

MINISTRY OF WORKS AND HUMAN SETTLEMENT



National Housing Policy (Revised), 2019

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ABBREVIATIONS

ADB	Asian Development Bank
GNH	Gross National Happiness
MoF	Ministry of Finance
MoWHS	Ministry of Works and Human Settlement
NHDCL	National Housing Development Corporation Limited
NLC	National Land Commission
NPPF	National Pension and Provident Fund
PHCB	Population and Housing Census of Bhutan
PPP	Public Private Partnership
RMA	Royal Monetary Authority

1. BACKGROUND

Bhutan pursues a unique and sustainable approach to development based on the philosophy of Gross National Happiness (GNH). His Majesty the King places great importance on providing every citizen with a roof over their head. To fulfil the aspiration of His Majesty the King and to improve the well-being of citizens, it is imperative to promote affordable housing as a national priority. Therefore, careful attention needs to be paid to create an enabling system that improves affordable housing opportunities while remaining true to the Bhutanese cultural and environmental values.

Bhutan has taken a cautious approach to development, underpinned by its goal of GNH, which has helped to prevent social and environmental destruction caused by urbanization and development. While urbanization in Bhutan is a recent phenomenon, the transition from a predominantly rural, family-centric life to urban, independent life is inevitable, and the impacts of urbanization are becoming more visible with an increasing urban population. This has significant implications for the housing stock, thereby affecting the affordability of housing. The gap between housing demand and supply is steadily widening.

Hence, there is an urgent need to shift these dynamics by creating a conducive environment for sustainable and equitable development of the housing sector in the country.

2. RATIONALE

The rapid pace of development and urbanization has resulted in increasing pressure on housing services, including urban infrastructure and social services. For instance, the housing shortage in Phuentsholing has compelled many Bhutanese to live across the border, in Jaigaon, India.

The urban population increased from 30.9 percent in 2005 to 37.8

percent in 2017 and is projected to rise to 56.8 percent by 2047¹. The increase in the urban population is mainly attributed to migration from rural to urban areas, propelled by better socioeconomic opportunities; 21.7% of the population has migrated to urban hubs leaving agricultural land fallow and abandoning houses back in the villages, resulting in 4,800 *gungtongs*².

The majority of the Bhutanese population faces a moderate to severe rent burden paying more than 40 percent of their monthly household income. Internationally, a baseline of 30 percent of the household income is taken as the maximum proportion of income available for payment towards housing rent³. The main challenges faced by housing developers in the country are⁴:

- a. High cost of land acquisition and construction (materials and labor);
- b. Expensive development finance; and
- c. Developers' inability to repay commercial housing loans even with high rental incomes derived from the housing properties.

The above challenges contribute towards high rent burden in urban areas. A majority of Bhutanese cannot afford to own houses and have to depend on rental housing, contributing to high rental prices in urban areas. The trend will continue, given the fact that only 43 percent of households in the country own houses, with just 19 percent of urban households owning houses⁵. It is, therefore, critical to address such challenges in the housing sector to make housing affordable and available.

¹ Population projections for Bhutan 2017-2047, National Statistics Bureau

² Population and Housing Census of Bhutan 2017,

³ Affordable Housing: Policy and Practice in India, 2015, Indian Institute of Management, Bangalore

⁴ Bhutan: Interim Report - Housing Finance Feasibility Study by ADB 2017

⁵ Population and Housing Census of Bhutan, 2017

The provisions of the National Housing Policy 2002 are relevant today and will need to be implemented with proper review of emergent challenges and issues, including identifying and establishing a dedicated agency to lead the housing sector and housing development in the country.

With rapid socio-economic development and growth of population in urban centres in the country, affordability and availability of and accessibility to housing will continue to be issues of social and economic concerns, unless timely measures are adopted. Owing to unavailability of and inaccessibility to affordable housing in cities around the world, there are issues of unplanned development and informal settlements. In order to enhance social security and economic stability through provision of affordable housing for all, there is a need for a comprehensive revision of the existing housing policy. The revised housing policy will address the present and the future problems of housing in the country.

3. VISION

Enhancing human dignity through safe and affordable housing for all citizens.

4. MISSION

Enable and enhance the availability of affordable housing through:

- a. Adequate housing stock for rental accommodation;
- b. Affordable housing financing mechanisms;
- c. Homeownership schemes;
- d. Access to land and other housing inputs for housing development; and
- e. Promotion and adoption of cost-effective construction technologies.

5. GUIDING PRINCIPLES

This policy is guided by the following principles:

- a. **Affordability:** Housing shall be made affordable to all, with special emphasis on low- and middle-income groups;
- b. **Adequacy:** Adequate housing shall be ensured at all times;
- c. **Accessibility:** Housing shall be accessible to all;
- d. **Safety:** Houses shall be safe for people to live;
- e. **Resilience:** Housing shall be resilient to all forms of vulnerabilities; and
- f. **Community vitality:** Housing shall bring about community vitality.

