र्ययाञ्चरायानुदा ROYAL GOVERNMENT OF BHUTAN

विचराः हेंगाः झुतायगा

MINISTRY OF WORKS AND HUMAN SETTLEMENT



मुलाल्ट्यान्ड्रास्त्रुवालयास्त्रेत्रास्त्रिन्चुम

National Construction Industry Policy 2020

रनजः इब त्रचीयाः वर्षिरः । वनमः क्रेयाः झेषः वर्षा



ROYAL GOVERNMENT OF BHUTAN MINISTRY OF WORKS AND HUMAN SETTLEMENT THIMPHU: BHUTAN



FOREWORD

Since the inception of First Five Year Plan in 1961, Bhutan has delved into modern construction. The construction industry has slowly been embracing professional approaches to construction in order to keep pace with new innovations and modern construction. However, it is seen that our industry is still heavily dependent on manual labour, conventional operation and construction management procedures. Until now, without a set policy, the industry has been confronted with many challenges impeding the growth of the sector.

The Royal Government recognizes the contribution made by the construction industry towards sustainable economic development. As a holistic approach encompassing all the pillars of Gross National Happiness, the 'National Construction Industry Policy, 2020' is envisaged to contribute towards achieving economic self-reliance through promotion of open and progressive economy and encouraging and fostering private sector development through fair market competition.

The Ministry of Works and Human Settlement, as an apex Ministry for the construction sector, is pleased to announce the National Construction Industry Policy 2020.

The government therefore calls upon all stakeholders to support the successful implementation of this policy with an aim to realize the envisioned aspirations.

Dorji Tshering

Minister

र्यार:कगा

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ρ.	श्चेन्'चुर्यान्त्रभुरःविन'न्दार्यभेर्चेत्।""""""""""""""""""""""""""""""""""""

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ABBREVIATIONS

BSB Bhutan Standards Bureau

CAB Construction Association of Bhutan

CDB Construction Development Board

FDI Foreign Direct Investment

FYP Five Year Plan

GDP Gross Domestic Product
GNH Gross National Happiness

GNHC Gross National Happiness Commission

MoAF Ministry of Agriculture and Forests

MoEA Ministry of Economic Affairs

MoF Ministry of Finance

MoHCA Ministry of Home and Cultural Affairs

MoLHR Ministry of Labour and Human Resources

MoWHS Ministry of Works and Human Settlement

NECS National Environment Commission Secretariat

NRDCL Natural Resource Development Corporation Limited

NSB National Statistical Bureau PPP Public Private Partnership

PRR Procurement Rules and Regulations

QAP Quality Assurance Plan

RMA Royal Monetary Authority

RGoB Royal Government of Bhutan SOP Standard Operating Procedure

SQCA Standard and Quality Control Authority

TVET Technical and Vocational Education and Training

देशक्रिया

न्नरविद्या न्नरविद्याचेरक्षेत्रवेर नर्चे सुदार्गेरविधानर्गेन्द्वीवाकास्यो

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DEFINITIONS

Authority: Construction Development Board (CDB) shall be herein after referred as the Authority

Certified Builders: Builders certified by The Authority

Certified Engineers: Engineers certified by the Engineering Council

Construction Cost Index: is a measure of changes in the average retail prices of a market basket of goods and services purchased by construction industry.

Construction Industry: an economic sector which handles manufacturing, trading and services related to construction, maintaining, and repairing structures.

Construction Professional: will refer to all engineers, architects and urban planners/designers involved in construction industry.

Council: refers to Engineering Council of Bhutan, which shall certify, regulate and ensure professional development of engineers, architects, and urban planners.

अवत्यार्ष्यत्यह्रित्र्र्स्नित्यकरमृत्नि अवत्यार्ष्यर्यह्रित्र्यत्यरम् वि'चेर्यः अवत्यार्थ्यः मृत्रिः वर्षः मृत त्यस्य त्यायः म्योः व्यव्यायेष्यरः त्याः मृत्रिः वर्षेत्रः वर्षेत्रः वर्षः वर्षः वर्षः वर्षः वर्षः वर्षः वर्षः अवत्यार्थे के द्वार्यः वर्षः वर्

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Environmental Management Plan: is a plan for mitigating or minimizing all negative environmental impacts anticipated in the construction project and monitoring the implementation of the mitigation measures.

