

**ASIAN DEVELOPMENT BANK**

**TAR: BHU 32375**

**TECHNICAL ASSISTANCE**

**TO THE**

**KINGDOM OF BHUTAN**

**FOR**

**HOUSING SECTOR REFORM**

**December 2002**

## **CURRENCY EQUIVALENTS**

(as of 2 December 2002)

Currency Unit	–	ngultrum (Nu)
Nu1.00	=	\$0.0207103
\$1.00	=	Nu48.285

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
DADM	–	Department of Aid and Debt Management
Danida	–	Danish International Development Assistance
DUDH	–	Department of Urban Development and Housing
LMI	–	low- and middle-income
MOC	–	Ministry of Communications
RMA	–	Royal Monetary Authority
TA	–	technical assistance
TASC	–	technical assistance steering committee
UN/HABITAT	–	United Nations Center for Human Settlements

## **NOTE**

In this report, "\$" refers to US dollars.

This Report was prepared by a team consisting of E. Mayerhofer, Environment Specialist, SASS (Team Leader); E. Glennie, Financial Management Specialist, SAGF; and N. Mawilmada, Urban Development Specialist, SASS.

## **I. INTRODUCTION**

1. At the request of the Government of Bhutan, the Fact-Finding Mission from the Asian Development Bank (ADB) visited Bhutan during 9-15 August 2002 to formulate an advisory technical assistance (TA) for housing sector reform.<sup>1</sup> The Mission held discussions with the responsible officials of concerned agencies, including the Ministry of Finance, Department of Aid and Debt Management (DADM), Ministry of Communications (MOC), the Planning Commission, the city corporations of Thimphu and Phuentsholing, and key stakeholders in the Bhutanese housing and finance sectors. This TA was developed on the basis of understanding reached during the Mission. The TA framework is in Appendix 1.

## **II. ISSUES**

2. Bhutan is a landlocked country in the Eastern Himalayas, covering approximately 30,400 square kilometers of mostly mountainous terrain. Prior to the early 1960s, Bhutan was isolated from the rest of the world and its overwhelming rural population was entirely dependent on subsistence agriculture. With the quickening pace of development in the last 15-20 years, however, Bhutan is already experiencing signs of urban growth pressures. While the population in 2000 was estimated at 658,000 with a population growth rate of 2.5%, the rural-urban migration is estimated at 10% per year. Even though Bhutan's urban centers are still small by international standards, its urban problems are not less significant or simpler to address.

3. Bhutan suffers from a serious housing shortage, particularly in the urban areas where housing programs are still dominated by public sector social rental housing. Rapid population growth in urban centers, lack of easy access to land, and a shortage of funds for public housing programs are mainly responsible for the increasing housing problem. It is estimated that in Thimphu<sup>2</sup> alone, 600 new dwellings a year would need to be built just to keep up with population growth, but without absorbing the current deficit. Moreover the age and quality of the existing housing stock call for substantial investments in renovation. The housing sector has not responded well by either contributing to economic growth or meeting social shelter objectives. So far, little effort has been invested in providing affordable housing for low- and middle-income (LMI) groups and lack of sufficient housing is leading to severe overcrowding. As a result, more than 10% of the population of Thimphu are living in hutments and squatter settlements without proper basic services.

4. The situation reflects the policy constraints affecting housing supply and demand. On the housing supply side, major constraints on producing sufficient affordable housing units have resulted in high rents and lead to overcrowding and reduced environmental and health standards. Another worrying aspect of the Government's dominant role in the housing sector is its control of land. Unless much more public land is released for construction purposes than at present, preferably on leasehold, the housing crisis will escalate and the poorest will suffer when shortages will force up the prices of existing units.

5. On the demand side, the present situation shows an adequate supply of high-income units on the market. The financial institutions explain their preference for this type of investment because of its high profitability and low risk. However, the high interest rates, down payment, and collateral requirements of existing housing finance schemes exclude LMI groups. The only

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<sup>1</sup> The TA first appeared under the title "Urban Housing Development" in *ADB Business Opportunities*, (Internet edition) on 13 June 2002.

