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REVIEW REPORT ON ANTI-CORRUPTION'S ANNUAL REPORT 2023-2024 BY GOOD GOVERNANCE COMMITTEE TO THE 2ND SESSION OF THE FOURTH PARLIAMENT

Committee Members

1. Hon'ble Lhakpa Tshering Tamang, Sergithang Tsirangtoed Constituency, Chairperson
2. Hon'ble Namgay Dorji, Khamdang Ramjar Constituency, Dy. Chairperson
3. Hon'ble Kinzang Wangchuk, Dramedtse Ngatshang Constituency, Member
4. Hon'ble Lam Dorji, Wamrong Constituency, Member
5. Hon'ble Lhendup Wangdi, Bji-Kartshog Uesu Constituency, Member
6. Hon'ble Pempa, Bongo Chabcha Constituency, Member
7. Hon'ble Yeshey Jamtsho, Nanong Shumar Constituency, Member

Review Report on Anti-Corruption Commission's Annual Report 2023-2024

As mandated by its Terms of Reference (TOR), the Good Governance Committee presents its review report and recommendations on the Anti-corruption Commission's Annual Report 2023-2024.

Introduction

In alignment with this transformative vision, the Anti-Corruption Commission (ACC) has been steadfast in driving reforms as guided by its Strategic Anti- Corruption Roadmap 2021-2030. These reforms are essential to ensuring that the ACC remains proactive, intelligent, adaptable, and effective. Since the establishment of the ACC on 31 December 2005, the government has allocated a total budget of Nu.1,961.598 million, including pay and allowances,

The Annual Report 2023-2024 is the 17th Report being submitted to His Majesty The Druk Gyalpo, the Prime Minister, and Parliament as per Article 27(4) of the Constitution of the Kingdom of Bhutan and Section 169(1) of the Anti-Corruption Act of Bhutan (ACAB) 2011.

Section 1
Key Highlights

a) Deterrence

-Investigation Rate: A total of 66 cases were under investigation, compared to 77 in the previous year, including 38 new cases and 28 carried over. Of these, 45 were completed, down from 56 in the last reporting period, with 26 referred for prosecution, 12 for administrative actions, and six closed with no further action. Financial restitution prayed amounted to Nu.87.364 million for the reporting year, a decrease from Nu.105.152 million in the previous year. The average case resolution time improved from 65.5 working days to 54.7 days.

-Conviction Rate: Of the 101 defendants adjudicated during the year, 87 were convicted, leading to a conviction rate of 93.5%, a significant increase of 18.6% from the previous year. The total financial restitution ordered by Courts amounted to Nu.149.479 million, a decrease from Nu.350.953 million in the last FY.

-Accountability: 138 individuals were implicated in the cases referred for prosecution during the year, compared to 270 in the previous reporting year, including 48 civil servants, 40 corporate employees, and 16 armed personnel. Among these, 16 individuals were implicated for embezzlement of funds or securities by public servants (345 counts), followed by 15 individuals for passive bribery of public servants (108 counts).

-Proactive Intelligence: Seven proactive intelligence projects were qualified for investigations, compared to 14 in the previous year. 163 corruption reports merited further action from the total 322 corruption reports received during the reporting period. Of these, 37 qualified for Investigation and 42 were shared with respective agencies for administrative action.

-Administrative Complaints Resolution: Out of the 42 reports shared for administrative actions, 32 could be brought to a logical conclusion, resulting in Nu.1.014 million in recoveries, a significant increase
from Nu.0.459 million in the previous FY, along with five disciplinary actions.

b) Enforcement
-Integrity Vetting: Generated 7,522 Integrity Vetting Reports (IVRs) for 103 agencies, implicating 20 individuals across three categories with eight placed under 'Provisional Record', 10 under 'Record', and two under 'Adverse Record' from autonomous agencies, financial institutions, corporations, and a Dzongkhag.

-Property Management: Streamlined management of seized assets, resulting in the disposal of 115 properties as well as Nu.2.193 million in cash.