Green Technologies: refers to environmentally friendly solutions resulting in more energy efficient and sustainable infrastructure that have reduced carbon footprint and impact on the environment.

Infrastructure/Public Infrastructure: means any physical facilities and systems that directly or indirectly assist in the provision of services necessary to perform societal or institutional function.

Ministry: refers to the Ministry of works and Human Settlement

Procuring Agency: private or public entity, which enters into a contract with a supplier, service provider or contractor for procurement of goods, services or execution ofworks.

Public Private Partnership: means a commercial transaction that is of benefit to the government in terms of its plans and policies, between an institution and a private partner in terms of which the private partner:

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- performs an institutional function on behalf of an institution by designing, constructing, financing, operating and/ or maintaining infrastructure facilities; and/or
- 2. assumes the use of public property for its own commercial purposes; and
- 3. assumes optimal financial, technical, operational and/or environmental risks in connection with the performance of the institutional function and/or use of the public property, in terms of the PPP Agreement; and
- 4. receives compensation for performing the institutional function or from utilizing the public property provided it meets the prescribed quality and quantity standards in terms of the PPP Agreement.

Quality Assurance Plan: is a document, prepared by project teams, to ensure the final products are of the utmost quality. QAP entails all the details of materials and process to achieve the specified quality.

Traditional buildings: refers to structures, built in design and style using the construction techniques, skills and materials that are indigenous and traditional Bhutanese.

Traditional Zohs: refers to traditional skilled carpenters and masons.

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TVET: refers to all technical and vocational education and training that are recognized and approved by concerned Ministry/Agency.

TVET Graduates: refers to all graduates of TVET institutes as well as skilled craftsperson accredited by concerned Ministry/Agency.

1. Introduction

The construction industry plays an important role in the national economy. In 2016, the contribution from construction sector to the Gross Domestic Product (GDP) was $16.28\%^1$. In the 11FYP 60% of the total outlay was allocated for procurement, out of which 80% accounts for procurement of construction works. The construction sector had a huge share of 63 %². As of December 2019, the number of contractors registered with CDB stood at 2,528 of which 184 are Large, 330 are Medium and 2014 are Small contractors³. Given the highest potential to generate wealth, employment and sustainable growth within the framework of GNH, the construction industry has been identified as one of the priority sector in the revised Economic Development Policy 2016.

¹National Statistical Bureau, Statistical Year Book 2017

²National Budget Financial Year 2017-2018 Report, MoF ³CDB

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The Ministry of Works and Human Settlement has initiated several reforms to streamline several policies, rules and regulations, and procedures to enhance and promote quality construction in the country. However, the enforcement of these provisions has been weak and ineffective. Accordingly, the progress of construction industry in terms of professionalism still remains poor despite the growth of investment in construction of infrastructure. It is also known that public works do not have good reputation when it comes to building quality infrastructure. The reasons are poor professional execution and supervision of construction works, and inadequate expertise in project planning and management, in both public and private sectors. In addition, there are environmental issues associated with the growth of industry. The unstable geological condition of the country, coupled with rampant infrastructure development is recognised by many as one of the causes of environmental degradation in the country.

Corresponding to the contribution of construction industry to the national economy is the increasing number of job opportunities. These jobs are, however, taken up mostly by the foreign workers. In 2015, the ratio of foreign workers to Bhutanese workers employed by construction industry was 9:1⁴. Annually about 690 TVET graduates enter job market from the four TVET institutes, which is not adequate to meet the requirements of the construction industry. This has led to a huge outflow of money through various payments like labour wages, and procurement of imported materials. Annually, the RMA remits Ngultrum 7 billion in Indian currency as payments for the foreign workers and Ngultrum 5.76 billion for the construction materials.

⁴MOLHR Annual Report 2014-2015

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There are many ICT applications available that contribute to professionalizing and enhancing the productivity in the construction industry. Promotion of these applications in the construction industry will definitely support transforming the industry. The government has also adopted various strategies for sustainable construction such as green building concept, energy efficient technologies, disaster and climate resilient, differently abled friendly construction. However, many of these environment friendly concepts/best practices are not implemented, primarily because there are no incentives provided by the government.