<sup>2</sup> In 1999, population figures for Thimphu were estimated at 40,000.

viable housing option left for these groups is rental housing. Given the current Government building regulations and affordable levels of rent, developers find it difficult to profit from constructing LMI rental units.

6. Bhutan is faced with a hard decision on how it will respond to its housing problem and how it will strategically utilize its scarce resources, both financial and human, to satisfy the basic need for shelter. The Government recognizes that urban housing development in the past decade was skewed in favor of the higher income market. In 1997, upon the request of the Government, ADB, the United Nations Development Programme, and Center for Human Settlements (UNDP/UN-HABITAT), and the Danish International Development Assistance (Danida) initiated efforts to overcome the urban deficiencies of both Thimphu and Phuentsholing. Together, the organizations sought to remedy a more than 10-year interval without consistent urban development and housing policies, implement planned urban development, and provide housing for lower income people. ADB, Danida, and UNDP/UN-Habitat have closely coordinated with one another to complement efforts and avoid duplication. The experience from previous projects and interventions is reflected in the TA design.

7. Against this backdrop, ADB assisted the Government in formulating the National Housing Policy,<sup>3</sup> which the Cabinet of the Council of Ministers approved in 2002, to redress the situation. The policy recognizes the Government's inability to stay abreast with the demand for housing, and the need for much greater private sector involvement in the sector. However, implementing the housing policy remains inadequate and the Government needs to address the following constraints to ensure sustainable and effective development of the urban housing sector: (i) lack of current cadastral and land registration records for the urban centers; (ii) extensive areas of serviced land withheld from the market for speculative purposes with the result that land for housing for LMI groups is in short supply; (iii) lack of affordable housing finance options for LMI groups; (iv) unaffordable Government housing standards, building codes, and subdivision regulations, particularly for LMI households; and (v) underdeveloped and unorganized private construction sector.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Purpose and Output**

8. The TA will support the Government in implementing the National Housing Policy and in promoting a sustainable market-based system for the delivery of housing finance that meets the needs of LMI households. In doing so, the TA will support the Government's goals for the housing sector as set out in the 2002 National Housing Policy, namely, to (i) provide safe, basic, and affordable housing; (ii) promote home ownership; and (iii) create a transparent and well-functioning housing market. Achieving the objectives requires a multipronged approach, including (i) developing a national urban land policy outlining land registration and property mapping procedures as well as regulations aimed at limiting land speculation; (ii) promoting policy and regulatory reforms to attract private capital flows into the sector; (iii) redefining the Government's role in the housing sector from housing provider and developer to regulator and advisor; (iv) developing modalities whereby LMI groups can access adequate housing finance; (v) stimulating the involvement and increasing the responsibilities of the private sector in planning, constructing, and maintaining LMI housing and related infrastructure.

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<sup>3</sup> ADB. 1998. *Technical Assistance to Bhutan for Capacity Building in the Urban Sector*, Manila.

9. Building on the findings and recommendations of the capacity building assistance in the urban sector supported by ADB, UN-Habitat and Danida, the TA will examine the potential of expanding the lending operations of existing financial institutions to include loans to low-income households, create an enabling environment for increased private sector participation in the housing sector, and assist the Government with implementing the National Housing Policy. The accompanying policy reform agenda will promote sustainable mechanisms to facilitate access of LMI households to housing finance and increase access to affordable LMI housing.

## **B. Methodology and Key Activities**

10. The TA will (i) support the development of a strategy and time-bound action plan and budget for implementing the National Housing Policy and outstanding policy reform issues; (ii) assist in formulating a national urban land policy; (iii) identify undeveloped and underdeveloped land to prioritize areas for LMI housing; (iv) assess private sector capacity to meet the growing demand for LMI housing; (v) develop modalities for establishing, registering and managing housing cooperatives/associations; (vi) recommend possible revisions that will create incentives to reduce land speculation, and encourage the development of high-density LMI housing; (vii) develop suitable modalities to phase out the Government's role as a housing provider; and (viii) develop and implement a public awareness program aimed at stimulating public interest in, and political support for, a transition to a housing market characterized by greater home ownership. The TA will also identify and evaluate financial options/mechanisms for interested financial institutions to onlend to private sector developers for building LMI housing, to LMI households to finance housing purchases, and to housing cooperatives/associations to finance major repairs and rehabilitation. The outline terms of reference for consulting services (Appendix 2) include descriptions of the activities to be carried out during the TA.