-Legal Framework: Adopted revised Debarment Rules 2023 and Integrity Vetting Rules 2024 to strengthen enforcement framework while also completing the Second Cycle Review of United Nations Convention Against Corruption offering recommendations for further legal enhancements.

c) Advocacy & Prevention

-1st National Anti-Corruption Day: Birth Anniversary of His Majesty The King on 21 February is now declared as the National Anti-Corruption Day (NACD) with the first being observed during the reporting year.

-DAMTSI Educational Programs: 574 educators were trained on the DAMTSI Handbook, and leadership courses were expanded to engage youth. Thematic training sessions were also conducted for 1,226 officials from the civil service, local governments, and financial service providers.

-Advocacy: Reached 44 Gewogs on general advocacy programs, engaging 4829 members of the general public besides 29 interactive sessions with diverse audiences.

-Organizational Integrity Plans (OIP): Out of 92 agencies implementing the OIP, 43 were rated 'Excellent,' while 17 were rated 'Poor', with the overall average score for the OIP at 83.9%. The Asset Declaration compliance significantly improved to 99.7%, though the implementation of the Model Public Service Code of Conduct required further reinforcement.

-Vulnerability-Based Studies: Proactive and reactive system studies were initiated, with two on bailey bridge construction and timber extraction, leading to recommendations for improvement in related sectors. Initiated reactive studies on bank lending corruption and fraud in tire imports, providing recommendations to relevant authorities.

-Business Integrity Initiative: Revised business integrity program, focusing on raising awareness, supporting a business-friendly environment, and promoting leadership in integrity.

d) Institutional Capacity

-Staffing: With an active workforce of 123, the ACC saw an attrition rate of 17.9% during the year as compared to 15.1% in the previous year, the highest on record, as 28 staff members left while 15 were recruited.

-Digital Transformation: Launched Complaints and Investigation Management System and integrated data analysis tools to enhance complaints and investigation processes. Additionally, the introduction of the Intella Investigator module and the revamped interview rooms enhanced the institutional capacity.

-International Engagement: Hosted a delegation from Singapore's Corrupt Practices Investigation Bureau (CPIB) and organized knowledge- sharing sessions benefiting over 80 officials from law enforcement and regulatory agencies.

Section 2
Value Based Anti-corruption education and Marketing.

The ACC continued its multifaceted approach to public education and outreach, focusing on three key strategies: general advocacy and interactive sessions, long-term behavioral change programs, and targeted training delivered both online and in-person.

a) General Advocacy and Interactive Sessions

A total of 73 general advocacy and interactive sessions were conducted engaging a total of 6,769 participants. During the reporting period, the ACC's three Regional Offices (Bumthang, Phuntsholing and Tashigang) made significant efforts to engage grassroots communities under their respective jurisdictions, reaching over 4,829 participants across 34 Gewogs.

b) Behavioral Change Programs

According to the National Statistics Bureau (NSB), youth make up 19.76% of Bhutan's total population. This significant demographic underscores the importance of targeting youth in long-term behavioral change programs, as the impact will resonate through future generations.

c) Ethics and Integrity Training:

Towards promoting ethical culture in the public sector, the ACC continues to conduct profession specific tailored thematic training sessions based on their vulnerability to corruption. Thematic training was conducted for forestry officials, employees of financial institutions, and local

government functionaries covering 1226 officials during in-person training and 5000 public servants through online training.

SECTION 3

Embedding innovative, foresight, and technology driven corruption prevention measures.

1. Public Sector Integrity.

The in-depth analysis on various anti-corruption tools implemented as part of the OIP (Organizational Integrity Plan) are as follows:

a) Code of Conduct.

b) Conflict of Interest Management.

c) Corruption Risk Management.

d) Asset Declaration & Management.

e) Integrity vetting system.

f) Grievance redress mechanism.

g) Service delivery standards.

h) Proactive/reactive system studies.

