

ROYAL GOVERNMENT OF BHUTAN

NATIONAL HOUSING POLICY 2002

Ministry of Communications

Thimphu

Foreword

Access to shelter is one of the most important basic human needs. The amount of HAPPINESS generated from having a shelter and ultimately owning a house, cannot be underscored, especially to those belonging to middle and lower income stratum of our society. Under the wise and dynamic leadership of our beloved His Majesty the King, we Bhutanese have not experienced extreme hardship and poverty thus far. Our country has experienced unprecedented development within a period of four decades. With development and urbanization in particular, new challenges have emerged and one is in the form of housing shortages resulting from massive increase of urban population. Access to basic housing/shelter is becoming difficult and an illusive dream for people belonging to middle and lower income. Some reasons can be attributed to high cost of construction materials and spiraling land prices. In order to address the housing problem, the Government had approved the National Housing Policy in 2002. While the Government would play the lead role in promotion as well as development of housing throughout the country, the private sector will have to play a pivotal role.

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NATIONAL HOUSING POLICY

I. Introduction

The Housing Policy paper sets out a broad policy framework for the provision of safe and affordable shelter to all, particularly those in the middle and low-income groups. The policy framework is intended to provide guidance to the government agencies responsible for housing and to the private sector, with a view to address the growing “housing shortage” in the country. For the above purpose, this paper briefly outlines the existing situation and sets out policy guidelines and strategies to address the problem.

Most residents, particularly those living in the urban areas cannot afford to buy land or to construct their own house because of the high costs of land and construction, lack of own resources and restricted access to appropriate finance. Due to excess demand relative to supply, rents have risen to a point where they are generally beyond the reach of people with moderate income. Having realized that providing decent shelter is one of the best ways of making development tangible to its people, the Royal Government of Bhutan recognizes that it needs to play a leading role in stimulating the private sector to provide decent, safe and affordable housing to all sections of the community.

Bhutan’s private construction industry is growing in strength and is capable of designing and constructing all types of houses given the right kind of incentives in terms of proper urban planning and serviced land. Moverover, the financial sector is well equipped to offer mortgage finance to developers as well as to individuals. In the past, however Commercial Banks have been restrictive and inflexible with loans to the lower income families. The challenge to these institutions is to offer loans on terms compatible with borrowers’ prosperity to repay over longer periods of time. In this way loans become affordable and the risk of defaulting is minimized.

With the initiation of Bhutan's modernization process in the 1960's, leading to urbanization of a few settlements, the government started construction of residential quarters for civil servants. This, along with small contributions to the housing stock from the private sector, was adequate to meet the demand of the population at that time. Therefore, the government slowed down its housing supply after 1977. While there have been some additions to the housing stock from the RICBL and the private sector since then, this has not been sufficient to meet the requirements of the rising urban population, growing at a rate as high as 7% today. Further, with the expansion of the public sector, many residential units are converted into institutional use, increasing the gap between demand and supply of housing.

II. Housing Situation

Since the housing shortages are most visible in the two major urban centers of Thimphu and Phuntsholing, studies were conducted in 1999 to review the existing stock of housing and to forecast the future demand in these two towns. These studies indicate a requirement of 3892 dwelling units in Thimphu and 1948 units in Phuntsholing for the five-year period 2000-2005. In addition, studies of housing demand were carried out for six other towns (Gelephu, Samdrupjongkhar, Samtse, Mongar, Paro and Trashigang). The total demand for these 8 towns is as high as 6443 dwelling units over a five-year period.

However, surveys of existing housing stock make extrapolations of future housing needs and are a poor indicator of how many and what quality of housing will be demanded. Shortfalls in supply can best be measured in terms of rents, and because these have risen to levels unacceptable to most urban households the result has been over-crowding and deteriorating standards. Only if the supply of new housing exceeds future growth rates will rents come down to levels where even low-income families can live in decent dwellings within their means.

III. Vision

Gross National Happiness

IV. Mission

Basic shelter for all

V. Objectives

- To provide safe, basic and affordable housing
- To promote home ownership
- To create a transparent and well functioning housing market

VI. Basic concepts of the Housing Policy

The housing policy is based on the following concepts:

- (i) Shelter shall constitute a basic human requirement.
- (ii) Any addition to housing stock is considered an increase to national wealth.
- (iii) Housing in general has potential benefits in terms of improved health, higher productivity and better living environment. Home ownership in particular. Is one of the best ways of reducing urban poverty by generating a range of income including income from rooms to let, capital appreciation, and producing a stream of services benefiting individuals. Families and the community.
- (iv) Equitable access to safe and affordable housing shall constitute an important element in the overall policy of alleviating poverty and enhancing happiness.

VII. Policy

The Government shall play a leading role in promoting the supply of housing through the following policy measure:

- Facilitate availability of land for housing
- Increase land-use density through effective land-use planning.
- Promote usage of local construction materials.