## **C. Cost and Financing**

11. The total cost of the TA is estimated at \$590,000 equivalent comprising \$415,000 in foreign exchange costs and \$175,000 equivalent in local currency costs. ADB will finance \$500,000 equivalent, which includes the entire foreign currency costs and \$85,000 equivalent in local currency costs. The Government will contribute the remaining \$90,000 equivalent, which will cover office accommodation, counterpart staff remuneration, transportation, surveys, and workshops. The TA will be financed on a grant basis by ADB's TA funding program. The detailed cost estimates and financing plan are in Appendix 3.

## **D. Implementation Arrangements**

12. MOC will be the Executing Agency for the TA. The TA will be implemented through the Department of Urban Development and Housing (DUDH) within MOC. MOC will set up a TA implementing unit; appoint a manager for the unit; and provide office space, furniture, equipment, and counterpart staff for the TA consultants as necessary. DUDH will provide counterpart technical staff to the TA consultants as required. MOC will ensure that the Planning Commission and the Royal Monetary Authority (RMA) are closely involved in the TA, and that their concerns are fully considered. RMA will advise the consultants on the financial and lending policy, and financial status of the banks. The Government will set up a technical assistance steering committee (TASC), with the Director General of DADM as chair, to periodically review the progress of the TA and resolve any issues that may arise. The TASC will meet at least once every 2 months. The TASC will have representatives from DUDH, MOC, Planning Commission, RMA, the city corporations, and others as necessary. All representatives will be at least directors.

13. The TA will be carried out over 9 months, from March 2003 until December 2003. The consulting team will include three international consultants (16 person-months total) and 4 domestic consultants (15 person-months total). All consultants will be selected and engaged through a firm, following ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. The simplified technical proposal format and the quality- and cost-based selection method will be used.

14. The consultants will submit short monthly progress reports summarizing project activities, issues, and constraints for the duration of the TA. In addition, four major reports will be submitted. An inception report will be submitted no later than 3 weeks after the consultants are fielded. A midterm report will be submitted 3 months after TA inception, and a draft final report will be submitted 5 months after inception. Both the Government and ADB will comment on the draft final report. The final report will be submitted within 3 weeks after comments are received.

#### **IV. THE PRESIDENT'S DECISION**

15. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis to the Government of Bhutan for Housing Sector Reform, and hereby reports this action to the Board.

## TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<b>Goal</b> Increase access to quality home ownership for low- and middle-income groups and develop a viable housing finance system	Increase in private and public investment in urban residential real estate  Increase in economic growth of the construction sector	Financial statements from the financial institutions  Government statistics  Asian Development Bank (ADB) review missions and progress reports	Legal and institutional reforms, coupled with well-designed and focused training in the public and private sector on the application and use of mortgage finance, significantly contribute to more equal distribution of quality housing.
<b>Purpose</b> Help strengthen the enabling environment for a well-functioning National Housing Policy	Increased housing loans  Increased construction of new housing and renovation of existing housing	Financial institutions' surveys  Government statistics  ADB review missions and progress reports	Political support for institutional reform and for liberalizing the supply of public building land will be sustained.
<b>Outputs</b> Draft of a national urban land policy and implementing regulations ready for Council of Ministers' approval           Policy and regulatory reforms to attract private capital flows in the housing sector           Change in Government's role to housing regulator and advisor           Develop modalities for low- and middle-income groups to access adequate housing finance	National urban land policy and regulations submitted to Council of Ministers Legal measures taken to harmonize and clarify provisions governing property and mortgage rights Number of recorded regular titles in urban areas           Increase in number of registered private developers           Share of public land legally ready to be sold or leased by end-2003           Improved capacity of financial entities to handle concepts and to implement mortgage finance business plans while also developing appropriate mortgage	Policy updates from discussions with Government counterparts and other sources ADB review missions, progress and completion reports           ADB review missions, progress and completion reports. Statistical reports from the Bhutan Chamber of Commerce           Policy updates from discussions with Government counterparts and other services ADB review missions, progress and completion reports           ADB review missions, progress and completion reports Financial institutions survey	Political commitment from Ministry of Construction (MOC) to implement reforms Council of Ministers' approval of proposed policy and regulations Time lag in administrative procedures           Easing of policy and procedural constraints in public land management Commitment by all the public entities involved in acknowledging and approving suggested legal and administrative recommendations regarding registration of property rights           Target financial institutions mobilized for business development Government policy to maintain assistance to new home owners

