



# Memorandum of Understanding

BETWEEN

DEPARTMENT OF FORESTS & PARK SERVICES,  
MINISTRY OF ENERGY & NATURAL RESOURCES

AND

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED,  
DRUK HOLDING AND INVESTMENTS LIMITED

ON

SUSTAINABLE EXTRACTION OF NATURAL RESOURCES

## Preamble

This Memorandum of Understanding (MoU) is signed by and between the Department of Forests and Park Services (hereafter referred as DoFPS) under Ministry of Energy and Natural Resources and Natural Resources Development Corporation Limited under Druk Holding and Investments Limited (hereafter referred as NRDCL) and jointly referred as 'Parties' in collectively fulfilling respective mandates, roles and responsibilities to achieve the annual volume and objectives set forth for sustainable extraction of natural resources.

**WHEREAS**, the Constitution of the Kingdom of Bhutan mandates that 60% of our country's geographical area shall be maintained under forest cover for all times to come. With the rapid economic development and the increasing population in Bhutan, it is imperative that the forest resources are managed sustainably and utilized judiciously to maintain this goal.

**WHEREAS**, the Department of Forests and Park Services (DoFPS) has been implementing various forestry programs in adherence to the Constitution, National Forest Policy, Forest and Nature Conservation Act and Rules and Regulations to improve the socio-economic conditions of people in the country. One of the main mandates of the DoFPS is to make and facilitate natural resources availability in both rural and urban areas at an affordable rate based on the principles of sustainable management of natural resources.

**WHEREAS**, the NRDCL as the authorized government agency responsible for extraction and disposal of natural resources has an important mandate to make the resources available, accessible and affordable in the market in compliance to the Forest and Nature Conservation Act and Rules and Regulations.

**NOW THEREFORE**, the Parties hereto agree to the terms and conditions as stipulated herein under.

## Article 1 Purpose

1. The main purpose of this MoU is to:

- (1) Prescribe the terms and conditions, scope of work and responsibilities of the Parties with regard to the sustainable management of natural resources, implementation of the management plans, extraction, marketing and disposal of natural resources as approved by DoFPS;
- (2) Cooperate in fulfilling the timely annual extraction and production volume for timber and sand;
- (3) Achieve the jointly agreed annual plantation and maintenance target;
- (4) Ensure the availability, accessibility and affordability of sand and timber; and
- (5) Strengthen the planning and implementation of extraction operations.

**Article 2**  
**Roles and Responsibilities of DoFPS**

1. The DoFPS shall have the following roles and responsibilities:

- (1) Identify potential areas for extraction of natural resources;
- (2) Identify the potential areas for thinning to improve the natural or plantation forest stands;
- (3) Carry out resource assessment and mapping of potential areas for extraction of timber and sand;
- (4) Review and approve management plans for implementation by NRDCL.
- (5) Prepare annual operational plans of FMUs and handover to NRDCL for implementation.
- (6) Prepare annual production volume for extraction, marketing and disposal by NRDCL
- (7) Prepare and develop scientific sustainable management plans.
- (8) Handover marked timbers from areas within and outside planned areas for extraction and disposal.
- (9) Prepare royalty statements of resources handed over to NRDCL for remittance.
- (10) Develop guidelines and modalities for extraction of timber and sand.
- (11) Facilitate NRDCL in achieving the annual timber production volume through smooth service delivery within the provision of existing rules and regulations.
- (12) Carry out regular monitoring and evaluation of timber and sand extraction operations to curtail the black market and reforestations and plantation activities executed by NRDCL.
- (13) Support NRDCL in case of more demand for sand and timber in future based on the availability and sustainability of resources.

**Article 3**  
**Roles and Responsibilities of NRDCL**

2. The NRDCL shall have the following roles and responsibilities:

- (1) Be the authorized agency for extraction, marketing and distribution of commercial timber and sand from planned areas such as FMUs, Working Schemes, sand extraction sites and other *ad-hoc* areas as approved and handed over by the DoFPS.
- (2) As mandated by the executive order 2007, be the primary supplier of sand in the country;
- (3) Achieve the annual production volume set jointly by DoFPS and NRDCL.
- (4) Collaborate with DoFPS in preparing annual operational plans.





