



**Government of Nepal**  
**Ministry of Urban Development**

*Inclusive Cities: Resilient Communities*

**Third United Nations Conference on Housing and  
Sustainable Urban Development (Habitat III)**

**NEPAL**  
**National Report**



October 2016





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Ministry of Urban Development

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## Message



The Third United Nations Conference on Housing and Sustainable Urban Development (Habitat III) is taking place two decades after Habitat II held in 1996 in Istanbul where member states, including Nepal, pledged to work towards achieving adequate shelter for all and ensuring sustainable human settlements development in an urbanizing world, and reaffirmed their commitment to the realization of the right to housing. It is time to assess our progress against the commitments we then made.

For the past few decades, Nepal has been experiencing rapid pace of urbanization, driven primarily by the rural-to-urban migration of the people in search of better livelihoods and economic opportunities. Since urbanization of the rural areas unleashes development potentials by making yet untapped resources available, the Government of Nepal recognizes this process as an opportunity for the overall economic development of the country.

There are, however, a host of challenges to overcome including housing supply and affordability; provision of adequate urban infrastructure and services; employment opportunities; safety and security; protection of environment; and inclusiveness, among others.

With the promulgation of the Constitution of Nepal in 2015, the country is on a new journey

towards equality, prosperity and justice. Implementation of the new Constitution will depend on the role that cities and human settlements will be playing. They ought to shoulder bigger responsibilities including, for instance, ensuring right to housing, which is now enshrined in the Constitution as a fundamental right. With social and political achievements on hand, it is also high time to focus our collective energy on physical planning and development. Planned and strategic investments in cities are not only important for urban dwellers but also instrumental in harnessing rural-urban linkage potentials in reducing poverty and regional disparity. Besides implementing the new Constitution, we are also moving towards achieving the Sustainable Development Goals with lessons learnt from our experiences with the Millennium Development Goals. I am pleased to see that the National Report has dwelt on our domestic priorities while addressing our international commitments.

It is a matter of pride that the National Report has been prepared after a series of intensive consultation with key stakeholders. I congratulate Mr. Deependra Nath Sharma, Secretary at the Ministry of Urban Development and his entire team, for their dedicated efforts in producing the National Report which, I am sure, will guide us in our pursuit of sustainable urban development in the coming decades.

**Arjun Narasingha KC**

Minister for Urban Development





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## Foreword



Today more than half of the world population live in cities. In Nepal, nearly two persons out of five now live in municipalities. The urban share in the national population has increased rapidly with the rural-to-urban migration and declaration of new municipalities as the major driving factors.

With the increasing role of cities and human settlements in the overall development of the nation, our municipal areas require and deserve more strategic investments than ever before. With this on mind, the Ministry of Urban Development (MoUD) prepared National Urban Development Strategy (NUDS) to realize the vision of achieving balanced and prosperous national urban system following the National Urban Policy, 2007. Building on these policy documents, learning from the past experiences, and addressing national and international commitments, this National Report has evolved, and the MoUD proudly presents it to the Third United Nations Conference on Housing and Sustainable Urban Development, 2016 (Habitat III).

The Habitat Agenda of Istanbul (Turkey, 1996) set twin goals of achieving adequate shelter for all and ensuring sustainable human settlements development in an urbanizing world. The National Report for Habitat III begins with the review of Nepal's progress on the Habitat Agenda; identifies key issues and challenges;

and presents Nepal's New Urban Agenda. The New Urban Agenda is guided by national and international commitments, in particular to the Sustainable Development Goal 11 ("make cities and human settlements inclusive, safe, resilient and sustainable") of the 2030 Agenda for Sustainable Development.

The National Report has been prepared through rigorous consultations with various stakeholders and experts. It is now time to move towards realization of the New Urban Agenda, which requires partnerships based on multi-sectoral engagement, participation, and collaboration. Sustainable urban development is our national goal and shared responsibility. I am confident that the implementation of the New Urban Agenda receives the same level of enthusiastic support from all stakeholders as was received during its formulation stage.

As the Chair of the Steering Committee formed for the preparation of the National Report, I feel fortunate to have a competent and hardworking team to successfully accomplish the task. I would like to thank Mr. Shiva Hari Sharma, Joint Secretary and Mr. Suman Salike, Senior Divisional Engineer at the MoUD, for bringing stakeholders and experts together for the formulation of our New Urban Agenda and producing the National Report. Thanks are also due to the team led by Dr. Jibgar Joshi and all other contributors to the preparation of the Report.

**Deependra Nath Sharma**

Secretary, Ministry of Urban Development



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## Acknowledgement



In resolution 66/207 and in line with the bi-decennial cycle (1976, 1996 and 2016), the United Nations General Assembly decided to convene the Third United Nations Conference on Housing and Sustainable Urban Development (Habitat III) in 2016 in Quito, Ecuador to reinvigorate

the global commitment to sustainable urbanization, and to focus on the implementation of a New Urban Agenda, building on Habitat II Agenda and Istanbul Declaration, 1996.

A 30-member National Habitat Committee was formed under the Chair of Honorable Minister for Urban Development for the preparation of Habitat III. A 16-member Steering Committee was formed under the leadership of the Secretary at the Ministry of Urban Development (MoUD). Likewise, a Technical Committee comprising eight members was formed with myself as its chair. The National Report has been prepared under its guidance.

The process of preparing the Report has been consistently interactive and consultative, involving key stakeholders. Five Consultative Forums (professional organizations; NGOs, CBOs and civil society; local authorities; youth; and private sector) were formed to make the overall process as consultative and inclusive as possible. Discussions held in these forums contributed to the creation of knowledge base and helped obtain views of the various sectors of the society. A national workshop was organized on 8 July 2016 to consolidate feedback from the key stakeholders received on earlier drafts. The drafts were also shared on the MoUD website for wider feedback. A validation workshop was organized on 26 August 2016. The National Report for Habitat III is thus a product of the collective effort of many agencies and individuals.

The Report documents overall achievements of the Habitat II Agenda, and focuses on the issues and future challenges in the implementation of New Urban Agenda for the next 20 years.

I am indebted to Mr. Deependra Nath Sharma, Secretary at the MoUD for his guidance and directives throughout the process. I am thankful to Mr. Padma Kumar Mainalee, Joint Secretary and Mr. Suresh Prakash Acharya, Former Secretary who chaired the Technical Committee prior to my assumption of the position. My special thanks go to Mr. Suman Salike, Senior Divisional Engineer, who has worked as Habitat III program officer in Habitat III secretariat at MoUD and for his tireless effort and dedication from the very beginning of the report preparation, and to Ms. Monika Maharjan, Engineer, for providing excellent support in event organization, knowledge management, and communication. I would like to thank Mr. Padma Sunder Joshi, National Programme Manager, UN-Habitat Nepal for his cooperation.

A team of experts led by Dr. Jibgar Joshi has prepared and finalized the National Report. The team consisted of Dr. Kirti Kusum Joshi (expert, Urban Planning and Urban Governance), Ms. Sangeeta Singh and Dr. Sunil Babu Shrestha (experts, Urban Environment and Housing), and Mr. Sanjaya Uprety and Mr. Dibyeshwor Shrestha (experts, Urban Demography and Urban Economy). The experts' team was supported by urban planners Mr. Rajendra Man Shrestha and Ms. Barsha Chitrakar. The team deserves special thanks. I would also like to appreciate the role played by the five Consultative Forums, in particular, their respective coordinators and member secretaries, in making the process participatory.

Finally, I would like to thank all those who were involved directly or indirectly in the preparation of the National Report with a belief that this collaboration will continue during the implementation of the New Urban Agenda.

**Shiva Hari Sharma**

Chair, Technical Committee  
Joint Secretary, Ministry of Urban Development

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## Acronyms

ADB	Asian Development Bank
BOT	Build-operate-transfer
BRT	Bus rapid transit
CBO	Community-based organization
CCC	Climate Change Council
CCED	City Cluster Economic Development
CDR	Central Development Region
DDC	District Development Committee
DoA	Department of Archaeology
DRR	Disaster risk reduction
DUDBC	Department of Urban Development and Building Construction
DWIDP	Department of Water Induced Disaster Prevention
EAP	Economically active population
EbA	Ecosystem-based adaptation
EDR	Eastern Development Region
EFLG	Environment-Friendly Local Governance
EPF	Employee Provident Fund
EPI	Environment Performance Index
EST	Environmentally Sustainable Transport
FNCCI	Federation of Nepalese Chamber of Commerce
FWDR	Far Western Development Region
FY	Financial year
GDP	Gross Domestic Product
GESI	Gender equality and social inclusion
GRBPG	Gender Responsive Budget Preparation Guidelines
HALT	House and land tax
HUB	Housing, urban development, and building
IAP	Integrated action planning
ICT	Information and communications technology
IPT	Integrated property tax
IUDP	Integrated Urban Development Project
JICA	Japan International Cooperation Agency
JPOI	Johannesburg Plan of Implementation
KSUTP	Kathmandu Sustainable Urban Transport Project
KUKL	Kathmandu Upatyaka Khanepani Ltd.
KVDA	Kathmandu Valley Development Authority
LAPA	Local Adaptation Plans of Action
LDF	Local development fee

LED	Local economic development
lpcd	liters per capita per day
LRN	Local road network
LRT	Land revenue tax
LSG	Local Self Governance
MCCICC	Multi-stakeholder Climate Change Initiative Coordination Committee
CCPCC	Climate Change Program Coordination Committee
MCPM	Minimum Conditions and Performance Measures
MDG	Millennium Development Goals
MLD	Million liters per day
MoEn	Ministry of Energy
MoF	Ministry of Finance
MoFALD	Ministry of Federal Affairs and Local Development
MoGA	Ministry of General Administration
MoHA	Ministry of Home Affairs
MoI	Ministry of Industry
MoLRM	Ministry of Land Reform and Management
MoPE	Ministry of Population and Environment
MoPIT	Ministry of Physical Infrastructure and Transport
MoST	Ministry of Science and Technology
MoUD	Ministry of Urban Development
MoWCSW	Ministry of Women, Children and Social Welfare
MoWSS	Ministry of Water Supply and Sanitation
MRT	Mass rapid transit
MSIP	Multi-sectoral investment plan
MTMP	Municipal Transport Master Plan
MWDR	Mid-Western Development Region
NAPA	National Adaptation Programme of Action
NBC	National Building Code
NCCSP	Nepal Climate Change Support Program
NHDFC	Nepal Housing Development and Finance Company
NUDS	National Urban Development Strategy
NUP	National Urban Policy, 2007
NWSC	Nepal Water Supply Corporation
ODF	Open Defecation Free
OSR	Own source resource
PEDP	Physical and environment development plan
PPP	Public private partnership
PRSP	Poverty Reduction Strategy Paper
PWD	Person with disability

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R&D	Research and development
RSLUP	Risk sensitive land use plan
RUPP	Rural Urban Partnership Programme
SDG	Sustainable Development Goal
SPCR	Strategic Program for Climate Resilience
SRN	Strategic road network
STUEIP	Secondary Towns Urban Environment Improvement Project
TDC	Town Development Committee
TDF	Town Development Fund
TOD	Transit-oriented development
TPIC	Town Planning Implementation Committee
TYIP	Three-Year Interim Plan
udle	Urban Development through Local Effort
UEIP	Urban Environment Improvement Project
UER	Urban economic region
UGDP	Urban Governance and Development Program
UNCRD	United Nations Centre for Regional Development
UNFCCC	United Nations Framework Convention on Climate Change
VDC	Village Development Committee
WASH	Water, sanitation and hygiene
WDR	Western Development Region
WHO	World Health Organization
YSEF	Youth and Small Entrepreneur Self Employment Fund



## EXECUTIVE SUMMARY

Habitat III is the United Nations Conference on Housing and Sustainable Urban Development taking place in October, 2016. In resolution 66/207 and in line with the bi-decennial cycle (1976, 1996 and 2016), the United Nations General Assembly decided to convene the Habitat III Conference to reinvigorate the global commitment to sustainable urbanization and to focus on the implementation of a “New Urban Agenda”, building on the Habitat Agenda of Istanbul in 1996.

This Country Report has been primarily prepared for Habitat III following the given guidelines. The Report makes an assessment of the overall achievements of the 1996 Habitat II agenda, focuses on the issues and challenges in relation to six key areas, provides a Plan of Action as a transformative response to future challenges, and presents a new urban agenda for the next 20 years. The six key areas are: urban demography; land and urban planning; environment and urbanization; urban governance and legislation; urban economy; and housing and basic services. The process of report preparation has been consistently participatory, interactive and consultative involving key stakeholders including government agencies, local bodies, private sector, civil societies, and academia. The discussions held in different consultative forums (Professional organizations, NGOs/CBO's/ Civil Society, Local authorities, Youth and Private sector) contributed to form a knowledge base incorporating the views and opinions of various relevant sectors of the society. The draft report was presented and discussed in a workshop widely participated by stakeholders; and first-hand information and feedback were received. The final validation workshop was organized on August 26, 2016.

Habitat II was convened in Istanbul, Turkey, from 3-14 June 1996, on the 20th anniversary of Habitat I. The Habitat Agenda set the twin goals of achieving adequate shelter for all and ensuring sustainable human settlements development in an urbanizing world. The agenda on “Sustainable human settlements development in an urbanizing world” covered:

- Sustainable land use
- Social development: eradication of poverty, creation of productive employment and social integration
- Population and sustainable human settlements development
- Environmentally sustainable, healthy and livable human settlements
- Sustainable energy use
- Sustainable transport and communication systems
- Conservation and rehabilitation of the historical and cultural heritage
- Improving urban economies
- Balanced development of settlements in rural regions
- Disaster prevention, mitigation and preparedness, and post-disaster rehabilitation capabilities.

The MDGs did not adequately address the concern of human settlements. Part of the Goal No. 7 dealt with reducing the number of slum dwellers by half. The Johannesburg Plan of Implementation (JPOI), adopted by the World Summit on Sustainable Development, 2002, calls for achieving a significant improvement in the lives of at least 100 million slum dwellers by 2020, as proposed in the Cities without Slums Initiative. The JPOI calls for actions at all levels to: improve access to land and property; adequate shelter and basic services for the urban and rural poor; use low-cost and sustainable materials and

appropriate technologies for the construction of adequate and secure housing for the poor; increase decent employment, credit and income; remove unnecessary regulations and other obstacles for micro-enterprises and the informal sector; and support slum upgrading programs within the framework of urban development plans.

The 2030 Agenda for Sustainable Development includes 17 SDGs and 169 associated targets. SDG 11 addresses urban areas, aiming to “make cities and human settlements inclusive, safe, resilient and sustainable.” Targets by 2030 include: ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums; provide access to safe, affordable, and sustainable transport systems for all, improving road safety and expanding inclusive public transport; enhance inclusive and sustainable urbanization and capacity for participatory development; reduce the adverse per capita environmental impact of cities; and provide universal access to safe, inclusive, accessible, and green public spaces. It is interlinked with other SDGs on: ending poverty; ending hunger; ensuring healthy lives; ensuring education opportunities; achieving gender equality; availing water and sanitation for all; ensuring inclusive and sustainable economic growth with decent work for all; building infrastructure for sustainable industrialization; ensuring sustainable consumption and production patterns; combating climate change; promoting peaceful and inclusive societies; and strengthening the means of implementation.

Habitat III builds on the work from Habitat I and Habitat II, as well as on recently agreed global frameworks, including: the 2030 Agenda for Sustainable Development; the Sendai Framework for Disaster Risk Reduction (DRR) 2015-2030; the Paris Agreement on Climate Change; and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development.

Cities are human creations; places in which we enable ourselves to lead peaceful, healthy, prosperous, and free lives with full respect of human rights for all. They are places in which we aim to achieve gender equality, reduce poverty, create jobs and generate equitable prosperity. Cities present an opportunity for everyone to commit to share resources and space in a way that ensures the lasting protection of the planet and its natural resources. They are the embodiment of the human spirit, where we determine our rights and responsibilities, both as individuals and collectively. People and their activities are increasingly concentrated in cities with growing environmental impact of cities that has threatened the very existence of the planet Earth.

This Urban Agenda for Nepal is expected to harness urban areas as a critical means to banish poverty, promote inclusive growth, and achieve sustainable development. Cities while harnessing and unlocking rural resources and potentials have extended markets and provided services and goods to the outlying villages and remote areas. Urbanization to be sustainable ought to be based on the judicious and equitable extraction of resources from the outlying regions to create employment and improve social opportunities. The distributive role of cities should be enhanced through providing services broadly, including the population of the associated regions through sustainable transport networks; systematic integration of migrants into the urban economy; regulating access to outside entrepreneurs and investments with cost recovery in environmental services for their sustainable provision. Cities can create enormous wealth at the cost of natural resources of the larger areas outside its boundary. Balanced development becomes possible only when we enhance the distributive role of the major cities. Recognizing this, this agenda has underscored the transformative role of cities and has tried to project cities as

instruments in unleashing local and regional potentials to strengthen regional and national economy through the functioning of well-articulated urban system at Federal and Provincial levels. Cities can provide safe and secure environment so that everyone can live, work, and participate in urban life without fear of violence and intimidation.

This New Agenda is expected to transform Nepal by paving the way to sustainable development and aims to integrate SDG 11 with the overall development perspective. The Approach Paper of the 14<sup>th</sup> Plan envisions to achieve socio-economic transformation through planned urbanization. Nepal is committed to sustainable urbanization. This agenda in compliance with the Approach Paper will focus on removing urban deprivation for realizing urban prosperity following an inclusive approach. The implementation of the Agenda will lead to the achievement of SDG 11. Since Nepal will be engaged in the implementation of SDG for 2030, this agenda will be an effective tool for implementing SDGs.

Nepal's response to urbanization started with the planning and development of Kathmandu Valley during the late 1960's. A comprehensive regional plan was prepared and published in 1969. The Fourth Plan (1970-1975) envisaged the development of regional centers and other nodal points of road networks as urban centers. The Seventh Plan (1985-1990) put urbanization and housing policy in the national development agenda for the first time. Basic Housing Plan 1986 recognized housing as the basic need of the people. The Eighth Plan (1992-1997) highlighted the need for making urban and rural areas complementary to each other. The significance of human settlements development has been changing rapidly. Its changing significance in Nepal is evident from the study of policy shift over the period. Initially it was considered to be an unproductive sector and later priority was laid on rural development in isolation.

The failure of such policies led to a growing convergence of urbanization with the process of overall development. Now, urbanization is recognized as the best way to sustainable development. Priority of any Nepal Governments in recent times has invariably been urban development.

Prior to HABITAT II, Nepal had a relatively favorable political climate and there were substantial efforts on human settlements development. HABITAT II process helped formulate relevant policies and LSGA was also enacted in 1999. Nepal worked hard on the preparatory process of Habitat II and prepared a 20 year Action Plan. Nepal also organized the Conference of the South Asian Mayors as a regional event of Habitat II. Nepal's success in terms of local national partnership as well as local empowerment has been remarkable. Other achievements in Nepal since 1996 include: the new Constitution; innovations in planning approaches; increasing importance on risk sensitive land use planning; the response to climate change; and the preparation of relevant legislation and policy documents including National Urban Policy, 2007 and National Urban Development Strategy. Nepal has been able to demonstrate its overall resilience due to its cultural heritage and cohesive social system. One achievement on record is Nepal's ability to sustain this, which as a matter of fact, largely helped her to respond to the 2015 Earthquakes.