In the absence of code of good practices, and overarching guiding policy or regulatory agency, the professional growth of construction industry has suffered over the years. The current scenario of the construction industry demands a clear policy direction from the government to address issues and guide development of a socially and ecologically sustainable construction industry in the country. Aware of this need, the proposal to develop an inclusive National Construction Industry Policy is an initiative of the Ministry of Works and Human Settlement (MoWHS).

१ तकरञ्चर

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4 र्वमाशक्रीरा

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- ८) क्षेत्रःश्चेर्वेद्रप्रयेवान्दर्मार्थेवान्वीर्वोत्स्रित्रयायम् इतान्विहरू
- ५) तन्नेवार्येन्येन्यःकृष्ट्वे अस्त्राकृष्ट्वे न्येवायायुवायन्यः वर्ने ही
- ८) नर्ज्ञ भ्रुव त्यस्य से न्द्राय नर्ति मालु नर्ज्या वर्ष्ण वर्ष्ण वर्ष्ण वर्ष्ण वर्ष्ण वर्ष्ण वर्षण वर्णण

2. Vision

A dynamic, competitive and sustainable construction industry.

3. Mission

To create an enabling environment for vibrant and green construction industry through innovation, standardization and regulation.

4. Guiding Principles

This policy is founded on the fundamentals of the Constitution of Kingdom of Bhutan and shall strive to promote conditions that will enable the pursuit of Gross National Happiness. This policy shall contribute to achieving economic self-reliance and promote open and progressive economy, encouraging and fostering private sector development through fair market competition and prevention of commercial monopolies.

The guiding principles used for formulation of the policy for the construction industry are to:

- i. Promote economic self-reliance;
- ii. Minimize negative environmental impacts and achieve sustainable development;
- iii. Enhance competitiveness and transparency in the industry;
- iv. Promote private sector development and employment;
- v. Develop social capital; and
- vi. Establish the functions and priorities of government in relation to the construction industry.

५ श्रेन्चुरुक्तिन्द्रश्रम्बस्युत्म

- र्ग स्वाःस्यः न्द्रभ्यः प्रवाःस्य प्रवास्य प्रवास प्रवास्य प्रवास प्रवास्य प्रवास्य
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- ५) स्टाचलेब्रामाहरूबी त्रचेत्यायसःहमामाहरूबी वर्षेत्रायसःहमामाहरूबी
- प्रमुक्ताः स्वेतः स्वान्यः त्याः स्वेतः स्वान्यः व्यव्यः स्वान्यः व्यव्यः स्वान्यः व्यव्यः स्वान्यः व्यव्यः स्व

5. Policy Objectives

The National Construction Industry Policy is developed through analysis of various sectorial reports and data, and bilateral consultations with major stakeholders. Two National Consultative Workshops were held on 31st January and 24th May 2018.

The objectives of this policy are to:

- 1. Professionalize construction sector with special focus on skills and knowledge enhancement and management;
- 2. Improve quality of construction through research and innovations;
- 3. Promote best practices through enforcement and regulation by forging partnership among stakeholders;
- 4. To develop construction industry as inclusive employment generating sector;
- 5. Promote green growth and sustainable financing; and
- 6. Improve service delivery and coordination through strengthened institutional mechanism.

৫ শ্বীসম্ভূষাশ্রীশাষামান্দান্দা

७.७ वर्जे सुवायशसे खन्दे गान्तस्ववयवर्जे वी

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 य्राप्त प्रमानित्य प्रमानित्य

6. Policy Statements

6.1 Professionalize Construction Sector

The construction industry needs to adopt efficient system and enhanced capability of the human resources to improve productivity, accountability and overall development of the construction sector. To achieve this objective, the following measures shall be pursued:

- i. The Ministry to establish Engineering Council hereafter referred as "The Council" to register, regulate, and professionalize construction professionals in the country.
- ii. Promote the use of appropriate IT based systems in planning and designing, estimating and cost control, documentation and communication, project management and contract administration in the construction industry.
- iii. The Authority along with the relevant agencies to develop and conduct regular courses to enhance project management, bid price formulation and other relevant skills in both public and private agencies.
- iv. MoLHR in collaboration with relevant agencies to conduct need assessment for human resource development of the construction industry and the formulation of its human resource master plan.

