



# Initial Poverty and Social Analysis

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Project Number: 54355-001  
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## Kingdom of Bhutan: Affordable Housing Development Project

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 27 November 2020)

Currency unit	–	Ngultrum (Nu)
Nu1.00	=	\$0.0135434
\$1.00	=	Nu73.83660

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
COVID-19	–	coronavirus disease
MOWHS	–	Ministry of Works and Human Settlement
NHDCL	–	National Housing Development Company Limited
NHP	–	National Housing Policy
O&M	–	operation and maintenance
PBL	–	policy-based loan
PPP	–	public-private partnership
RMA	–	Royal Monetary Authority
SDG	–	Sustainable Development Goals
TA	–	technical assistance

## NOTES

- (i) The fiscal year (FY) of the Government of Bhutan ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2020 ends on 30 June 2020.
- (ii) In this report, “\$” refers to United States dollars.

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## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Bhutan	Project Title:	Affordable Housing Development Sector Project
Lending/Financing Modality:	Sector	Department/Division:	SARD/SAUW

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

Socioeconomic development of Bhutan is guided by the principles of Gross National Happiness (GNH). The central development concept *Bhutan Vision 2020* is also maximization of GNH, and GNH principles/domains are consistently integrated into Five-Year Plans (FYP). Poverty reduction is consistently a focus in the FYPs as Bhutan was included in the list of least developed countries (LDCs) by the United Nations (the UN). The latest 2018 statistics however indicate that Bhutan is scheduled to graduate from LDCs in 2023 as it has shown consistent improvement in its key indicators of Gross National Income per capita, Economic Vulnerability Index, and Human Asset Index.<sup>a</sup> Sustainable Development Goal (SDG)-1: *No Poverty* was prioritized in the Eleventh FYP (2013-2018) while SDG Goal-1 and Goal-10 are aligned with one of the National Key Results Areas (NKRA) of 'Reducing Poverty and Inequality' under the current Twelfth FYP (2018–2023). With broad policy interventions as well as targeted programs based on GNH/NKRAs that are aligned with all the SDGs, Bhutan was able to reduce poverty to 8.2% in 2017.<sup>b</sup> The poverty rates have been decreasing consistently from 31.7% in 2003 to 23.2% in 2007, 12.0% in 2012, and 8.2% in 2017. Poverty in urban areas is found significantly lower at 0.7% compared to that in rural areas at 11.9%.<sup>c</sup> One of the main findings of GNH Survey 2015 was that an increase in sufficient level of housing, assets, and income contributes to an increase in GNH.<sup>d</sup> As per the survey, 31% households have insufficient access to housing while housing loan is the most common debt for households. This is mainly due to increased urbanization (40%) and increasing rate of lifetime migrants to urban areas (40%), leading to overcrowding of existing housing stock while there are a large number of vacant houses (*'gungtong'*) in rural areas.<sup>e</sup> Considering this, NKRA-15 under Twelfth FYP focuses on Sustainable Human Settlements. Housing deficit has become a critical issue in urban areas of Bhutan, especially for middle- and lower income groups with close to 58% households staying in rented houses. Promotion of affordable housing stock through public-private-partnership projects is identified as a key focus area under this NKRA. The country operations business plan, 2021–2023 and country partnership strategy, 2019–2023 of the Asian Development Bank for Bhutan are aligned with government's priorities articulated in the Twelfth FYP. To achieve the targets outlined under NKRA-15, the proposed project will develop 1,000 affordable housing units (70% for low-income civil servants and 30% for other low-income and marginalized groups).

#### B. Poverty Targeting

General intervention  Individual or household (TI-H)  Geographic (TI-G)  Non-income MDGs (TI-M1, M2)

Currently, there is a long waiting list of applicants for government public housing. The proposed project will assist the government through the National Housing Development Corporation Limited (NHDCL), to provide affordable housing for low-income groups and expand affordable housing stock in selected urban areas of Bhutan. This is consistent with the National Housing Policy statement—"that the government shall provide public housing to low- and middle income households"<sup>f</sup> The project will benefit low-income households, including civil servants, industrial workers, sanitation workers (informal settlers), and migrant workers, including women. The project design shall incorporate findings from the baseline household-level survey, which will focus on the households' current access to housing and infrastructure, fiscal environment, vulnerability, affordability to own and/or rent a house in the project area, and willingness to rent and/or buy government housing.