These tools are implemented to prevent corruption, promoting accountability, managing conflict of interest and build public trust.

2. Private sector Integrity

The revised business integrity program aims to promote ethical business practices and create a conducive environment for the private sector to become 'Business Ready'. The program focuses on three key approaches:

a) Raising awareness.

b) Supporting and incentivizing.

c) Demonstrating leadership.

3. CSO Integrity.

The CSO and media play a vital role in promoting transparency, accountability, and social accountability. The Civil Society Organization Authority (CSOA) conducted an assessment of the

Bhutan CSO Accountability Standards (BCAS) across 52 registered CSOs. The overall average implementation score was 75.6%, with the 'Open Organization' accountability standard achieving a slightly higher average score of 76.9%.

4. Empirical research to augment the above initiatives.

Empirical research is critical for ensuring that anti-corruption initiatives are evidence-based, targeted, and effective. The ACC has prioritized research activities to complement the implementation of public sector, private sector, and CSO integrity measures. This research activities will help ACC on scoping studies, integrity assessment, and building literature on ACC.

SECTION 4
Proactive, intelligence and Technology based corruption deterrence

4.1 Corruption Report and Referrals

During the FY 2023-2024, the ACC received a total of 322 corruptions reports, averaging 26.8 per month, which is a decrease from the previous year's monthly average of 28.5.

a) Corruption Reports by Modes

Walk-in reporting has emerged as the most preferred mode for lodging corruption reports, with 124 corruption reports, website report 98, My ACC App 23 report, Jhuenlam app report 19, social media post report 57, telephone report 1.

b) Source of Corruption Reports

Of the 322 corruption reports received, 189 corruption reports were from Known sources and 133 from Unknown. Among the Known sources, corruption reports were lodged by 140 male and 21 female including 24 referrals from agencies. Over the past three years, corruption reports from Known sources have consistently surpassed the Unknown sources, indicating enhanced transparency and increased confidence in the reporting mechanisms.

c) Action Taken against Corruption Reports

Out of the 322 corruption reports received, 33 qualified for investigation, while 159 were closed with no further action due to the absence of corruption elements.

1) Area

In the reporting year Public Revenue (37) continued to be the area with highest number of corruptions reports followed by Resources (23) and Natural Resources (18), Embezzlement (15). 'Others' category includes corruption reports related to areas such as private properties, exam-related issues, clearances, licenses, business activities, supplies, and other miscellaneous cases.

ii) Agency

Gewog Administration constituted the highest number of corruption reports (29), followed by Ministries and the Private Sector with 26 each, and Autonomous Agencies and Dzongkhag Administrations with 18 each.

iii) Offence

The majority of corruption reports received were related to Abuse of Function (90), followed by Embezzlement (24) and Bribery (7), and others.

iv) Place of Occurrence

Thimphu Dzongkhag recorded the highest number of corruption reports (48), followed by Chhukha (21) and Paro (15). In Thimphu, the majority of these reports were related to Abuse of Function and Embezzlement.

v) Profession

From the 163 corruption reports, 37 were against Civil Servants followed by Public Servants (30) and LG Officials (26). Further analysis revealed that the corruption reports among Civil Servants were most prevalent in the Ministries (19), followed by Dzongkhag Administrations (13) and Autonomous Agencies (5) and others.

d) Corruption Reports Qualified for Information Enrichment (IE)

During the reporting period, 29 corruption reports qualified for IE. Additionally, seven more were assigned from the corruption reports shared for administrative actions to various agencies, bringing the total number of corruption reports qualified for IE to 36. Of these, one was upgraded for

investigation, nine were shared to various agencies for further action, two were shared for sensitization, 20 were closed with no further action, and four remain pending.

e) Corruption Reports Qualified for Investigation.

From the total of 101 corruption reports qualified to be shared with agencies, 42 were shared for administrative inquiry and 59 for sensitization. Of the 33 Action Taken Reports (ATR) received from the 42 shared during the reporting year, 17 were found to be valid, three were partially true, and 13 were found to be baseless or did not warrant further action.