The common feature of successful experiences such as integrated action planning, land pooling, and housing and real estate financing, is that they helped to mobilize resources from the beneficiaries and communities and from the free market. These are based on the principle of generating resources and capturing the unearned income. Housing finance draws resources from the market. Land readjustment projects are self-financing. Successful cases are also linked with their ability to increase the access of the poor to the opportunities created. Investment made in housing sector in Nepal has been

substantial. However scaling up of the good experiences could not be done due to frequent changes in leadership, political transition and external influence. Investments in the coming years are likely to increase in a dramatic way. There is a need for enhancing capacity.

Nepal has made remarkable progress in terms of policy formulation; and strategies for responding to urbanization are more or less in place. However, the response was not sufficient to offset the challenges created by a dramatic shift in urban driven demands. The overall urban perspective has greatly widened without adequate deepening. Achievement in terms of service delivery or in protecting and upholding the rights of the service takers is far from being satisfactory. The problem of coordination increased all the more during and after the Earthquakes and the need for an apex-level body was identified and created for mobilizing resources as well as for paving the process of rebuilding. The strategy to make all the implementing agencies responsible for planned urbanization is viewed as a critical element in making the process of rebuilding better and safer. The scale of rebuilding is so huge that whatever is done and practiced during the rebuilding will have lasting effect and it will be difficult to make any changes in land use. Adherence to sustainability as a result of the lessons learnt from the Earthquake will lead to austerity in the consumption of urban space with reduction in individual space needs for housing and related activities.

This New Urban Agenda of Nepal is expected to secure renewed political commitment for sustainable urban development. It accords high priority to housing and adequate shelter for all. This Agenda is also based on the understanding that sustainable urban development can help reduce the total housing need through the creation and collective consumption of shared public space for meeting housing related needs and ensuring sustainable urban mobility. Housing needs can be

reduced if we give due attention to sustainable urban mobility and shared public space whether open or built.

Urban areas of Nepal have low urban densities, which is creating difficulty in providing urban services and per capita investment cost for the services is becoming expensive and unaffordable. Informal settlements are increasing in the urban areas. The inter-ministerial conflicts on several issues rest on the question of jurisdiction which undermined the significance of social good. The strategy to make all the implementing agencies responsible for planned urbanization is viewed as a critical element in achieving sustainable urban development. Our common public open spaces are mostly dirty, water-logged and inhabitable. Water sources are not well maintained and clean. Streets are crammed with improper garbage disposal and access for escape is not easy. Most open spaces remained underutilized during the time of Earthquakes. The main reasons behind this are that they are not well-serviced and not appropriately located; information is lacking, and there is lack of security with fear of theft, criminal activities, sexual harassment, and so on. In specific terms, this Agenda has addressed the following problems and issues identified through intensive research on the given six key areas:

- Decreasing access of the poor to shelter in urban areas, with lack of access to land and services.
- Rising prices of housing making it unaffordable to increasing number of families
- Limited role of the private sector in social housing due to institutional constraints and low purchasing power resulting in low profit
- Increasing poverty level leading to low affordability for housing and lack of affordable finance (high interest rate) – how to make simple and

affordable housing finance available is a challenge.

- Limited R&D and communication support programs on affordable housing materials and technology
- Increasing urban risks and threats
- Increasing anthropogenic causes of climate change
- Low-income settlements located in disaster-prone areas Increasing pressure on the existing limited facilities and services in the existing municipalities
- Inadequate investment in infrastructure development despite investment needs due to low revenue base in municipalities
- Growing disparity in access and service levels of basic services with limited access of the poor to higher standard infrastructure and services
- Increasing non-climate stresses such as poverty and incidence of diseases leading to vulnerability to climate change with reduced resilience and adaptive capacity
- Increasing consumption of fossil fuels for electricity, transportation or industry
- Increasing number of private vehicles and buildings and environmental infrastructure producing large amounts of greenhouse gases
- Urban form and the urban economy not considered as key factors influencing emissions at the city level
- Increasing demand on ecosystem services affecting the poorest and most vulnerable people the most
- Municipalities suffering from the loss of agriculture land and inadequate green areas with increasing food deficiency in the cities and increasing food miles
- Increasing exclusion of informal economies in the provision of employment and income in urban areas
- High densities of informal settlements and slums resulting in

increased health risks, and high levels of vulnerability to climate change and extreme events

- Weak institutional capacity of municipalities to mobilize the potential revenue sources
- Limited integration of local economies into national development policies
- Yet to be explored comparative and competitive advantages of cities
- Limited availability of jobs in the formal economies and problem of livelihood due to increasing cost of living
- Lack of adequate entitlements including vocational skills and training opportunities for the youth in order to enhance their engagement in transformative movements for asserting human rights
- Complex and inadequate legal procedures limiting the access of the people.

The Goal of the Agenda is to: ***Make cities and human settlements inclusive, safe, resilient, sustainable and smart in order to enhance their ability to provide decent jobs and adequate housing, infrastructure and services to the growing urban population.***

The expected impact of the Agenda is enhanced ability of cities and HS in providing decent jobs and adequate housing, infrastructure and services to the growing urban population by making them inclusive, safe, resilient, sustainable and smart. The following outcomes are envisaged for the realization of the impact:

1. Sustainable and inclusive prosperity and opportunities for all
2. Sustainable urban development for inclusion and poverty eradication
3. Environmentally sound and resilient cities and human settlements.

For the realization of the outcomes, the following outputs will be pursued:



- Equally shared opportunities/benefits
  - Business environment improved; jobs created
  - Urban economic transformation achieved
  - Migrants integrated into the urban economy
  - Supply of land enhanced
  - Mixed-income developments enhanced
  - Slum upgraded
  - People centered development promoted
  - Human rights enhanced
  - Equitable access to information and services ensured
  - Culture protected; diversity recognized; safety ensured
  - Public health improved
  - Urban ecosystem sustained
  - Accessible public space with cultural diversity provided
  - Resilience to disasters and climate change ensured
  - Sustainable urban mobility ensured.
14. Addressing the problems Air Pollution
  15. Upgrading and preventing slums
  16. Improving access to housing
  17. Ensuring access to safe drinking water
  18. Ensuring access to basic sanitation
  19. Improving access to clean energy
  20. Improving access to means of transport
  21. Improving urban legislation
  22. Decentralization and strengthening of local authorities
  23. Improving participation & human rights
  24. Enhancing urban safety and security
  25. Improving social inclusion and equity
  26. Improving municipal/local finance
  27. Strengthening access to housing finance
  28. Supporting local economic development
  29. Creating decent jobs and livelihoods
  30. Integrating urban economy into national development policy.

The outputs can be obtained through the implementation of the Plan of Action designed for implementing the response strategies to alleviate the problems and overcome challenges in the following thirty strategic issues pertaining to the six key areas mentioned earlier:

1. Managing rapid urbanization
2. Managing rural-urban linkages
3. Addressing urban youth needs
4. Responding to the needs of the aged
5. Integrating gender in urban development
6. Ensuring sustainable urban planning and design
7. Improving urban land management
8. Enhancing urban food production
9. Addressing urban mobility
10. Improving technical capacity
11. Addressing climate change
12. Disaster risk reduction
13. Reducing traffic congestion

As a transformative response to challenges and for the realization of the outputs, Plan of Action has been prepared for the six key areas. It will provide an indicative umbrella framework for key sectors to work in a more coordinated and collaborative way for sustainable development through unified and collective commitment to sustainable urbanization. The plan has considered the possible impact on the overall implementation of Post-earthquake Rebuilding and has sought ways of integrating the rebuilding with the underlying principles of sustainable urbanization.

Implementation is recognized as the critical issue and inputs drawn from all the stakeholders will be managed carefully. Three pillars for effective implementation are identified as follows:

**I. Urban Governance Structure:** It will be shaped as a renewed local-national partnership through multi-level governance structure consistent with a strong national system of cities and spatial balance. Effective decentralization will be ensured following the principles of subsidiarity and

the recognition of local self-governance. 565 local governments are being proposed in the course of implementing the new Constitution. Power will be devolved deeper down to the ward level. Federal structure and spatial development will be linked to promote mixed, connected and cohesive communities through integrated and participatory planning Stakeholder engagement framework and partnership will be developed.

**II. Managing Urbanization:** Strategic and integrated urban and territorial planning and management framework will be instituted to respond to rapid urbanization and sustainability challenges, strengthening urban-rural linkages and promoting connected and compact cities and towns. This will be done through intensive research on the viability of concepts such as CCED, Economic Region, Growth Corridor and City Region. Synergies and interactions among urban centers will be encouraged with the development of regional infrastructure projects that stimulate sustained productivity; promote urban-rural partnerships and inter-municipal cooperation; and promote local development. Urban and territorial planning for efficient use of land and natural resources, ensuring adequate density and connectivity and mixed uses in the built up areas to prevent sprawl; to reduce mobility needs and per capita service delivery costs; and to utilize agglomeration economies. Each of the municipalities will have a zoning plan with three categories of land use -- urban; would be urban and conservation areas.

**III. Enhancing Means of Implementation:** Financing and capacity building are the major components. Financing will rely on availing better services to the people and business since the only way to generate resources in a sustainable way, is through the sale and cost recovery of urban goods and services. Public private partnerships (PPP) will be extensively used as a means of financing.

Local governments will be entrusted to the whole process of partnership formation in order to attract and motivate stakeholders to participate. National guidelines and frameworks for implementation at the local level will be prepared to unlock international financial resources. Improved urban tax system will be supported by effective delivery of urban services. People will be encouraged to assert their rights as buyers of the rights and performance indicators for the services will be developed in an objective way to ensure that such services are actually being provided. Domestic public resources will be mobilized through the formulation of a sound financial policy framework with financial management (revenue and expenditure, borrowing, climate finance), enabling strengthened municipal finance and local fiscal systems. Partnerships, productivity and competitiveness and rational prioritization in the allocation of financial resources will make urban financing self-sustaining. Nepal's recent experience has shown that the gap in the resources could be managed by exploring all the possible sources including donors. LDCs should receive financial support in availing shelter for all and the new Agenda underscores the need to mobilize outside support for the implementation of the agenda similar to the one mentioned in SDG 11.8 (c) or climate finance related funds besides mobilizing bilateral supports.

The main purpose of capacity development is to make goods and services easily accessible to all. One of the expected outcomes of this Agenda is by 2020, all the municipalities will have the fiscal, technical and planning capacity to carry out planned development for sustainable urbanization. Capacity enhancement at municipal and ward level will enhance sustainable productivity and provide goods and services to their residents. It will be directed towards preparing situation-specific rules and regulations with commitment to decentralized government action promoting participatory development.

Knowledge management activities will be encouraged utilizing academic expertise and know-how for implementation and monitoring. A paradigm shift in terms of the new type of competence aimed at scaling up of the good experiences for making a greater impact is advocated. ICT will be integrated into governance and service delivery to transpire the concept of SMART cities. Reliable urban data collection and analysis with engagement of all stakeholders.

Sound monitoring systems shall be put in place for a transparent and participatory data collection and management, as well as open access to data, which is critical for informed decision-making, including the appropriate allocation of opportunities and equal and fair distribution of resources. The indicators should be formulated to understand what makes a city sustainable.

For effective implementation, it is necessary to develop Indicators for Performance Monitoring based on the results chain. A rigorous participatory exercise is recommended to ensure the effective implementation of the Agenda.

The New Urban Agenda will serve as an indicative umbrella framework for key sectors to work in a more coordinated and collaborative way for sustainable development through unified and collective commitment to sustainable urbanization with due consideration to the post-earthquake rebuilding. This will help them achieve their objectives by incorporating planning principles in their plans. Urbanization will be projected as a cross-cutting issue; and related ministries will be pursued to integrate urbanization in the preparation of their sectoral plans for fulfilling SDGs.

# I. INTRODUCTION

## Background

Cities are human creations; places in which we enable ourselves to lead peaceful, healthy, prosperous, and free lives with full respect of human rights for all. They are places in which we aim to achieve gender equality, empower women and girls, reduce poverty, create jobs, and generate equitable prosperity.

Cities present an opportunity for everyone to commit to share resources and space in a way that ensures lasting protection of the planet and its natural resources. Cities are the embodiment of human spirit, where we determine our rights and responsibilities, both as individuals and collectively. People and their activities are increasingly concentrated in cities. At the same time, the growing environmental impact of cities has threatened the very existence of the planet.

In resolution 66/207 and in line with the bi-decennial cycle (1976, 1996 and 2016), the United Nations General Assembly decided to convene the Habitat III Conference in 2016 in Quito, Ecuador to reinvigorate the global commitment to sustainable urbanization, and to focus on the implementation of a New Urban Agenda, building on the Habitat Agenda of Istanbul in 1996.

The Habitat III builds on the work from the Habitat II, as well as on recently agreed global frameworks, including the 2030 Agenda for Sustainable Development; the Sendai Framework for Disaster Risk

Reduction 2015-2030; the Paris Agreement on Climate Change; and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development.

The Habitat II was convened in Istanbul, Turkey (3-14 June 1996) on the 20<sup>th</sup> anniversary of the Habitat I. The Habitat Agenda of Istanbul set twin goals of *achieving adequate shelter for all* and *ensuring sustainable human settlements development in an urbanizing world*. It also reaffirmed the commitment to the full and progressive realization of the right to adequate housing.

The Johannesburg Plan of Implementation (JPOI), adopted by the World Summit on Sustainable Development, 2002, calls for achieving a significant improvement in the lives of at least 100 million slum dwellers by 2020, as proposed in the Cities without Slums Initiative. The Millennium Development Goal (MDG) 7 emphasized on the improvement of the lives of slum dwellers.

The 2030 Agenda for Sustainable Development includes 17 Sustainable Development Goals (SDGs) and 169 associated targets. The SDG 11 addresses urban areas, aiming to “*make cities and human settlements inclusive, safe, resilient and sustainable*”. The SDGs, in particular, contain following targets to be achieved by 2030: ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums; provide access to safe, affordable, and sustainable transport

systems for all, improving road safety and expanding inclusive public transport; enhance inclusive and sustainable urbanization and capacity for participatory development; reduce the adverse per capita environmental impact of cities; and provide universal access to safe, inclusive, accessible, and green public spaces.

The SDG 11 is interlinked with other SDGs on: ending poverty; ending hunger; ensuring healthy lives; ensuring education opportunities; achieving gender equality; availing water and sanitation for all; ensuring inclusive and sustainable economic growth with decent work for all; building infrastructure for sustainable industrialization; ensuring sustainable consumption and production patterns; combating climate change; promoting peaceful and inclusive societies; and strengthening the means of implementation.

### Preparation of the National Report

As recommended by the guidelines prepared in response to resolution 24/14 of the UN-Habitat Governing Council titled “Inputs for and support to the preparatory process of the third United Nations Conference on Housing and Sustainable Urban Development (Habitat III)”, following steps were adopted for the reporting process:

- *Step 1:* Organize a National Habitat Committee
- *Step 2:* Collect and analyze information
- *Step 3:* Hold a national workshop to review plans of action
- *Step 4:* Agree on priorities, issues and challenges for a new urban agenda
- *Step 5:* Prepare Habitat III National Report.

A 30-member National Habitat Committee was formed under the chairpersonship of the Minister of Urban Development (MoUD). A 16-member Steering Committee was formed with the Secretary at the MoUD as its chair. Likewise, a Technical Committee comprising of eight members was formed under the chairpersonship of the Chief of Housing and Building Section of the MoUD.

As per the UN Habitat’s guidelines and format, the National Report covers six topics, thirty issues and twelve indicators. The National Report has been prepared under the guidance of the Technical Committee and supported by thematic experts. The Report documents overall achievements of the Habitat Agenda, analyses issues and lessons learnt, and presents Nepal’s New Urban Agenda for the next 20 years along with future challenges.

The task of preparing the National Report was interactive and consultative, involving key stakeholders including government agencies, local bodies, private sector, civil societies, and academia. Discussions held in the following consultative forums contributed to the knowledge base creation and helped obtain views of the various sectors of the society:

- Forum of professional organizations
- Forum of non-governmental organizations, community-based organizations, and civil society
- Forum of local authorities
- Forum of youth
- Forum of private sector.

A national workshop was organized on 8 July 2016 to consolidate feedback from the key stakeholders received on earlier drafts. A validation workshop was organized on 26 August 2016.



## The New Urban Agenda: Vision, Goals, and Objectives

Cities can create enormous wealth at the cost of natural resources of the larger areas outside its boundary. Balanced development ensuring inclusiveness of the population of the larger rural urban areas becomes possible only when we enhance the distributive role of the major cities. Recognizing this, the New Urban Agenda *underscores the transformative role of cities and project cities as instruments in unleashing local and regional potentials.*

### *Vision*

- Cities for all; as a common good essential to quality of life
- Putting people in the center and offering quality of life beyond the provision of infrastructure and services
- Inclusive and free from any form of discrimination; all enjoying equal rights and opportunities
- Participatory and engendering a feeling of belonging and ownership among all, practicing civic engagement, and enhancing participation of all, women in particular, in the formulation, implementation, monitoring, and budgeting of urban policies and plans; strengthening effectiveness, transparency, and accountability
- Ensuring equitable access for all to public goods and services, livelihoods, and decent work
- Promoting and ensuring the full and progressive realization of the right to adequate housing
- Constructing quality and accessible public space for enhancing social interactions and political participation

- Promoting socio-cultural expressions, embracing cultural diversity, and fostering safety and social cohesion, while meeting the needs of all
- Resilient to hazards and disasters; promoting disaster risk reduction and conserving ecosystems, natural habitats and biodiversity; and reducing the global environmental and carbon footprint
- Prepared and enabled to meet the challenges and opportunities of future growth, harnessing productive local economies through the integration of formal and informal sectors
- Transforming the urban economies and creating high productivity and value-adding activities
- Promoting sustainable urban mobility that links people, places, and opportunities
- Fulfilling territorial functions under a national system of cities and human settlements, promoting urban-rural linkages, ensuring sustainable management of resources within and across territories for balanced and sustainable development.

### *Goal and Objectives*

The goal of this Urban Agenda is to *make cities and human settlements inclusive, safe, resilient, sustainable and smart in order to enhance their ability to provide decent jobs and adequate housing, infrastructure and services to the ever-growing urban population.*

The objectives are:

1. Sustainable and inclusive urban prosperity and opportunities for all
2. Sustainable urban development for social inclusion and poverty eradication *leaving no one behind*
3. Environmentally sound and resilient cities and human settlements.



## **II. ISSUES AND CHALLENGES FOR A NEW URBAN AGENDA**

# 1. URBAN DEMOGRAPHY

## 1.1 Managing rapid urbanization

The level of urbanization in Nepal remains low but the pace of urbanization has been rapid, and is likely to remain so in the future. According to the 2011 census, the country's total population was 26.5 million, and only 17.1% of the total population lived in a total of 58 municipalities.<sup>1</sup> More than one-third of the country's population now live in a total of 217 municipalities (Table 1).