- (5) Ensure that timber and sand shall be made accessible, affordable and available to all customers/clients through efficient marketing and fair distribution.
- (6) Implement scientific thinning to improve the future forest stand and health of forest in the identified areas.
- (7) Implement the existing guidelines and modalities for timber and sand extraction.
- (8) Conduct Environment Impact Assessment (EIA) for construction of forest roads or extraction of sand and stone.
- (9) Comply to the recommendations of DoFPS in the NRDCL areas for extraction of timber and sand for sustainable utilization and management.
- (10) Take accountabilities for any illegal activities carried out within the sites or areas allotted or handed over to NRDCL.
- (11) Inform the DoFPS on any suspected illegal activities carried out by other third parties within the sites allotted to NRDCL.
- (12) Restock the harvested area through natural or artificial regeneration and handover established plantations to DoFPS.

#### **Article 4** **Annual Timber Production Volume**

1. The DoFPS shall:

- (1) Fix the Annual Timber Production volume in consultation with NRDCL based on the Annual Allowable Cut from FMUs and volume available for extraction from areas outside FMUs;
- (2) Handover the commercial timber extraction volume annually to NRDCL for extraction before the start of the next calendar year.
- (3) Make accurate and correct volume assessment and create an enabling environment within the purview of the rules and regulations and also as per the changing demand and supply scenario.

2. The NRDCL shall :

- (1) Achieve annual timber production volume set by DoFPS on an annual basis.
- (2) Establish and institute innovative and efficient technologies and methods to ensure timely extraction of commercial timber handed over by DoFPS.

#### **Article 5** **Allotment of Timber**

The DoFPS shall allot trees in standing form to NRDCL from FMUs, areas with action plans, road construction and widening areas, transmission lines, fire burnt areas, sanitation areas,




government lease land and allotments, special marking, *Thromde* and government registered lands and other *ad-hoc* areas.

## Article 6

### Extraction of timber from planned and ad-hoc areas

1. The NRDCL shall extract all timber including lops and tops from FMUs and other planned areas including areas outside FMUs and thinning sites allotted by DoFPS.
2. In the event the NRDCL is not able to extract timber from the areas outside FMUs, the NRDCL shall inform DoFPS of their inability in writing within one month from the date of allotment and such extraction areas may be allotted in entirety to the interested third parties.
3. In accordance with Rule 346 of the Forest and Nature Conservation Rules and Regulations 2017, the NRDCL shall be responsible to fulfill all the timber requirements for new construction, re-construction, renovation, repair, restoration of Dzongs, Lhakhang and other religious structures from their depots or any other allocated sites. However, for constructions in remote locations not connected by motorable roads, the DoFPS shall allot the timber on standing basis from areas identified by them.
4. The NRDCL shall ensure that the timber allotted through special marking for specific purposes is allotted to the specified beneficiary only. If the timber is allotted for purposes other than as specified under this clause, the NRDCL shall supply the required timber to the specified beneficiary at a price not more than the NRPC approved price or reserved price, which shall be either through purchase from Wood Based Industries or through other sources or import timber as per rule 205 of FNCRR 2017. The DoFPS shall not provide any additional marking of trees or provide replacement timbers for the specified purpose.
5. The NRDCL may be allowed to extract less preferred timber species in any form, other than the prime timber in consultation with the concerned Divisional Forest Office under DoFPS.
6. The NRDCL shall extract the timber from ad-hoc areas and timber allotted on special marking within the agreed timeline depending upon the size and nature of the workplace, from the date of allotment.
7. Notwithstanding the timeline agreed under clause 6 of this article, the DoFPS shall provide time extension based on the field situation jointly assessed by DoFPS and NRDCL for the operations from remote and far-flung areas involving huge volume and area.
8. The royalty for all timber allotted to NRDCL shall be realized within one month of working days from the date of submission of royalty statement by DoFPS. In the event of non-deposit of royalty as required under this clause, the DoFPS shall impose a penalty as per the existing Financial Rules and Regulations on government revenue.