- पर्वाश्वरीयोश्चेत्रवर्षेत्
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- Encourage construction and consulting firms to invest in human resource development programs with focus on skills development and knowledge sharing.
- vi. Promote collaboration with the renowned regional and/or international agencies/institutes to learn and share best practices including green technologies in the construction industries.
- vii. The Authority to register and regulate specialized firms including plumbing, electrification, masonry and carpentry to encourage lawful subcontracting of specialized works/ trades by the prime contractors of major public works.
- viii. All relevant agencies to develop "Standard Operating Procedure" for construction project planning and design, quality check, work safety, and supervision and monitoring.
- ix. The Authority and CAB to promote environment friendly mechanization in the industry including labour saving devices and equipment.

८.२ वर्जे सुव ग्रेष्ट्रश्यक्त्यम् इया गाहनवी

युष्पंत्रप्तिक्ष्मी विष्याचे स्थाये स्थाये

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6.2 Improve Quality of Construction

Quality management is to ensure efforts to achieve required level of quality in infrastructure which are well-planned and organized. Achieving acceptable levels of quality in the construction industry has long been a problem.

To deliver infrastructure of acceptable quality, it is important to strengthen the monitoring system, and ensure certification of products and required infrastructure facilities are in place. The following measures shall be pursued:

- The Authority to develop "Code of Conduct and Ethics" for contractors and consultants and The Council to develop "Code of Conduct and Ethics" for construction professionals.
- ii. Construction Industry to promote research and development in collaboration with the Royal University of Bhutan and other regional and international accredited institutes.
- iii. The Ministry to develop guidelines for quality assurance and worksite safety.
- iv. All relevant agencies to ensure universal access to all public infrastructure in concurrence to the relevant government guidelines.

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- v. Procuring agencies to develop strategies for operation and maintenance for utility services to ensure durability and sustainability of the infrastructure.
- vi. BSB in collaboration with relevant agencies to develop or adopt national standards and code of practice applicable to construction industry including certification of materials and products.
- vii. The Ministry to facilitate establishment of material testing laboratories at appropriate locations.
- viii. Procuring agencies to ensure execution of Quality Assurance Plan and Environmental Management Plan for all public works including restoration of damaged local areas and public amenities.
- ix. Contractors to submit monthly expenditure plan, in their proposal for disbursement and effective utilization of mobilization advance fund.
- x. Procuring agencies to ensure construction of public buildings by certified builders and supervision of works by certified engineers
- xi. All relevant agencies to ensure construction of private buildings are supervised by certified engineers

७.२ नक्ष्रर्श्वेन्न्र्र्ट्रक्ष्यस्य वामहत्वी

कु. व्ययकालका क्षीं, जया, जुब. प्रवयः देशूंना स्तर्म यो स्वयका ज्या क्षा जीयाका स्या सूचा सूचा स्वयः यो स्वयः य

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6.3 Promote Enforcement and Regulation

To promote best practices through enhanced enforcement and regulations by forging partnership among stakeholders, the following policy measures shall be pursued:

- i. The Authority to institute mechanism to regulate and enforce strict compliance of the regulation, quality and standards in construction industry.
- ii. All relevant agencies to ensure incorporation of traditional architecture which means urban places with modern traditional architecture and rural villages and identified places/locations with age old traditional architecture as per the existing regulations, standards and guidelines.
- iii. The Ministry in partnership with relevant agencies to update regularly the Bhutan Schedule of Rates based on the construction cost index compiled by NSB.
- iv. Procuring agencies to ensure that the contract is administered and managed as per the terms and conditions of the contract.

पतः प्रमानियां के प्रमानियां

७.८ गुद्रायुष्मुम्पर्यमामीमिन्नम्भवस्य चर्चे सेदियसम्ब्री

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v. BSB to enhance the scope of product conformity assessment through continuous information sharing and building public awareness and registration and deregistration of construction products.