Although the urban growth rate in Nepal is high, the population distribution across municipalities is uneven. Among all the urban centers, Kathmandu Valley is the hub of the Nepal's urbanization. With a population over 1 million, Kathmandu city alone recorded the highest density of 19,726 persons per sq. km.

There is imbalance in the distribution of urban population both in terms of development regions and ecological regions, making management of population growth very difficult for the concerned municipalities with limited resources.

Among the three ecological regions, the level of urbanization is highest in the hill region (21.7%) compared to Tarai (15.1%) and the mountains (2.8%). Among the five development regions, the Central Development Region has the highest level of urbanization of 23.5% followed by the Eastern Development Region and Western Development Region, both accounting for 17-18% each. Share of urban population in the remaining two development regions is relatively low.

**Table 1: Urbanization in Nepal**

Year	Number of municipalities	Urban population	Urban population as % of total population	Growth rate of urban population	Growth rate of total population
1961	16	336,222	3.6	3.44	1.65
1971	16	461,938	4.0	3.18	2.07
1981	23	956,721	6.4	7.28	2.66
1991	33	1,695,719	9.2	5.72	2.08
2001	58	3,227,879	13.9	6.44	2.25
2011	58	4,523,820	17.1	3.38	1.35
2011*	217	10,057,690	37.0	2.00	1.20
2016**	217	11,104,502	38.8	-	-

**Note:** \*The population of the present 217 municipalities in 2011. \*\*As projected by the Study Team assuming growth of rural population at the rate of 0.48 percent per annum.

<sup>1</sup> Municipalities are designated urban areas (cities and towns) meeting minimum criteria related to population, infrastructure, and revenues.

For most part of the last few decades, the efforts to manage rapid urban growth caused by internal migration and natural population growth were limited to a few large towns, such as those within the Kathmandu Valley, with better economic opportunity and administrative services. Despite using various growth management techniques, managing rapid urbanization for balanced urban growth has met with limited success putting more pressure on the existing large cities.

The current initiatives to manage rapid urbanization of major towns are largely guided by National Urban Policy (NUP), 2007, and more recently, the National Urban Development Strategy (NUDS), 2015. The latter aims to address regional disparities in development. It, among others, aims to de-concentrate economic activities outside the rapidly urbanizing towns, and direct growth into a number of selected secondary towns or growth points, integrating urban growth with the development of the surrounding rural areas so that the urban and rural areas both benefit from the mutual interdependence, and each growth point over time becomes the nucleus of a rapidly developing growth region.

The key supporting activities in managing urbanization include:

- Implementation of “Secondary Cities” development programs/projects to de-concentrate economic activities outside the Kathmandu Valley such as the Urban Environment Improvement Project (UEIP), Secondary Towns Urban Environment Improvement Project (STUEIP), Integrated Urban Development Project (IUDP), and Urban Governance and Development

Program (UGDP), and New Town Projects.

- Strengthen Kathmandu Valley Development Authority (KVDA) for coordinated urban growth management in Kathmandu Valley
- Planned urban development initiation in municipalities such as preparation and implementation of Periodic Plans, and Municipal Transport Master Plan (MTMP).

## 1.2 Managing rural-urban linkages

The majority of Nepal’s population still lives in the rural areas. Rural and urban areas in Nepal are not only interrelated but interdependent in spatial, economic, cultural, social, and financial terms. Urban areas in Nepal are the main source of employment and other opportunities because of which huge number of people migrate from the rural areas to cities.

The interdependency and interrelationship between the urban and rural areas can be better explained by the flow of goods, information and knowledge, finance, and services, among others. The management and strengthening of rural-urban linkages takes into consideration these realities; and development efforts are geared to benefit both the rural and urban areas as far as possible. In this regard, the role of small and medium sized towns is integral as they frequently act as a bridge between rural dwellers and urban centers, strengthening economic opportunities, and providing access to markets and basic services.

In Nepal, the concept of rural-urban linkage as a strategy to achieve the objectives of urban-based rural development policy was envisaged in the Seventh Plan (1985-1990), and continued in the Eighth Plan (1992-1997). With its



goal to achieve sustainable development, poverty alleviation and reduction of regional disparity, the Eighth Plan called for the establishment of national hierarchy of urban system and market-oriented urban subsystems. It emphasized sectoral investments to promote self-reliant social, economic and market services in rural areas through road connectivity to facilitate rural-urban linkages for balanced regional development.

In the spirit of the Eighth Plan, the United Nations Development Programme launched Rural Urban Partnership Programme (RUPP) in 1997 with an objective to improve people's livelihoods and strengthen the local economies by taking advantages of the social and economic development opportunities that can be obtained by strengthening the rural urban linkages. The significance of rural-urban linkages since then has been recognized and included in all National Plans as a strategy to regulate urbanization for a balanced regional development.

In Nepal, there is a need not only to address the existing disparities in the availability of infrastructure services and facilities between the rural and urban areas but also in the socio-economic fronts between the two so that rural economy could grow and develop vis-à-vis urban areas which eventually leads to the strengthening of rural and urban linkages. Some of the related notable initiatives include:

- RUPP (1997-2003)
- Small Towns Water Supply and Sanitation Sector Project I, II and III
- Small Towns and Market Center Development Program
- Model Village Development Program

- Regional Development Plans for the Emerging Growth Corridors.

### 1.3 Addressing urban youth needs

At present, the proportion of economically active population (EAP) is quite high in Nepal, accounting for 57% in 2011 compared to 54.1% in 2001 due to 'demographic dividend' or 'bonus population'. This situation will continue for two to four decades to come. Nepal aims to reap the full benefits of this 'demography dividend' by productively employing the EAP in the country's economic development.

In Nepal, the population within the age group of 16 to 40 is considered as the youth. There are about 2.2 million youth in the country which constitutes 48.65% of the total urban population in 2011. The Government of Nepal has already enacted National Youth Policy, 2010 to address the issues and needs of the youth. There are 17 working policies which cover almost all the important aspects like basic rights to livelihood, education, and employment, as well as empowerment and leadership development, social security, and participation in environment protection.

Similarly, the Youth Vision, 2025 has reviewed the Youth Policy and has proposed to redefine a youth as someone belonging to the 16-35 age group instead of the upper age of 40 mentioned in the policy. Further, it emphasizes the need for the provision of education, leadership development and health training to the youth of 16-25 age group. For the youth above 25 years, the Vision recommends, among other, the provision of employment opportunities, and entrepreneurship development.

Inclusive participatory urban planning is advocated as a mechanism to internalize youth involvement in the urban development activities. However, cities in Nepal are yet to become youth-friendly as most cities have limited provisions for recreational facilities including inclusive community spaces and sports facilities. Realizing the need to make cities inclusive and to make development based on social justice, the Government has formulated important policies to address the needs of the persons with disability (PWD) of all age groups including youth. Some of the related policies are as follows:

- Disability Identity Card Distribution Guidelines of Government, 2008
- National Policy and Plan of Action on Disability
- Disability Definition, 2006
- Policies and Programs for the disabled in the Three Year Plan (2010/11 – 2012/13).

In order to encourage the youth in self-employment by providing affordable loan, the Government of Nepal established the Youth and Small Entrepreneur Self Employment Fund (YSEF) in 2009. It is a targeted youth program which aims at transform unemployed youth into self-employed ones by providing concessional loan up to NRs. 200,000 (approximately 2000 USD) without collateral to invest on agriculture, small business enterprises, and service-oriented enterprises. By lending Rs. 3.2 billion, the YSEF has produced more than 25,000 self-employed youth. The YSEF has covered 73 districts out of 75 districts (except Manang and Mustang).

Monitoring and evaluation of the YSEF has indicated that cooperatives are more effective than banks and financial institutions in the disbursement of the

loans. Regarding fund mobilization and credit risk, it is found that there is 90% repayment of loans; 5% of the youth have been able to create employment opportunities for others; and 2% of the youth have employed more than 10 persons in their enterprises by utilizing YSEF fund. The findings are encouraging.

#### **1.4 Responding to the needs of the aged**

Similar to the global trend, Nepal is also witnessing an increase in the aging population. Following the World Health Organization (WHO) definition, a person of age 60 years or above is defined as a senior citizen in Nepal. However, Nepal is still 'young' in terms of aging population which, according to the 2011 census, is only 8.13% of the total population.

According to Nepal's traditional norms, family value system and culture, the prevailing practice of taking responsibility to ensure well beings of old aged people primarily lies with the concerned families rather than with the government. It is estimated that 80% of elderly people in Nepal live with their married sons and about 3% with their married daughters.

However, due to gradual erosion in family values with changing social structure, many old-aged people are forced to live the life of destitute in old age home run by charitable organizations. This situation is more common in the case of urban areas than the rural areas in Nepal.

In addition to 230 elders living in the old age home established in 1975 and run by the Ministry of Women, Children and Social Welfare (MoWCSW), there are as many as 1500 senior citizens living in the old age homes run by charitable organizations across the country.

Until recently, the various needs of the aged population hardly made way through the policy making and development agenda. Responding to the needs of aged people has become a burning issue and a challenge in the overall management of the urban areas in Nepal.

As a response to meet the challenge and to respect the senior citizens' significant contribution in one way or the other in the country's development in their formative and productive periods using their education, experience, and skills, the Government has started recognizing the needs of the old aged population. Accordingly, the Government through its ministries and concerned agencies has formulated an act, various policies and regulations to meet a wide range of needs including long-term care, health, financial security, protection against violence and discrimination, and enabling environment for their physical, social and psychological well-being. Some notable policy achievements include:

- Senior Citizen Policy, 2001
- Senior Citizen Health Treatment Program Directives, 2004
- National Plan on Ageing, 2005
- Senior Citizen Act, 2006
- Senior Citizen Regulation, 2008
- Senior Citizens Health Services Implementation Directives, 2012
- Establishment and Operation of Geriatric Wards Directive, 2013.

Over the last two decades, hosts of programs and projects have contributed to the improvement of the status of the old aged population in terms of meeting their social, physical and psychological needs. Representative examples include:

- Government allowance since 1995/96 for persons aged 70 years and above
- Formation of Senior Citizen Protection Section at the MoWCSW in 2013
- Operation of Geriatric Wards in five different government hospitals
- Establishment of *Arogya Ashram* (health centers) in all 75 districts of Nepal
- Incorporation of issues of the old aged people in district level regular training programs for health workers.

### 1.5 Integrating gender in urban development

The integration of gender in development agenda in Nepal largely witnessed welfare approach until the Eighth Plan that came after political change in 1990. The enactment of Local Self-Governance Act, 1999 in the Ninth Plan period (1997-2002) made 20% reservations for women in ward level election. It was a significant move to empower women politically, engage them in political activities and decision making.

The Poverty Reduction Strategy Paper (PRSP) linked with the Millennium Development Goals (MDGs), on which the Tenth Plan (2002-2007) was largely based, recognized *gender* and *social inclusion* as main cross-cutting strategies for reducing poverty.

The political process of 2006 and the subsequent Three Years Interim Plan or TYIP (2007-10) focused at poverty reduction was some kind of watershed in mainstreaming right-based gender issues (primarily gender equality and social inclusion) in development agenda. This strategy ensured to redefine the narrow interpretation of participation made in

preceding plans to include empowerment both at the macro-decentralization and devolution of power and micro-program and project levels.

Some key policy and program-level achievements towards ensuring gender equality include:

- Reservation of 33% to women in all levels of governance
- Right to inherit properties
- Act for the Amendments of Some Nepal Acts, 2006 in which some 65 discriminatory provisions in existing acts and regulations were amended to ensure gender equality and reduce discrimination
- Declaration of Gender Responsive Budget, 2007-08
- Gender Responsive Budget Preparation Guidelines (GRBPG), 2012.
- Gender Equality and Social Inclusion Policy, 2010

The Government of Nepal's sectoral agencies are in the process of internalizing gender equality and social inclusion (GESI) policy to mainstream their sectoral policies, plans and programs. In this connection, the Ministry of Urban Development (MoUD) has prepared GESI Operational Guidelines, 2013 which aims to provide increased access of *women, poor and excluded* communities to urban development resources and its benefits. It deals with *water, sanitation and hygiene* (WASH) and *housing, urban development, and building* (HUB) sectors. As an effort to internalize the operational guidelines at organizational level, the MoUD has established Social Co-ordination Section both at ministry and in sectoral departments within its

organization set up to oversee both WASH and HUB sectors.

Other key efforts to internalize GESI agenda at project level leading to integration of gender in urban development, urban governance and monitoring are:

- **Preparation of Municipal Periodic Plans** that prioritizes programs for women, and marginalized groups, poor and children using participatory approach to plan making
- **Local Governments Grant** in which local bodies are obliged to dedicate 35% of the unconditional grant of which 10% is allocated to the plans and programs directly benefitting the poor women. Another 10% goes to poor children and 15% is dedicated to marginalized communities including women.
- **Local Governance and Community Development Program (LGDCP)** prioritizes, among others, the GESI in its goal of promotion of inclusive local democracy through local community-led development.
- **GESI mainstreaming** in urban development projects like Urban Development through Local Effort (udle) and UEIP, both of which have been instrumental in evolving planning method to adapt GESI in urban development projects
- **GESI in monitoring of municipal urban development efforts** in which municipalities require to use Minimum Conditions and Performance Measure (MCMP), 2009 to ensure, among others, the inclusion of GESI through participatory process in their development project planning and implementation.

## 1.6 Challenges experienced and lessons learnt

### *Managing rapid urbanization*

Managing rapid urbanization in Nepal is challenging due to the uneven distribution of the urban population caused by rapid pace of urbanization in major cities and low level of urbanization in emerging urban areas, depending upon the availability of basic services and employment opportunities.

The implementation of the NUP, 2007 has been rather weak to direct growth in selected secondary towns for balanced urbanization and reduced regional disparity as it lacks priority-based comprehensive investment plans in integration with the national urban system (later envisaged in NUDS, 2015) and inadequate investment on urban development.

The severely limited technical and financial capabilities of local bodies and inefficient institutional arrangement at the central level have also impeded the integration of the NUP with sectoral plans and programs leading to inefficient investment, duplication and delays in the project implementation. Investment in various infrastructure projects is not integrated with the inter-urban economic linkages, strategy for development of lead sector based local economy, and the rural urban linkages.

Despite the gradual change in resource constraints by exploring external sources from funding agencies, assigning priority to the urban sector and allocating adequate resource is still a big challenge.

Difficulty in accessing land, insufficient budget allocation and limited institutional capacity for the capital investment in urban infrastructure have remained major

challenges in developing new towns and growth points.

### *Managing rural-urban linkages*

Although the promotion of rural-urban linkage has made headway in increasing physical connectivity between rural and urban areas, the constrained investments in few selected service sectors (like processing and trading enterprises) only has limited multiplier effects in economy. There is lack of sectoral integration and coordination in formulating policy, programs and projects that promote productive sectors with multiplier effects, leading to weak investments in large-scale projects in such sectors.

Another challenge faced in strengthening rural-urban linkages is the clustering of enterprises to improve their productivity and profitability by providing common physical and corporate services. This will also contribute to linking the enterprising activities to the municipal spatial planning.

Other issues at plans and project level arise from lack of coordination to optimize the potential cross-jurisdictional planning because of the socio-economic interdependence between the adjoining areas (municipalities, village development committees or VDCs). The provision made by Local Self-Governance Act, 1999 and Rules, 1999 for a joint advisory committee has not been used effectively.

The exclusion of poorest groups at the level of rural-urban linkage targeted projects in terms of project conception, design, implementation and benefit sharing has hindered the inclusion of poor and disadvantaged.

### *Addressing urban youth needs*

The labor and employment policies, operational plans and programs so far



implemented for the utilization of the youths have not been very much encouraging to address the youth problem both in the rural or urban areas. This is mainly due to the lack of job-oriented vocational education and skill development training, business-related security, and foreign employment promotion.

Despite adopting participatory method, the existing urban development planning practice has not really been able to mainstream the youth's social and physical needs. Current youth policies, plans and the programs are limited in terms of addressing diversity within the youth population (rural youth, urban youth, or youth with disability).

#### *Responding to the needs of the aged*

The existing acts, regulation and policy have their limitations in terms of old aged people's extended needs related to education and awareness, employment, participation in policy making and political life to ensure their human dignity. The overall weak implementation can be exemplified by the delay in implementing many provisions made in the existing policies and plans.

Although senior citizen policy and acts have provisions for the social welfare, there are limitations when it comes to securing their rights to basic social, physical and psychological needs. For example, the provision for complain against domestic violence has not been fully implemented due to existing family structure. The policies and acts need to be more right based than welfare based.

Likewise, although provisions for senior citizens are made in the proposed Emergency Management Act and National Disaster Framework, the materialization of

such provisions are not linked with service delivery.

Negligible numbers of major development partners in Nepal have policies and programs that address the issues of ageing population to bring the needs of the aged population in the forefront of development agenda.

#### *Integrating gender in urban development*

Despite various provisions in the GESI policies, their internalization and implementation at sectoral policies, programs and projects have been weak due to limited integration with the GRBPG, 2012. Only about eight ministries have internalized GESI in their policies since the TYIP. Many sectoral agencies lack GESI disaggregated data and uniform monitoring system.

The urban development plans are generally prepared using participatory approach in which women participate. However it is seen that the *real participation* of women, especially that of the marginalized and disadvantaged, is not encouraging in terms of making their voices heard.

The internalization of GESI goals by different sectoral agencies including development partners and non-governmental organizations needs to be aligned in order to achieve efficient implementation of GESI concerns in urban development projects. The GESI Operational Guidelines Prepared by the MoUD needs to be clear, specific and instructive with required tool kits so that it can be practiced and operationalized at ground level to seek real participation in planning.



## 1.7 Future challenges and issues to be addressed by a New Urban Agenda

### *Managing rapid urbanization*

Although various policies, programs and projects are being formulated and implemented, the population growth rate fueled mainly by rural-to-urban migration will remain high in major cities and towns for a foreseeable future. The uneven urbanization levels across major, secondary and small towns will have negative impacts on the country's territorial policy for balanced regional development.

While, on one hand the technical and financial resource constraints will limit capacity of emerging towns in keeping pace with rapid growth management needs, on the other hand, small towns will have to work towards retaining the existing population and promoting urbanization.

The New Urban Agenda aims at achieving desired urbanization levels for the balanced distribution of the urban population in towns and cities across ecological and development region by increasing financing in urban infrastructure and services. This will include exploring creative ways to increase the internal revenue of the local bodies.

The New Urban Agenda also seeks to address the challenges of managing urbanization across new federal states as the country is in the process of implementing the new constitution which aims at the restructuring of the country into federal states. With federal states coming into existence accompanied by three tiers of governments namely central government, provincial government, and local government, there will be notable change in the current trend and nature of urbanization with the emergence of

provincial capitals and towns. Local government will be powerful than before.

Managing rapid urbanization through urban and territorial planning will require articulating roles and responsibilities of local governments, their relationships with central and provincial governments, and relationship between local governments.