4.2 Investigation and its outcome.
a) Caseload and Outcome

During the reporting period, 38 new cases were opened, adding to the 28 cases carried over from the previous year, resulting in a total caseload of 66. Out of these, 45 cases were closed, achieving a clearance rate of 68.2%.

b) Profile of the Offender

A total of 138 individuals, excluding repeated appearances in a same case, were implicated for administrative actions or criminal prosecution. Civil Servants constituted 34.8% of total individuals implicated followed by Corporate Employees and Armed Personnel accounted for 28.9% and 11.6% respectively

c) Search, Seizure, and Detention

During the reporting period, the ACC conducted a total of 23 search and seizure operations, suspended 14 individuals (5) and businesses (9), and detained 10 suspects during the investigation process. The ACC also disposed 115 seized properties, including vehicles, land, documents, electronics, and jewelries, as well as Nu.2.193 million in cash. These properties were either returned to their respective owners or handed over to the OAG.

Additionally, during the reporting period, the ACC received a total of Nu.19.400 million in its Escrow Account. This amount included seized money, auction proceeds obtained during investigations, administrative fines and penalties from individuals, and vehicle maintenance expenses deposited by the OAG.

d) Prosecution Referral and its Outcome

A total of 22 cases were forwarded for prosecution during the reporting period and the remaining four after the reporting period. 32 cases are currently under the review by OAG. Further, 27 cases are under various trial Courts and a total 21 judgements were rendered by different Courts. Of the judgements rendered, majority of the cases pertained to Bribery and Loan Fraud Scheme of Phajo Nidup. Consequently, 101 defendants were charged wherein 87 were convicted, six were acquitted, and eight were deferred. Thus, the conviction rate stands at 93.6% in the reporting year excluding deferred judgment.

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Section 5

Organizational Insight

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5.1: Structure, staffing and capacity.

a) Organizational Structure

In line with the ambitious goals of the Strategic Anti-Corruption Roadmap 2021-2030, the ACC aims to reduce administrative corruption reports to less than 5.0%, down from 34.7% in 2023. Accordingly, under sections 79(1A), 137, 138, and 139 of the Anti-Corruption Act and its amendments, the RCSC approved the proposal to upgrade the Administrative Complaints Resolution Services to a full-fledged Division, headed by a P1 Position.

b) Attraction & Retention of Staff

As reported earlier, the approved staff strength underwent further re- adjustments from the initial approved staff strength of 163. It was first reduced to 161 and then to 158 following the transfer of two Information, Communication & Technology (ICT) Officer positions and one ICT Associate position to the GovTech Agency as part of the ICT Clustering Initiative. By the end of June 2023, the overall staff strength (excluding Commission, Drivers, and ESP/GSP) stood at 128, as outlined in Table 5.1. Out of this total, six staff members were on long-term training, extraordinary leave, or deputation to Center for Bhutan and GNH Studies, leaving an active workforce of 123 staff. However, 28 staff (including the transfer of two to cluster services) separated from the ACC, while only 15 were recruited. From the total separated in the reporting year, ACC lost 18 staff in just six

months. The attrition rate for the reporting period is staggering 17.9%, the highest recorded so far, showing no sign of respite in retaining its experienced professional.

To address these issues, the ACC is finalizing a set of strategic proposals on 'Talent Retention & Management' for submission to the RCSC. These include flexible promotion criteria, enhanced professional development opportunities, and targeted retention incentives. Additionally, the ACC is proposing policy adjustments related to study leave, extraordinary leave and secondment, aimed at creating a more supportive work environment and to ensure effective sustenance of its momentum of anti-corruption mandate.

a) Human Resource Capacity

A recent assessment indicates that a large portion of the staff is at the Foundational level of competency, particularly among the 59 employees with less than two years of experience. Even among those with more experience, advancement to higher competency levels is limited; only three out of 31 staff members with 3 to 5 years of experience have reached the Advanced level, and among those with more than 10 years of experience, only 11 have achieved Advanced competency, with none reaching Expert status.