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>products. Increased housing loans to low- and middle-income groups Decrease in the overall delay and costs of the foreclosure process Valuation in budgetary documents of subsidies vested in land prices</p> <p>Increase involvement and responsibilities of the private sector in planning, construction, maintenance in low- and middle-income housing and related infrastructure</p>	<p>Increased construction of new housing and renovation of existing housing</p>	<p>ADB review missions, progress and completion reports Statistics of the Bhutan Chamber of Commerce</p>	
<p><b>Activities</b> Support the development of a strategy, time-bound action plan, and budget for implementing the National Housing Policy and outstanding reform issues</p> <p>Assist in formulating a national urban land policy</p> <p>Identify underdeveloped and undeveloped land for low- and middle-income housing</p> <p>Assess private sector capacity for the growing demand in low- and middle-income housing</p> <p>Develop modalities for establishing, registering, and managing housing cooperatives/associations</p> <p>Reduce land speculation and encourage development of low and middle-income housing</p> <p>Develop suitable modalities to phase out Government's role as housing provider</p>	<p>Plan to be approved by Council of Ministers by June 2003</p> <p>Draft policy containing specific implementing guidelines approved by Council of Ministers</p> <p>Priority list to be drawn up, share of land to be leased to developers</p> <p>Development of business plans</p> <p>100% of apartments privatized as housing associations/cooperatives by the end of 2004</p> <p>Share of vacant land prioritized for housing development</p> <p>Share of public land released for housing Number of public housing units privatized. Establish realistic estimates of housing demand, identify</p>	<p>Policy updates from discussions with Government counterparts and other agencies ADB review missions, progress and completion reports</p> <p>Cadastre agency and land registration indicators</p> <p>Cadastre agency and land registration indicators</p> <p>Cadastre agency and land registration indicators</p>	<p>Slow implementation Satisfactory budget allocation for efficient implementation</p> <p>Timely inputs provided by the consultants</p>



Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Identify and evaluate financial option mechanisms for low- and middle-income housing finance</p> <p>Conduct public awareness campaign and consultation workshops for housing sector reform</p>	<p>the locations, scale, and broad financing</p> <p>Lending and onlending terms between different tiers</p> <p>Key government officials in line agencies and public familiar with housing sector reforms pertaining to land issues and financing</p>	<p>Financial institutions survey</p> <p>ADB review missions, progress and completion reports Minutes from workshops and consultation meetings</p>	
<p><b>Inputs</b></p> <p>TA budget</p> <p>International consulting services</p> <p>Domestic consulting services</p> <p>Asian Development Bank financing</p>	<p>\$590,000</p> <p>16 person-months</p> <p>15 person-months</p> <p>\$500,000</p> <p>Equipment (2 desktop computers, one printer , and other necessary office equipment)</p> <p>The counterpart funds/inputs:</p> <p>Office accommodation and utilities</p> <p>Remuneration and per diem of counterpart staff</p> <p>Transportation</p> <p>Workshops and training</p>	<p>ADB review missions, progress and completion reports</p> <p>\$10,000</p> <p>\$20,000</p> <p>\$40,000</p> <p>\$20,000</p> <p>\$10,000</p>	<p>Timely recruitment of consultants</p> <p>Adequate counterpart staff</p>

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The consulting team will comprise three international consultants and four domestic consultants, recruited through a firm in accordance with ADB's guidelines for the use of consulting services. Each consultant will work with the team in developing all outputs. The specific technical tasks for each consultant are outlined here. The team leader and ADB project officer, however, may revise or augment the tasks as required to comply with ADB guidelines and procedures, and to improve the quality of the overall quality of the technical assistance.