### *Managing rural-urban linkages*

There is no sharp distinction between urban and rural areas in Nepal as they are in many respects intertwined, interrelated and interdependent. Although emphasis on rural-urban linkage as a tool for balanced regional development is given in various National Plans, clear-cut policy for promoting such linkage is lacking. Many regional centers located in hills continue to fail to provide economic opportunities and retain their population from migrating to Tarai and other major towns.

The need for strengthening the capacity of rural service centers, and small, intermediate and secondary towns to attract populations, increase investments, create jobs and reduce reliance on primate cities, as strategies to promoted decentralized growth will thus remain challenging in future. The issue related to inclusion of the urban poor, disadvantaged and marginalized communities in program and projects level also remains challenging.

The New Urban Agenda aims at strengthening rural-urban linkages. Such agenda will include pragmatic policies and programs to overcome the jurisdiction issues between local bodies, creative ways to increase investments in productive sectors that can contribute to multiplier effects of the economy, and inclusion of the poor and disadvantaged community in the overall development process.

### ***Addressing urban youth needs***

Annually 512,000 youth enter labor market in Nepal according to the Economic Survey (2015/16). But the employment opportunity has not been at par with the growing number. In average, nearly 1,300 youth leave the country for foreign employment. Many return back to the country with new entrepreneur skills and willing to work in gainful and productive sector. The Government, despite its continuous efforts, has not been able to productively utilize economically active youth population. This situation will remain as a significant challenge for the foreseeable future. Besides, finding out creative ways to involve and increase youth's participation and ownership in urban development process by meeting their social, physical and psychological needs remains a daunting task.

In this context, the New Urban Agenda calls for efficient planning for productive utilization of 'demographic dividend' in the form of youth population. Recognizing the diversity among youth groups and their diverse needs, it aims at involving youth in the overall urban planning and development process.

### ***Responding to the needs of the aged***

The population of old aged people and the disintegration of traditional family value system may continue to increase. Besides financial security, long-term care and health service provisions, the lack of inclusion of awareness, employment and participation in policy making and political life needs of the old aged population will put them at risk of losing human dignity. The senior citizen act and policies are rather *welfare based* than *right based* which impedes old aged population from securing their rights to dignified living and social freedom.

The New Urban Agenda will focus at the right based policy and programs based on comprehensive and disaggregated nationwide data on the status of access and exclusion to various facilities provided by the government. This includes ensuring the need for the social networking and organized activities and integrating welfare policies with national disaster framework to cater to their social, psychological and safety needs. In addition to these, the new urban agenda will mainstream old aged issues in the policies and programs of development partners for larger resource mobilization in the favor of the old aged population.

### ***Integrating gender in urban development***

Despite the formulation and implementation of various policies, programs and projects, internalizing them in interdepartmental working policies will remain challenging for a considerable period in the future. The challenges will arise among others from the placing of special units/sections under appropriate organizational setting, inadequate authority and resource constraints to implement plans and programs, non-recognition of the cross cutting nature of the job by inter departments and lack of institutional memory. The other future challenge includes ensuring real participation involving the poorest of poor, disadvantaged and marginalized women in urban planning and development.

The New Urban Agenda includes the continuation of refining right-based approach for GESI to reach out to the all sections of society through the internalization of the policies and operational guidelines in public sectoral agencies, development partners and non-governmental organizations.

## 2. LAND AND URBAN PLANNING

### 2.1 Ensuring sustainable urban planning and design

The ancient Licchavi-Malla-era towns of the Kathmandu Valley were compactly built and densely inhabited in order to economize on fertile lands and preserve water bodies, maintaining delicate balance between human needs and ecological resources. The ancient towns thus served as the finest example of sustainable urban planning and design. However, the scattered locations of palaces constructed by the Shah-Rana rulers disturbed the delicate plans on which the traditional towns were built. With the fall of Rana regime in the early 1950s which opened the country to outside world, the Valley began to witness rapid urban growth triggered by the influx of migrants. The ecological serenity of the Valley became a thing of the past.

In the early 1960s, master plans and physical development plans were developed for the Valley, which marked the beginning of conventional practice of urban planning in the country. However, by the early 1980s, it became obvious that conventional physical planning tools were not effective in controlling or managing urban growth. In response, during 1980s and 1990s, several innovative planning techniques were adopted such as integrated action planning (IAP), guided land development, site-and-services, land pooling, urban upgrading, and affordable housing standards, among others. The results were encouraging in terms of planned outputs such as developed land parcels with access roads, infrastructure and finance, and improved skills of

planners. These helped attract people and investment to cities and towns. These approaches also fairly addressed the growing concerns about sustainable development.

Until the preparation of Municipal Periodic Plans was made mandatory, IAP was widely practiced. As and need-based planning process, the IAP facilitated urban development through implementable and realistic projects, geared towards addressing the more urgent problems (e.g., slum improvement, water supply) in the most direct way. IAP linked physical planning with economic planning in the participating town by integrating multi-sectoral investment plan (MSIP) and physical and environment development plan (PEDP). The elements of IAP have been incorporated in the municipal periodic planning process.

In the last two decades, much effort was made in formulating national urban policy and strategies, which eventually led to the National Urban Policy (2007) and more recently, the National Urban Development Strategy (2015). These policy documents aim to guide and regulate urbanization process in Nepal, de-concentrate economic activities outside Kathmandu Valley, redefine conceptual issues on regional planning and development, achieve balanced regional and sub-regional development, and create off-farm employment opportunities and serve hinterland. Key supporting activities include:

- Strengthening of Kathmandu Valley Development Authority (KVDA) as a unified planning body for the Valley:

KVDA has recently drafted 20-Year Strategic Development Master Plan, 2015 – 2035.

- Empowerment of municipalities: All erstwhile 58 municipalities have completed their first-generation periodic plans. Building construction and design is being regulated through the issuance of building permits.

Over the last two decades, an array of programs and projects has contributed to the development of urban and peri-urban areas in the country including:

- RUPP (1997-2003)
- Small Towns Water Supply and Sanitation Sector Project I, II and III
- Small towns/ market center development programs
- Model village development programs
- Regional development plans for the emerging growth corridors.

## **2.2 Improving urban land management, including addressing urban sprawl**

Efforts in Nepal have been directed to increase people's access to land for housing. However, access to land is rendered increasingly difficult due to the competing demands for housing, industry, commerce, infrastructure, transport, and agriculture, along with the need for open spaces and green areas, as well as the need for protecting fragile ecosystems.

The supply of urban land is generated mostly from the premature conversion of agricultural land. In the Kathmandu Valley and other major urban areas, land brokers have been playing a crucial role in assembling lands. The effects are that a small part of the city would have wide

streets with regular road pattern while activities would be concentrated along the main roads showing a linear but irregular pattern. Such developments typically have low density as access is gradually provided through the help of brokers. Besides being costly, this has resulted into circuitous roads, making provision of basic amenities like water and sanitation difficult. The access for service vehicles such as fire engines and ambulances is inadequate in most places. There is a lack of space for recreation and emergency rehabilitation purposes.

In response to the early signs of haphazard urban development, guided land development (GLD) projects were initiated in 1988 to improve existing infrastructure by reorganizing road network in and around the project areas. The GLD project contributed in preventing urban sprawl by ensuring a better use of the land and by encouraging infill development. Although some site-and-services schemes were also introduced in late 1970's with a much wider scope than the GLD projects, these schemes soon became unpopular as original land-owners would get displaced from their places. Moreover, land acquisition became increasingly difficult because of the rising prices.

Beginning in late 1980s, the concept of land pooling made headway with several projects getting underway. So far, 12 land pooling projects have been implemented within Kathmandu Valley (area: 260 hectares, housing plots: 12,160) with 11 projects coming up (area: 405 hectares; housing plots: 10,000). Land pooling projects are also being implemented outside the Valley. Efforts are being made to mitigate sprawl through land readjustment projects with an objective to create nodes out of such projects where

more intensive land use is envisaged leaving aside agricultural land.

Although there were attempts to encourage growth of Tarai towns and foothill towns in the 1980s, most of the investments in the past were made in Kathmandu Valley. Competitiveness of Kathmandu only increased with time. Moreover, weak governance has made it a very attractive place for investments in land and real estate upon which the city economy now relies heavily. In Kathmandu and Lalitpur cities within the Kathmandu Valley, over 1,500 hectares of land have been developed through private initiatives over the past decade, and that also without any formal urban financing. In recent years, the role of the private sector in housing and urban development has changed markedly.

The government at different levels has supported community efforts in improving infrastructure and service conditions. The poor are vulnerable to eviction, natural disasters, and calamities. In urban areas, the location of low-income settlements on steep slopes and flood plains also makes them vulnerable. Urban upgrading programs have been launched in slums and informal settlements with positive effects on housing conditions.

### **2.3 Enhancing urban and peri-urban food production**

Most of the urban growth in Nepal is happening at the expense of fertile farmlands. In the absence of clear policies on the preservation of farmlands, cities are using peripheral land for urban related purposes in a wasteful manner. Existing serviced land and infrastructure in the peripheral urban areas are often inadequately developed and used.

The Kathmandu Valley and the Tarai area are stark examples of how agricultural

lands are prematurely falling prey to urbanization. Farmers in peri-urban and urbanizing areas are increasingly abandoning their traditional occupation in favor of more financially attractive and less labor-intensive job opportunities created by urbanization. Declaration of new municipal areas has also expedited sprawl with the construction of new buildings on hitherto farmlands. Considering ever-increasing demand for food in rapidly growing cities, food security has emerged as a critical urban concern.

In Nepal, urban agriculture has gained attention as a legitimate urban issue only in recent years. So far, the tendency among urban policy makers had been to view agriculture as a sector non-compatible to urban development. There has been renewed interest in integrating the issue of food security into urban development process.

Amid growing concerns about increasing fragmentation of fertile lands and unplanned urbanization, the government promulgated Land Use Policy 2012 with an aim to encourage optimal use of land. The policy has divided land into seven categories: agricultural, forest, residential, commercial, public, industrial, and others. The main focus of the policy is to ensure that fertile land is used for farming only. The policy also talks of adopting land pooling concept to acquire land for development projects. However, implementation of the policy has been hindered by the absence of related act and regulations.

The National Agricultural Policy 2004 was promulgated with an objective to contribute towards ensuring food security and poverty alleviation through a commercial and competitive farming system. Although the policy does not



specifically address urban or peri-urban urbanization, it seeks to establish a land bank with arrangements made with the participation of the local bodies in order to provide information services relating to the availability of farmlands to those who wish to buy/sell such lands for agricultural purpose as well as to provide credit facilities to the needy ones. These provisions are expected to have positive implication for the preservation of farmlands within urban areas as well as for the promotion of urban agriculture. The National Urban Development Strategy 2015 has also recognized promotion of urban agriculture as one of the major strategies for improving urban environment.

#### **2.4 Addressing urban mobility challenges**

During the last few years, cities of Nepal have experienced sudden rise in the severity of traffic congestion and accidents coupled with rapid deterioration in air quality. It will take much more time and efforts to reverse the rising tide of traffic congestion. Only more coherent urban transport and land use planning can solve such problems effectively in the long run.

Earlier roads used to be a part of built environment. People gathered and celebrated cultural and social functions on roads. Now roads have divided communities. The current approach is also to create vibrant environment at locations accessible to transits even though neighborhoods are encroached and disrupted through transits. Transit is seldom integrated with the neighborhood development.

There is an inadequate emphasis on the use of public spaces including road junctions and privately shared spaces for creating

vibrant urban ambience. Even the territory of many important temples has been compromised for immediate traffic relief.

In Nepal, building byelaws and land use principles are mostly governed by the existing road system in the area. Land use changes are allowed in view of the developments induced by transport network. With ease in transport, various social service activities as well as economic activities also flourish. Transport is the most important determinant for the growth of cluster economy. However, asymmetric emphasis on developing transport network alone without due respect to proper integration with land use – as is often the case in Nepal – goes against the theory of planned urbanization.

There is a flawed perception in Nepal that road widening solves traffic congestion. It can only provide immediate relief but as long as the number of vehicles keeps growing, road widening alone cannot help. The wise strategy would be to invest in public transportation system, which is still in poor shape in Nepal.

After nearly a decade-long gap, Sajha Yatayat, a transport cooperative (with shares owned majorly by the government) resumed its services in 2013 with the operation of 16 large buses along two trunk routes in the Kathmandu Valley. The fleet and services have since been expanded. Private companies have also started operation of large buses in the Kathmandu Valley.

Gradual improvement in the public transportation sector in the Kathmandu Valley, hitherto dominated by small vehicles, notably and notoriously by minibuses, is a positive development. However, the sector still needs more investment and expansion not only in



Kathmandu Valley but also in other growing urban regions outside the Valley.

The role of integrated land use planning for improved urban mobility is being increasingly realized in the urban planning domain in Nepal as evident from the following completed or ongoing assignments:

- Formulation of National Transport Policy (2001)
- Completion of the study for Kathmandu Sustainable Urban Transport Project (KSUTP) with project preparation currently underway
- Completion of Asian Development Bank-supported Urban Transport Management Project for Biratnagar Sub-metropolitan City integrating land use planning and transport management
- Road widening in Kathmandu Valley (ongoing)
- Japan International Cooperation Agency (JICA)'s on-going work on sustainable urban transport for Kathmandu Valley
- Increase in the operation of large public buses in the Kathmandu Valley.

## **2.5 Improving technical capacity to plan and manage cities**

Most urban planning tools such as IAP (which was a by-product of training), building bye-laws, building codes, financing tools, and environmental guidelines were developed to increase the capacity to plan and manage cities. Equipped with planning tools and related trainings such as task project training and building codes implementation training,

the capability of municipalities has increased over time; they are not as center-driven as they were in the early nineties.

Moreover, Local Self-Governance Act (1999) and Rules (1999) have envisaged to empower municipalities in line with the spirit of self-governance and autonomy. Municipalities can develop bye-laws to suit their needs. Several municipalities have developed municipal bye-laws and separate guidelines for waste management.

Likewise, municipalities are also mandatorily required to prepare medium-term Periodic Plans covering various development themes and ensuring proper public consultation at ward levels. So far, all erstwhile 58 municipalities have prepared their first periodic plans, and newly declared municipalities are preparing for the same. In addition, municipalities are also required to prepare MTMP guided by a perspective plan.

The MoUD was formed in 2011 with an aim to foster planned urbanization and development, manage urban growth and issues, improve urban environment, and increase urban productivity and opportunities. Although municipalities function under a separate ministry – Ministry of Federal Affairs and Local Development (MoFALD), the MoUD has been technically supporting municipalities, often through its arm Department of Urban Development and Building Construction (DUDBC), in the preparation of periodic plans and in the implementation of building codes.

In order to make the municipal governments competent to deal with urban management problems, efforts are being made through the following:

- Enhanced local resource base through the creation of development fund as well as taxation, and grants
- Capacity building through training programs
- Technical and planning input from the central government through DUDBC
- Formulation of appropriate standards for buildings and infrastructure
- Research and design on building design, appropriate technology, construction materials, and construction methods
- Implementation of building bye-laws and building codes
- IAP, Periodic Plan (with MSIP and PEDP), and MTMP
- Sustainable financing approaches by engaging Town Development Fund (TDF).

## 2.6 Challenges experienced and lessons learnt

### *Ensuring sustainable urban planning and design*

Infrastructure development provision remains weakly coordinated with the overall development of city. Unearned income is rarely captured. There is lack of infrastructure extension and neighborhood level planning.

As land distribution becomes more skewed, land issues ought to be resolved more rigorously. If accessibility to land is to be linked with planned urban development, the government needs to exercise adequate control on land use.

Likewise, the trade-off between growth and sustainability needs to be addressed,

including regulation of urban growth through physical development plans.

There is growing regional disparity in urban growth and development. Increasing rural-to-urban migration of largely unskilled and poor people has strained already poor urban infrastructure and services. Robust regional development strategy is needed in response to rapid urbanization. Socio-economic planning should be coordinated with spatial planning at regional or sub-regional level with due consideration to functional hierarchy of settlements.

Despite some progress in urban planning, land development, local empowerment, and housing delivery system, there are several challenges to overcome. Technology and research on building materials have not improved much. Progress on institutional development is rather slow.

Likewise, the market under the patronage of government has set housing price unaffordable to most families. Despite increased investments in individual housing, the private sector could not contribute much in social housing due to institutional constraints and low profitability. While some areas of urban development have become highly profitable (e.g., education and health), other sectors like solid waste and water supply are not adequately financed.

The Kathmandu Valley is the most important urban region in the country. However, due to unplanned concentration of economic activities and investment, Kathmandu Valley continues to face unprecedented urban growth, accompanied by ecological and environmental problems. The unique built environment and cultures in the traditional settlements of the Valley are at increased

risks due to commercialization of land use and gentrification.

### ***Improving urban land management, including addressing urban sprawl***

Ineffective planning and land use regulations have resulted into unplanned and spontaneous growth of urban settlements within and beyond municipalities. This has encouraged low-density urban sprawl.

Upgrading of the existing housing stock and built environment remains largely ignored, entailing households to move out to the low-density area at the city periphery.

Unregulated, informal and substandard land subdivisions are rampant. It is difficult to control premature loss of agricultural land as ownership rights are complex due to unclear land titles and secured tenancy rights. Legal and administrative hindrances exist in the formal land development process. On the other hand, many land pooling project sites remain underutilized.

### ***Enhancing urban and peri-urban food production***

Urban agriculture has gained attention as a valid urban issue only in recent years due to international success stories. So far the tendency had been to view agriculture as a sector non-compatible to urban development. However, there is no regulation so far to control or regulate premature conversion of farmlands into urban use. Likewise, no specific policy exists on urban agriculture. National Agricultural Policy 2004 does not address urban agriculture.

### ***Addressing urban mobility challenges***

The flawed perception that road widening solves traffic congestion needs to be corrected. The sustainable solution to

traffic congestion is to invest in public transportation system. Existing deficiencies such as monopoly of private transport entrepreneurs should be mitigated.

Land use changes are influenced mainly by investments. There is need for integrated land use planning. Urban transport planning should be responsive to the changing transport needs brought by urban growth. Instead of managing for the transport backlog caused by rapid growth, planned integration will allow continuous balancing between land use change and transport management.

### ***Improving technical capacity to plan and manage cities***

There is lack of competence in harnessing the potentials of governance structure and stakeholders' engagement. Managerial and technical capacity is limited both at center and municipal level. The ability to use resources fairly is not ensured. Local governance is weak and not linked with the improvement in access of people to resources, goods, and services.

In order to make local government competent to deal with urban management problems, it should be able to create its own resource base through the creation of development fund as well as taxation. So far most municipalities depend on grants from the central government.

## **2.7 Future challenges and issues to be addressed by a New Urban Agenda**

### ***Ensuring sustainable urban planning and design***

The trade-off between growth and sustainability must be recognized and addressed. There is a growing consensus that cities should be compact, livable,

economically vibrant, and environmentally sound. Nepal has a history of compact urban settlements; the journey back to the sustainable urban form should not be delayed.