6. LEGAL FRAMEWORK

The Constitution of the Kingdom of Bhutan states:

- a. Article 7 (1): ‘All persons shall have the right to life, liberty and the security of a person and shall not be deprived of such rights except in accordance with the due process of law.’
- b. Article 9 (1): ‘The State shall endeavour to apply the Principles of State Policy set out in this Article to ensure a good quality of life for the people of Bhutan in a progressive and prosperous country that is committed to peace and amity in the world.’
- c. Article 9 (2): ‘The State shall strive to promote those conditions that will enable the pursuit of Gross National Happiness.’

7. POLICY OBJECTIVES

The policy objectives are:

- a. To provide safe and affordable rental housing for all;
- b. To promote home ownership;
- c. To encourage private, corporate and government entities' participation in the provision of affordable housing;
- d. To promote and preserve Bhutanese tradition, culture and local ecosystems; and
- e. To establish a robust governance system and institutional framework for the housing sector.

8. CHALLENGES AND POLICY INTERVENTIONS

8.1. Policy Objective 1: To Provide Safe and Affordable Rental Housing for All

Availability of and accessibility to affordable housing in almost all urban centres are directly impacted by urban population growth and rapidly increasing economic activities. These factors, in particular, have significant implications on housing infrastructure and supply, leading to overcrowding, sub-standard living conditions, and also jeopardizing the safety of people, especially the vulnerable persons and groups. Therefore, this policy objective is to put in place appropriate mechanisms for mobilizing land, finance, and other resources to ensure affordable housing for all.

8.1.1.Land

Land is one of the principal inputs for housing development. Its identification, allocation, and servicing are the three critical components of the housing supply process. Notably, countrywide land mass is under constant pressure from competing uses, in addition to housing pressures, both from the public and private sectors. This situation is further aggravated by the rapid growth of settlements and rising land values. Furthermore, there is an inadequate allocation of land for public housing development in the human settlement plans.

Policy Statements:

- a. The government, in collaboration with the National Land Commission (NLC), shall identify and include state land for housing development in human settlement plans;
- b. The NLC shall allocate land on lease for public housing development programmes;
- c. The NLC shall allocate land on lease to government entities and corporate bodies for development of employee accommodations;
- d. The NLC may allocate land on lease to real estate developers for development of affordable housing for low- and middle-income groups;
- e. The government may facilitate the real estate developers and the corporate bodies involved in housing to acquire land from private owners, wherever feasible, for development of affordable housing; and
- f. The government shall carry out re-planning, re-development, and densification of existing public housing colonies, where feasible, to increase the housing stock.

8.1.2. Finance

Finance is a critical input for housing development. At present, housing loans from financial institutions and private savings are the only sources of equity for private housing developers. The high interest rate on housing loans translates into high rents or higher sale prices for housing units. Thus, affordable housing finance is essential to ease high rent burden and loan repayment.

Policy Statements:

- a. The Royal Monetary Authority (RMA) shall adopt appropriate social and welfare-oriented monetary policies

- to promote affordable housing;
- b. The government shall adopt a systematic and appropriate allocation of the national budget for public housing development, where necessary;
- c. The government shall adopt fiscal measures to provide incentives to individuals for purchase of first residential apartment or construction of first house limited to two storeys for self-occupation only; and
- d. The government shall adopt fiscal measures and/or incentives to allow real estate developers to develop affordable public housing.

8.1.3. Construction materials

The cost of construction materials is one of the factors contributing to high cost of housing construction. Construction cost is further escalated by high transportation cost. While some of the materials are available locally, most of the materials have to be imported. Therefore, there is a need to promote the use of locally available materials, introduce appropriate technologies, and explore substitution of imported materials.

Policy Statements:

- a. The government shall mandate the use of certified locally available construction materials in public housing developments to boost the local economy;
- b. The MoWHS shall explore cheaper alternative local construction materials and appropriate technologies; and
- c. The MoWHS shall promote modular housing construction to save time and cost.

8.1.4. Safety

Safety should be a priority for housing. Ensuring safety can prevent risk to human life and property, minimize environmental losses, and

alleviate heavy investments on recovery. It is important for housing entities to ensure the safety and well-being of the people in the housing design and its construction.

Policy Statements:

- a. The government shall ensure that all housing structures are safe and resilient;
- b. The government shall mandate all houses and buildings to be insured;
- c. The government shall mandate timely repair and maintenance of all housing units; and
- d. The government shall enforce safety standards and regulations.

