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## **Dynamics of Urbanization in Nepal:**

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### **The Role and Response of Local Government**

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## ACRONYMS

CA	Constituent Assembly
CSO	Civil Society Organization
DUDBC	Department of Urban Development and Building Construction
LSGA	Local Self Governance Act
MDG	Millennium Development Goal
MoFALD	Ministry of Federal Affairs and Local Development
MuAN	Municipality Association Nepal
NEA	Nepal Electricity Authority
SAARC	South Asian Association of Regional Cooperation
SIAS	Southasia Institute of Advanced Studies
TYIP	Three Year Interim Plan
UNESACP	United Nations Economic and Social Commission for Asia and the Pacific

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**ABSTRACT**

Urbanization pattern does not seem geographically uniform across Nepal. Natural expansion of urban areas due to population growth, planned growth of cities through infrastructural development and reclassification of urban centers has expanded the urban areas in Nepal. Nepal's urban centers have been facing several socio-economic and infrastructural problems due to lack of policy measures and institutional harmonization. In absence of a strong policy for the regulation and management of rapidly growing, uncontrolled and haphazard urban development has created numerous problems, including deficiencies in basic urban services, encroachment of public lands, slums and sprawling settlement. This paper tracks the patterns and trends of urbanization in Nepal and identifies some key issues related to unplanned urbanization. The paper also highlights mandates to local government in urban management. Some immediate actionable opportunities to contribute towards proper urban planning and governance are recommended. This research was carried out through in-depth literature review, expert consultation and key informant surveys. The paper recommends institutional cooperation among various actors through effective communication along with the multiple use of urban land, an inclusive urban planning policy, and timely investment in urban infrastructures. Furthermore a decentralized policy synchronizing the administrative and policy duties among the central and local level government authorities seems essential. Addressing urban poverty mainly around the slums through informal economy is needed.

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## INTRODUCTION

Urbanization has been perceived as an indicator of modernization and one of the most viable processes of development. Around 52% people in the world live in urban area.<sup>1</sup> In the next four decades, all of the world's population growth is expected to take place in urban areas, which will also draw in some of the rural population through rural to urban migration. Moreover, most of the expected urban growth will take place in developing countries, where the urban population is expected to double, from 2.6 billion in 2010 to 5.2 billion in 2050.<sup>2</sup> India and China's urbanization rates were measured at 29 and 51.3 percent respectively in 2011.<sup>3</sup> Nepal, a landlocked country and sandwiched between India and China, has no long history of urbanization; nevertheless, it has begun facing rapid urbanization now.

Eradication of malaria in Tarai region and the construction of east-west highway expedited migration from mountain and hilly regions to Tarai after 1950 in Nepal. Expansion of bureaucracy and military sector, trade of imported goods to the peri-urban centers also promoted urbanization in the mid hills. Currently there are fifty-eight municipalities comprising of four sub-metropolitan cities and a metropolitan city in Nepal. 17% of the total population in Nepal lives in municipal areas, where urban population growth rate is measured at 3.38%.<sup>4</sup> Government of Nepal had declared its decision to add 41 new municipalities in 2012 but the implementation of this decision is still in question.<sup>5</sup>

The rapid increase in number of economically active population in rural areas, their improved literacy status and rising aspiration for employment in the non-agricultural sector has increased the rate of rural to urban migration in Nepal. Urban population growth rate in Nepal is 3.38% where rural and total population growth rates are measured at 1.03 and 1.4 in 2011. Natural expansion of urban area due to increased population growth and newly established planned cities put high pressure in the limited resources available in cities. Scarcity of water is the major problems faced by most of the urban areas in Nepal. Real estate market in urban area has become one of the most lucrative investment opportunities for investors. Land fragmentation for housing has further contributed towards urbanization. Many urban areas in Nepal face slum problems. The government has taken several measures to tackle slum-related problems, particularly in Kathmandu, but with little success.

The management of garbage in the cities is becoming a major headache to all governments. Garbage is left to rot emitting stench and also posing a health hazards to the city dwellers. Moreover, the disposal of garbage in landfill sites has proved to be problematic as local people

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<sup>1</sup>World Bank 2011

<sup>2</sup>United Nations 2011

<sup>3</sup> CAM 2011

<sup>4</sup> Central Bureau of Statistics 2011

<sup>5</sup> Budget Speech 2011/12

often disrupt it. Managing the garbage is a major challenge to the municipalities in Nepal also because there is no provision of recycling and reusing waste. Improperly managed sewerage and polluted water from the industries is another problem in urban areas.

