



## BHUTAN: WE CAN WIN THE FIGHT AGAINST CORRUPTION

Corruption is often seen as an unavoidable “cost of development”. Good governance always seems to lag behind in transformational periods. However, the small Himalayan nation of Bhutan seeks to prove otherwise: Ranked 27th out of 168 countries in the global Corruption Perceptions Index, Bhutan vigorously persecutes corruption while pursuing a vision of equitable development and Gross National Happiness. As part of its assistance to Bhutan’s democratic transition, the Swiss Agency for Development and Cooperation (SDC) has supported the comprehensive anti-corruption agenda in Bhutan for a decade. This Asia Brief is a analysis of the achievements and lessons learnt.

Bhutan has undergone significant changes since Swiss relations with the Himalayan Kingdom were first established in the middle of the last century. A gradual opening up of the country to international trade, political relations, tourism and cultural exchange – a ban on television

and internet was lifted in 1999 – was accompanied by a careful transition to constitutional democracy. This transition, introduced by the Fourth King of Bhutan, Jigme Singye Wangchuck, culminated in 2007 in the first general elections; at the same time the Fourth King abdicated the throne in favor of his eldest son, Jigme Khesar Namgyal Wangchuck, the Fifth King. In 2013, a second set of general elections was conducted peacefully and according to schedule. These two elections marked the transition from an absolute monarchy to a democratic government.

### BHUTAN’S INTEGRITY ARCHITECTURE

The Constitution of 2005 established the key pillars of democracy, including an independent judiciary, a bicameral parliament and executive powers granted to the government. In addition, four independent offices were created that, together

with the parliament, form the country’s accountability architecture. These include the Anti-Corruption Commission (ACC), the Election Commission of Bhutan (ECB), the Royal Audit Authority (RAA) and the Royal Civil Service Commission (RCSC). The establishment of these institutions in the earliest stage of democratic transition has played a significant role for the stability of democracy in Bhutan.

Bhutan is undergoing simultaneous political, socio-economic and societal transitions, which are driven in part by changing demographics, advancing technology, rapid urbanization and international influences. More is required to further consolidate the nascent democracy, notably with respect to empowering the people, strengthen checks and balances, developing experience and expertise in governing and ensuring the full functioning of decentralized governance structures. These essential governance elements are also necessary prerequisites for an effective fight against corruption, and vice versa.



Value education in Bhutanese schools. Eliminating corruption requires a new social pact.

Photo: Markus Wild

### THE FACE OF CORRUPTION: AWAY FROM SMALL-SCALE BRIBERY, MORE ABUSE OF AUTHORITY

In the National Integrity Assessment Survey (NIA Survey 2013), 70% of Bhutanese citizens recognized corruption as a major problem. Nonetheless, two thirds of respondents in the NIA Survey 2013 believed corruption to be decreasing. Somewhat in contrast to the national view of corruption, Bhutan’s perceived levels of corruption have been low and improving in regional and international comparison: In 2016, Bhutan climbed to the 27th rank in the Transparency International Corruption Perception Index (CPI). This makes Bhutan the fifth cleanest country in the Asia-Pacific region. When Bhutan first appeared in the CPI in 2006,

it had ranked 32nd. Absolute scores have continued to improve over the past few years, which can in parts be attributed to the work of the ACC and other accountability institutions.

These somewhat contradictory results are explained by a change in corruption typology observed in Bhutan: away from cash-based small-scale bribery that affects and thus is seen by the general public, to more sophisticated and less easily recognized forms of corruption, such as abuse of power, state capture, fronting and large-scale bribery with international links. The 450 complaints lodged by the public with the Anti-Corruption Commission on average per year shed some additional light on the face of corruption in Bhutan: the most frequent complaints concern the “abuse of authority by public servants” (29%). This is followed by complaints about “embezzlement” (16%). The largest number of complaints is directed at local governments, where most people interact with the state, followed by the private sector and State-owned Enterprises.

### DETERRENCE THROUGH HIGH-PROFILE CASES

The Anti-Corruption Commission was set up in 2006 in recognition of the emerging corruption risks and was supported by a speech held by the Fourth King of Bhutan: *“The rise of corruption in Bhutan is a challenge we face. How big the challenge is will depend on how soon and how strongly we decide to oppose it. There is no room for corruption – it is as simple as that, not now and not in the future.”*

As a young organization, demonstrating the institution’s effectiveness and independence to the public depended largely on the successful resolution of a number of high-profile corruption cases. A major first break-through for the ACC was the “Gyelpozhing Land Case”. It involved the illegal allocation of land to relatives and others close to influential public persons. The case was complex and politically sensitive. The ACC demonstrated tenacity and technical skills during the investigation and went beyond its primary mandate to investigating the case by eventually proceeding to prosecution themselves – powers granted to it by the Anti-Corruption Act – when the country’s

prosecuting authorities denied taking up the case. Ultimately, the convictions of the National Assembly Speaker and the Home Minister were upheld in Bhutan’s Supreme Court.



**The Chairperson of the Anti-Corruption Commission, Ms. Neten Zangmo, catches a big fish.** Illustration about the “Gyelpozhing Land Case” in the “Bhutan Observer”.