8.1.5. Housing Accessibility

Access to affordable housing is a problem for the majority of the population in the country. More than 65 percent of households live in rental units in urban areas⁶ where the majority of available rental housing costs more than 30 percent of household income. As such, access to affordable housing is low given that the majority of households are unable to find affordable rental units.

Additionally, there is an issue of physical accessibility to houses for persons with disabilities in the absence of differently-abled friendly structures. Improving accessibility to affordable housing and physical accessibility to housing structure will contribute towards achieving the goal of adequate, safe, and affordable housing, besides enhancing socio-economic security as well as social equity.

Policy Statements:

- a. The government shall regulate the housing stock to ensure that rental costs do not exceed 30 percent of

⁶ Population and Housing Census of Bhutan, 2017

- household income;
- b. The government shall promote housing development with consideration for persons with disabilities;
 - c. The government shall provide public housing to low- and middle-income households;
 - d. The government shall provide social and welfare housing for vulnerable groups;
 - e. All housing developers, who are provided incentives, shall allocate a fixed percentage of housing stock for low- and middle-income groups;
 - f. The government shall provide basic infrastructure services and facilities for the development of affordable housing colonies; and,
 - g. The government shall ensure that public transportation facilities are available to residents of housing colonies.

8.2. Policy Objective 2: To Promote Home Ownership

Everyone wishes to own a house, but with rapidly changing socio-economic dynamics in the country, it is difficult for everyone to become a home owner. Presently, the situation of home ownership in the country is low.

There are 163,001 households in the country as of 2017, out of which 102,607 are rural households and 60,394 are urban households. Of the total households in the country, 36 percent of the households own houses in rural areas and only 7 percent of the households own houses in urban areas. It is evident that the remaining 57 percent of households are predominantly dependent on rental units or some other kind of accommodations.

If only the urban households are taken into consideration, just 19 percent of the households own homes and the remaining 81 percent live in rental units or some other housing arrangements. This shows that there is a preponderance of dependency on rental housing in all urban centres. It is evident that people's well-being, economy, and

self-esteem improve if they live in self-owned house. Therefore, the policy objective is to promote home ownership through adoption of appropriate financial schemes and other favourable mechanisms.

Policy Statements:

- a. The government shall mandate financial institutions to introduce appropriate financial schemes for home ownership;
- b. The government shall mandate provident fund managers to develop schemes to enable individuals to avail housing loan against their provident funds and other saving schemes;
- c. The government shall introduce mechanisms to allow hire purchase of apartments to boost home ownership; and
- d. The government shall provide preference to low- and middle-income groups for home ownership.

8.3. Policy Objective 4: To Encourage Private, Corporate and Government Entities’ Participation in the Provision of Affordable Housing

The private, corporate, and government entities play an important role in housing sector development. Some government and corporate entities develop their own housing colonies to provide accommodations to their employees. However, a majority of such entities do not provide housing to their employees. Thus, the government should facilitate and promote private, corporate, and government entities’ participation in the provision of affordable housing through the adoption of various mechanisms.

Policy Statements:

- a. The government shall explore affordable housing development programs, including through Public-

- Private-Partnership undertakings; and
- b. The government shall encourage private, corporate and government entities to build accommodations for their employees.

8.4. Policy Objective 5: To Preserve and Promote Tradition, Culture and Local Ecosystems

Bhutan has a unique tradition and culture. Preservation and promotion of this unique identity should be a priority in all development goals. As housing is one area where the age-old tradition and culture can be further promoted, the government has developed regulations to incorporate traditional designs in the housing architecture. However, there is a need to enhance compliance with such regulations for the preservation and promotion of culture and tradition in the housing sector.

In undertaking any development, including housing development, the local ecosystems are often disturbed and destroyed through draining of marshlands, diversion of streams and changing of natural drainages, dumping of excavated earth and construction wastes, etc. Therefore, efforts must be made to preserve local ecosystems.

Policy Statements:

- a. The government shall mandate and ensure that all housing developers comply with regulations on the preservation and promotion of traditional architecture in housing development;
- b. The government shall mandate that all housing development projects are adequately monitored to ensure there is minimal disturbance to natural and local ecosystems; and
- c. All housing developers shall develop communal facilities to enhance community vitality.

8.5. Policy Objective 5: To Establish a Robust Governance System and Institutional Framework for Housing Sector

The current institutional arrangements for planning, development, and management of housing are fragmented. While there are no proper procedures and guidelines in place to regulate real estate development and management, the situation is further exacerbated in absence of a dedicated agency to coordinate housing development and address the issues of housing in the country.

This policy objective sets and intends to provide properly delineated roles and responsibilities of various institutions and levels in coordinating and addressing the issues of housing, supported by clearly stated policy and legal frameworks.