Reduction in poverty contributes to increase in urbanization. While urbanization has helped reduce absolute poverty in aggregate, in the short-run it has done little to reduce urban poverty. Urban poverty occurs hand-in-hand with rapid urbanization, especially in developing countries.<sup>6</sup> For instance, most of the cities have been facing problems related to slums. According to National Living Standard Survey III, about 25.16% of Nepalese are still living below the poverty line. The poverty level in Kathmandu is 11.47%. The main source of livelihood for the urban poor is the informal sector, where people work as laborers, domestic helps, waste collectors, drivers and helpers in public transportation, etc to name a few. Real estate business has expanded rapidly in new emerging cities. The demand for housing created by the massive influx of population into urban areas has fueled a residential construction boom. Developers looking to profit from this boom have built large numbers of rapidly-constructed, near-identical housing projects around Kathmandu Valley. Unfortunately, the rush to profit from the construction surge has at times left low-quality buildings and ill-conceived area layouts. Limited resources particularly ground-water, has been depleting. Fragmentation of cultivable land and its use in construction purpose is a trend that has posed questions about for further scarcity of foods.

Urbanization in Nepal, therefore, faces numerous challenges, including the issues related to health and sanitation, solid waste management, electricity outage, inadequate infrastructure, deteriorating law and order situation, among others.

This paper summarizes the key findings from the in-depth review of literatures and the analysis of some field based information on urbanization patterns, issues, challenges, role of local government in addressing such challenges to inform urban policy stakeholders about the key bottlenecks for the proper management of urbanization in Nepal.

## **Policy Context**

Though different acts and regulations-Town Development Act- 1988 and Local Self Governance Act- 1999 and related regulations were promulgated with stakes in urbanization, periodic plans are the main basis of urbanization policy. These plans are developed with a specific intention to address the urbanization issues in Nepal. Department of Urban Development and Building Construction (DUBDC) implements urban development plans and programs whereas the Ministry of Federal Affairs and Local Development (MoFALD) is responsible for administering the programs. Ministry of Urban Development has been established recently. The MoFALD is involved in the administrative and personnel management functions of the local government, but it has no capacity to assist in the preparation of physical development plans of municipalities for

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<sup>6</sup> World Bank 2008

which it has to rely on DUDBC. Government policies on roads and transportation, local development, fiscal and economy, industry, tourism, agriculture, health, education, etc., have largely influenced the nature and type of urbanization in the country.

First periodic plan has mentioned the resettlement and government housing policy, which was not enough to regulate urbanization. Nagar Panchayat Act 1962 was enacted during the second plan. Third plan incorporated the regional development policy in Nepal. Decentralization approach has also been incorporated in this plan to generate greater public support, to coordinate local level activities and to effectively implement plans. Town planning and building constructions was also the target of this plan. Fourth plan has mentioned the Housing plans for new settlements prepared in the areas delineated in the master plan for physical planning in places that have commercial and industrial importance like Pokhara, Biratnagar, and Birgunj. The fourth plan aimed to address the occurrence of traffic congestion and inconvenience in human mobility. It was aimed to help develop and construct urban areas in a planned way and by a coordinated regional approach during the sixth plan. Fifth Five Year Plan (1975-1980) came up with regional planning objectives. The objectives of the plan were to increase productivity, make maximum use of labor power and ensure regional balance and integration.

Seventh plan has incorporated the concrete vision of urbanization and habitat policy as the concentration of population in the urban areas testified to the rapid process of urbanization. For the well-conceived process of urbanization, this plan aimed to properly manage urbanization, create opportunity for productive employment and increase income to develop urbanization as a supplement to rural development based on a multi-sectoral approach. To promote urbanization this plan proposed policies that paid greater attention to the role of local panchayats, non-farm employment centre, long-term and short-term investment plans, self-sufficiency in local urban development, clean and pleasant urban environment, and attraction for the private sector towards urban development. Institutional arrangements like the establishment of ministry of Housing and Physical Planning, Ministry of Local Development as well as the formation of their line departments were completed during the eighth plan and Town Development Act 1988 was enacted.

The existing laws relating to urban development were replaced by municipal development law (1988/89). The Kathmandu Valley Development Authority Act 1988/89 was also prepared to expedite the development of the valley through a authoritative body. Technical assistance was provided to the local administrative units to prepare development plans. Town Development Fund was set up in 1988/89 to provide loan assistance to various municipalities. The government also provided loan assistance to some municipalities for implementing the land development programs. The construction of an International Conference Centre building began in the fiscal year 1989/90. Separate acts for local bodies along with the municipality act were enacted in 1992. Ninth plan has greatly emphasized transportation and electricity in urban areas. Physical



urban development was planned under this plan. The eighth plan not only recognized the growth in urbanization in Nepal as the expansion of physical facilities but also regarded it as a major contributor to the national economy. For this purpose, emphasis was given on implementation of urban development program with strong participation of the private sector. Other organizational reforms were carried out under the tenth plan. Some ministries and departments with stakes in urbanization were merged. Mobilization of means and resources from the private sector and the local bodies for the construction, operation and management of urban infrastructure was strategized in the tenth plan. Digital maps of all municipalities, healthy city program, urban environment improvement project and environmental improvement were also emphasized in this plan. However, proper policy implementation and the lack of coordination between Ministry of Physical Planning and Works and the Ministry of Local Development were felt in the three-year interim plan.

