, the *Gyalsey*. ACC looks forward to the year with renewed hope and motivation to combat and prevent corruption. For ACC, the birth of *Guru Rinpoche* signifies regeneration of human values; the 400th anniversary of *Zhabdrung Ngawang Namgyel's* arrival in Bhutan signifies the importance of National Unity and Rule of Law and the birth of His Royal Highness, the *Gyalsey* presents an occasion for the Government and the People to reinvigorate our collective efforts so as to bequeath a “*clean, safe, organized and beautiful*” nation to His Royal Highness, the *Gyalsey* and the future generations.

‘In bidding farewell to the first Commission, ACC staff and the current Commission would like to put on record its sincere gratitude and appreciation for their contribution.’



FBINAA

CPIB



democratization,
decentralization,
local governance

Building and sustaining cooperation with its counterparts

ADB/OECD Anti-Corruption Initiative for Asia and the Pacific



ANNEXURE I

ACC STAFF LIST as of 31 December 2015

Sl. No	Name	Position Title	PL/SL	Qualification	Appointment Date	Remarks
1	Dorji Thinlay	Director	EX3 A	Bachelors (Pharmacy)	09/11/1995	
2	A. Karma Rinzin	Chief Admin. Officer	P1 A	Masters (Agriculture)	01/06/1992	
3	Karma Thinlay	Chief Planning Officer	P1 A	Masters (Public Policy)	01/07/1993	
4	Gyeltshen	Chief Integrity Promotion Officer	P1 A	Masters (MBA in International Business)	01/11/1998	
5	Kin Dorji	Principal Integrity Promotion Officer	P1 A	Masters (Construction Engg. & Mgt.)	01/01/2000	
6	Namgay	Dy. Chief Integrity Promotion Officer	P2 A	Masters (Science Education)	01/07/2001	
7	Tshering Penjor	Dy. Chief Integrity Promotion Officer	P2 A	Masters (Forensic Accounting)	01/01/2004	
8	Leki Dendup	Dy. Chief Integrity Promotion Officer	P2 A	P.G Certificate (Financial Management)	01/01/2004	On study - masters
9	Jigme Choden	Dy. Chief Integrity Promotion Officer	P2 A	Bachelors (Electrical Engineering)	01/01/2004	On study - masters
10	Rinzin Pem	Sr. Personal Secretary II	P2 A	Certificate (Office Management)	25/02/1978	
11	Ugyen Tshering	Sr. Complaints Management Officer	P3 A	PGCE (Dzongkha)	01/01/2004	On study - masters
12	Karma Gyeltshen	Sr. Integrity Promotion Officer	P3 A	Bachelors (Electrical & Electronics Engg.)	01/04/2009	
13	Tashi Tobgay	Sr. Integrity Promotion Officer	P3 A	Bachelors (Computer Science & Engineering)	18/01/2010	
14	Tashi Phuntsho	Integrity Promotion Officer	P4 A	Masters (Digital Forensic)	14/03/2007	
15	Kunzang Dorji	Complaints Management Officer	P4 A	Bachelors (Language and Culture)	01/01/2009	Submitted resignation
16	Tashi Dorji	Integrity Promotion Officer	P4 A	P.G Diploma (Public Administration)	01/01/2010	
17	Thinley Tobgay	Integrity Promotion Officer	P4 A	P.G Diploma (Public Administration)	01/01/2010	
18	Tshering Wangchuk	HR Officer	P4 A	Masters (Leadership & HR Management)	01/01/2010	
19	Namgay Wangchuk	Integrity Promotion Officer	P4 A	P.G Diploma (Financial Management)	01/01/2011	
20	Kinley Wangmo	Planning Officer	P4 A	P.G Diploma (Public Administration)	01/01/2011	
21	Kelden Jamtsho	Legal Officer	P4 A	P.G Diploma (National Law)	01/01/2013	
22	Shacha Wangmo	Legal Officer	P4 A	P.G Diploma (National Law)	01/01/2013	
23	Ugyen Dorji	Integrity Promotion Officer	P4 A	Bachelors (Civil Engineering)	01/01/2014	