- Facilitate accessibility to affordable housing finance.
- Reduce Government's participation in commercially viable areas.
- Promote traditional architecture.
- Promote safe and energy efficient building designs.
- Promote mechanization of construction industry.
- Contribute to a growing and free housing market

VIII. Strategy

The housing strategy presents initiatives on a wide range of areas that are considered vital for the creation of safe, affordable and decent dwelling units based on demand at various levels.

Specifically, the following strategies shall be adopted for implementing the housing policy:

1. LAND

- (i) Land shall be acquired for public housing programmes in accordance with the procedures outlined in the Land Act, 1979.
- (ii) Government may make land available to private developers including financial institutions and public sector undertakings for housing programmes on long-term lease not more than 99 years through public auction.
- (iii) Private landowners shall be encouraged to build by providing basic services up to the site of construction. Developments shall conform to the Zoning Plan and design guidelines of the government. In the event that the landowners refuse to comply with these guidelines, the government shall acquire the land.

2. LAND USE AND HOUSING PROGRAMMES

In order to facilitate regulated development, the DUDH, Ministry of Communication. On behalf of the government, shall be responsible for:

- i) Preparation of land use/zoning plan for all urban centres, with particular reference to residential and housing districts.
- ii) Review and approval of plans for housing estates.
- iii) Identification and demarcation of land required for housing.
- iv) Acquisition of land and facilitating infrastructure for housing developments.
- v) Preparation of housing programmes (annual and five yearly) for implementation in different urban centres in collaboration with the relevant local authorities.
- vi) Facilitation of development of housing for civil servant in remote areas.
- vii) Sale of publicly owned housing units

While these functions will initially be the responsibility of the DUDH, the government reserves the option of forming an autonomous agency-Housing Development Corporation (HDC) to take over some of the above functions, leaving the DUDH as a regulatory body.

3. BUILDING STANDARDS AND DESIGN BUILDING STANDARDS AND MATERIALS.

- a. Formulation and enforcement of building standards and codes. Minimum architectural standards, designs and specifications for the construction of different categories of houses to suit varying climatic conditions and the target income groups shall be adhered to.
- b. While regulating building, the government shall, at the same time encourage innovations in design, materials and construction of new dwelling types. Initially, a number of pilot projects shall be undertaken to assess the suitability and affordability of housing by the target group and to promote home ownership such as:
 - ◆ Expandable and self-help units
 - ◆ Housing built of traditional materials and methods
 - ◆ Group, cluster, row and other types of housing including rooms for rent.

4. PRIVATE-SECTOR PARTICIPATION Promote private sector participation

The private sector will be the major actor in supplying and owning new housing, the government shall encourage this through the following:

- (i) Leasing land on long-term basis of not more than 99 years for house construction programmes and the provision of infrastructure on such leased land;
- (ii) In case of privately owned land, encouraging the construction of residential houses or blocks of flats by providing prototype designs and infrastructure where needed.
- (iii) Inviting developers to implement housing schemes as a turnkey package of “design, construct and finance” based on the guidelines of the government.
- (iv) Promotion of construction industry and its mechanization.
- (v) Strengthening capabilities of contractors and real estate developers through periodical training.
- (vi) Stimulation of private sector housing development through increased availability of local building materials.
- (vii) Creating incentives for private developers to build housing for low-income families.

5. LEGISLATION

- I) Government shall ensure the adherence to appropriate regulations governing building codes and specifications, transfer of ownership, sub-division of plots, zoning, condominium and tenancy rules. In addition, the government shall enforce new laws on Moveable and Immovable Property, Bankruptcy, and Negotiable Instruments, in order for financial institutions to deal with defaulters expeditiously. Government shall also revise existing regulations on a continuous basis to keep up with the changing needs.
- II) The National Consultative Committee on Human Settlement shall monitor, evaluate and oversee the implementation of Housing Policy.
- III) The government shall create an enabling environment for real estate developers.

6. ENHANCING ACCESS TO AFFORDABLE HOUSING

- i) The houses constructed on leased land shall be made available for rent or for hire purchase based on the requirements of the tenants.
- ii) The government shall promote the formation of Housing Co-operatives and to build houses for their members. Such co-operatives shall be eligible for housing financing schemes.
- iii) Subject to the terms and condition as may be prescribed and monitored by the Board, the National Provident & Pension Fund (NPPF) may grant loans and advances to ant of its member for the purchase, construction or repair of residential house against security of the house and/or his or her accumulated Provident Fund contributions.
- iv) Different forms of ownership such as tenant purchase, co-operatives, rental, etc. shall be promoted. These shall apply to houses constructed on government leased land as well as private land and sitting tenants shall take precedence over other applicants during the dale of housing units.
- v) The low-income group shall be provided access to affordable housing through appropriate housing design and housing finance including 100% loans and progressive repayments. The house shall be mortgaged against the loan and banks shall not seek additional collateral. The allottee will be a tenant purchaser until his/her equity in the unit has reached 25% of the loan amounts after which the property title will be transferred to him/her.