This plan aimed at legally empowering local bodies particularly the municipality with institutional capacities for proper urban development. Under the balanced regional development, the current three-year plan envisions the development of small towns around the peri urban areas to minimize the pressure on urban areas. This plan has aimed to establish secure and economically balanced cities with proper connections between urbanity and required basic urban facilities.

However, the urbanization policy in Nepal does not address and envision the ideal urban area as having facilities beyond transportation, communication, health, education and sewerage. It fails to address the need for places for recreation and other luxury. Moreover, it has been quite a problem to provide adequate services in the field of water supply, road transport, sewage and sanitation, health, and education.

In addition to these, new problems such as increase in traffic congestion, environment and water pollution, inadequate housing, increase in crime rate and illegal settlements in public land have also cropped up. It will, therefore, be difficult in the coming years to address existing challenges and those that are likely to arise in the future. The Town Development Act 1988 provides the legal basis for implementing town development plans. The Act has empowered both the central and local government agencies to carry out land pooling projects.<sup>7</sup> The Local Self Governance Act 1999 also provides the municipalities and the Village Development Committees authority to carryout town development plans but it is not comprehensive enough to facilitate town planning as compared to the Town Development Act 1988. Nevertheless, Department of Urban Planning and Building Construction has provisioned the policy for the proper urban development that includes minimum required facilities like drinking water, electricity, telephone, road and sewerage. The Act calls for the active participation of local government in these activities.

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<sup>7</sup>His Majesty's Government of Nepal 1988

## **RESEARCH PROBLEMS AND RESEARCH QUESTIONS**

Participation of the state, individual and the private sector can accelerate planned urbanization however the country's other policies like financial policies and physical infrastructure influence the structure and quality of urbanization. LSGA, 1999 has declared the municipality an autonomous local body; however, it has not been able to regulate urbanization smoothly due to human and capital resource constrains. Institutional cooperation among the organizations having stakes in urbanization and local governance seems weak.

There is a pervasive sense that not enough attention has been paid to the process by policy makers in Nepal. The development of cities can contribute to the urbanization growth of quality services in the neighboring rural areas, and at the same time generate employment opportunities in modern industries and services. But while rapid urbanization has unleashed these substantial pressures on society and environment, it also provides opportunity to develop innovative policy solutions that support sustainable development.

Participation of local government is a must to ensure managed urbanization. In this context, this paper identifies some key policy issues to be addressed for proper expansion of urban areas in Nepal. Since urban policies are not formed in Nepal through a coordinated process, it is unclear as to who carries the policy agenda and how public opinions and expectations are reflected in the policy.

Policy research on urbanization that links urbanization with local governance is a usual practice in Nepal. It is possible to find several studies focusing solely on urban issues like transportation, pollution, service delivery etc. This paper studies the role of local government, the most prominent actor in urbanization and links it with findings conducted through intensive review of literatures and some key informant surveys. This study does not go with the singular theme but analyses the role of local government in managing the urbanization in Nepal in the current context of political transition where there is no elected local government since a decade. In doing so, it also articulates some policy agendas around urbanization sector in Nepal following a rapid process of urbanization.

The overall objective of this research is to identify some key issues related to unplanned urbanization in Nepal and how these have been challenging urban life. Particular emphasis goes to the role of local government to cope up with the situation. Finally this study aims to recommend some immediate actions. This study has the following research questions.

- What are the patterns and trends of urbanization in Nepal?
- What key problems/issues are emerging around urbanization in Nepal?
- What role can local government play to address these issues?
- Are there any immediate actionable opportunities (even in the context of transition) to contribute in proper urban planning and governance in Nepal?

## APPROACH AND METHODS

This qualitative study is conducted with in-depth reviews of literatures on urbanization and local governance in Nepal. Expert consultations and key informant surveys are done. The repository of media archive form different broad sheets since last year available at SIAS resource centre is also reviewed to identify the role of the local government in some key issues related to urbanization. Some key questions are addressed through the in-depth review of theoretical and policy documents, legal documents, government publications, research reports etc. on urbanization and local governance from Nepal and other developing countries. Knowledge and information generated from the informal interaction with the sectoral experts and urban dwellers basically from the peri urban areas around Kathmandu valley are incorporated. Collection and analysis of primary data from the Key Informant Surveys with various individuals ranging from senior officials of department of urban development and building construction and ministry of federal affairs and local development, researchers and policy analysts, local political leaders, representatives from MuAN s etc has been conducted. For background knowledge, an analysis of the features of urbanization in Nepal has been done. This final study report has incorporated expert commentary on the draft report and other substantive comments by experts and mentors during the series of presentations on policy papers.