#### C. Poverty and Social Analysis

**1. Key issues and potential beneficiaries.** For Bhutan, poverty headcount ratio at \$1.90 a day (2011 purchasing power parity) was 1.5% in 2017. Though quantitative housing deficit in Bhutan is negligible, majority of the households are currently unable to find affordable owned/rental units. It is estimated that current rents are more than 30% of the household income, which is a globally acceptable standard. With demographic shifts, there is a huge demand for affordable housing in urban areas of Bhutan. However, the sector is facing challenges like availability of land, high cost of imported building materials, skilled labor, and alternative financing mechanisms especially for the poor who lack credit history, among others, which further pushes the overall housing cost beyond affordable limits. Performance audits undertaken for housing development in 2018 for various agencies including NHDCL suggest that so far, NHDCL has created only 2,073 housing units against the 28,973 civil servants<sup>g</sup> Though some civil servants receive house rent allowance, it is inadequate to cover rents. A recent study in Thimphu reveals that rent comprises 42% of household income. The proposed project will add affordable housing stock of 1,000 units.

**2. Impact channels and expected systemic changes.** The project will benefit low-income civil servants as well as industrial workers in improving their access to adequate, safe, and affordable housing and in turn will substantially improve overall quality of life. The project will offer disaster-resilient technologies along with energy efficient design features. The affordable housing units and common facilities will be constructed in proximity of education and health

services, markets, and workplaces, and are expected to help create healthy and socially inclusive living environment for the low-income households.

**3. Focus of (and resources allocated in) the transaction TA or due diligence.** At present, affordable housing stock created by NHDCL or other government entities in Bhutan is supply driven. Extensive consultations and primary surveys will be conducted to understand the housing requirements of the targeted beneficiaries. Consultations and surveys will include low-income, elderly, women, disabled, youth, and marginalized populations, to integrate their needs into project design. Innovative mechanisms that can be institutionalized across the country for operation and maintenance will be explored. Disaster and climate resilience consideration will be integrated and creation of a sector housing data information system supported.

**4. Specific analysis for policy-based lending.** Not Applicable

## II. GENDER AND DEVELOPMENT

**1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program?** The most cited reason for migration in Bhutan is 'family move.' As per the census 2017 (footnote d), about 39% of female are lifetime migrants against the 41% of male. This indicates the demand for affordable housing stock for families. Women are the key players for household management and the project will ensure adequate and meaningful consultations with women including women civil servants. Domestic violence is another issue with 68.7% of women (age 15-49 years) believing that their husband or partner has a right to beat them<sup>h</sup> There is a possibility of an increase in domestic violence resulting from economic pressure at the household-level due to coronavirus disease (COVID-19) pandemic<sup>i</sup> Consultations will also focus on migration challenges for the women and how their knowledge/skills can be channeled in the housing environments by establishing linkages with community centers, civil society organizations, and women's groups.

**2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?**  Yes  No

The gender action plan (GAP) will focus on ensuring equitable benefits to women and providing safe environment. Targeted women civil servant beneficiaries will be given priority at all stages of the project. The project will establish integrated facilities in housing colonies consisting of women and children's center including a shelter home for victims of gender based violence, crèche and cafeteria and counseling facility and these facilities are expected to play a critical role in catering welfare services to women and children within and in the vicinity of the housing colonies NHDCL staff and other key stakeholders will be trained for gender mainstreaming and GAP implementation.

**3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?**  
 Yes  No It is not envisaged that the project would have an adverse impact on women and/or girls.

**4. Indicate the intended gender mainstreaming category:**

- GEN (gender equity)  EGM (effective gender mainstreaming)  
 SGE (some gender elements)  NGE (no gender elements)

## III. PARTICIPATION AND EMPOWERMENT

**1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.** The main stakeholders include project beneficiaries and affected persons, representatives of government agencies, and private entities responsible for project design, implementation, monitoring and evaluation (e.g., consultants and contractors), and housing finance institutions. A consultation and participation plan will be developed to engage with stakeholders at different phases of the project.

**2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? What issues in the project design require participation of the poor and excluded?** Stakeholder analysis will be undertaken to address issues and ensure project benefits to vulnerable people. Opportunities for engagement with civil society organizations (CSOs) and nongovernment organizations (NGOs) for awareness campaigns and management of integrated service centers and livelihood will be explored to engage and empower low-income groups. CSOs representing the disabled, women, youth, elderly and other marginalized groups, will be consulted on project design.