During the reporting year, Regional Offices successfully investigated and closed 23 cases.

The Transparency International's CPI for 2023, released on 30 January 2024, revealed that Bhutan maintained a consistent score of 68, ranking 26th globally and holding 6th position in the Asia Pacific region. However, Bhutan remains one of 118 countries with stagnant CPI scores for the last six years. Analysis from four key data sources namely World Bank Country Policy & Institutional Assessment, Global Insight Country Risk Ratings, Bertelsmann Transformation Index, and Varieties of Democracy indicates areas requiring attention, including social protection policies, financial sector reforms, and business regulatory environments.

The proposed budget for the year 2024-2025 is 224.858 million but approved 154.303 million only consisting 68.6%.

The ACC has made significant progress in digitalizing its operations, enhancing both efficiency and security. Key advancements include the launch of the Complaints and Investigation Management System Plus (CIMS+) on 27 June 2024, alongside the ongoing development of systems for complaints management, intelligence analysis, legal vetting, follow-up, and leave administration. The introduction of the Intella Investigator module and revamped interview rooms is expected to further enhance the investigation process.

ACC is also working on developing a web-based M&E and integrated knowledge management system, ensuring that the ACC continues to leverage technology for improved monitoring and evaluation of anti-corruption programs.

ACC is doing sectoral collaboration (OAG and RAA) and bilateral collaboration (MOF) and enhancing multilateral ties with other countries.

Section 6
Challenges

ACC's ability to fulfill these critical roles is frequently undermined by several challenges, including financial vulnerabilities, limited resources and capacity. These issues not only compromise their effectiveness but also expose law enforcement and regulatory agencies to a higher risk of corruption, especially in sectors that have more public interface.

Challenges in the current revenue system pose significant risks, including tax evasion, smuggling, and corruption, which collectively undermine the country's ability to finance its ambitious development goals.

ACC's Recommendations

a) Empowering Law Enforcement and Regulatory Agencies as Gatekeepers of Integrity & Anti-Corruption Efforts.

b) Sustaining the Momentum of Monitoring & Evaluation Framework for Integrity and Anti-Corruption Initiatives.

c) Reinforcing Accountability & Oversight Mechanisms.

d) Preventing Corruption Risks in the Revenue Mobilization

NIA 2022 Recommendations

1. **Enhance accountability culture**

The score for the accountability component (7.36) in the 'Need Improvement' level is further corroborated by the complaints received by the ACC that highlight how accountability, especially with respect to abuse of power and unnecessary delay in service delivery, remain a concern. Therefore, it is recommended that the agencies implement robust accountability measures supported by rigorous monitoring and oversight and impartial sanction mechanisms.

2. **Manage perception of corruption**

Significant variation between the experienced corruption with an 'outstanding' score and perceived corruption with a 'satisfactory' score, highlights the need to manage the perception of corruption in public service delivery. The perceptions on the prevalence of corruption affected by personal relationships and authority emphasize the requirement for the following:

- To prioritize the development of a comprehensive e-government platform corroborated with oversight mechanisms, regular audits, and user-friendly accessibility to ensure transparency and accountability.

- To actively inform service users about service delivery standards that they are entitled to, so that they are aware of what to expect and insist on in terms of public service delivery.

- To require agencies to develop and implement agency and service-specific Public Service Code of Conduct, based on the Model Code issued by the ACC, to promote ethical behavior, accountability, professionalism and public trust.

- To study and act towards putting in place an appropriate legal framework to ensure adequate protection of whistleblowers and witnesses.

- To strengthen internal control systems by establishing and implementing clear policies and procedures, enhancing transparency in service delivery; promoting regular training and education on ethical behavior and accountability; strengthening monitoring and reporting systems to detect and prevent corruption in service delivery; enforcing consequences for misconduct including disciplinary actions and legal prosecution where required; and essentially cultivating an ethical and accountable culture in public service delivery.