## ANALYSIS

Urbanization is not merely a modern phenomenon, but a rapid historic transformation of human social roots on a global scale, where by predominantly village cultures are replaced by urban cultures. It can also be understood as the rapid migration of massive populations to larger cities. Urbanization is the process where an increasing percentage of a population lives in cities. It is facilitated by improvements in surplus agriculture, as cities are always dependent upon external farming for food. The United Nations defines an urban agglomeration as the build up of densely populated area containing the city proper, suburbs and continuously settled commuter areas. It may be smaller or larger than a metropolitan area; it may also comprise the city proper and its suburban fringe or thickly settled adjoining territory. A metropolitan area is the set of formal local government areas that normally comprise the urban area as a whole and its primary commuter areas.

However, the countrywide analysis shows that governments use different criteria and methods to define “urban”. 105 countries base their data on administrative criteria, limiting it to the boundaries of state or provincial capitals, municipalities or other local jurisdictions; among these 83 use this as their sole method of distinguishing urban from rural. 100 countries define cities by population size or population density, with minimum concentrations ranging broadly, from 200 to 50,000 inhabitants; among these 57 use this as their sole urban criterion. 25 countries specify economic characteristics as significant, though not exclusive, in defining cities. Typically, urban population is defined as the proportion of the labour force employed in non-agricultural activities. 18 countries count the availability of urban infrastructure in their definitions, including

the presence of paved streets, water supply and sewerage systems or electricity.<sup>8</sup> As per the LSGA, Nepal had defined its urban area based on population and physical facilities along with yearly income in the city.

The United States and most European nations began to urbanize heavily in the 19th century. In 1800, only about 5% of the U.S. population lived in cities. By the late 1900s, this number had climbed to 80%. Rural-urban migration continued to spread globally.<sup>9</sup> It was estimated that, in 2010, half of the world's population lived in cities; by 2030, it is estimated to be 60 percent.<sup>10</sup> Currently, around three quarters of the poor in developing countries live in rural areas; by 2030, 50 percent will likely live in cities.<sup>11</sup> The number of slum dwellers is projected to double from 1 billion to 2 billion over the next 25 years.<sup>12</sup> The number of mega cities (with populations over 10 million) will have risen from 19 in 2007 to 27 in 2025, most of them in developing countries.<sup>13</sup>

### Urbanization Patterns in Nepal

By the middle of the twenty-first century, at least 50 percent of South Asian people will reside in urban areas, which means that the urban population in this region will become 1.2 billion which is larger than the urban population of numerous countries in the world. However, Nepal's data was at 17 percent in 2011, a rise from 13 percent in 2001. There is very little knowledge that is known about the history of urbanization in Nepal. However, it is known that there existed some urban settlements during the Kirant regime in Nepal. Similarly, Nuwakot, Dolakha, Banepa and Panauti were the urban settlements during the Lichchhavi period.<sup>14</sup> During the Malla period, Kathmandu was used as the trade route by India and Tibet and due to which it emerged as an urban center. Number of urban centers in Nepal expanded during Gorkhali King Prithvi Narayan Shah's unification of *Baise-Chaibise states*<sup>15</sup> into a single state. After unification Kathmandu became the capital in 1769. As Nepalese bureaucrats and soldiers spread across the country to collect revenue from peasantry and to recruit troops for the state's further expansion, cities like Tansen, Pokhara and Bandipur developed. As aforementioned, the industrial and infrastructural development in Tarai has made positive impact on the growth of urban centers in Tarai. The significant growth of towns in Tarai can be attributed to the high migration rate from hill to Tarai after eradication of malaria disease in the 70s and construction of the East-West highway during the same decade. As the areas designated "urban" have been defined and redefined over the years in Nepal, there is no consistent definition for this term. The definition in Nepal is neither

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<sup>8</sup> UNESACP and UN-HABITAT 2008

<sup>9</sup> United Nations 2011

<sup>10</sup> Population Reference Bureau 2010

<sup>11</sup> Ravallion et al. 2007

<sup>12</sup> CARE 2006

<sup>13</sup> United Nations 2008

<sup>14</sup> Basyal and Khanal 2001

<sup>15</sup> Before the unification of current Nepal by Gorkhali king Prithvi Narayan Shah, Nepal was divided into small states called Baise and Chaubise states.

adequate nor functionally articulated. Currently, the urban area (municipality) is defined as an area having at least ten thousand people in hill and twenty thousand population in Tarai region with a yearly income of five million, and with electricity, transportation, drinking water and communication facilities.<sup>16</sup> In the FY 1991-2001 reclassification alone accounted for 50% of total urban growth while the decadal urban population in the same period grew by 6.65%.<sup>17</sup>

## Urbanization Trends in Nepal

Migration is one of the major reasons behind the rapid urbanization in Nepal. Urbanization data in Nepal are available only from the 1952 census onwards. Following table shows the trend of urbanization in Nepal.