ACC STAFF LIST as of 31 December 2015

Sl. No	Name	Position Title	PL/SL	Qualification	Appointment Date	Remarks
24	Tenzin Wangchuk	Integrity Promotion Officer	P4 A	Bachelors (Civil Engineering)	01/01/2014	
25	Kelzang Dema	Legal Officer	P4 A	P.G Diploma (National Law)	01/01/2015	
26	Tashi Wangdi	Legal Officer	P4 A	P.G Diploma (National Law)	01/01/2015	
27	Jangchu Tshomo	Integrity Promotion Officer	P4 A	Bachelors (Civil Engineering)	01/01/2015	
28	Krishna Maya Adhikari	Accounts Asst. III	P5 A	Bachelors (Commerce)	01/07/2004	
29	Chhimi Wangmo	Asst. Integrity Promotion Officer I	P5 A	Bachelors (Economics)	15/05/2006	On study - masters
30	Tshewang Penjor	Asst. Admin. Officer I	P5 A	Masters (Public Administration)	01/05/2007	
31	Phuntsho Namgay	Asst. Integrity Promotion Officer I	P5 A	Bachelors (Business Administration)	01/04/2009	On study - masters
32	Sangay	Asst. Integrity Promotion Officer	P5 A	Bachelors (B.Com Hons.)	01/04/2009	On study - masters
33	Sherab Tharchen	Asst. Legal Officer II	P5 A	P.G Diploma (National Law)	01/01/2010	On study - Bachelors in Law
34	Nima Yoezar	Asst. Integrity Promotion Officer I	P5 A	P.G Diploma (Public Administration)	01/01/2012	
35	Kezang Tshering	Asst. Research Officer	P5 A	P.G Diploma (Public Administration)	01/01/2012	
36	Chimmi Rinzin	Asst. Complaints Mgmt. Officer	P5 A	P.G Diploma (Public Administration)	01/01/2014	
37	Tara Nidhi Bhattarai	Asst. Integrity Promotion Officer I	P5 A	P.G Diploma (Public Administration)	01/01/2014	
38	Kezang Choden	Asst. Integrity Promotion Officer I	P5 A	P.G Diploma (Financial Management)	01/01/2015	
39	Dechen Rabgyal	Asst. Integrity Promotion Officer I	P5 A	P.G Diploma (Public Administration)	01/01/2015	
40	Rinchen Namgay	Asst. Communication Officer II	S1 A	Bachelors (Visual Comm. in Electronic Media)	01/02/2011	
41	Ugyen Dema	Asst. Communication Officer II	S1 A	Bachelors (Economics & EVS)	01/03/2012	
42	Dil Maya Chhetri	Asst. Integrity Promotion Officer II	S1 A	Bachelors (Commerce)	01/02/2012	
43	Bhagi Ram Kuikel	Asst. Integrity Promotion Officer II	S1 A	Bachelors (B. Sc in Life Science)	01/03/2012	
44	Sangay Lhamo	Asst. Integrity Promotion Officer II	S1 A	Bachelors (Dzongkha with Geography)	01/03/2012	
45	Gyembo Tshewang	Asst. Integrity Promotion Officer II	S1 A	Bachelors (B. Sc in Life Science)	01/03/2012	
46	Dorji Dema	Asst. Integrity Promotion Officer II	S1 A	Bachelors (Business Management)	01/03/2012	
47	Pema Yangchen	Asst. Integrity Promotion Officer II	S1 A	Bachelors (Business Management)	01/03/2012	

ACC STAFF LIST as of 31 December 2015

Sl. No	Name	Position Title	PL/SL	Qualification	Appointment Date	Remarks
48	Damcho Tenzin	Asst. Integrity Promotion Officer II	S1 A	Bachelors (English with Geography)	01/03/2012	
49	Dendup Wangmo	Asst. Integrity Promotion Officer II	S1 A	Bachelors (B.Sc in Physical Science)	01/03/2012	
50	Sangay Bidha	Asst. Integrity Promotion Officer II	S1 A	Bachelors (Language & Culture)	01/03/2012	
51	Rinzin Jamtsho	Asst. Integrity Promotion Officer II	S1 A	Bachelors (Business Administration)	01/03/2012	
52	Yeozer Dolma	ICT Technical Associate I	S1 A	Bachelors (Computer Science)	01/07/2006	
53	Ngawang Thinley	ICT Technical Associate I	S1 A	Diploma (Information Management System)	01/07/2010	
54	Kinley Wangchuk	Integrity Promotion Asst. II	S2 A	Diploma (National Law)	01/07/2011	
55	Sonam Jamtsho	Integrity Promotion Asst. II	S2 A	Diploma (Information Management System)	01/03/2013	
56	Tshering Chenzom	Integrity Promotion Asst. II	S2 A	Diploma (Civil Engineering)	15/07/2014	
57	Kelzang Chojay	Integrity Promotion Asst. II	S2 A	Diploma (Electrical Engineering)	15/07/2014	
58	Sangay Tenzin	Integrity Promotion Asst. II	S2 A	Diploma (Civil Engineering)	01/07/2015	
59	Jamyang Choden	Integrity Promotion Asst. II	S2 A	Diploma (Comp.Hard-ware & Networking)	01/07/2015	
60	Sangay Chodup	Integrity Promotion Asst. II	S2 A	Diploma (Comp. Hard-ware & Networking)	01/07/2015	
61	Sonam Choden	Legal Asst. III	S2 A	Diploma (DNL)	01/11/2015	
62	Yangzom	Admin. Asst. I	S3 A	Certificate (Cl XII)	01/05/2006	
63	Narayan Gautam	Record Asst. III	S5 A	Certificate (Cl XII)	01/10/2011	
64	Dorji Dema	Record Asst. III	S5 A	Certificate (Cl XII)	01/10/2011	
65	Karma Wangmo	Telephone Operator II	O3 A	Certificate (Cl XII)	15/02/2013	
66	Dhan Rupa Gurung	Receptionist II	O3 A	Certificate (Cl XII)	15/02/2013	
67	Langngala	Driver	O1 A	Certificate (Driving)	01/01/1998	
68	Sangay Namgay	Driver	O1 A	Certificate (Driving)	15/08/2001	
69	Pema Chopel	Driver I	O2 A	Certificate (Driving)	01/10/2003	
70	Tshering Dorji	Driver II	O3 A	Certificate (General)	17/04/2008	
71	Tenzin Dorji	Driver II	O3 A	Certificate (General)	01/05/2010	
72	Chhimi Wangdi	Driver II	O3 A	Certificate (General)	01/05/2010	
73	Kinzang Lhendup	Driver III	O4 A	Certificate (General)	01/11/2011	
74	Sonam Norbu	Driver III	O4 A	Certificate (General)	01/12/2013	