9. The NRDCL shall not extract timber in block or semi-sawn form from FMUs and other ad-hoc working areas except extraction of special-sized timber such as *Kachen*, *Kaw* and *Dengri* may be permitted. However, timber in block or semi-sawn form may be extracted from remote locations without road connectivity in ad-hoc logging areas to cut extraction costs. Such timber must be sold at appropriate prices determined by NRDCL below the NRPC sawn timber price.

## **Article 7**

### **Timber Marketing and Distribution**

1. The NRDCL shall:

- (1) As an authorized agency, carry out and play a lead role in timber marketing and distribution and ensure that extracted timbers are made accessible, affordable and available to all customers or clients through efficient marketing and fair distribution practices through development of appropriate guidelines, modalities and strategies as may be required.
- (2) Allot or sell at a price or rate not exceeding the existing Natural Resources Pricing Committee (NRPC) approved rates.
- (3) Sell or allot the special class timber extracted or harvested through joint open auction between DoFPs and NRDCL.
- (4) Issue Good Delivery Note and Sales order for all timber and sand consignments. The documents shall have the appropriate reference to Certificate of Origin Cum Stump to Depot Movement Order (COSTDMO) for timber and General Forest Produce Movement Order (GFPMO) for sand and stone issued by DoFPS as per the FNCRR, 2017.
- (5) Carry out adequate market assessment in terms of its demand and ensure efficient disposal of the timber extracted without any wastage.
- (6) Address any grievances arising with regards to timber marketing and distribution.

2. The DoFPS shall:

- (1) Not be accountable for timber wastage and deterioration caused by poor market demand and inability to dispose the timber.
- (2) Facilitate and monitor all aspects of timber marketing and distribution as per the provisions in the existing rules and regulations.
- (3) Recognize Good Delivery Note and Sales order issued by NRDCL as per clause 1(4) of this article to facilitate smooth timber or sand or stone transactions and its movement through the forest check gates.
- (4) Allow the export of timber in log or sawn form as per the existing rules and regulations.



- (5) Agrees to issue Executive Order repealing the existing Timber Extraction and Distribution Modality.

## **Article 8**

### **Plantation creation and Maintenance**

1. The NRDCL shall ensure restocking of harvested areas after three years in conifer stand and immediately after harvesting in broad leafed stand, if the natural regeneration fails to establish.
2. The NRDCL shall ensure proper maintenance of plantations carried out in the harvested areas until it is well established and handed over to DoFPS.
3. The DoFPS shall monitor and evaluate plantations and ensure that the plantations are carried out as per the prescribed norms and standard of the plantation issued by the DoFPS.

## **Article 9**

### **Annual Plantation Creation and Maintenance Target**

1. The DoFPS shall officially handover the plantation creation and maintenance target annually to NRDCL before the start of the next calendar year and NRDCL agrees to achieve the annual target set.
2. The DoFPS shall assess and evaluate plantations and provide recommendations as may be necessary.
3. The NRDCL shall employ innovative and efficient methods to ensure successful restocking of harvested areas and establishment of plantations.

## **Article 10**

### **Extraction of Sand, Stone and River Bed Materials from Planned and *Ad-hoc* Areas**

1. The DoFPS shall deal only with NDRCL in relation to all the sites allotted to them and all documents and correspondences shall be made directly with NRDCL only.
2. The NRDCL shall operate surface extraction and dredging of sand, boulder and RBM only after obtaining valid Environmental Clearance (EC) from DoFPS as the designated Competent Authority (CA).
3. As mandated by the Executive Order 2007 which explicitly states "the operation and marketing of sand will be nationalized under the purview of the NRDCL", the NRDCL shall be responsible for extraction and supply of commercial sand wherever feasible, at an affordable price.
4. The NRDCL shall ensure domestic supply of sand and boulders at NRPC rates.
5. The DoFPS shall process issuance of export approval for export of boulder, RBM and aggregates based on the approved quantity.