Census Year	Number of towns	Urban population in millions	Percentage of urban population	Average annual urban growth rate in percentage
1952/54	10	0.238	2.9	-
1961	16	0.336	3.6	1.65
1971	16	0.462	4.1	3.23
1981	23	0.957	6.3	7.55
1991	33	1.696	9.2	5.89
2001	58	3.28	13.9	6.65
2011	58*	4.53	17.0	4.7**

\* 41 new municipalities were announced by the budget speech of FY 2011 (2068/69) to be added but still not implemented

\*\* Central Intelligence Agency (2009), *The World Fact Book*

**Source: CBS 2012**

Nepal's urban population has increased to 17% of the total population in 2011 from 13.9% in 2001. The urban population growth rate is measured at 3.38%. Similarly the rural population has decreased from 86.1% of 2001 to 83% in 2011. According to the United Nations Human Development Report 2003, world urban population, on average, was 55 percent; it was 42. was in Asia and 22.8% in SAARC countries.

Kathmandu consists of the largest urban population (1006656) and Dhulikhel the smallest (16406). Pokhara, Lalitpur and Biratnagar comprise of second, third and fourth largest urban population. Birgunj, Bharatpur, Butawal, Dhangadhi, Dharan and Bhimdatta municipalities have more than one 0.1 million population. The highest sex ratio is 133 in Birendranagar and Lowest is 83 in Waling municipality.<sup>18</sup> Kathmandu valley has the largest share of Nepal's urban population.

<sup>16</sup> Local Self Governance Act 1999

<sup>17</sup> Sharma 2003

<sup>18</sup> Central Bureau of Statistics 2011

In 1952/54 nearly 83 percent of Nepal's urban population was in the Kathmandu valley. Over the years the share of urban population in the valley has declined, however, in 2001 nearly 31 percent of Nepal's urban population was in the valley. There are urban centers (municipalities) in 43 districts out of 75 in Nepal. There are three municipalities in Sunsari, Jhapa and Kavre; two municipalities in Bhaktapur, Chitawan, Dang, Kailali, Kaski, Kathmandu, Rupandehi, Siraha and syangja. 31 other districts have one municipality each. Khandbari and Bhimeshwor are only the urban areas in the mountainous region declared as urban areas before the census of 2001. All Tarai districts have at least one municipality each whereas out of 39 hill districts, only 21 districts have municipalities and 18 districts in Nepal do not have designated urban areas. In terms of regional distribution of urban settlements, the pattern is skewed in favor of the Tarai.

Urbanization in Nepal happened in three ways -- by natural population growth, by rural-to-urban migration, and by reclassification of rural areas into urban. The dynamic pattern of urban growth in the Kathmandu valley has been greatly influenced by seven driving factors: physical conditions, public service accessibility, economic opportunities, land market, population growth, political situation, and plans and policies. These factors have played important yet different roles in the city core, fringe, and rural areas. Among these factors, economic opportunities in the core, population growth in the fringe, and the political situation in the rural areas are identified as the highest impact factors of urban growth.<sup>19</sup>

### **Urban Issues and Problems**

A World Bank study report titled, 'Nepal: Urban Growth and Spatial Transition: An Initial Assessment' revealed that Nepal has been urbanizing rapidly. Nepal's urban centers, particularly Kathmandu valley, are already facing serious challenge of inadequate infrastructure, haphazard planning and poor business environment. For example, access of households to piped water supply in urban Nepal has declined from 68% in 2003 to 58% in 2010. Kathmandu Valley suffers from unplanned construction and infrastructure bottlenecks that will adversely hit the city's productivity in the coming years. The unmanaged urbanization could also lead other fast growing urban centers into similar situation. Meeting the international standard of urbanization is a major concern in this context of rapid urbanization. The experience clearly demonstrates that urbanization is an important driver of economic development but the potentials have not been adequately tapped in Nepal. In the absence of a stringent policy regulating and managing growth, uncontrolled and haphazard urban development has created numerous problems, including deficiencies in basic urban services; environmental degradation; encroachment on public land, forests, and river banks; and sprawling settlement development. Most municipalities in Nepal lack properly engineered and operated sanitary landfills and they have limited and intermittent water supply services, poorly maintained road infrastructure, and inadequate drainage systems that cause recurrent water logging problems.

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<sup>19</sup> Thapa and Murayayama 2009

NEA currently meets only 15% of the total electricity demand. The total energy demand for FY 2010/11 was approximately 3,850.87 GWh of which 81.58% was domestically met and 18.42% was imported from India. Access to piped water supply in the urban areas has declined by 10% from 2003 to 2010. Less than 20% of the population receive reliable water supply due to mismanagement of water demand and supply (World Bank, 2012). The Local Self Governance Act-1999 mandates a wide range of functions and responsibilities to municipalities, but limited financial and human resources, low institutional capacities and unstable local bodies have been hindering the proper implementation of this act. There is a big void in the elected leadership of municipalities- the prominent stakeholder in urbanization in Nepal as the local government dissolved in 2002 has not been replaced by a new one.