After a new political party came to power in 2013, the ACC reaffirmed its independence by investigating a member of the new Cabinet for the alleged misuse of public resources during a prior term as provincial governor. Other high-profile cases involved a large-scale prosecution of tax and customs officials for fronting operations in cross-border trade and alleged taxation fraud.

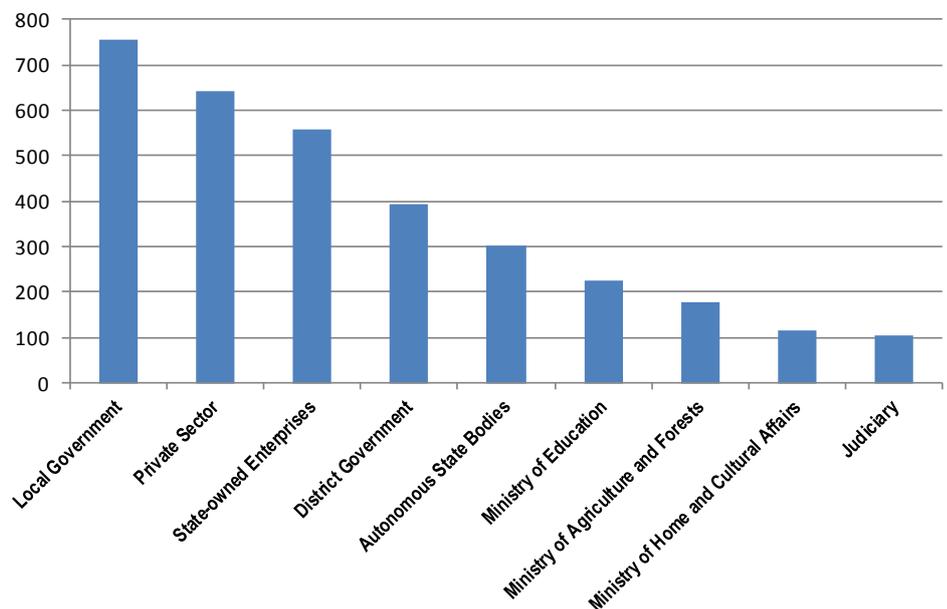
The ACC’s effectiveness has since been acknowledged by anti-corruption experts from the Basel Institute on Governance that have worked with the ACC since its inception, including through the SDC programme, and compare the ACC’s performance with that of similar institutions in the region and internationally. This conclusion was reaffirmed by Transparency International (TI). With SDC support in Bhutan TI piloted the assessment of national anti-corruption agencies, in which the ACC scored “high” in 7 of 10 result areas. In financial terms, the prosecution of corruption cases led to restitution orders of Nu. 139 million (approx. CH 2 mio) to Government coffers since 2006.

### SYSTEMIC APPROACH TO COMBATTING CORRUPTION

The anti-corruption strategy in Bhutan has relied on three pillars:

Firstly, establishing the ACC as an independent and effective body to monitor, prevent and persecute corruption cases. The ACC implemented a comprehensive 10-year institutional development plan (IDP) in 2011. This included, for example, a complete restructuring with a view of better coordinating preventive and enforcement functions. The SDC also supported capacity building in required technical areas, such as financial investigation.

### Public Complaints (2006-2015) Agencies against which most complaints were lodged



Secondly, reinforcing the knowledge that curbing corruption requires not only prosecution of corruption offenses but also the commitment to follow-through by all public and private stakeholders in Bhutan. The government's comprehensive National Integrity and Anti-Corruption Strategy (NIACS) 2014-18, developed by ACC with SDC funded technical assistance, thus also focuses heavily on measures to streamline anti-corruption across all institutions, based on best international practice.

Thirdly, creating public awareness and fostering civil society engagement have been a main staple of Bhutan's anti-corruption efforts. These included activities supported by SDC such as value education in schools across the whole country, the research and communication of corruption vulnerabilities, as well as the creation of the Bhutan Transparency Initiative (BTI). The goal of this civil society organization is to put corruption under the public spotlight by increasing transparency, integrity and accountability.

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## WHAT ARE THE SUCCESS FACTORS?

A range of factors contribute to the comparative success of the anti-corruption drive in Bhutan. The understanding of the inherent risks of the economic and political transition by the country's leadership led to the establishment of an autonomous anti-corruption agency at a time when many may not have ranked corruption as one of Bhutan's greatest problems. This enabled the ACC to develop its functions at a healthy pace alongside the growing complexity of corruption in Bhutan.

Choosing the right person to lead the agency is an important decision. The first Chairperson, Ms. Neten Zangmo, is respected across Bhutan for her tenacity and independence. When asked about the origins of this relative freedom to operate without interference, she pointed to the strategic support received from the Fourth and Fifth King, by whom the Chairperson was conferred upon the red scarf – a symbol of rank and honor accompanied by the title of "Dasho".

Another external factor that has played a role in determining the performance of

the ACC was the consistent funding support. State funding has been adequate to cover the operational costs of the organization, whereas the SDC assistance allowed for the realization of the long-term strategic development, capacity building and institutional strengthening.