6.4 Inclusive Employment Generating Sector

Construction industry has made huge contribution to national economy. Likewise, the industry has equal potential to create attractive opportunities for promotion of national employment. To develop construction industry as inclusive employment generating sector, the following policy measures shall be pursued:

- i. The Ministry and procuring agencies shall include employment generation at the core of construction planning and programs to address the employment needs of the country, particularly women and youth.
- MoLHR/TVET Agency to increase TVET graduates numbers, and upgrade skills and certification of skilled workers to meet the requirements of the construction industry.
- iii. MoLHR/TVET Agency to institute an inventory and certification of traditional *Zohs*.

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- iv. MoLHR/TVET Agency to create a platform to bring together the industry and academia to address skill mismatch.
- v. MoLHR to promote entrepreneurship among skilled worker in construction industry through appropriate programs.
- vi. Procuring agencies to ensure only certified construction personnel are engaged as skilled craftsperson in infrastructure construction.
- vii. All employers to enhance occupational health and safety standards and practices.
- viii. The Authority and MoLHR to ensure that contractors and builders institute work-safety insurance for all employed in the construction industry.
- MoLHR to initiate and propose periodic revision of minimum wage for skilled and unskilled workforce for the construction sector.

७.५ स्ट्याबेवायावसम्ब्रह्म्स्यान्त्रबाध्यायायायाः मान्त्वी। यान्त्वी।

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6.5 Promote Green Growth & Sustainable Financing

Strategies for greener growth need to be tailored to fit specific country circumstances. To promote green growth and sustainable financing in the construction industry, the following policy measures shall be pursued:

- Provide incentives to adopt construction standards that take into account energy efficiency, environment friendly and new traditional buildings using traditional materials and resilient traditional construction techniques.
- Provide incentives to local manufacturers that provide environmentally friendly and energy efficient materials and also help minimize imports of construction materials in manufacturing industry.
- iii. Encourage and promote use of certified and locally manufactured materials
- iv. Encourage procuring agencies to embrace environment friendly construction techniques.

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- v. Encourage and promote use of locally grown timber species or alternative materials for timber such as bamboo in the construction industry.
- vi. MoHCA in collaboration with the Ministry to promote sustainable traditional construction materials, techniques and special skills in the context of retrofitting, conservation and construction of traditional buildings.
- vii. All government agencies undertaking infrastructure development work to promote integrated service ducts.
- viii. Promote private sector participation in financing of construction and maintenance of infrastructure projects through the arrangements of PPP.
- ix. Promote FDI in construction projects and encourage firms involved in design and construction of specialized and mega projects to engage local contractors/firm for skill and technology transfer.

७.७ गर्डुगार्थेते घनशायश्चीरञ्ची नर्जे दी

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6.6 Strengthening Institutional Mechanism

There are many agencies contributing or overseeing some or the other aspects of construction industry, but are working in compartments and in their comfort zone. The goal of developing construction industry is not collective. In order to improve service delivery and coordination among all stakeholders, the following policy measures shall be pursued:

- i. The government shall formally mandate CDB, herein after referred to as "The Authority", as regulatory agency with the mandates that would include but are not limited to the following:
 - a. Register, certify and issue license of contractors and consultants;
 - b. Carry out compliance audit of agencies on quality and construction safety; and
 - c. Carry out capacity building of contractors and consultants.
- ii. The Ministry in collaboration with relevant agencies shall draft necessary legal instruments to enforce provision of the policy.
- iii. The Ministry as sector agency shall develop measures to improve coordination among stakeholders in the construction industry.

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- iv. Local Governments shall issue planning and construction approval/permit for all building construction in their jurisdiction and shall ensure strict compliance.
- v. Ministry of Finance to review Procurement Rules and Regulations from time to time, through establishment of Multi-Sectorial TaskForce. (The High Level Committee approving the changes in procurement system shall have representation from relevant stakeholders).
- vi. The agencies concerned to review community contracting system for systemic changes to achieve the objective of having the community build their own skills and competencies in various trades.
- vii. Construction sector being multi-disciplinary, involving various stakeholders, the roles and responsibilities of agencies shall be clearly defined as below:

MoWHS: Shall be the apex ministry responsible for policy, legal instruments, strategy, standards, guidelines and oversee their compliance relating to the construction sector.

MoF: Shall review the procurement system and appropriate funds as deemed required.

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MoLHR: Shall provide timely policy directions to the relevant HRD agencies to address mismatch of skills and enhance employability of workforce.