**3. What are the key, active, and relevant CSOs in the project area? What is the level of civil society organization participation in the project design?**  Information generation and sharing (Medium)  Consultation (Medium)  Collaboration (Low)  Partnership (NA)

Currently, participation of CSOs in developing affordable housing units is low. Participation of CSOs working on urban development (such as Gross National Happiness Center), and with women and vulnerable, will be explored. The project will also explore avenues to collaborate with microfinance institutions for low-income housing finance.

**4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed?**  Yes  No

Participation of CSOs, and the poor and the vulnerable throughout project planning and implementation is essential for effective design and implementation and will be ensured through continuous consultations and collaboration. Separate and adequate funds will be allocated under the project for such activities and project arrangements will

specify CSOs clear roles and responsibilities. Project performance monitoring system will develop specific indicators to strengthen the participation of CSOs, and the poor and the vulnerable and ensure that they are achieved.

#### V. SOCIAL SAFEGUARDS

##### A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement?  Yes  No Land acquisition will be avoided to the extent possible, through identification of government land. However, limited involuntary land acquisition and resettlement impacts are possible. The move of beneficiaries to housing constructed is expected to be voluntary. Impacts, including those on host population, will be confirmed during due diligence.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?

- Resettlement plan  Resettlement framework  Social impact matrix  
 Environmental and social management system arrangement  None

##### B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples?  Yes  No There are no indigenous peoples in project areas.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain?  Yes  No The subprojects are proposed on land belonging to NHDCL.

3. Will the project require broad community support of affected indigenous communities?  Yes  No

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?  Indigenous peoples plan  Indigenous peoples planning framework  Social impact matrix  
 Environmental and social management system arrangement  None

#### V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

- Creating decent jobs and employment-M  Adhering to core labor standards-H  Labor retrenchment  
 Spread of communicable diseases, including HIV/AIDS-H  Increase in human trafficking  Affordability-H  
 Increase in unplanned migration  Increase in vulnerability to natural disasters  Creating political instability  
 Creating internal social conflicts  Others, please specify \_\_\_\_\_

2. How are these additional social issues and risks going to be addressed in the project design? The project will disseminate information on HIV/AIDS, COVID-19 pandemic and other communicable diseases for non-local labor and communities in and around the construction sites. Safeguards and contract documents will stipulate the requirement to adhere to core labor standards and health and safety measures.

#### VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks. Are the relevant specialists identified?  Yes  No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis, and participation plan during the transaction TA or due diligence? A gender and social development expert shall be mobilized to undertake the poverty, social and gender analysis, and draft the GAP and the consultation and participation plan to make the project inclusive and to mitigate social risks.

<sup>a</sup> United Nations Department of Economic and Social Affairs. 2018. [Least Developed Country Category: 2018 Country Snapshots](#). New York.

<sup>b</sup> Government of Bhutan, National Statistics Bureau. 2017. [Bhutan Poverty Analysis Report 2017](#). Thimphu.

<sup>c</sup> Government of Bhutan, National Statistical Bureau. [Bhutan Living Standard Survey 2017](#). Thimphu.

<sup>d</sup> Center for Bhutan Studies & GNH Research. 2016. [A Compass Towards a Just and Harmonious Society: 2015 GNH Survey Report](#). Thimphu.

<sup>e</sup> Government of Bhutan, National Statistics Bureau of Bhutan. 2018. [Population and Housing Census of Bhutan National Report 2017](#). Thimphu.

<sup>f</sup> Government of Bhutan, Ministry of Works and Human Settlements. 2020. [National Housing Policy](#). Thimphu.

<sup>g</sup> Government of Bhutan, Royal Audit Authority. 2019. [Performance Audit Report on Housing Development-Adequacy and Affordability](#). Thimphu.

<sup>h</sup> Government of Bhutan, National Statistics Bureau of Bhutan. 2011. [Bhutan Multiple Indicator Survey 2010: Monitoring the Situation of Children and Women](#). Thimphu. pp. 174-176.

<sup>i</sup> United Nations. 2020. [Policy Brief: The Impact of COVID-19 on Women](#). New York.