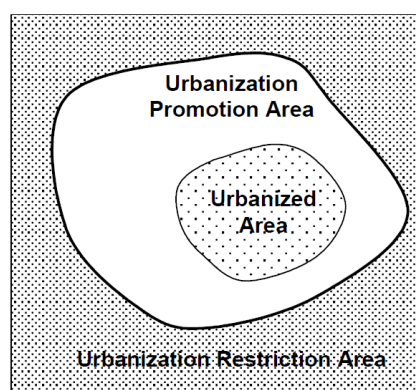
Nepal is committed towards fulfillment of SDG Target 11.3 (“By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries”) through planned new cities, densification, and moderate urban population growth rate.

In Nepal, sustainable urban planning and design cannot be envisioned without considering the country’s varied geographical features along with local art, architecture, and heritage (both tangible and intangible). A home to some of the world’s greatest heritage sites, Nepal joins the global initiative to “strengthen efforts to protect and safeguard the world’s cultural and natural heritage” (SDG Target 11.4) from possible detrimental impact of urbanization. This also calls for the regeneration of traditional settlements undergoing economic downfall.

### ***Improving urban land management, including addressing urban sprawl***

Land is a scarce resource, and more so in the urban context. The existing land management practices need major improvement in order to deal with competing urban land requirements for housing, industry, commerce, infrastructure, transport as well as public and green spaces in line with SDG Target 11.7 (“By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities”).

An effective planning intervention in order to achieve urban growth with sprawl is to categorize urban and territorial areas surrounding urbanized core into Urbanization Restriction Area (e.g., forests, parks, fertile lands) and Urbanization Promotion Area (Figure 1), as also included as a strategy in the 14<sup>th</sup> Plan Approach Paper. This is more necessary and applicable in the case of new municipalities with undeveloped hinterlands.



**Figure 1: Urbanization promotion and restriction area**

Source: Joshi (2007)

By 2020, all municipalities will have a zoning plan with three categories of land use: a) Urban areas b) Would-be urban areas and c) Conservation areas with rural characteristics. The identified urban areas will be densified through urban upgrading. The would-be urban areas will be planned with the installation of necessary infrastructure and services following the principle of GLD. These may function as sub-centers developed through land pooling projects. Conservation areas will, in principle, not be available for development. These will be conserved to provide the necessary ecosystem services for the entire municipality as well as natural resources for the up keep of the urban areas. The amenities created in the urban

core will be made equitably accessible to the rural people residing in this area. The urban core will supply the necessary inputs and financial resources for the upkeep of the natural resources in these areas. The MoUD will work closely with development ministries to help them meet their demand for urban land for carrying out their activities in a sustainable manner. Access will be provided for all to urban services including, mobility, water and sanitation, solid waste management and drainage to improve public health. As a response to climate change energy efficiency will be aimed at. Urban culture will continue to be a priority component of urban plans.

Compact, walkable neighborhoods should be developed through proper densification and infill development which would lead to optimal use of available lands as well as decelerate urban sprawl. High density is culturally tolerated in Nepal, which could be an advantage.

If accessibility to land is to be linked with planned urban development, the government must possess and exercise adequate control on land use. Given very strong private controls over lands in Nepal, land development schemes (e.g., GLD, land pooling) should be launched under public-private partnership (PPP) modality.

### ***Enhancing urban and peri-urban food production***

Urban agriculture is linked with ecology and food security. As more and more predominantly rural areas have been declared as or amalgamated into municipalities, significant hectares of farmlands now lie within the jurisdiction of municipalities. Preservation of urban agricultural lands is important from the national perspective as well – to achieve SDG Goal 2 (“End hunger, achieve food

security and improved nutrition and promote sustainable agriculture”).

Nepal is moving ahead with a new land classification system envisioned in the Land Use Policy 2012. An Act to implement the policy will significantly help in the preservation of urban farmlands.

### ***Addressing urban mobility challenges***

Land use should be integrated with transport planning to form development patterns that reduce commuting demands (in terms of hours or distance), and this is possible through appropriate densification (see Joshi and Kono, 2009) such as transit-oriented development (TOD). Intermixing housing, business, and urban amenities in close proximity to public transport stations integrates long-distance travel by mass transit and short-distance (within-neighborhood) travel on foot or by using non-motorized transport modes.

The TOD also aligns with the SDG Target 11.2 (“By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities, and older persons”).

Roads should connect communities, not divide them. Road widening should be aimed at improving mobility for all citizens, regardless of their age, economic status and mode of commuting, and not just aimed at making more space for private cars.

### ***Improving technical capacity to plan and manage cities***

It is imperative to build ability of multiple stakeholders and institutions at different levels of governance who are involved in planning and managing cities. It is also



important to articulate their role, authority, scope, and limitation.

As local governments, municipalities are expected to gain and exercise more legal powers in the course of implementation of the new Constitution. As of now, most of the municipalities are financially weak. Newly declared municipalities need handholding for a long time.

Besides improving human resources and logistics, technical capacity of municipalities can also be enhanced through partnership and collaboration such as with academia for management of knowledge products, with development partners for implementation of development projects, or with other municipalities for synergy.

The main purpose of capacity development is to make goods and services easily accessible to all. It will focus on knowledge management and transfer of technology. It will be directed to the ability of preparing situation-specific rules and regulations. Data collection and analysis will be a priority area to be carried out with the engagement of all stakeholders. Information and communications technology (ICT) will be integrated into governance and service delivery to transpire the concept of SMART cities.

## 3. ENVIRONMENT AND URBANIZATION

### 3.1 Addressing climate change

Nepal has been experiencing serious impacts of climate change in the areas related to livelihood such as water resources, biodiversity, forestry, agriculture, infrastructures, and health. The climate change impacts are of diverse nature, ranging from retreating of glaciers and the thinning of snow deposits in the Himalayas, glacial lake outbursts, landslides, and flooding to heat and cold waves. The situation is aggravated due to the country's weak economy, land-locked geographical location, tectonically active areas, high precipitation during monsoon, difficult geographic terrain, and high population growth rate.

Nepal has made significant efforts to reduce impacts of climate change through policy formulation, institutional strengthening, and program development and implementation. The international protocols and commitments on climate change including the United Nations Framework Convention on Climate Change (UNFCCC) commitment and the SDG goals addressing climate change have been given due priority by the Government of Nepal.

Nepal prepared National Adaptation Programme of Action (NAPA) in September 2010 to address immediate and urgent adaptation needs. Nepal's Climate Change Policy, 2011 aims to improve people's livelihoods through climate change impact mitigation and adaptation activities, and obliges to channel over 80% of the total climate finance to grassroots level activities.

Likewise, Nepal has also prepared National Framework on Local Adaptation Plans for Action (LAPA) to localize and ensure integration of climate change adaptation in local planning.

Prime Minister-led Climate Change Council (CCC) and Ministry of Population and Environment (MoPE)-led Multi-stakeholder Climate Change Initiative Coordination Committee (MCCICC) and Climate Change Program Coordination Committee (CCPCC) are in operation.

The NAPA follow-up projects are being implemented including Strategic Program for Climate Resilience (SPCR), Nepal Climate Change Support Program (NCCSP) and Ecosystem-based adaptation (EbA), among others.

Likewise, Environment-Friendly Local Governance (EFLG) Framework has been introduced with the objectives of mainstreaming environment, climate change adaptation and disaster management in the local planning processes.

The Forestry Sector Policy, 2014 has been updated. The Government of Nepal has announced Forest Decade (2014-2023) with a theme: *one house one tree; one village one forest; and one town several parks.*

The National Biodiversity Action Plan (2014-2020) provides a broad framework for developing a comprehensive work plan for forests, protected area system, wetlands, mountains, and agriculture. The forests and watersheds lying on the chain of Siwalik Hills are also being managed on the basis of upstream-downstream linkages. To manage Chure area by



establishing linkages with upper and lower belts and to make The President Chure Preservation Program more effective by framing an integrated action plan for watershed and river systems, The President Chure Tarai Madhesh Preservation Program has been envisaged in 2014-2015.

Nepal has initiated knowledge generation and dissemination by establishing a Climate Change Knowledge Management Centre. Several governmental, non-governmental and community-based organizations, academic and research institutions are involved in generating and disseminating data and information on climate change and its impacts.

### **3.2 Disaster risk reduction**

Nepal is prone to natural calamities such as flood, landslide, avalanches, earthquake, fire, cyclonic winds and hailstorms, cloudburst, drought, famine, and epidemics. Industrial accidents, explosion, traffic accidents, and hazardous events associated with poisonous substances have also been recorded.

The Natural Calamities/Disaster (Relief) Act, 1982 has been amended thrice (1986, 1989 and 1992). The National Action Plan on Disaster Management in Nepal, 1996 has been prepared which consists of four main plans on: disaster preparedness, disaster response, disaster reconstruction and rehabilitation, and disaster mitigation. The Local Self Governance Act, 1999 has given due emphasis to interrelationship between development process, environment, and disaster explicitly and inexplicitly. Likewise, the Local Disaster Risk Management Planning Guideline was formulated by the MoFALD in 2011.

The Ninth Plan (1997-2002) underlined the need to strengthen disaster management

capability by adopting various possible means. The Tenth Plan (2002-2007) gave special attention to disaster management while developing infrastructure and making construction and development projects sustainable. It designated Ministry of Home Affairs (MoHA) as the national focal point for disaster management.

The Three Year Interim Plan (2007-10) recognized disaster as one of the major impediments to national development. Similarly, the Three Year Plan (2010/11-2012/13) was also responsive to disaster risk reduction (DRR). In May 2009, the Government of Nepal launched the comprehensive Nepal Disaster Risk Reduction Consortium which brings together financial institutions, humanitarian agencies, and development partners for partnership with the Government of Nepal. Other achievements include formulation of National Strategy for Disaster Risk Management, 2009 and the National Disaster Response Framework.

The Water Resources Strategy, 2002, National Water Plan, 2005, and Water Induced Disaster Management Policy, 2006 are sectoral plans and policies that address natural disasters relating to floods and landslides at the national level. The Department of Water-Induced Disaster Prevention was established in February 2000 under the then-Ministry of Water Resources.

The National Emergency Operations Centre (NEOC) was instituted in December 2010 by the MoHA with the objectives of working as a coordination and communication point for disaster information across the country, engaging government agencies and other response and recovery stakeholders. The National Platform for Disaster Risk Reduction was

established in 2008 as a national mechanism for coordination and policy guidance on DRR. The MoHA has also prepared the Guidance Note on Disaster Preparedness and Response Planning 2011.

The National Building Code (NBC), 1994 was brought in to mitigate the effects of earthquakes in urban areas with original 20 volumes. In 2003, three volumes were added to the NBC.

The National Reconstruction Authority (NRA) was established on 25 December 2015, with the mandate to plan and coordinate implementation of the reconstruction and rehabilitation program and to rebuild infrastructures and settlements devastated by the earthquake of April 2015, and make Nepal more resilient to natural hazards. The Reconstruction and Rehabilitation Policy, 2016 provides policy instrument for steering reconstruction and rehabilitation. The Post Disaster Needs Assessment prepared in 2015, led by the National Planning Commission (NPC), forms the basis for the Post Disaster Recovery Framework with strategies, priorities and financial requirements updated as required.

### 3.3 Reducing traffic congestion

Rapid urbanization and increasing economic activities in cities have led to dramatic increase in vehicle ownership in Nepal, particularly in urban areas.

In FY 2013/14, the total number of vehicles registered in the country was 198,343 out of which two wheelers comprised of about 82.7%, light vehicles (car, jeep and pick-up) 8.6%, and public

utility vehicles (bus, mini bus and microbus) shared 2.2%.<sup>2</sup> In 2015, the number of total vehicles reached 1,925,434, a large share (78%) of which included motorcycles. Over the period 2008-2013, the national average annual growth rate of motorcycles and 4-wheel light vehicles (car, jeep, van) was 19.5% and 8.4% respectively. With easy access to credit facilities, vehicle ownership is increasing. Car ownership is expected to increase as residents become more affluent and young families riding motorcycles switch to cheap cars manufactured precisely for their needs.

The current pattern of motorization has escalated traffic congestion, air and noise pollution, and traffic accidents. Growing urbanization along with sprawl and increasing numbers of private and public vehicles in the major urban areas have resulted into increased complexity of traffic congestion (with pedestrian and vehicular conflict), deterioration of road safety, and poor air quality. This has led to the overall degradation of the quality of life in the urban areas.

Around 75% of vehicles registered in Bagmati Zone are assumed to be operating within the Kathmandu Valley. 79.8% of vehicles registered in Bagmati Zone are motorcycle.<sup>3</sup> However, the modal split travel share in Kathmandu is 26% by motorcycle, 28% by bus, 41% by walk, 4% by car and 1% by bicycle (MPPW & ADB, 2010). Public transport accounts for only 28% in case of Kathmandu Metropolitan City.

In Kathmandu Valley, most of the freight is carried by large trucks and tankers that enter into the Kathmandu Valley daily

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<sup>2</sup> <http://www.dotm.gov.np/en/vehicle-registration-record>.

<sup>3</sup> <http://www.dotm.gov.np/en/vehicle-registration-record>.

from Nagdhunga. During the months of November and December in 2014, 592 large trucks and 59 tankers entered into the Valley; 605 trucks and 137 tankers left the Valley daily. Likewise, 641 buses entered while 665 buses left the Valley daily from Nagdhunga (MoUD, 2015).

The first Vehicle Act was enacted in 1964 to manage public transportation and the vehicles plying on roads. It was followed by Transportation Management Act, 1970. Later, a combined Vehicle and Transportation Management Act, 1993 and Regulations, 1998 replaced them. The Vehicle and Transportation Management Act, 1993 addresses road safety issues along with traffic management through route permit and traffic control measures.

The Public Road Act, 1975 and the Road Board Act, 2002 also consider some aspects of road safety (e.g., implementation and management of traffic flow, vehicle axle load, and right of way).

The National Transport Policy was formulated in 2001 with the objective of developing reliable, cost effective, safe, and sustainable transport system that promotes and sustains the economic, social, and cultural and tourism development of Nepal as a whole. The policy also stresses on reducing harmful emissions arising from public transport operation.

### 3.4 Addressing air pollution

Increasing urbanization, increasing number of vehicles, industrialization, poor maintenance of roads, improper management of construction materials and debris, and improper management of solid waste are some of the prevailing factors for deteriorating urban environment. The latest Environment Performance Index (EPI) 2016 released at the World

Economic Forum puts Nepal nearly at the bottom assigning 177<sup>th</sup> position among 180 countries in terms of air quality. The EPI 2014 ranked Nepal at 139. It is estimated that 63% of total particulate matter less than or equal to 10 micrometers in diameter (PM<sub>10</sub>) in the Kathmandu Valley comes from vehicles and re-suspended road dust. The main sources of air pollution are smoking vehicles, resuspension of street dust and litter, black smoke plumes from numerous bricks kilns, and refuse burning.

The Constitution of Nepal 2015 has guaranteed every person the *right to live in a clean environment* as a fundamental right and mandates the state to make necessary arrangements to maintain clean environment. It further states that “the victim of environmental pollution and degradation shall have the right to be compensated by the pollutant as provided for by law.”

The Industrial Enterprises Act was introduced in 1992 whereas the Environmental Protection Act was introduced in 1997 providing legal provision to maintain clean and healthy environment by minimizing adverse impacts as far as possible. The Climate Change Policy 2011 has aimed at adopting low carbon development path, which provides co-benefits for reducing air pollution.

The Nepal Vehicle Mass Emission Standard was introduced in 2000 and revised in 2012. Now all vehicles (except heavy equipment vehicles) imported to Nepal require compliance with EURO III emission standard. The National Ambient Air Quality Standard was introduced in 2003 and updated in 2012.

The then-Ministry of Science Technology and Environment (MoSTE) started

monitoring ambient air quality through six monitoring stations in 2002. Nepal initiated activities for monitoring of exhaust emissions in the Kathmandu Valley in 1993, and issuance of *green sticker* was enforced since December 1999. The vehicle emission testing is only limited within Kathmandu valley and is applicable only to three- and four wheelers.

The government banned the operation of heavily polluting diesel three-wheelers and import of new two-stroke and second hand vehicles in 1999, in an effort to combat air pollution in the Kathmandu Valley. This initiative prompted the scaling up of electric three wheelers (*safa tempos*) for public transportation.

In 1993, seven *safa tempos* were introduced in Nepal, as part of a USAID supported project. The *safa tempos* are locally produced in Nepal. There are currently 600 *safa tempos* operating in 17 routes within Kathmandu Valley; however this number has remained static since 2000. These *safa tempos* provide environment-friendly mobility to about 100,000 commuters daily, many of which are operated by women.

Some of the private sector initiatives have also contributed to improving urban environment. The public transport service in the Kathmandu Valley is exclusively provided by the private sector. About 28% of the travel in Kathmandu is on public transport. Sajha Yatayat has restarted its service in 2013 under cooperative model with 16 standard buses of Euro III emission standard.

Emission standards for in-use and new diesel generators, industrial boilers, cement industries and crusher industries were introduced in 2012.

In 2003, old polluting brick kilns in the Kathmandu Valley were banned by the government, which was followed by the introduction of less polluting technologies, mainly fixed chimney and vertical shaft brick kilns. The Brick Kiln Stack Emission Standard was introduced in 2008.

In 2007, the government started to collect pollution tax of NRs. 0.5 from each liter of petrol and diesel sold in the Kathmandu Valley. However the provision to deposit the pollution tax to Environment Protection Fund as decided in Financial Act 2002/03 has not yet been implemented.

Many non-governmental, academic and international institutions have played an active role in research, policy advocacy and campaigns for clean air and promoting sustainable urban mobility in the Kathmandu Valley.

### 3.5 Challenges experienced and lessons learnt

#### *Addressing climate change*

Long-term research and comprehensive data are needed to plan adaptation and mitigation program to deal with future changes. There is a lack of research and proper documentation of the sectorial impacts of climate change. Lack of scientific data coupled with gap in socio-economic understanding and population dynamics and their interaction with natural resources makes our vulnerability assessments less reliable. The adaptation and mitigation strategies may vary due to the varied ecological regions and economical situations of different regions of the country.

Appropriate selection of technology and funding for addressing climate change are two major challenges. While the focus

needs to be on attracting additional funding, it is equally important to ensure that the available funding is effectively utilized.

The overall capacity of the sector ministry as well as other scientific and administrative bodies including Department of Hydrology and Meteorology, Alternative Energy Promotion Centre, National Academy of Science and Technology, Department of Environment, among others, needs to be enhanced in order to deal with climate change issues in an efficient manner.

There has to be an improved inter-agency as well as intra-agency coordination mechanism (within the ministry and departments) and as well as an effective monitoring mechanism. An enabling environment needs to be created for various actors in the field of climate change mitigation and adaptation. It is important to mainstream climate change in urban development.