6. Any boulder and RBM approved for domestic supply shall not be allowed for export.
7. For movement of boulders from stock yard to the next destination within the country GFPMO shall be issued without realization of royalty if the royalty has been already realized at the sources. Other permit fees shall be realized as per the prevailing rules.
8. The NRDCL shall uniformly apply standard conversion factor of 1 cubic meter (M<sup>3</sup>) = 1.50 metric ton (MT), while converting volume into weight at all RBM collection sites.
9. Allotment of any new sites for export of stones/ boulders and RBM will be notified for open auctions.
10. The NRDCL shall ensure submission of Environment Management Plan (EMP) emphasizing potential risks and appropriate mitigation measures along with cost estimates for all allotted sites.
11. The NRDCL shall submit unconditional bank guarantee or cash warrant equivalent to the estimated cost of mitigation to be deposited as security.
12. The NRDCL shall ensure that planned extraction and adhoc activities are as approved by DoFPS as per the terms and conditions specified in the Forestry Clearance, Environmental Clearance and Letter of Undertaking.

### **Article 11**

#### **Force Majeure**

No party shall be liable or responsible to the other party for any failure or delay in fulfilling or performing any term of this MoU when such failure or delay is caused by or results from acts beyond the impacted party's control such as natural calamities (flood, fire, earthquake), war, government order or law, pandemic or other similar events beyond the control of the impacted party.

### **Article 12**

#### **Duration and Amendment**

1. This MoU shall be amended at any time, in writing, by mutual agreement of both Parties hereto. The party seeking to amend this MoU shall give the other party a written notice of not less than two weeks.
2. Amendment or renewal of this MoU shall be done as an Addendum to this MoU. However, provisions not amended shall remain in force until amended by way of an Addendum.
3. This MoU is valid till such time until it is amended, replaced or nullified upon mutual agreement of both the Parties.

### **Article 13**

#### **Dispute Resolution**

Any dispute between the Parties arising out of the interpretation, application or implementation of any of the articles of this MoU shall be resolved through mutual consultations between DHI





and MoENR. In the event of non-resolution of dispute, either Party may refer the case to the Royal Court of Justice for adjudication.

#### **Article 14 Termination**

This MoU may be terminated by either party, at any time, by giving written notice of one month to the other party as per the notice of correspondence address specified under Article 16 of this MoU, if there is violation of any of the terms and conditions of this MoU.

#### **Article 15 Commencement**

This MoU shall come into effect on *22<sup>nd</sup> May 2023* and shall be reviewed annually.

#### **Article 16 Notice of Correspondence**

Any notice, request or communication under the MoU shall be given to the address specified below:


**For DoFPS:**

Director  
Department of Forests and Park Services  
Ministry of Agriculture and Forests  
Thimphu, Bhutan

**For NRDCL:**

Chief Executive Officer  
Natural Resources Development Corporation  
Ltd.  
Thimphu, Bhutan

IN WITNESS WHEREOF, the Parties hereto have executed this MoU on 22<sup>nd</sup> May 2023, in two originals in English language in Thimphu, Bhutan with both parties retaining one copy each.





(Lobzang Dorji)

Director

Department of Forests and Park Services

Ministry of Energy and Natural Resources

Thimphu, Bhutan



(Jigme Thinley)

Offtg. Chief Executive Officer

Natural Resources Development Corporation Ltd.