Note: From January 2016, 5 more officers joined while one resigned (Sl.No. 15 above)

ANNEXURE II

List of investigation reports forwarded to Office of the Attorney General for the period 1 April to 31 December, 2015

Sl. No.	Case against	Date
1	Mr. Tshewang Rinzin, Customs Inspector, RRCO, Phuentsholing	18/5/2015
2	M/S Jatan Prasad Lalchand Prasad (JPLP)	8/8/2015
3	M/S Rigsom Enterprise	8/8/2015
4	M/S Dorji Wangmo Tshongkhong	8/8/2015
5	M/S Norzang Trading	8/8/2015
6	M/S Rabten Pharmaceutical and Medical Supplies	8/8/2015
7	M/S Brumi Enterprise	25/8/2015
8	M/S D. P Tshongkhong	25/8/2015
9	M/S T. Phuentsho Enterprise	25/8/2015
10	M/S I S Enterprise	9/10/2015
11	M/S Chotey Lal Sha Grocery	9/10/2015
12	M/S Rabten Roadways	9/10/2015
13	M/S UDEE Clearing Agent	19/10/2015
14	M/S Lhayang Enterprise	23/10/2015
15	M/S Bhutan Steel Center	24/10/2015
16	M/S Tee Dee Clearing and Forwarding Agent	24/10/2015
17	M/S Druk Norlha Enterprise, Druk Norlha Company, Norlha Beer Agent and M/S Norlha Enterprise	24/10/2015
18	M/S D & K General Shop and M/S D & K Tailoring	24/10/2015
19	M/S Sonam Cement Agent	24/10/2015
20	M/S Tenzin Enterprise	13/11/2015
21	M/S UD Beer Distributor	13/11/2015
22	M/S Kundrup Enterprise	13/11/2015
23	M/S Yangkhor Enterprise	18/12/2015
24	Mr. Choyzang Tashi	10/12/2015
25	M/S Gyalse Nadin Ventures	18/12/2015
26	M/S Y.P Winery and M/S Y. P Enterprise	18/12/2015
27	Mr. Phurba Thinley, Customs Inspector, RRCO, Phuentsholing	18/12/2015
28	M/S Yeshey Pema Tyres and M/S Yeshey Pema Enterprise	23/12/2015
29	M/S Yangkhor Auto Spare parts	30/12/2015
30	M/S K. J. Enterprise	30/12/2015
31	Land substitute fraud , Trongsa	17/7/2015
32	RICBL, Dagana	5/10/2015
33	Youth Media Center	5/10/2015
34	ATM case, Phuentsholing	22/12/2015
35	Messenger, Bhutan Post	30/12/2015

KUTSEY ZHABPE TENPAR SHOG
THINLEY DARZHING GYALWAR SHOG!



A prayer answered, a dream fulfilled, a people filled with glee
For He is born, the nation's son, our Prince of destiny;
And as we rejoice and thank our gods, in all humility
We pledge to serve the Tsa-Wa- Sum, with steadfast integrity.



Lead by Example



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