The cities are congested, polluted, energy intensive, ridden by crime, corruption and poverty and difficult to manage. And yet, cities are the hubs of economic growth and development opportunities as the reports -- Growth Commission (Commission on Growth and Development, 2008) and World Development Report 2009: Reshaping Economic Geography (World Bank, 2009) -- have demonstrated. Kharas et al. summarize the core argument as follows: "Cities are recognized for their capacity to provide scale economies, efficiencies in logistics and in the provision of public services, dense labor markets that foster training and skills acquisition, innovation and creativity, diversification of production, lower environmental footprint through densification, and ultimately greater freedom for the individuals who inhabit them".<sup>20</sup>

Poverty and inequality due to feudal system are the structural characteristics of Nepal. Besides, low agricultural growth, low industrial development and under utilization of human and natural resources are also the causes of poverty and inequality.

A number of new institutional issues also are now the center of attention. These include the issue of decentralization of responsibility to sub-national levels of government, coordination of ministerial competencies around the country, and efficiency of distributing aid to urban areas. New institutions have appeared on the scene focusing on urbanization in developing countries at the international level (U.N. Habitat, the Cities Alliance), and various civil society organizations (CSOs) involved in supporting especially the poor communities in cities have sprung up.

Nepal has recently established the Ministry of Urban Development but the ministry is yet to function smoothly. Currently, Nepal is passing through a political transition. Ten-year long Maoist insurgency and the subsequent people's movement -II held in 2006 eventually helped abolish the monarchy and establish a republic. Madhesh movement held in the southern plains of Nepal in 2007 triggered a migration of hill-origin people from the Tarai towns to relatively safer towns like Hetauda, Itahari, Biratnagar, etc.

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<sup>20</sup> Kharas et al. 2010, 1

The political transition has contributed to unmanaged industrialization and unsustainable urbanization in Nepal. Vehicular and industrial emissions increasingly have contributed to air pollution in urban areas. High rural urban migration trends, real state growth in new emerging cities, poverty and inequality, crime and insecurity, diseases like HIV/AIDS, resource crisis, loss of culture, traffic problems, increasing slums and garbage, indecisive political structure, unstable local bodies, lack of clear urban policy and so forth are the major challenges in urban centers of Nepal. Multiple use of land is another requirement for the proper management of urban area, which has not been addressed adequately in Nepal's urban areas. Ad hoc urban planning without consultation of local people has been hindering the public life. As urban poverty occurs hand-in-hand with the expansion of urbanization, issues of slums has also arisen.

### **Slum Issue in Nepal**

Slums are generally characterized as informal settlements with poor quality housing, limited access to services, high density, and insecure land tenure. Insecure tenure puts the urban poor at constant risk of eviction, prevents them from building assets and accessing credit, inhibits using their home for income-generating activities, and does not allow for investments in service provision. Countries farthest from reaching the MDG target on slums are mainly in Sub-Saharan Africa, where urbanization is rapid and local governments lack the capacity to accommodate new residents.

In absolute numbers, one out of two urban slum dwellers in the world are in Asia. Southern Asia appeared to be the poorest sub-region in the continent with the highest incidence of slums (58 per cent) in 2001. The highest proportion of slum dwellers was found in Afghanistan (98 per cent), Nepal (92 per cent), Bangladesh (84 per cent) and Pakistan (73 per cent) – these are countries that also have the highest infant mortality rates and other similar poor social indicators in the region.

However, in absolute numbers, India and Pakistan accounted for nearly three-fourths of the slum population in the sub-region, with 194 million people living in poor informal settlements (158 and 36 million, respectively). Slum prevalence was remarkably low in Sri Lanka, with only 13 per cent of the country's urban population living without adequate water and sanitation. The low prevalence of slums in the country can be largely attributed to effective housing programs that the government has been implementing since the 1970s.<sup>21</sup>

It is estimated that one billion people live in urban slums in developing countries these days. Improvement in urban conditions as demonstrated by many successful programs in parts of the world such as in Senegal, Singapore, Thailand, and Vietnam, show that slums can become vibrant and well integrated parts of a city.<sup>22</sup> In Asia, 42 per cent of the continent's 1.3 billion

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<sup>21</sup> UN 2011

<sup>22</sup> World Bank 2009



urban residents lived in slums in 2001. Millennium Development Goal 7 sets the objective for urban poverty alleviation by calling for the improvement of the lives of at least 100 million slum dwellers.

Historically, slums and squatters were not considered a major urban development issue in Nepal, because the percentage of urban population living in such settlements was low. However, due to their unprecedented growth in recent years and especially since early 1990s, informal urban settlements started to become an important urban development issue. The Government of Nepal adopted the Habitat Agenda, and is fully committed to the goal of “Shelter for All” and the achievement of the MDGs. The objective of the activity was to prepare a grant proposal for submission to Cities Alliance, for developing slum upgrading strategies and investment program in Nepal. According to government data, nearly 430,000 families live in sub-standard housing in Nepal. The gap between the supply and demand of a decent and affordable housing in Nepal is wide. Based on a rough estimation, about 70,000 new homes per year would need to be built to close the housing gap in Nepal. Currently, fifty thousand people live in slums in Kathmandu where total number of slum households is 2,763. The number of squatter settlements has grown from 17 in 1985 to 63 in the present. Below Bagmati Bridge, there are more than 310 households in what is supposed to be UN Park.<sup>23</sup> Though, the government has initiated some plans for the resettlement of slum dwellers in Kathmandu, the plans have not been implemented well.