Thimphu, Bhutan

**WITNESSES:**

Name: **Dasho Karma Tshering**

Designation: **Secretary**

Agency: Ministry of Energy and Natural  
Resources

Name: **Dasho Karma Tshiteem**

Designation: **Chairperson**

Agency: **NRDCL Board**



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SECRETARY

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Ministry of Energy and Natural Resources  
Royal Government of Bhutan  
Thimphu

**BHUTAN**  
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MoENR/SEC/DOFPS/05/2022-23/43

19<sup>th</sup> May 2023

**Note: Approval for signing Memorandum of Understanding (MoU) between DoFPS) and NRDCL**

The Department of Forest and Park Services (DoFPS) is entrusted with the responsibility of sustainably managing the forest resources within the State Reserve Forest for regulating the production, protection, transport and trade of timber and other forest produce. Natural Resources Development Corporation Ltd (NRDCL) as the stated owned enterprise has the mandate of sustainably harvesting, marketing and equitably distributing the nation's natural resources ensuring availability, accessibility and affordability (AAA). However, despite the overall broad mandates of the two agencies, in the absence of clear roles and responsibilities in carrying out day-to-day activities in the field, smooth execution of field activities has been hampered which in turn led to inefficiencies in service delivery as well as under achievement of annual production volume allotted by the Department. Further, with the involvement of both the agencies throughout the entire value chain of extraction and production of timber, sand and stone, fixing accountability on either of the parties was ambiguous. Till now, DoFPS has been often blamed for hampering the ease of doing business by NRDCL by getting involved in all stages along the value chain. Consequently, there were instances of resource wastages, interrupted service delivery and lack of proper co-ordination in the field. Therefore, through this MoU, the DoFPS and NRDCL seeks to achieve effective service delivery with clear roles, responsibilities, and accountability and enhance co-ordination.

The MoU has been framed to prescribe clear terms and conditions, scope of work and responsibilities of the parties with regard to the sustainable management, implementation of the management plans, extraction, marketing and disposal of timber, sand and stone. It is also to cooperate in fulfilling the timely annual extraction and production volume for timber, sand and stone; achieve the jointly agreed annual plantation and maintenance target; ensure the availability, accessibility and affordability (AAA) of timber, sand and stone; and strengthen the planning and implementation of extraction operations.

Through this MoU, NRDCL also shall henceforth carry out and play a lead role in timber marketing and distribution with enhanced autonomy to ensure that timber, sand and stone are made accessible, affordable and available to all customers or clients through efficient marketing and fair distribution practices through development of appropriate guidelines, modalities and strategies as may be required. The existing Timber Extraction and Distribution Modalities, 2019 developed by DoFPS shall be repealed with the signing of this MoU.

The MoU consists of 16 Articles which has been framed to not only enhance the service delivery by providing enhanced autonomy to NRDCL in timber marketing and distribution

P.O Box No. 141, Telephone (975) 322665





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SECRETARY

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Ministry of Energy and Natural Resources  
Royal Government of Bhutan  
Thimphu

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but also segregate roles and responsibilities and thereby the accountability of the two agencies in making the timber, sand and stone available, accessible and affordable to the general public. Specifically, Article 7 of the MoU provides complete autonomy to NRDC in carrying out timber marketing and distribution and repeals the existing Timber Extraction and Distribution Modality developed by DoFPS.

The MoU was formulated in consultations with the NRDC Management and Board. It was also discussed within the DoFPS including field offices. The MoU was also presented in the Policy and Planning Coordination Meeting of the MoENR. The objectives and contents of the MoU was finally presented to Hon'ble Prime Minister (HPM) on 17<sup>th</sup> May 2023 during which HPM has kindly provided approval to go-ahead with the signing.

In view of the above, the formal approval is kindly sought from HPM through Hon'ble Minister, MoENR for immediate signing of the MoU between DoFPS and NRDC.

The final version of the MoU is attached for kind reference.

✓ Hon'ble Minister, MoENR

*Since this was presented to HPM, I have no specific comments except Article 10, Sub-section 6. If value addition is done, for export to domestic demand, could be permitted.*

*(Karma Tshering)*  
Secretary, MoENR

*18/05/2023*

Hon'ble Prime Minister

*This MoU spells out more clarity in terms of working relation between DoFPS and NRDC, this should bring out about efficiency in the services provided by NRDC (and DoFPS too). Please review the MoU in one-year from now and see if NRDC can be given more responsibilities in carrying out their mandates.*

P.O. Box No. 141 Telephone (975) 322665