2. The tasks will be carried out in close cooperation with the Government, and extensive consultation is needed to ensure transfer of know-how and the concerned ministries' sense of full ownership of the processes and documents. Throughout the process, the consulting team will thoroughly review and build on the extensive work that the Government has already done in collaboration with other development agencies in the sector.

### **A. Housing Finance and Policy Specialist/Team Leader** (international, 7 person-months)

3. The housing finance specialist will have academic training in housing finance and investment, and extensive experience in conceptualizing, developing, and implementing innovative housing policy and finance programs targeted at low- and middle- income (LMI) groups in Asia.

4. As team leader, the housing finance and policy specialist will organize and manage the consulting team and coordinate the overall TA. He/she will be accountable for the quality and timeliness of all deliverables, and ensure that all components are clearly and concisely documented to the full satisfaction of the ADB project team. The team leader will ensure that any the TA outputs will be cohesive, financially and economically viable, and in full compliance with Government policies and guidelines.

5. In addition, the housing finance and policy specialist will be specifically responsible for these tasks to:

- (i) Prepare a comprehensive summary and critical review of existing background documentation and studies that have been undertaken related to the housing sector and its development.
- (ii) Assess the National Housing Policy and its legal status, and support the development of a strategy and time-bound action plan and budget for implementing it. Identify and assess outstanding policy reform issues and support the development of time-bound action plans and budgets for their resolution. Carry out the assessment in close coordination with the Government and representatives from the private sector, financial institutions, and pertinent nongovernment organizations.
- (iii) Review existing background documentation and studies to determine the current distribution of employment (public sector, private sector, self) and income in Thimphu and Phuentsholing (and other major urban centers in Bhutan as identified).
- (iv) Identify and evaluate the relative affordability of an existing range of housing options offered in each urban center (for LMI households), which may include government and company housing, commercially offered rental or lease arrangements, and private housing that is individually or cooperatively owned.

- (v) Make a comparative assessment of the mortgage evaluation criteria and mortgage approval process used by each of the main financial institutions in Bhutan to determine the degree to which they facilitate or constrain the approval of mortgage loans to LMI households. Include a review of current borrowing options, associated cost of financing, and collateral requirements.
- (vi) Undertake a sample survey in Thimphu and Phuentsholing to determine the savings and borrowing patterns of LMI households. Include estimated available savings; type and value of assets that could be used as collateral; extent and use of borrowed funds; proportion of borrowed funds used for home purchase, repair, rehabilitation, or expansion; and type and extent of collateral required.
- (vii) Evaluate, in coordination with the urban planner, the relative availability of housing options in each urban center that are affordable to LMI households, and estimate the current housing supply gap for these income groups.
- (viii) Review and assess local economic forecasts (and their implications for employment and household income), and population projections, to estimate the future housing supply gap in each urban center for these income groups.
- (ix) Prepare a summary report and discuss the findings at a workshop, with all key stakeholders. With the participation of the key stakeholders, identify and discuss the major constraints to private sector support in developing LMI housing, and access of LMI households to housing financing. Through facilitated workshop sessions, identify and prepare proposals for activities that would increase the supply of LMI housing and access to housing finance.
- (x) Prepare a concise summary of the financial positions of the main financial institutions, describing their operational and financial performance over the past 5-10 years and make a forecast of their planned financial position.
- (xi) Make a comparative assessment of the household mortgage portfolios held by each financial institution to determine the relative proportion (in terms of both number and mortgage value) that is currently being extended to LMI households.
- (xii) Make a comparative assessment of the excess liquidity maintained by each of the main financial institutions in Bhutan and their loan portfolio strategy, to estimate the potential level of mortgage financing that could be made available to qualified applicants.
- (xiii) Identify and evaluate possible options for addressing the financing needs of LMI households for housing purchases. Consider financing modalities including the creation of a revolving fund for interested financial institutions in Bhutan for onlending to (a) private sector developers for the construction of new LMI housing; (b) LMI households to finance housing purchases; and (c) housing cooperatives/associations to finance major repairs and rehabilitation of buildings.
- (xiv) Develop appropriate guidelines and procedures for agreed-upon financing modalities.
- (xv) Develop appropriate guidelines and procedures to manage and regulate the use of the fund – prequalification criteria for participating financial institutions; the terms, conditions, and modalities for channeling funds to the participating financial institutions; criteria and modalities for onlending to targeted beneficiaries; disbursement and evaluation criteria; and requirements for reporting and monitoring and evaluation. Also assess and define the institutional modalities for managing the fund on a sustainable basis, and explore options that require minimal involvement of the government.
- (xvi) Prepare an analysis and rationalization of proposed lending and onlending rates and assess the potential allocation of loan funds by financial institutions to serve as preliminary information for project design purposes.