### **Local Government in Urban Management**

Democratic governance around the world started after the WW II. Over the past three decades the developing world has seen increasing devolution of political and economic power to local governments, along with the participation of local people in the decision making processes. Decentralization is considered an important element of participatory democracy.<sup>24</sup> Local governments are equipped with the power to manage their social and economic resources through decentralization. Local systems are being strengthened to manage the public affairs related to such resources. Local governments are now equipped with the power to manage the social and economic resources. Municipalities are equally responsible for managing urban issues.

South Africa, a rapidly developing country has three types of local governments -- metropolitan council for the larger cities, local municipal council for the small and medium cities and district municipal council for the rural area. The Constitution of the Republic of South Africa (1996) mandates local government to provide democratic and accountable services to local communities, ensure the provision of services to communities in a sustainable manner, promote social and economic development, promote a safe and healthy environment and encourage the involvement of communities and community organizations in the matters of

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<sup>23</sup>Gyawali 2012

<sup>24</sup> Bardhan and Mookharjee 2007

local government.<sup>25</sup> According to the article 4 and 5 of the constitution, municipalities in South Africa are responsible for managing air pollution, housing, child care, electricity and gas, internal tourism, airport, municipal planning, health services, public transport, bridge, boat and port, trade and drinking water at local level.

Similarly, Germany, a developed country and a well-functioning democracy, has four tiers of government- federal, lander, county and communes. There are 112 counties in urban districts and 14987 communes/municipalities in Germany. Municipalities can have one thousand to five hundred thousand people living in them. Mandatory tasks of the municipalities in the Germany are to issue citizenship card/ passport, conduct vital registration, oversee security, carry out business and construction activities, manage traffic and vehicle registration and collect tax, oversee land and water use policy, distribute water, electricity and gas, manage garbage etc. Furthermore, municipalities are mandated to oversee urban planning (housing, business, land use and building construction) and maintain local roads.

Similarly, India also has a three-tiered system of government consisting of the Central, state and local government. Local government is divided into three levels in which there are 3723 urban bodies comprising 109 municipal councils, 1432 municipalities and 2182 Nagarpanchayats. 28% of the population lives in urban area in India. Urban bodies in India is responsible for the urban planning, land use and building construction, road and bridge construction, public health and sanitation, urban forest and environmental conservation, urban poverty alleviation, management of urban recreational facilities etc.<sup>26</sup>

Seventeen percent of the total population lives in urban centers in Nepal. After the promulgation of Local Self Governance Act in 1999, local governance policy of Nepal, entrusts local government units to set development priorities, allocate budget, oversee the implementation and monitor and evaluate the progress of projects and programs, and maintain transparency, accountability, and integrity in the use of funds. But the rights and responsibilities offered to the local government units (District Development Committees, Municipalities and Village Development Committees) under the LSGA are primarily premised upon the assumption that the LG units are led by leaders directly elected by the people in the respective jurisdictions. Different programs, acts, rules and regulations have been lunched and amended since 1950 in Nepal.

Competent local bodies are essential to facilitate bottom up development, especially in the context of rapid urbanization. Although various acts (Town Development Act 1988, Local Self Governance Act 1999) and their regulations exist, it is unclear how these regulations guide urban development in Nepal. The Town Development Act 1988 provides the legal basis for implementing town development plans. The Act has empowered both the central and local

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<sup>25</sup>Kauzy 2007

<sup>26</sup> Sapkota et al. 2009

government agencies to carry out the land pooling projects. The Local Self Governance Act 1999 also provides municipalities the power to carryout town development plans but it is not comprehensive as compared to the Town Development Act 1988 on the question of how to conduct town planning. Municipalities are responsible for framing land-use map of the Municipality area. They also prepare housing plan in the area of Municipality and implement the same, carryout plans on drinking water and drainage in the Municipal areas. They also develop green zones, parks and recreational areas in various parts of the Municipal area and arrange public toilets in various places. To approve designs of houses and buildings is also the responsibility of municipality. Municipality also builds community buildings and rest houses also in the municipal area.<sup>27</sup> Though the local governments are entrusted with these authorities, there is always a question as to whether they have the capacity to fulfill their responsibilities.