8.5.1. Governance and Institutional Framework

In order to enhance proper housing development in the country, it is important to have a robust housing governance and management system, complete with a clear legal status and appropriate mandates, roles, and responsibilities. Such a governance system will improve transparency and accountability to bring about better coordination, efficiency, and resource mobilization in the housing industry.

Policy Statements:

- a. The government shall establish a dedicated housing development and regulatory agency in the country;
- b. The government shall propose for the enactment of a National Housing Act, encompassing all aspects of housing development and management relating to real estates and condominiums and the amalgamation of the Tenancy Act with the National Housing Act;
- c. The government shall establish mechanisms for rent determination and control for rental accommodations for uniformity; and

- d. The government shall redefine the roles and responsibilities of all housing entities in an appropriate manner.

The following key agencies shall play vital roles in ensuring effective implementation and management of housing sector in the country.

8.5.2. The Ministry of Works and Human Settlement

The Ministry shall:

- a. Review the National Housing Policy as and when required;
- b. Review or propose legislations and standards related to housing;
- c. Promote researches and innovations on housing quality, affordability, construction materials and technologies, disaster resilience, etc.;
- d. Assess social and welfare housing needs and provide recommendations; and
- e. Facilitate housing development programmes.

8.5.3. National Housing Development and Regulatory Agency

The Agency shall have the following functions, but not limited to:

- a. Implement the National Housing Policy and the provisions of the National Housing Act thereof;
- b. Develop and implement regulations and guidelines for development and management of apartments, condominiums and real estates;
- c. Undertake national level assessment of housing shortages, prepare housing action plans and submit recommendations to the Government;

- d. Establish a Grievance Redressal System on housing-related issues;
- e. Promote real estate development and management;
- f. Register, certify and license real estate developers;
- g. Enforce and monitor compliance on safety, technical standards and specifications in housing development;
- h. Plan, mobilize resources and facilitate coordination amongst the stakeholders;
- i. Monitor and evaluate housing development programmes in the country; and
- j. Create a central database for housing inventory system to provide information on housing.

8.5.4. Local Governments

The local governments shall:

- a. Facilitate housing development plans in collaboration with relevant agencies and developers;
- b. Enforce settlement development plans, standards and regulations;
- c. Motivate and support key actors seeking to develop housing through the provision of basic services, income generation and socio-economic development opportunities; and
- d. Implement and enforce provisions of housing and tenancy laws and by-laws, and other relevant policies and legislations.

8.5.5. National Land Commission (NLC)

The NLC shall:

- a. Enable housing developers, government agencies and others in availing land for affordable housing development; and

- b. Advise on land lease, acquisition and management for affordable housing development.

8.5.6. Ministry of Finance (MoF)

The MoF shall:

- a. Recommend fiscal measures/incentives to promote homeownership and encourage the development of affordable housing; and
- b. Allocate national budget for public housing development.

8.5.7. Royal Monetary Authority (RMA)

The RMA shall:

- a. Explore the establishment of a National Housing Finance Entity to provide finance towards affordable housing development; and
- b. Develop and enforce suitable financing mechanisms to promote affordable housing.

8.5.8. Financial Institutions

The financial institutions shall develop and implement affordable financing schemes to promote home ownership and affordable housing development.

8.5.9. National Housing Development Corporation Limited

The NHDCL shall:

- a. Develop and provide safe and affordable housing for all;
- b. Take up housing development as per government directives;
- c. Manage, operate and maintain public housing; and

- d. Coordinate with the local governments and the relevant agencies for development of affordable public housing.

9. MONITORING AND IMPLEMENTATION OF THE POLICY

The Ministry of Works and Human Settlement shall monitor the implementation of the policy. The Ministry shall initiate policy revision if the need arises.

10. INTERPRETATION OF THE POLICY

In the event of a conflict of interpretation, the MoWHS shall be the sole authority to interpret the provisions of the Policy, which shall be final and binding.

11. DEFINITIONS

- a. **Affordability:** refers to access to the housing whereby an occupant pays less than 30 percent of monthly household income towards rental expense or servicing of mortgages and/or loans.
- b. **Vulnerable groups:** groups that face a higher risk of poverty and social exclusion than the general population and include children, persons with disabilities, homeless, and elderly people.
- c. **Resilience:** ability to adapt to and recover from hazards (natural, economic and social), shocks, or stresses without compromising long-term prospects for development.
- d. **Basic Infrastructure Services:** shall include road, water supply, sanitation services, and electricity.
- e. **Low-and-middle-income group:** Income of less than Nu.2,54,880 per year is defined as Low Income Group; and Income ranging from Nu. 2,54,881 to Nu.4,83,480 per year is defined as Middle-Income group?