- (xvii) Identify, describe, and assess the financial viability and scope of possible government incentives that could be offered to private sector developers and financial institutions to encourage their increased participation in the sector and increased provision of their services to LMI households.

**B. Land Use Planner** (international, 6 person-months)

6. The consultant will have professional training in urban and land-use planning, and will have experience in assessing and improving land and housing markets in developing countries. In addition, the consultant will have demonstrated experience in land pooling; and conceptualizing, developing, and implementing financially viable, private-sector-led low-income housing projects in the developing world, preferably in South Asia. The specific tasks follow:

- (i) Assess the current and proposed zoning, urban development plans, structure plans, and local area plans; determine the degree to which realistic economic forecasts and population projections have been appropriately incorporated. Compare the plans with current ownership patterns and maps of existing development to identify efficient strategies for phasing the development of land for LMI housing, and densifying the overall urban settlements of Thimphu and Phuentsholing.
- (ii) From (i), identify priority parcels of government and privately owned serviced land that need to be released for housing development. Also identify key private landholdings that are yet to be serviced. Focus the assessment on the optimal use of serviced core city properties. Carry out initial screening for issues that may need to be addressed under ADB's policy on involuntary resettlement.
- (iii) Identify suitable modalities for making government land identified in (ii) available to the private sector for development. Assess the land markets within the city limits, and recommend on methodologies for establishing prices and terms for the release of such land.
- (iv) Also recommend incentive structures, penalties, or other modalities to encourage the development of serviced land that is privately owned.
- (v) Assist the Government with drafting a national urban land policy including a strategy for fair and equitable compensation and other assistance in case people are displaced or dispossessed of land, other assets, and income sources.
- (vi) Appraise the current government housing stock (including the new Chang Jiji development that is under construction), and evaluate which properties are suitable for priority sale as apartment units. Assess the demand for units of each category, and recommend guidelines for establishing fair market prices and suitable modalities for liquidating such government assets. Ensure that the costs of land and infrastructure are included in the appraisal.
- (vii) Conduct extensive discussions with private entities involved in real estate development, including agencies such as Royal Insurance Corporation of Bhutan (RICB), as well as smaller scale developers, and identify the critical constraints they face in developing LMI housing. Also conduct community meetings and individual consultations with LMI households and identify critical constraints that such households face in securing adequate housing. Recommend practical strategies for addressing their concerns.
- (viii) Assess whether the private sector can meet the growing demand for LMI housing. Recommend strategies for stimulating a dynamic real estate industry in Bhutan.

- (ix) Develop and implement a public awareness campaign aimed at stimulating public interest in, and political support for, a transition to a housing market characterized by greater home ownership. Direct the awareness campaign to LMI groups, policy makers in the Government, as well as the financial institutions. Include information about the newly approved National Housing Policy, the overall government strategy and action plans to be implemented to improve the sector situation, and the specific interventions being proposed as part of the Project.
- (x) Develop modalities for establishing day-to-day operations of housing cooperatives. Assess the cost associated with general administration, as well as the operation and maintenance of common building systems, and develop modalities for collecting and managing funds for such. Consider operating modalities that are sensitive to the social, political, and cultural context of Bhutan. Identify any technical support or incentive structures that are needed to successfully formulate and manage such cooperatives, and recommend a package of support that the Government may provide. Ensure that the concept of housing cooperatives is explained and promoted as part of the public awareness campaign.