MoEA: Shall explore manufacturing of construction materials by local manufactures, import substitution and develop minerals for supply to local industries. It shall also ensure that construction practices comply with Alternative Renewable Energy Policy and National Energy Efficiency and Conservation Policy.

MoAF: Shall review the policies and practices of timber allocation and surface collection to ensure optimal utilization of resources.

NECS: Shall monitor the compliance of construction project to environment plans.

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BSB: Shall provide efficient services including development or adoption of national standards, testing and certification of all construction materials and products; and promotion of Management Systems Certification.

TVET Agency: Shall work closely with MoWHS and Construction Industry to promote work placement, apprenticeship and internship programs to enhance employability.

NRDCL: Shall supply natural raw materials including timber, fine and coarse aggregates etc. at reasonable price by establishing regional depots. Further more, NRDCL will have to ensure the quality of materials supplied by establishing basic material testing facility at source.

CAB: Shall create conducive environment for increased registration of contractors.

Private Sector: Create employment opportunities and produce local materials with quality to meet the market demand.

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7. Relevant Policies and Legal Instruments

In preparation of this policy, the following Acts, Policies and Rules and Regulations have been referred and adhered to:

Bhutan Standards Act 2010 emphasizes on fostering and promotion of standards and standardization activities as a means of advancing the national economy, safety and welfare of the public, protecting our natural environment and promoting industrial efficiency. For construction industry, there are various standards and code of practices that has to be developed to professionalize and improve quality of construction.

National Environment Protection Act 2007, asserts that, "the people and the Government in succession shall perpetually strive to consider and adopt its developmental policies, plans and programs in harmony with the environmental principles."

Forest and Nature Conservation Act of Bhutan 1995 provides for the protection and sustainable use of forests, wildlife and related natural resources of Bhutan for the benefit of present and future generations. Through this Act and its associated rules and regulations, supply of basic construction materials such as timber, sand and boulders are assured. Moreover, this legislation ensures the harvesting of timber and non-wood forest products are sustainable.

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Labour and Employment Act of Bhutan 2007 applies to matters relating to labour and employment in the country. This legislation protects the interest of employees in the private sector. With all the provision enshrined, this Act can be instrumental in providing gainful employment to Bhutanese in our construction industry.

Public Finance Act 2007 regulates the financial management of the government in order to promote the effective and efficient use of public resources, strengthen accountability and provide statutory authority and control for sound and sustainable fiscal policy.

The Road Act of Bhutan 2013 set standards for road construction, and establishes clear delineation of roles and responsibilities of governmental bodies and road users. Department of Roads is conferred authority necessary to enable them to perform their functions in relation to construction, maintenance, safety and management of roads. It also promotes and regulates private sector participation in development and management of road infrastructure.

The Contract Act of Kingdom of Bhutan 2013 serves the purpose of regulating contracts and their performance to ensure the rights of people concerning contractual transactions. The Act will be more meaningful in future when private agencies begin procuring services of contractors for construction of properties.

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Economic Development Policy 2016, as the guiding document for economic development, has prescribed necessary measures for development of construction industry. Some of the policy measures have been advocated, most remain to be strategized and adopted. The National Construction Industry Policy should absorb these measures and provide strategies for adoption of the policy measures.

8. Monitoring and Evaluation

MoWHS shall take the overall responsibility to coordinate, monitor, evaluate and review the implementation of the National Construction Industry Policy. A monitoring and evaluation system will be developed by MoWHS to support the effective implementation of Policy goals and objectives. The following process is recommended for monitoring the implementation of this Policy:

- All agencies shall design strategies with milestones to ensure effective implementation of the policies relevant to their sectors.
- ii. The policies shall guide the relevant agencies in designing their Annual Plan and Five Year Plan
- iii. All relevant agencies shall secure necessary funds and resources to support the various strategies identified.

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iv. GNHC and ministries concerned may consider evaluating the achievements of construction industry as part of its evaluation program.

9. Policy Review and Amendments

This policy shall be reviewed and revised as and when deemed necessary by the RGoB. The policy will come into force with effect from 4th February 2020. In the event of conflict of interpretation of any part of this policy, the Ministry of Works and Human Settlement (MoWHS) shall, on behalf of the RGoB, be the final and binding authority.