### ***Disaster risk reduction***

Lack of comprehensive policies on DRR and management is one of the crucial challenges that Nepal faces along with the lack of strategic planning for prevention and preparedness. As various organizations and line agencies are involved in different sectors, there is a challenge in implementing the DRR activities due to lack of coordination among the institutions. Lack of political will and priority makes mainstreaming DRR in national development a difficult task. After the 2015 Earthquake, making housing and settlements safe and resilient has become one of the greatest challenges.

Another key challenge lies in getting updated, credible and accessible disaster data information which can play a key role

in the development of policy, plans and programs to adequately address vulnerabilities and disaster risks. The irreversible damage caused to the natural resources due to excessive use, poverty, and lack of government funding go hand in hand in posing a challenge in DRR.

For sustainability and success of DRR it is vital to link livelihoods of marginalized communities with DRR. This can be done through awareness raising and training on preparedness. It is important to use indigenous knowledge, innovation and education to build a culture of safety and resilience at all level. Disaster preparedness is very significant in effectively dealing with disasters when they occur. Development of early warning system in protecting communities from floods and landslides could be helpful in ensuring sustainability and for effective DRR.

Proper site selection based on geological investigations and risk sensitive land use planning can help build disaster resilient settlements. Building Byelaws and National Building Code should be enforced all over the country including rural villages. Rights of community people should be protected through government policy and appropriate mechanisms, and community awareness programs should be implemented.

### ***Reducing the traffic congestion***

Rapid urbanization, higher economic growth, economic restructuring, significant change in spatial development, increasing demand for transport and fossil fuel, and introduction of new technology in the transport sector are some of the pertinent issues in the transportation sector in Nepal. The key challenge lies in developing a comprehensive transportation system including the railway mode and mass transit systems.



Decoupling economic growth and motorization (mainly cars and motorcycles), and promoting sustainable and environment-friendly means of transportation like non-motorized modes and electric vehicles requires radical changes in the existing policies and programs. The government faces the challenging tasks of making adequate investment in transport infrastructure as well as in overcoming technical constraints for infrastructure building. There is also a need for enhancing institutional capacity, regulation, database, and research, apart from maintaining environmental and safety standards in low-cost rural roads.

Maintaining road density and standards is also one of the key challenges in the existing as well as the newly added municipalities. More than 30 km per square km road networks is generally considered as a good standard in order to have reasonable accessibility to every part of the town without traffic congestion. More than 15 km per 1000 road users is considered as a desirable standard. Planning of urban roads with these standards in mind for existing and new urban areas are the challenges ahead.

Integrating various factors like road density standards, vehicle types, and traffic management system can lead to reduction in traffic congestion.

Public transportation is still the dominant mode of transportation in Nepal and there is a good commercial viability of public transportation in the denser urban areas. There is also a good prospect of zero emission public transport because of the availability of hydropower generated electricity which needs to be further exploited.

### *Addressing air pollution*

Air pollution is one of the biggest environmental health risks particularly in urban areas like Kathmandu where rapid urbanization and population growth make the situation even worse. The government has introduced some policies and programs to improve air quality and mitigate the risks. However the implementation has been very weak. The challenge lies in implementing the policies not only in the existing municipalities but extending it to the new municipalities as well.

There is a lack of a strategic air quality monitoring policy, infrastructure and technology and the concept of an Air Quality Management System has not been addressed in the national policies. Similarly, there is no Air Quality Information system, and this has limited the scope for comprehensive presentation on the state of the atmospheric environment and on the impact of air pollution on human health.

The most effective measure to improve air quality in Nepal is to reduce vehicle exhaust emission. Electric vehicles and non-motorized transport can play an important role in reducing emission loads. Reviving the existing trolley bus system could also be one of the options apart from other measures.

Diesel vehicles should be avoided to the extent possible as diesel exhaust is very hazardous for human health. Diesel is the main source of fine particles. There are economic tools, such as fuel tax, to discourage the use of diesel vehicles and also to discourage car ownership.

There should be stringent rules and regulations in managing the construction materials and debris management in various construction works as these too are found to be causing a lot of air pollution in the urban areas. Relocating the polluting industries like cement factories, brick kilns



etc. to the peripheral areas and introduction of environment-friendly brick kilns can also significantly reduce the amount of pollutants in dry winter season. Public awareness campaigns are required to inform the people about the hazards of air pollution and what they can do to avoid or minimize air pollution.

### **3.6 Future challenges and issues to be addressed by a New Urban Agenda**

Cities of the post-industrial periods have been planned for effective transportation and socio-economic development, and expanded with infinite possibilities created by industrialization; in the process the natural resources have been exploited and ecological systems of the earth heavily impacted resulting in climate change and increasing vulnerability towards natural and manmade disasters.

With increasing globalization through improved technology, the impact of development on ecological systems have shifted from local to regional to global level threatening the survival of human beings. With growing realization of this increasing impact on a global scale there has been a paradigm shift in the recent years, in planning sustainable settlements and various approaches like the eco-city, low carbon city, green city have been gaining global significance.

It is obvious that urbanization cannot and should not be curbed and cities are bound to grow in numbers and sizes. How we plan our cities and how we manage our urban ecosystems in relation to other natural ecosystems of the world will largely determine our fate.

Nepal is adopting a federal system. Resource sharing among cities of different states and inter-linkage between cities and

surrounding areas is still uncertain. In this context, maintaining a balance in the resources sharing among the states poses significant challenges for the future.

#### ***Promote settlements that are resilient to disasters, climate change and other shocks***

The New Urban Agenda should emphasize on climate and disaster resilient planning addressing anticipated risks, creating synergy between mitigation and adaptation, improving climate knowledge and improving the governance situation. There should be considerable efforts made in exploring ways to build partnerships among the development actors to devise innovations which make development works, sustainable and cost effective and responsive and resilient to the possible impacts of climate change.

Focus should be on planning settlements that are resilient to natural and human-made hazards, protecting and valuing their ecosystems, natural habitats and biodiversity, and reducing the global ecological and carbon footprint.

The New Urban Agenda should also focus on adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, and resilience to disasters while planning settlements and cities. This would also include pre-disaster risk assessments in urban areas in order to develop a thorough understanding of disaster risks across the various dimensions of hazards, vulnerability, exposure of people and assets, and improve capacity of local and national governments, city administrators, development planners, and decision-makers on disaster and climate risks, to implement risk-informed development at the city and community level. It is equally important to ensure

timely and effective local disaster response to address the immediate needs of inhabitants following a disaster, as well as the integration of the *build back better* principles in the post-disaster recovery process to integrate lessons learnt from past disasters into future planning and resilience-building.

Risk sensitive land use planning is of utmost significance for a country like Nepal with its diverse ecological setting which is prone to disasters of various kinds. Any planning interventions should be based on the risk sensitivity of the areas as a preventive measure for disasters. Low-risk zones should be prioritized for future urban developments and extensions in order to most efficiently protect them from, flooding, earthquakes, and other hazards besides the enforcement of building codes, early-warning systems, business continuity plans and contingency plans for building critical infrastructure.

#### ***Foster ecological and resilient cities and human settlements***

Recognizing the role of cities as drivers of sustainable development, ecological concepts in planning like eco-city, smart city, and food green city needs to be fostered in order to plan sustainable cities. Cities where we live must enable people to thrive in harmony with nature and achieve sustainable development. People-oriented, eco-city development requires comprehensive understanding of complex interactions between environmental, economic, political and socio-cultural factors based on ecological principles. Cities, towns and villages should be designed to enhance the health and quality of life of their inhabitants and should maintain the ecosystems on which they depend.

The concepts like eco-city and food green city would mean that there is a need to develop an urban spatial framework that promotes efficient use of land, compactness, mixed uses and appropriate density through infill or planned extension strategies to trigger economies of scale and agglomeration, increase accessibility, reduce travel needs and the costs of service provisions, enable a cost-effective public transport system, enhance resource efficiency, and ensure environmental sustainability. Moreover, a safe, comfortable and efficient street network, allowing a high degree of connectivity and encouraging public transport, walking and bicycling, will enhance sustainable mobility, economic productivity, and facilitate local economic development.

It is equally important to promote sustainable resource consumption and production patterns, ensuring that they will not exceed the ecosystem's regenerative capacity. This will facilitate efficient management of resources like land, water, energy, materials, food as well as the reduction and management of waste and the mitigation of emissions of greenhouse gases and air pollutants. To some extent the traditional settlements of Kathmandu valley have been planned in balance with nature and hence the principles used in the ancient times in planning these settlements need to be revisited so as to revive these settlements to become eco-cities.

It is necessary to formulate, update and implement urban and territorial policies to safeguard against environmental degradation and to assign responsibilities to appropriate institutions at all levels of government in order to ensure good environmental governance.

#### ***Promote safer and resilient communities***

Strengthened resilience of city systems enables households, communities, institutions and states to resist, absorb, accommodate to and recover from the effects of a hazard, including shocks or latent stresses, in a timely and efficient manner. A resilient city helps to protect its residents, their cohesion as a community, and their habitat by responding, adapting, and transforming whilst taking advantage of reduced risk exposure in ways that restore, maintain, and even improve its essential functions, structures, and identity.

The provision of a well-connected network of open and green public spaces in central and peripheral urban areas facilitates linkages with and access to the surrounding natural environment. This can improve public health and contribute to the quality of life and well-being of all people through increased leisure and physical activity, while protecting and improving urban ecosystem and the services it provides. This can also mitigate climate change risks such as urban heat island, among others. The practices and attitudes of residents and users of urban space – both individuals and organizations – strongly determine the extent of environmental impact.

The accessibility of public space and its inherent communal character needs to be guaranteed and its privatization avoided. Its inclusive design, sufficient provision and adequate distribution across urban areas (formal and informal) will increase productivity and prosperity while reducing social exclusion. Public spaces, which consist of open areas (such as streets, sidewalks, squares, gardens and parks)

must be seen as multi-functional areas for social interaction, economic exchange, and cultural expression among a wide diversity of people, and should be designed and managed to ensure human development, building peaceful and democratic societies and promoting cultural diversity. Public spaces should be free-of-charge and free from physical, legal and architectural barriers that discourage the presence of people who are in vulnerable situations, homeless, poor and/or low-income dwellers, women, children and youth, older persons, and persons with disabilities. Green public spaces have positive impacts on health and well-being, and they provide ecosystem services that range from climate change mitigation and adaptation to water- and food security.

#### *Promote transit oriented and pedestrian friendly development*

High density in urban areas encourages non-motorized transportation including walking, and discourages use of cars. Hence it is desirable for cities to be planned as compact, mixed use, transit served and balanced. Congestion can be decreased through pricing and land use reforms. This New Urban Agenda focuses on planning cities for humans and not cars, and improving accessibility and not only mobility. Sustainable urban mobility means easy access to places where people want to visit; the location of such places should be at close proximity. The emphasis should be on promoting planning and investment for ensuring sustainable urban mobility that links people, places, and economic opportunities.

## 4. URBAN GOVERNANCE AND LEGISLATION

### 4.1 Improving urban legislation

In Nepal, local bodies imply district development committees (DDCs) at the sub-national level, and municipalities and village development committees (VDCs) at the local level. The Local Self Governance (LSG) Act, 1999 forms the legal basis for local governance, replacing the DDC Act, 1991, Municipality Act, 1991, and VDC Act, 1991 in an integrated way. Besides the LSG Act, 1999, local bodies function as per the LSG Rules, 1999, Local Body (Financial Administration) Rules, 2007, and other related rules and operational manuals.

Municipalities are designated urban areas (cities and towns) meeting minimum criteria (including population, infrastructure, and revenues) set out by the government. As of the census year 2011, there were 58 municipalities. With the declaration of 159 new municipalities in 2014/15, the total number has risen to 217. About 39% of the total population now lives in municipalities compared to 17% in 2011.

Declaration of new municipalities is a part of the government's strategy to set stage for proper and timely management of urban growth in urbanizing areas. For such strategy to work, urban legislation needs to be effective and efficient. The objective of a good legislation is to increase people's access to institutions and resources.

Separate policy for urban development in Nepal was first spelt out in the Fifth Five-Year Plan (1975-1980). Since then, several initiations and improvements have been

made in the field of urban legislation as summarized below:

- The Land Acquisition Act, 1977 empowered the government to acquire, through public notification, private land for public welfare, protection of public property or coping with emergency situation, among others.
- The Public Roads Act, 1974 made provisions to acquire lands required for the development, maintenance, expansion or improvement of the public roads, and to collect development tax from beneficiary landholders in order to maintain convenience and economic interest of the general public.
- The Town Development Act, 1988 defined provisions for land development to increase supply of planned urban plots. Town Development Committees (TDCs) are formed under this Act to facilitate planned urbanization by channeling policy- and technical support from the government to the local level. The TDC Act, 1988 replaced the TDC Act, 1963 and Town Planning Implementation Committee Act, 1973.
- The Kathmandu Valley Development Authority (KVDA) Act, 1988 led to the formation of KVDA in 2012 as an umbrella planning body for the Kathmandu Valley.

- The Ownership of Joint Housing Act, 1997 put forward the concept of group housing to promote high density in urban areas.
- The Building Act, 1998 made provisions for the regulation of building construction works in order to protect building against earthquake, fire and other natural calamities.
- The LSG Act, 1999 defined the role of local bodies for effective and efficient provision of service and facilities to people. The Act also empowered local bodies to collect revenue, and to undertake planning and execution of local development schemes.
- The Build-Operate-Transfer (BOT) Policy 2000 initiated the concept of public-private partnership for urban infrastructure development.
- The Nepal National Building Code, 1994 was prepared to improve building design and construction methods, learning lessons from destruction caused by the 1988 earthquake.
- The Town Development Fund (TDF) Act, 1997 led to the establishment and operation of TDF. TDF provides economic and technical support to municipalities to undertake development projects.
- Local Body (Financial Administration) Rules, 1999 was amended in 2005, and replaced by Local Body (Financial Administration) Rules, 2007.
- A system of Minimum Conditions and Performance Measures (MCPM) was introduced in the local bodies (village

development committees and municipalities) in the fiscal year 2007/08. All municipal block grants are performance-based. Minimum Conditions (MCs) capture the bare minimum functions of the local bodies, and serve as threshold criteria, that is, if a local body fails to meet any of the conditions, it will not be eligible for the grants. Performance Measures (PMs) cover additional functions beyond the MCs, and determine how much more or less a local body will receive in the grants if it meets all the MCs. The MCPM also serve purposes other than as a tool for grants allocation.

- Following the devastating earthquakes of April/May 2015, the Fundamental Construction Byelaws on Settlement Development, Urban Planning and Building Construction, 2015 were formulated to promote seismic risk-resilient urban development.

#### **4.2 Decentralization and strengthening of local authorities**

Decentralization has a long history in Nepal. Nepal had party-less Panchayat system for three decades from 1960 to 1990. The Constitution of 1962 implemented the concept of decentralization through the formation of local bodies at the zonal, district, city and village levels. The Third Plan (1965-70) adopted decentralization as a policy to involve people in the decision-making process, particularly in the planning and development process at the local level. However, actual devolution of power and political rights was limited in such a political system. Local bodies served



merely as units under the administrative control of the centralized state.

The TDC Act, 1963 provided the legal base for the government to create TDCs at local levels. In case of regional development centers, physical development plans were implemented under Town Planning Implementation Committee (TPIC) Act, 1973. Under the Act, the TDCs are entrusted to implement development schemes prepared by the erstwhile Department of Housing and Urban Development. The Town Development Act, 1988 replaced both of these acts.

After the restoration of the multi-party system in 1990, collective governance became an appropriate strategy for sustaining democracy. The Constitution of the Kingdom of Nepal, 1990 lifted ban on political parties, adopted a democratic representative system curtailing the authority of the king, and enshrined fundamental rights. Most steps towards decentralization emerged from the top and reached down to district level where local bodies ranging from the ward committees to the district assembly were formed. However, the Constitution of 1990 failed to clearly define the minimum organizational and theoretical basis to materialize decentralization. Despite this constitutional shortcoming, democratic local bodies were established after 1991 under legislation made by the newly elected parliament.

The LSG Act, 1999 was promulgated to form legal basis for local governance in Nepal, followed by LSG Rules, 1999 to implement the Act. The LSG Act, 1999 helped to increase accountability with the revival of local bodies, and thus strengthened the internal structure. At the institutional level, non-governmental

organizations and the private sector flourished. The LSG Act, 1999 along with Rules, 1999 depict the country's two-pronged approach for deepening decentralization: from the bottom, empower the communities, and from the top, devolve the power to the district level.

Nepal became a republic after the second popular movement in 2006. Promulgated in 2007, the Interim Constitution was ground-breaking in the sense that it included a separate section on local self-governance (Part 17). However, for being empowered, local bodies should have political, executive, and financial autonomy. The Interim Constitution failed to provide an enforceable guarantee of autonomy to local governments. The functioning, resources and responsibilities of local bodies were vaguely defined. There would be sharing of accountabilities and revenues between the central government and local bodies.

The current Constitution of Nepal came into effect on Sept 20, 2015, under which the country will have three main levels of structure: federal, provincial and local. The state powers are to be shared accordingly. Under the local level, there will be Village Council, Municipal Council and District Assembly. The local governments will be able to make their own laws without being inconsistent to federal or provincial laws. The country is now in the process of implementing the new constitution.

In terms of governance, local governments though constitutionally empowered, are yet to get elected after a long gap.

### **4.3 Improving participation and human rights in urban development**

The private sector's involvement in different aspects of urban development in



Nepal has spurred enormous resource mobilization. The private sector, whether as a community or a group of individuals, has significantly contributed resource for housing development by participating in the process, providing loans for building shelter or investing in the production of building materials and housing stock. The role of the private sector, in the form of brokers and later real estate companies, in land development is noteworthy.

In Kathmandu-Lalitpur alone, over 1,500 hectares of land were developed through private initiatives over the past decade. The rapid expansion of urban areas with a huge growth in organized housing has clearly shown the potential of the private sector in the financing of urban development.

The private sector has also made contributions in other urban functions including public transport service. It has made an important contribution in the intra-city public transport service. Composition of transport fleet by ownership suggests a strong presence of the private sector.

Strengthening the role of major groups as specified in Agenda 21 has worked as a guiding principle for building up partnerships in Nepal. Accordingly, people, families and community groups have played a dominant role in partnership formation. NGOs in Nepal have been working as enablers, mediators and advisors, and play a major role in creating citizen groups. It is important to ensure their participation in decision-making ensuring equitable access to resource and information. Citizen pressure groups help release community-bound resources and urge government and local governments to enhance social good.

For resource mobilization, it is necessary to ensure convergence through the articulation

of interests of different groups. Through the encouragement of community organizations and local enabling programs including technical assistance, human rights should be legitimized to safeguard interests of the poor.

Municipalities are best positioned to ensure community rights and to create framework for participation. It is clear that municipalities should have a dominant role in urban services and the LSG Act, 1999 also supports this. Municipalities are also empowered to bring public sector, private sector and community groups together in the provision of services. Most of the urban services are now jointly managed following some sort of partnership.

Some examples of partnership are as follows:

- Community based programs and partnership in urban upgrading and environment improvement
- Infrastructure and service provision at the city level: Guided Land Development (GLD) projects have facilitated the provision of infrastructure. The beneficiaries are involved in the planning process and the government agencies provide infrastructure and services according to the plan.
- Land pooling projects have encouraged partnership building among landowners, private sector, national and local government, community organizations in the development of urban land.