- To sustain the efforts towards promoting ethics and integrity, enhance the implementation as well as evolution and expansion of the reach of the existing e-learning course by targeting various other sectors. Vitally, the fostering of commitment and ownership among leaders and agencies; aligning the initiative with existing programs; and ensuring constant regulation are crucial.

- To address ethics and integrity concerns in the workplace, agencies are recommended to look into the provision of fair opportunities for professional growth with clear promotion and career progression policies, training and mentorship programs, fostering a culture of diversity and inclusivity, and facilitating knowledge-sharing and feedback channels.

- The NIA 2022 underscores the importance of ethical leadership, emphasizing the need for ethical education and training for leaders as well as the active participation of citizens in the decision-making processes to promote public engagement and hold leaders accountable.

3. Strengthen parliamentary oversight

In keeping with the 'Need Improvement' score for the Oversight component, the study recommends the parliamentary oversight mechanisms be strengthened through the conduct of effective public hearings, economic and financial assessments, and implementing clear and transparent policies. Additionally, constant monitoring and evaluation of various oversight mechanisms be ensured for efficiency and to prevent undue influence and foster accountability and public trust.

4. Enhance engagement and consultation of citizens in legislative functions

To enhance citizen engagement through a consultative processes in parliamentary functions, it is recommended to bolster the involvement of CSOs and the media. Further, the two houses of Parliament to drive social and behavioral transformation at constituency, national, and international levels, with a specific focus on fostering a corruption-free society, enhancing good governance, and improving the efficiency of public service delivery.

5. Ensure integrity of elections

Lastly, to ensure the integrity of elections and combat corruption, it is recommended to promote anti-corruption advocacy and maintain vigilance, especially in monitoring electoral fraud and corrupt practices during elections. To this, it is recommended that the ACC and ECB take initiatives to educate and advocate aspiring candidates, constituents, and election officials on

electoral fraud and corruption prevention framework to curb electoral corruption and its associated consequences.

Committee's Recommendations

a) ACC needs to conduct more public education and awareness on transparency and integrity to reduce corrupt practices.

b) Most of the successful countries in curbing corruption are attributed to strong political will of the Government and allocation of sufficient budget and human resources. Currently, the ACC has128 staff who are mostly new recruits. As per the budget record, ACC is also allotted a minimal budget and the agency is doing more with less. The allocation of the budget in 11FYP was Nu.125.58 million, Nu.258.89 million in 12FYP and Nu.237.75 million in the 13FYP for capital activities. Therefore, the Government must allocate adequate budget and human resources to the ACC to carry out its mandates effectively.

c) The ACC in collaboration with the Election Commission of Bhutan should facilitate polling from their place of residence by setting up Facilitation Booths in every Dzongkhag for the national elections and by-elections to curb electoral corruption. The ACC in collaboration with ECB to initiate deployment of ethical and integrity compliance officers to monitor the election process.

Conclusion

As Bhutan strives to achieve Developed Nation status, it faces emerging challenges, particularly in the realm of corruption. The evolving nature of corruption poses a significant threat to the country's progress. As the private sector expands, driven by increasing foreign investment, the risk of more sophisticated forms of corruption, such as corporate collusion, complex financial, and regulatory capture. Bhutan's existing systems and institutions, designed for a smaller, domestic-focused economy, must adapt to manage these new risks effectively.

The urgency is clear, as 38.3% of Bhutanese citizens believe corruption is rising, and key corruption indicators like the Transparency International CPI score remained stagnant for six years, and the National Integrity Score has been minimal. To address these challenges, Bhutan must shift from reactive to proactive anti-corruption measures, incorporating global best practices,

technological tools, and stronger regulatory frameworks. This will require enhanced specialization, cross-border cooperation, and well-equipped law enforcement to tackle the complex corruption that could undermine the country's development.