Coalition-building with a broad range of stakeholders was successful. This has embedded anti-corruption firmly into the good governance agenda of Bhutan. The ACC is highly visible in Bhutan and recognized as a champion of good governance. Due to a significant amount of outreach, the ACC is gradually gaining trust within the Bhutanese society, which was initially skeptical of an additional law enforcement type agency. One indicator for the higher confidence level is that more than two thirds of complainants reveal their identities today, whereas previously more than half chose to remain anonymous.

Nonetheless, many challenges remain. There is a lack of trained legal personnel in Bhutan, and many other key skills – for example in financial investigation – are not readily available in the workforce. The long-term institutional stability and independence of the ACC must be complemented by the corresponding development of all integrity institutions in Bhutan, including a sustained civic engagement in the context of a still nascent civil society.

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## THE ROLE OF SDC ASSISTANCE

SDC provided financial and technical assistance for the anti-corruption efforts in Bhutan worth CHF 3 million since 2006. The programme has been comprehensive and has tackled corruption head-on: by developing a strong anti-corruption agency capable of providing deterrence; investing in public education – especially in schools – to instill a zero-tolerance culture; mainstreaming integrity into the public service and private sector; and finally, by also activating civil society for the anti-corruption cause.

In the presence of a high political commitment and a credible change agenda, national execution in combination with selective self-implementation by SDC proved to be an effective implementing mechanism. Through the local Swiss Cooperation Programme Office in Thimphu, SDC has maintained a continuous policy

dialogue with the government and other stakeholders. The ability to rely on an excellent pool of Switzerland-based experts from the Basel Institute on Governance has enabled SDC to accompany the programme at various strategic key moments on the policy level, but also throughout with targeted capacity building in many key areas. The "Swissness" of the Institute and the globally recognized expertise were strong assets.

The SDC programme will conclude in 2017. Overall, the direct Government-to-Government cooperation, the reliance on ownership by the local partner, the local presence and ability to dialogue, the involvement of strong expertise and the readiness to invest adequate amounts of money over a longer stretch of time have been conducive for the SDC programme. By providing direct support to a young agency without a proven track record in a politically sensitive area, SDC has taken some measured risks, which have paid off well. The consistent long-term assistance has allowed addressing strategic issues that take time to yield impact and measurable success. Senior officials and experts in Bhutan interviewed over the past few years have strongly expressed the opinion that the Swiss support deserves a lot of credit for development in Bhutan, and for combating corruption in particular.

## “FEAR IS NOT THE ULTIMATE GOAL”

Ms. Neten Zangmo, Chairperson of Bhutan's Anti-Corruption Commission from 2006-2015, on the challenges of tackling corruption.



### **What do you see as Bhutan's main challenge in fighting corruption?**

Dasho Neten: Tolerance of corruption by society is our biggest challenge. Since it is typically a crime without victims, social acceptance of corrupt behaviour in Bhutanese society remains high. For the staff of the Anti-Corruption Commission (ACC), the challenge is to do their work in a small society, where everybody knows each other. The next person you might have to investigate could be a former school mate.

### **What do you consider as the biggest achievement?**

First of all, corruption is now talked about openly and its existence broadly acknowledged. Secondly, there is the element of

deterrence: We have investigated 150 cases (by March 2015) and our conviction rate in court has been over 90%. We took on some high-profile cases, involving powerful people that equally resulted in convictions. We can say that the ACC is feared as an investigator today, but the real goal is to instill a culture of good governance into the civil service and society at large, which will make the ACC ultimately redundant.

### **How do you ensure that an anti-corruption agency does not itself become an instrument of politically motivated prosecution?**

It is true that many anti-corruption agencies around the world are politicized. Their success is often their own biggest enemy. Once they take on the powerful interests successfully, they become vulnerable. In Bhutan, we have good laws that provide for the independence of the ACC. Also the chairperson is appointed by His Majesty the King, upon the nomination of a cross-partisan committee and does not depend on the Government of the day alone.

### **How do you see the future trend of corruption in Bhutan?**

The perception of the people is positive. In the last National Integrity Survey, 66% of respondents believed corruption was coming down, compared to only one third five years earlier. Personally, I fear we will see more electoral and political corruption in future. This is one of the negative aspects of democratization. At

a global level, political parties are rated among the most corrupt institutions. Another vulnerable area is Foreign Direct Investment.

### **In what way can external development partners make a difference?**

The support to build up the ACC as a credible organization was important as the first step. Now we can effectively reach out and engage in a second step the important actors to change the system in a holistic manner.

### **Bhutan is known beyond its borders for its spirituality. Does this make the Bhutanese society more robust?**

If Buddhist values were truly ingrained in all of us, there would be no need for the ACC. But we are all human beings with human weaknesses. In educating people about integrity, the Buddhist values are helpful.

### **What had motivated you to accept your appointment as Bhutan's first Chairperson of the Anti-Corruption Commission?**

This line of work suits my character. I don't mince words. I do my very best and don't worry about the consequences.

### **Did it matter that the first Chairperson of the ACC was a woman?**

Women lead differently and with greater clarity of what is right and wrong. Perhaps we are more god-fearing.

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