As in many developing countries, besides economic opportunities, urbanization in Nepal has also resulted into the formation of more slums with less security of tenure, leading to increased disparities, inequalities

and discrimination. Urbanization without ensuring human rights is not sustainable, and is also against the spirit of the Constitution of Nepal, 2015. The fundamental rights and duties stated in the Constitution include, among others, right to live with dignity, to move and reside in any part of Nepal, to equal protection of law, to own and utilize property, to live in a healthy and clean environment, and to housing.

#### **4.4 Enhancing urban safety and security**

According to the UN-Habitat's Global Report on Human Settlements 2007, enhancing urban safety and security addresses three major threats: crime and violence; insecurity of tenure and forced evictions; and natural and man-made disasters.

The impact of natural and human made disasters on people and human settlements in Nepal is becoming more severe. Disasters are frequently caused by vulnerabilities created by human actions, such as uncontrolled or inadequately planned human settlements, lack of basic infrastructure and the use of disaster-prone areas for housing. The impact of such disasters and emergencies is especially severe in Nepal where prevention, preparedness, mitigation and response or adaptive capacities are not adequate. In response, the government and municipalities have been giving priority on making cities safer.

As stated in the Habitat II National Plan of Action, Nepal prepared National Urban Policy (NUP), 2007. The NUP has put forward the concept of sustainable urbanization through, among others, natural disaster management. In order to achieve one of its three objectives –

healthy, secure and economically vibrant urban environment – the NUP has adopted a strategy to establish a system of development and implementation of 'disaster management plan' by the local bodies to minimize loss of lives and properties due to the probable natural disasters. The corresponding policies comprise of the following:

- a. Develop building construction system that is safe, environmentally suitable and accessible to the ordinary people.
- b. Promote research, development and application in the context of developing alternative building materials and construction technologies by giving special emphasis to locally available traditional skill and knowledge
- c. Initiate timely reform of National Building Code (NBC) and enforce it in the government, private and public buildings
- d. Prohibit building construction in the natural disaster prone or environmentally hazardous areas
- e. Encourage and provide directives to all local bodies to formulate 'action plan' for natural disaster risk mitigation and management that relates to probable disasters like fire, earthquake and flooding
- f. Mobilize the community through the local bodies for natural disaster risk mitigation and management, and enhance public awareness for natural disaster management.

The Nepal NBC was first drafted in 1994 following the lessons learned from the 1988 M6.8 earthquake which killed more than 700 people in eastern Nepal. Approved by

the government in 2003, the NBC is a legally binding document in all municipalities since 2005. Nonetheless, because of the lack of resources, only a handful of municipalities have implemented the NBC. However, considerations for safety against earthquake have received wide attention after the devastating earthquakes of April/May 2015. The number of municipalities implementing the NBC and building byelaws is increasing.

Following the April/May 2015 earthquakes, the government formulated the Fundamental Construction Byelaws on Settlement Development, Urban Planning and Building Construction, 2015 was formulated to promote seismic risk-resilient urban development. Municipal building byelaws are to be guided by this Fundamental Construction Byelaws.

Likewise, based on a rigorous planning exercise, Kathmandu Valley Development Authority has prepared risk-sensitive land use plans (RSLUPs) for all Kathmandu Valley municipalities.

Besides natural disasters, there has been an increasing concern regarding crime rates, traffic hazards, and air pollution. Efforts are being made in raising awareness on different aspects of safety including health, water and sanitation, and food security. For safety of women, the government has made it mandatory for the reservation of seats for women in public vehicles.

With urbanization, growth in informal settlements through encroachment of public lands has also risen. Security of tenant rights has also become a complex issue as housing in urban areas is increasingly becoming costly and inaccessible for common people. The new Constitution of Nepal, 2015 has recognized 'right to housing' (Article 37),

which ensures that each citizen shall have the right to appropriate housing, and no citizen shall be evicted from the housing owned by him/her, or encroached on the housing, except in accordance with law.

#### **4.5 Improving social inclusion and equity**

Discriminations based on caste, ethnicity, gender, economic status or geography have long hampered social development in Nepal. Efforts to end all forms of discriminations peaked momentum particularly after the restoration of multiparty democracy in 1990 followed by the promulgation of the Constitution of 1990.

The Constitution of 1990 described Nepal as a multi-ethnic, multi-lingual, and democratic state and declared all citizens equal. The subsequent national plan – the Eighth Plan (1992-1997) – set the trend of adopting poverty alleviation as the main objective, which has been followed by all succeeding national plans.

Social inclusion, on the other hand, received strong attention in the plans and policies particularly after the political movement of 2006, as reflected in the Interim Constitution of 2007 and the TYIP (2007-2009).

The Interim Constitution of 2007 had a separate article for women's fundamental rights and was more inclusive toward *Dalit*, *Adibasi Janajati*, and *Madhesi* compared to the previous constitutions. The Interim Constitution set forth the right to equality and rights against 'untouchability', racial discrimination, and exploitation. It also referred to the proportional representation of all groups in the state structure.

The TYIP (2007-2009) set the vision of "Prosperous, Modern, and Just Nepal",

and gave priority, among others, to social inclusion in all mechanisms, spheres and processes of development. In the TYIP, special programs for disadvantaged groups including PWDs, women, *Dalit*, *Adibasi*, *Janajati*, *Madhesi*, Muslim community, and disadvantaged regions.

The present Constitution of Nepal, 2015 includes, among fundamental rights, the right to equality which prohibits the state from discriminating among citizens on any ground, and requires the state to make special provisions for the protection, empowerment or advancement of women who are lagging behind socially and culturally, marginalized ethnic and social groups, peasants, laborers, youths, children, senior citizens, sexual minorities, PWDs, pregnant, financially deprived citizens, and residents of backward regions.

There is a growing realization for the need to ensure social inclusion and equity in urban planning and local governance. Some key policy achievements include:

- The then Ministry of Local Development prepared Child-Friendly Local Governance National Strategy, 2011 and corresponding Operational Guidelines, 2011 to promote collaborative planning for children from the bottom up and to ensure participation of children in the planning processes.
- The MoUD prepared the GESI Operational Guidelines, 2013 for mainstreaming and institutionalizing GESI in its portfolios and operations in an integrated manner, covering the sectors of WASH, building construction, housing, and urban development.

- Inclusivity has been emphasized as one of the underlying and interconnected guiding principles of NUDS, 2015.

#### **4.6 Challenges experienced and lessons learnt in these areas**

##### ***Improving urban legislation***

Planning laws in Nepal suffer from duplication of authority, lack of clarity, restrictive clauses, and lack of institutional focus on urban development. Existing regulatory system is control-oriented. In the name of health, equity, and welfare, both the private sector and the government make rules and regulations. This limits the access of people to services.

Enforcement of law is discretionary and erratic. Legal procedures are complex. Instead of simplifying, things are made complicated in the name of empowering the people. Nevertheless, broadness of power granted and the authority to expand, elaborate, or explain the contents of legal provisions can be used with good results. There is an urgent need to improve existing legal framework to avoid conflicts in duties, responsibilities and roles between or among different authorities.

##### ***Decentralization and strengthening of local authorities***

Nepal's experience has shown that forces intentionally alienating people from power and resources in different periods have weakened the process of decentralization. During the Panchayat regime, there was a limit to it as the system itself was autocratic. After the change in 1990, there has been growing centralization on partisan lines. Although the LSG Act, 1999 empowered local bodies, local elections have not been held since 1997, and elected local bodies

have not existed since 2002 after their dissolution.

If the local authority is not strong, the presence of higher-level agencies makes the local institution defunct by concentrating power at a higher level and exploiting the local resources. On the other hand, a strong local authority can initiate changes in the local development process and mobilize support of higher-level agencies in facilitating communication between the central and the local system.

Decisions should be taken at the level closest to citizens. Only tasks, which cannot be carried out effectively at the local level, should be referred to higher levels. The potential cleavage between private interest and social interest could be reduced through the activities of civil societies. While the objective of mobilizing the private sector resources is a welcome step, a strong government action is imperative to guide their activities for the benefit of the poor.

#### ***Improving participation and human rights in urban development***

It is necessary to decentralize deeper down to the level of people and make the local political system derive its power from people rather than from the top. This requires good governance and easy access of people to resources and goods and services. Access can be increased through capacity building and training. The involvement of ordinary people in the decision-making process is equally important to prevent channels of public service delivery at the local level from being controlled by patron-client network dominated by the local traditional elites.

When leaders represent people's interest, there is less chance of power being abused. What the poor will be given should not be based on charity or favor but their share

should fall under the domain of human rights. Teaching the poor to use their rights is the correct strategy. Human rights can only be established through this approach. Local governance projects can institutionalize participatory process.

#### ***Enhancing urban safety and security***

Urban safety and security not only implies mitigation of risks or threats from natural disasters such as earthquakes, floods and fire but also from adverse negative human actions such as crime, pollution and unhygienic foods. Although enhancing urban safety and security encompasses crime and violence; insecurity of tenure and forced evictions; and natural disasters, the latter have gained relatively more attention.

Along with the growth of informal settlements, insecurity of tenure has emerged as a complex urban issue. Although forced eviction is unacceptable from the perspective of human rights and is also against the spirit of the constitution, a long-lasting and sustainable housing solution for the urban poor should be sought. Employment opportunities for the poor and urban youth are vital to prevent urban crimes and violence. It is equally important to strengthen capacity of law-enforcing agencies such as police whose important role in maintaining law and order in cities has not received deserved attention.

#### ***Improving social inclusion and equity***

The interest of the poor will not be reflected anywhere unless they themselves can make their voices loud enough. Even when the center for its own sake desires to provide needful goods and services to the poor in order to get rid of deprivation, the costs of providing and delivering these to the poor are huge. Even in relief works after massive devastation, the goods



received for charity seldom reach the poor. Most of the problems of the local system have originated from the problem of inequality. There is increasing exclusion due to decreasing access of people to resources, services and institutions. The problem of inequality can only be overcome through widening the basis of political representation of the poor in decision-making.

#### **4.7 Future challenges and issues to be addressed by a New Urban Agenda**

Along with the implementation of the New Constitution, we are shaping a new urban governance structure. Governments at different levels will be committed to the principle of subsidiarity. 565 municipalities and “village counties” as local governments have been proposed in the course of implementing the new constitution. Power will be devolved deeper down to the ward level. Efforts will be made to create mixed, connected and cohesive communities through integrated and participatory planning. Urbanization will be projected as a cross-cutting issue; and related ministries will be pursued to prepare their sectoral plans for fulfilling SDG. Local- national partnerships will be formed to create national system of cities and urban areas in line with the new Constitution to ensure a broader financing base for investments and to facilitate spatial balance. The policy of divestment will be pursued for enhancing partnership with the private sector.

##### ***Improving urban legislation***

The country is in the process of implementing the new constitution. The political transition could take a long time requiring several laws to be revised or newly drafted. The new constitution defines three distinctive, independent and

interrelated spheres of government, namely central government, provincial government, and local government (village- and municipal government). Local governments will be more powerful than before. Improving urban legislation will require articulating roles and responsibilities of local governments, their relationships with central and provincial governments, and relationship between local governments for urban and territorial planning.

##### ***Decentralization and strengthening of local authorities***

For a long period, the need for regional administration has been felt. Federal government system will fill in the gap. Given the power of the center to undermine decentralization, a federal system is likely to make governments at different levels more responsible in the deepening of decentralization and several cities will be assigned the role of federal capital.

In the process of the ongoing transformation of the Nepali society, the New Agenda includes the following:

- The share of power at the action level will not be reduced. Activities that the center cannot or should not do will be transferred to either the lower levels or the private sector.
- The sharing of power and responsibility among different levels of government is crucial. Some of the works now done at the local or national level will be directed to the provincial level.
- The local government will have autonomy when it truly represents the people and controls the fiscal resources.



- Improved urban tax system will be supported by effective delivery of urban services.
- The New Urban Agenda will provide an urban focus on sector issues. For example, industrial policy will be tied up with urban policy.
- The roles of the governments at different levels as an enabler, facilitator and demonstrator of good practices will be enhanced to build competence in the private sector including the informal sector.

### *Improving participation and human rights in urban development*

The government faces ever increasing challenge of inequality and exclusion in urban services. There is a strong need to converge policies on inclusion and human rights with access to housing and urban services. The New Urban Agenda will focus on formation of partnership among authorities, leading to integrated and collaborative action on sustainable and inclusive urban development.

Key players of governance are the public sector, the private sector, and the community sector. Innovative forms of PPP with community involvement will be used as a means of mobilizing resources and financing urban projects. PPP projects and programs should be formulated and implemented following the policies related to decentralization and divestment.

### *Enhancing urban safety and security*

People should be made aware that, just like for any other urban services, they are paying for safety and security related services. They should assert their rights as buyers (consumers), and performance

indicators for the services need to be developed in an objective way to ensure that such services are actually being provided. The New Urban Agenda is aimed at creating resilient communities at different levels through which it will be possible to enhance safety and security.

### *Improving social inclusion and equity*

The New Urban Agenda will align with Sustainable Development Goals (SDG). The targets related to SDG 11 ("Make cities and human settlements inclusive, safe, resilient and sustainable") include, among others:

- Target 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
- Target 11.3: By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
- Target 11.7: By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.

Moreover, there is a challenge for sustaining the long time heritage neighborhoods. The intrinsic link between inclusiveness and sustainable development as evidenced by the heritage neighborhood of Nepalese cities should be established in the future urban development. Urban design and management should be based on inclusiveness directed towards sustainability as shown in Table 2.

**Table 2: Some aspects of urban management in the context of inclusiveness and sustainability**

Urban management	Inclusiveness	Sustainability
Public spaces and cultural assets	Universal access meeting cultural, social and physical needs of all	Productive utilization and sustainable use with cost recovery
Mobility	Availability of convenient and affordable public transport at close proximity	Promotion of non-motorized transport within the neighborhood
Provision of urban services	Universal access meeting the needs of all	Community involvement with sense of belonging
Urban environment	Sense of collective belonging for enhancing the social good	Sustainable use of resources and consumption practices
Economy and economic base	Self-reliance for resilient local economy	Sustainable linkages with outside economies
Community mobilization	Civic engagement with participation and partnership in the provision of services	Integration of communities for cosmopolitan development
Governance	Social cohesiveness and democracy with equitable access for all to resources and decision making processes	Intergenerational equity with respect to sustainable use of natural and cultural resources

Source: Joshi (2016).

## 5. URBAN ECONOMY

### 5.1 Improving municipal/local finance

Improving municipal finance in Nepal basically means management in both revenue and expenditures which in turn means increasing revenue of municipalities from all revenue titles given to municipalities as per the LSG Act, 1999 as well as to identify and explore other possible sources and to spend judiciously or prudently the revenue thus collected under different expenditure headings. The Local Bodies Financial Administration Regulation allows municipalities to spend between 25-40% of internal revenue by way of administrative overheads.

The municipal internal revenue or own source revenue (OSR) basically comprises of tax and non-tax revenues. Similarly, under the expenditure heading, there are broadly two types of expenditures: administrative expenditures and development expenditures (or capital investments).

The revenue base of the municipalities is very weak. Out of the total local income of NRs. 2.25 billion in FY 2011/12 of all 58 municipalities, taxes and service charges together made up around 83%. The largest share of revenue was provided by service charge (around 41% of total income) levied by the municipalities to provide different kinds of services. Second major source of local income was property tax which contributed around 18% to the total municipal income. Due to low revenue base, the capacity of the municipalities for development activities is limited. Municipal expenses are highly dependent on central

government grants. In 2011/12, nearly 70% of the total municipal revenue was accrued from grants (5.3 billion out of 7.6 billion) and the share of local revenue was mere 30% (MoUD, 2015).

In FY 2011/12, a significant share of municipal expenditure of 4.8 billion was incurred as capital investment (about 72% of total expenditure) and current expenditure was only 28% of the total expenditure.

Improvement and management of local finance in Nepal as aforementioned means improvement both in revenue as well as expenditure side. Improvement in the revenue side calls for exploitation of internal potential revenue sources which are not yet fully tapped. Studies have shown the potentiality of integrated property tax (IPT) to generate revenue to municipalities. However, the IPT has not been tapped even up to 30% of its huge existing potentiality.

The Government of Nepal is encouraging and promoting local property tax since 1999, particularly IPT to generate revenue to municipalities. But there are certain problems associated with the implementation of IPT at present such as lack of political commitment, legal provision, lack of tax culture resulting into high resistance from the public, lack of trained manpower in IPT, and poor database, among others.

The NUDS, 2015 has estimated required investment of Rs. 372 billion to fulfill the existing infrastructure deficit in 58 municipalities. The infrastructure investment includes cost for new roads, construction and upgradation of existing

roads, piped water supply connection, construction of toilets, electricity connection, solid waste collection and management, and storm drainage and sewerage connection. In addition to this, the cost for the infrastructure development for 133 newly added municipalities is estimated to be Rs. 881 billion. How to meet this huge investment needs for the infrastructure development is a major concern and challenge at present both for the central and local government in Nepal.

There are possibilities to mobilize resources from various sources such as adoption of PPP model of financing, mobilization of the private sector, debt financing, use of betterment tax, and transfer of ownership of public land to municipalities, among others.

## **5.2 Strengthening and improving access to housing finance**

The availability of cheap and affordable housing finance can go a long way towards making housing accessible to all, particularly the poor and low income families who are in great need of housing. However, housing is becoming more and more inaccessible to poor and low income families due to excessively high prices of land, particularly in the urban areas, and of construction materials.

Even the existing rental housing is not affordable for these groups though there is plenty of rental housing in almost all the major cities or urban areas. The main problem of urban poor families in major cities of Nepal is the non-availability of 'rental rooms' as the house-owners construct only complete houses and flats for rental purposes; they are very expensive and beyond the means of the majority of the urban poor whereas the need of the

urban poor is just a room or two at the most (Shrestha, 2011).

According to the National Census 2011, the percentage of household living in the rental housing in the urban areas is 40.22 (Kathmandu district: 58.65%). In 2003/04, the proportion of households living in the rental housing in the Kathmandu Valley was about 33%.

In 1990, the Government of Nepal established a specialized housing finance institution in the form of Nepal Housing Development and Finance Company (NHDFC) to make available housing finance to poor and low income families at an affordable rate. In addition to this, banks and financial institutions also provide housing finance in Nepal.

According to the recent figure of Nepal Rastra Bank, the central bank of Nepal, there has been NRs 88 billion worth of investment in housing and real estate. Of this, the share of commercial banks is NRs. 65 billion, that of development banks NRs. 12 billion, and that of finance companies is NRs. 10 billion. The contribution of housing and real estate sector to the gross domestic product in Nepal is 8%.

The Employee Provident Fund (EPF) has invested 700 million in building and housing sector which is hardly one percent of the total loan and investment of the EPF. All these figures clearly suggest that there is no shortage of resources or funds in this sector; there are still great possibilities of mobilizing additional resources in this sector to meet the housing finance needs of the poor and low income families.