## OVERALL FINDINGS

Rapid urbanization is taking place in Nepal through significant rural-to-urban migration. Urban areas in Nepal have increased with natural expansion, while the government has been declaring. Urban settlements are skewed in favor of the Tarai region. Hence, urbanization in Nepal is happening by natural population growth, by rural-to-urban migration and by reclassification of rural areas into urban. Physical conditions, public service accessibility, economic opportunities, land market, population growth, political situation, and plans and policies are some factors of urbanization in Nepal. Population growth rate in urban area is at the rate of 3.38% per annum, which is higher than the average national population growth rate of 1.4% per annum. Population density of Nepal is 181 per sq.kms. Kathmandu has the highest density (4408 per sq. km) and Manang (3 per sq. km) has the lowest. Around 17% people in Nepal live in urban areas. Urban population has been increasing mainly because of people's movement to towns and cities in search of services, facilities, opportunities and employment. Due to rapid growth of population in the urban areas, serious urban environmental problems are emerging, including inadequate drinking water supply, haphazard disposal of solid and human waste causing various pollution problems, and uncontrolled urban/physical development. The prevalence and growth of slums remains a major challenge even as slum improvement is the only urban target included in the MDGs.

In contrast to slum improvement, which is of major concern in urbanization debates, employment is rarely a focus of attention. However, lack of employment and low productivity are key determinants of urban poverty. Limited social, physical resources in urban areas are under additional pressures from population growth in these areas. The immediate requirement is to maintain the balance between natural and cultural resources and the growing population in urban and emerging urban areas. Another requirement is to resettle the low income and urban poor in integrated and secure areas. This requires effective policies for urban management

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<sup>27</sup>Local Self Governance Act 1999

programs. Till date, the existing public administration system has failed to respond to these urban management challenges. In order to address this institutional failure, the government will require serious effort to decentralize its urban management system.

## **CONCLUSIONS**

Urbanization in Nepal has been rapid, unplanned and unsystematic. Hence the present urban infrastructure is not adequate to meet the challenges of such a rapid growth. There has been hardly any attempt by the government in addressing this situation. Different stakeholders, particularly the local bodies, have a limited capacity of managing even the low level of urbanization in Nepal. The local bodies with inadequate management capacity have been hindering the management of urbanization in Nepal. The quality of urban infrastructure and services remains very poor. Slum management, particularly in Kathmandu valley, drainage, sewerage, water supply and electricity are major problems in Nepal's urban areas. Similarly the urban service delivery, urban congestion, increase in industrial and vehicle emissions and consequent air and noise pollution are evident in all major cities. The gap in other utilities like electricity, transportation etc is huge. There are no minimum standards for infrastructure and services. The institutional capacity of municipalities to manage urban infrastructure and urban growth remains severely constrained. The legal basis and institutional capacity to enforce land use and zoning laws as well as environmental standards has still to be created. Government policies on roads and transportation, local development, fiscal and economy, industry, tourism, agriculture, health, education etc have largely influenced the nature and type of urbanization in the country.

## **POLICY RECOMMENDATIONS**

Institutional cooperation among the organizations having stakes in urbanization and local governance is weak. The policy of basic services related to water and sanitation, electricity, road, sewerage could be developed in the pro-activeness of local bodies. Proper coordination with the municipalities by the sectoral organizations like DUDBC, department of urban development, responsible organizations for drinking water, real estate, sewerage etc is essential while planning for the urban development. Building and strengthening relationships between various actors and stakeholders through more effective communication is necessary. Local government, especially the municipality needs to be made competent enough to regulate urbanization. If election of the local bodies is not possible immediately, a local mechanism comprising multiple stakeholders, , should be formed and they should be given clear authority for action. Urban lands in Nepal's cities have been used in construction purposes mainly. There should be multiple use of land so as to optimize its value. At the same time some sort of control over land by the municipalities seems essential so municipalities can use these lands as per the municipal requirement with reasonable compensation. Urban planning process in Nepal seldom consults local people. There should be in-depth consultation with the locals urban planning period. This type of inclusive

urban planning can lead the proper management of urban services and utilities. Urban planning and actual development must be in sync; otherwise, planning losses legitimacy.

Government's role in urban development is important and necessary. Timely investment in urban infrastructure is a must for the realization of benefits from urban development. Proper urban planning using land-use planning tool can be used for infrastructure management. There should be clear rules and policies about building homes and there should be a strong regulatory body to make sure that the policies and rules are implemented. The focus should be on decentralized policy by synchronizing the administrative and policy duties among the central and local level government authorities.

It is true that, large numbers of poor families are living in the squatter and slum areas, they are not only poor and unemployed but some of the economically well-off people are also living in the area. Government's intervention in managing slum became political issues in Nepal.

The slum dwellers should be seen as the assets of urban economy and a boost to informal sector of urban economy. However, with poor policies and working mechanism, they are discouraged and largely ignored in the development process. They have poor access to modern banking and finance, in many cases, policies discouraged them from accessing credit facilities. Generally, it refers to the processes by which local urban governments in partnership with other public agencies and different segments of civil society respond effectively to local needs in a participatory, transparent and accountable manner. Good governance will indeed be essential in our urban future; however, its concerns and planning horizons must go beyond current needs. As globalization continues, massive future urban growth is both inevitable and necessary, but the way it grows will make all the difference. Cities need a long-term strategy to meet the coming challenges.

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