**C. Real Estate Lawyer** (international, 3 person-months)

7. The consultant will be a licensed lawyer with experience in developing and implementing zoning and land use bylaws, condominium laws, establishing housing cooperatives, and developing legal agreements pertaining to the O&M of commonly held property. The consultant will have extensive experience in the housing sector of South Asia, with a clear poverty focus.

8. The specific tasks follow:

- (i) Review the overall legal framework pertaining to real estate ownership, development, and transfer in Bhutan, with emphasis on housing in the urban centers.
- (ii) Work closely with the land-use planner to review the current zoning bylaws, land-use regulations, building codes; recommend changes to allow for greater flexibility in developing LMI housing.
- (iii) Assess the existing laws related to owning, managing, and transferring apartments, condominiums, and other multiple-owner real estate assets. Recommend enhancements and revisions, if necessary, to enhance the effectiveness of the legal framework in stimulating a more dynamic market for apartments and other similar unit types.
- (iv) Review the current legislation pertaining to foreclosure, eviction, and other collateral enforcement laws. Recommend revisions if necessary.
- (v) Develop a comprehensive set of guidelines and standard legal agreements for establishing, registering, and managing housing cooperatives. The guidelines should clearly define roles and responsibilities of the members, methods for establishing leadership, modalities for establishing and collecting financial contributions, etc.
- (vi) Review the current real estate taxation laws and recommend possible revisions that will create incentives to reduce land speculation, and encourage the development of high-density LMI housing.

**D. Social Development Specialist** (domestic, 2 at 3 person-months each)

9. The social development specialists will have an internationally recognized degree in sociology or related field and at least 5 years experience in social mobilization and social development in Bhutan. The consultant will also have experience in participatory processes and in developing social analysis for international aid-funded projects. Specifically, the specialists will undertake the following:

- (i) Assist the international consultants in developing and implementing the public awareness campaign and advise on effectively engaging the potential beneficiaries.
- (ii) Work closely with all team members to ensure that all proposed interventions are sensitive to the social and political environment of Bhutan.
- (iii) Assist other team members in collecting data, making surveys, engaging communities, and other tasks, as required.

**E. Legal Expert** (domestic, 3 person-months)

10. The legal expert will be familiar with the judicial system of Bhutan, the legal framework of the housing and real estate sectors, as well as the procedures for formulating and implementing policies. The legal expert will assist the international real estate lawyer as required.

**F. Financial Specialist** (domestic, 6 person-months)

11. The financial specialist will have experience in the housing finance sector. He will closely assist the team leader in his tasks, in particular (ii), (iii), (vi), (vii), (ix), (x), and (xv). Other specific tasks for this consultant will be defined by the team leader.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	288.0	0.0	288.0
ii. Domestic Consultants	0.0	48.0	48.0
b. Per Diem			
i. International Consultants	46.0	0.0	46.0
ii. Domestic Consultants	0.0	9.0	9.0
c. International and Local Travel	24.0	6.0	30.0
d. Reports and Communications	2.0	2.0	4.0
2. Equipment <sup>b</sup>	10.0	0.0	10.0
3. Public Awareness Workshops, Training	0.0	3.0	3.0
4. Miscellaneous Administration and Support Costs	0.0	3.0	3.0
5. Representative for Contract Negotiations	5.0	0.0	5.0
6. Contingencies	40.0	14.0	54.0
<b>Subtotal (A)</b>	<b>415.0</b>	<b>85.0</b>	<b>500.0</b>
<b>B. Government Financing</b>			
1. Office Accommodation and Utilities	0.0	20.0	20.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	40.0	40.0
3. Transportation	0.0	20.0	20.0
4. Workshops and Training	0.0	10.0	10.0
<b>Subtotal (B)</b>	<b>0.0</b>	<b>90.0</b>	<b>90.0</b>
<b>Total</b>	<b>415.0</b>	<b>175.0</b>	<b>590.0</b>

<sup>a</sup> Financed by ADB's TA funding program.

<sup>b</sup> Includes 2 desktop computers, one printer and other necessary office equipment. MOC will turn over the equipment to Department of Urban Development and Housing after technical assistance completion. Provisional sums for equipment, public awareness and training are to be financed at actual costs.

Source: Asian Development Bank estimates.