However, the existing housing finance being made available by the banks and financial institutions is not affordable due to high rate of interest on the one hand,

and on the other hand, the need for a house or land to put as collateral demanded by the banks and financial institutions which the poor cannot provide. There is no availability of housing finance on group collateral basis nor any subsidized loan particularly meant for the poor (Shrestha, 2011).

The TYIP had stated to make available subsidized housing loan to deprived families through finance companies. Similarly, the TYP had also targeted to provide subsidized housing loan to 100 low income families through finance companies.

Mention should be made here about the *Janata Awas Karyakram* (People Housing Program) being implemented by the DUDBC (*see Case Study 1*). The Program has so far constructed more than 6000 low cost houses in 30 districts of Nepal.

The present challenge is to make easy and affordable housing finance to poor and low income families who are in great need of such support.

### **5.3 Supporting local economic development**

The development of local economy brings many positive change or results in the national economy as it increases employment opportunities to absorb the increasing labor force, increase the revenue base of the municipalities (as there will be increase in the number of tax payers and their ability to pay the taxes), and widens the market for different products due to increase in the level of income of citizens. There will be improvement in the infrastructure facilities and services, and the local government's capacity will be enhanced with the increase in the revenue, which ultimately will help to improve the overall quality of life of citizens. In

addition, it will also help in the reduction of poverty in the urban areas.

Different local economies or urban areas have different potentialities for growth emanating from their comparative and competitive advantages for certain products; therefore priority for investment needs to take into account these realities.

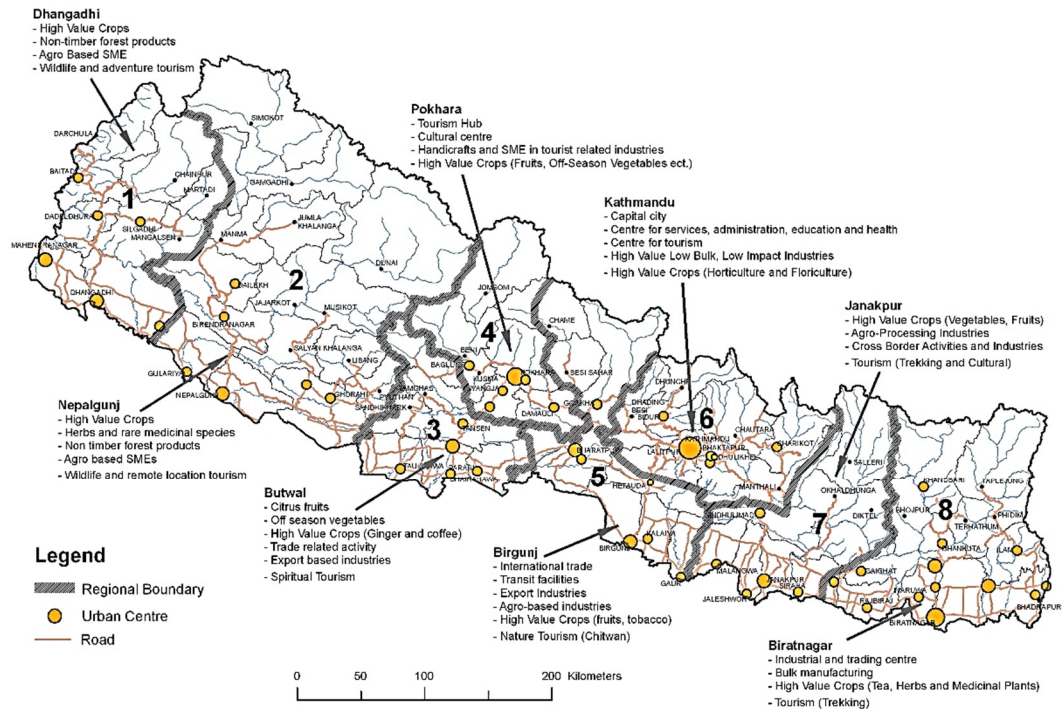
NPC & ADB (2007) has identified eight urban economic regions (UERs) from west to east, encompassing three ecological regions (Figure 2). Based on Revealed Comparative Advantage analysis, the study has pointed out comparative advantages of Nepal in the international market (including India) in the production of certain agriculture products like niger seeds, sunflower seeds, large cardamom, cut flower, herbs, ginger, tea etc. and in manufacturing items such as leather and leather products, jute and jute products, textile yarns, and Pashmina muffler and shawls.

In addition to this, the study has emphasized on the need for encouraging the production of goods in which a particular UER has comparative benefits over the others. For instance, high value crops (horticulture and floriculture) and low impact industries are suggested for the Kathmandu Valley.

Similarly, Pokhara Valley has comparative advantages in tourism, handicrafts and small- and medium enterprises, high value crops like fruits, off season vegetables etc.

Based on the works of NPC and ADB (2007), ADB (2010) appropriately states that the development approach in Nepal should be based on 'region based development approach' in order to achieve balanced growth both in urban and rural areas encompassing three ecological regions – Mountains, Hills and Tarai.





**Figure 2: Comparative advantages of economic regions**

Source: NPC & ADB (2007)

Highlighting the role of urban areas, ADB (2010) further states that the urban areas in particular should boost economic potential and facilitate growth in UERs which better encompass rural hinterlands and create stronger rural urban links.

The NUDS has also pointed out the relative advantages of the urban areas/regions in manufacturing. Accordingly, the relative advantage of Kathmandu Valley includes communication and publishing. Similarly, Biratnagar-Dharan Corridor has relative advantage in electrical machinery apparatus and textiles; Birgunj Corridor in tanning and leather products, basic metal and chemical products; and Nepalgunj Corridor in chemical and chemical products, fabricated metal products. Pokhara has relative advantage in wood

products, furniture, jewelry, sports goods, machinery, and equipment.

#### 5.4 Creating decent jobs and livelihoods

Survival in the cities is a major problem and concern for the newly entered migrants from the rural areas due to lack of proper skills and education. Thus, the primary concern and the top most priority for unskilled migrant labor is to get any job for their immediate livelihood and the question of decent job naturally tends to be in second-order priority to them.

In Nepal, 90% of the labor force is engaged in the informal sector of the economy and only 10% in the organized or formal sector. The latter are organized and registered; therefore they get facilities and protected by the government through different legal



provisions. The new migrants from the rural areas get employment mostly in the informal sector where there is less demand for skills and education, and therefore even unskilled workers can get jobs.

Although cities offer various employment opportunities to different levels of people with different types of skills and educational background, job opportunities are extremely limited. Thus naturally there is intense competition for the available limited opportunities in the job market. There are more job seekers than the number of jobs available. At present the unemployment rate in the urban areas is 5%; in Kathmandu Valley, the rate is 8%.

The increase in the employment opportunities is possible when there is investment in the various sectors of the economy. Such investment comes when there is conducive environment in terms of political, social, economic stability. Livelihood becomes secured with dependable income source and easier with the availability of minimum basic services that is required for the survival of life such as water supply, electricity, sanitation facilities etc. Urban areas are relatively better off with regard to such services and facilities compared to the rural areas in Nepal.

### **5.5 Integrating of urban economy into national development policy**

Cities and urban areas are the engine of growth. The contribution of the urban areas to national gross domestic product (GDP) is quite significant accounting for two-thirds. There has been gradual structural transformation of the urban economy from the primary sector to secondary and tertiary sector. Trade, commerce and service sectors, including

finance and banking sector, is rapidly growing relative to the manufacturing sector in the major urban areas. At the macro level also, the contribution of agriculture sector to GDP is declining continuously. The share of the population engaged in the agriculture sector is decreasing over decades. On the contrary, the proportion of the EAP involved in the secondary and tertiary sector over the same period has shown increment.

As aforementioned, informal sector in the urban areas plays very crucial role in the urban economy, and provides opportunities for a large segment of rural unskilled migrants, at least in their initial phase of arrival to the cities. The Government of Nepal intends to support the informal sector by addressing their issues and problems such as lack of affordable credit to expand their business enterprises, marketing problems for their products, fair wages, and housing problems by incorporating and integrating such issues in the corresponding national development policies, particularly in Industrial Policy, Shelter Policy, and Monetary Policy. This sort of support from the central government and/or local government will enable informal sector workers for further development of their business enterprises which is expected to increase their abilities and willingness to pay some taxes to the local bodies due to increase in their level of income. This will ultimately increase the revenue base of the municipalities in the long run. Further these small enterprises, mostly run on family basis, could be made formal by gradually regulating and registering them into the system so that necessary protection can be provided by the government.

## 5.6 Challenges experienced and lessons learnt

### *Improving municipal/local finance*

Local governments/municipalities alone are unlikely to meet the increasing demand for the construction of additional infrastructure facilities and services, due to their extremely limited investment capacities resulting from low level of revenue of the municipalities. Management and improvement of local finance, among other things, calls for devising appropriate strategy and policy for increasing revenue of the municipalities from the potential revenue sources and to maintain the current expenditures within the prescribed limit.

The main challenges are seen in the areas of increasing OSR and reducing dependency on central grants, rationalizing the intergovernmental fiscal transfer and the revenue sharing with the central government for increased municipal financing. The success of IPT in many municipalities has shown the way forward in improving municipal OSR. However, the weak institutional capacity and limited knowledge in project design and management prevailing in most local government has hindered the effective design and implementation of projects aimed at improving the internal revenue and infrastructure development.

### *Strengthening and improving access to housing finance*

Housing finance through formal sector like banks and financial institutions is expensive due to high interest rate which poses big challenge towards making housing accessible and affordable to the low-income families and especially the urban poor. Credit institutions like NHDFC and EPF have not been able to

provide subsidized housing finance to meet the growing demands.

Uncontrolled land price due to speculation, imperfect land market, and lack of comprehensive land use plan to identify housing areas have contributed to increase the cost of housing.

The present system of housing finance is not going to address the increasing housing problem of low income families and poor. Thus, how to make available simple and affordable housing finance is a major concern and challenge faced by almost all the major cities in Nepal. Similarly, the inadequate research and development in the area of affordable housing materials and technology is also a matter of concern.

### *Supporting local economic development*

Although emphasis was given for the development of medium and small enterprise development in Nepal since the Tenth Plan (2002-07), there has been no dedicated policy towards local economic development (LED). This has led to non-exploitation of comparative and competitive benefits for development which stands as a challenge.

Municipalities in Nepal possess different potentialities for growth and if these potentialities are fully exploited it could bring many positive changes in the municipalities and in the lives of its citizens.

### *Creating decent jobs and livelihoods*

The formal sector has been providing only limited job opportunities while the informal economy is catering the needs to a large extent in the urban areas at present. Provision of decent jobs for better livelihood in the urban areas is desired by all, particularly by the poor and low income

families. In the urban areas, informal sector is providing bulk of the employment opportunities and income which are not protected and supported by the government.

Public sector's initiative towards creating decent jobs and livelihoods through targeted programs like Youth and Small Entrepreneur Self Employment Fund, has met with mixed success as it is often labeled as distributive and not used in targeted area.

Creating decent jobs through investment in LED has remained a challenge due to the lack of policy support and inadequate financial resource.

The role of informal economy needs to be recognized, and it must be integrated into national development policies to formalize it gradually with necessary support and incentives. Due to the 2015 Earthquake, the Economic Survey 2015/2016 estimates that poverty will increase between 2.5% to 3.5% nationally. Due to earthquake and the recent blockade at the Indo-Nepal border, the employment growth rate is expected to remain below 2.9%.

#### ***Integrating of urban economy into national development policy***

Urban sector in Nepal contributes significantly to national GDP annually. The urban economy has undergone structural transformation from primary sector based economy to a more secondary and tertiary sector based economy in the recent decades. As the cities get more developed, secondary and tertiary sector will further grow. Despite such development and contribution of urban sector, the poverty level and unemployment are both on the rise in the urban areas. The urban poor are the one who are hard hit by high cost of living including housing. The growth and

development in the urban areas have not trickled down its effect in the rural areas; thus there exists disparity in the development between the rural and urban areas as well as among development regions in the country, both socially and economically. In this context, how to integrate the urban economy into national development policy to reduce the disparity between the rural and urban areas remains an important challenge.

### **5.7 Future challenges and issues to be addressed by the New Urban Agenda**

#### ***Improving municipal/local finance***

Inadequate investment for infrastructure development against rising need for investment due to low revenue base of most of the municipalities will continue to be a major challenge. With additions of 159 municipalities to existing 58 will further put pressure on distribution of central grant, a major source in the composition of municipal overall OSR. This will further limit their overall resource mobilization capacity. The weak institutional capacity of municipalities to mobilize the potential revenue sources will also remain as a major challenge to overcome the deficiency in municipal/local finance.

The New Urban Agenda, therefore, aims at finding out innovative ways to increase the municipal OSR based on the equitable tax and non-tax revenues, and mobilizing the potential revenue sources for increased urban financing. For effective and efficient municipal finance management, technical and managerial capacity building will be another important agenda for local government. With federal states coming into existence accompanied by three tiers of governments (namely central, provincial and local governments), managing and

sharing of the municipal resource and expenditure between tiers of governments will be other prime agenda to deal with in future.

### ***Strengthening and improving access to housing finance***

The prevailing access to housing finance in the urban areas of Nepal is largely based on financing from formal and non-formal financial sectors for both housing developers and housing dwellers. Housing finance through formal sector has remained poor and expensive. Public sector's investment in housing development is limited to the development of city's trunk infrastructures and to the development of affordable housing for urban poor, slum dwellers and marginalized. The initiatives to provide affordable housing to the low-income families and especially the urban poor have met with limited success.

The New Urban Agenda seeks to strengthen and improve access to housing finance through formal sector by recognizing housing as priority sector to promote private sector's investment in housing development. It includes policy (re)formation for the promotion of cooperative credit mechanism and for improving access to capital market for financing in housing development.

The Agenda further aims at perfecting the land market by providing policy support to discourage land speculation, establish land information system and prepare/update the comprehensive land use plan. The Agenda includes creative ways to make use of capital market for increasing housing finance for private sector developers. The New Urban Agenda aims at up-scaling the ongoing People's Housing Program and at encouraging the NGO/CBOs to increase

their participation in housing development for the poor and marginalized.

### ***Supporting local economic development***

Although there have been direct or indirect investments in LED in municipal areas in Nepal, clear and dedicated LED policy has yet to be formed to develop urban economic model built on local resources and competitive advantages. The lack of recognition of informal economy in creating employment opportunities, especially for the poor, will remain a challenge to explore the diverse creative economic potential of cities.

The New Urban Agenda, therefore, seeks to formulate a clear LED policy to include lead economic sector of municipality focusing on competitive advantages. It also provides policy support for local investment climate and innovation; identify programs based on local resources, and construction of sustainable infrastructure to improve connectivity and to strengthen urban rural and territorial linkages. The New Urban Agenda includes development of access to ICT and clean technology to attract investments.

### ***Creating decent jobs and livelihoods***

Article 18 of the Constitution of Nepal establishes the rights to employment for every citizen including persons with disability. Citizens will have social security. Every citizen's right to food security will be honored. Although Nepal has initiated various programs targeted to create decent jobs and livelihoods, inability of urban growth and development to lead the development of the rural areas has resulted in increased poverty. The flight of EAP for foreign employment due to the lack of employment opportunity both in productive and service sectors at home will

continue to be the biggest challenge in the future.

To create decent jobs and livelihoods, the New Urban Agenda, therefore, aims at creating employment opportunity through LED committed to an urban economic model built on local resources and competitive advantages. It will foster the enabling and fair business environment and will support innovations and entrepreneurship by harnessing of capacity of both formal and informal economics. The Agenda recognizes the diversity within the youth groups, their capacity development to enter into local business, and employment climate to promote small, medium, and micro enterprises, and social enterprises.

***Integrating of urban economy into national development policy***

There has been a limited integration of local economy into national development policies in Nepal. This has posed challenges to integrate the opportunity provided by local economic potentials to the national economy. The New Urban Agenda thus seeks to integrate urban economic into national development policy for increased focus on the urban economy.



## 6. HOUSING AND BASIC SERVICES

### 6.1 Slum upgrading and prevention

Urban slums are characterized by the lack of access to improved water, access to improved sanitation facilities, sufficient living area, structural quality and durability of dwellings and security of tenure. Most of the urban areas are rapidly turning into slums due to shortcomings in the provision of infrastructure and services. This makes upgrading an important strategy for housing delivery (Joshi, 2013). People who are living in the informal settlements along the river bank and unsettled sloped land are most vulnerable to natural calamities. It is estimated around 10% of the urban population live in informal settlements. Some cities like Dharan have more than 10% population belonging to the informal settlements (MoUD, 2015).

The Constitution of Nepal, 2015, guarantees the establishment of the right to education, health, housing, employment and food security to all citizens, and states that it shall be the responsibility of the state to guarantee the provision of social and economic security including the land for those groups who are socially and economically backward.

The Government of Nepal initiated the Janata Awas Karyakram (People's Housing Program) in FY 2009/10 (*See Case Study 1*). The DUDBC also initiated to construct multistory housing as a part of resettlement program for the people living in the informal settlement. The program aims to provide planned housing by relocating the informal settlement families living along the river bank as an effort towards the improvement of the unplanned

settlements. It is made compulsory to make the payment in 25 years' time period on installment basis to recover actual construction cost and deliver the message that government will not provide housing free of cost (DUDBC, 2014).

The program of developing the concept of land bank has also been proposed targeting the landless farmers, bonded free labor (*kamaiya*). The construction of intensive settlement with communal facilities and services as an alternative for housing has been proposed in this area. As per Bonded Labour Rehabilitation Implementation Committee of Bonded Labour Rehabilitation Problems Solving Commission under Ministry of Land Reform and Management (MoLRM), there are 27,570 bonded families. Of them, until now, 23,857 families have been rehabilitated and still 3,713 families remain to be rehabilitated. The government has been rehabilitating bonded laborers families by purchasing the land equivalent to Rs.150,000, and also providing cost for the construction of the house and timber besides implementing different skills oriented and income generating programs.

Two informal settlements federations, Nepal Basobas Basti Samrakchan Samaj and Nepal Mahila Ekta Samaj (women federation) have been registered in Nepal under the initiation of Lumanti, a non-governmental organization which stresses on the need of community contribution to housing improvements through savings. The national federation is now active in 30 districts across Nepal, including two districts in the Kathmandu Valley and has over 15,000 members. The federation of



the homeless continues to focus on security of tenure issues, while and the women's federation concentrates on saving and credits, infrastructure and women rights issues (UNHABITAT Nepal, 2010).

A resettlement project *Sambriddha Anas* was initiated by Lumanti with Kathmandu Metropolitan City's support in Kirtipur in 2004, with the objective of relocating the informal settlements along the Bishnumati corridor in 2004 that were displaced due to the Bishnumati link road construction. Lumanti has been working in collaboration with Asian Housing Rights and other organizations to support housing initiatives in slum and informal settlements in Bharatpur, Biratnagar, Birgunj, Ratnanagar and Kohalpur, and also through the Community Led Infrastructure Finance Facility (CLIFF) program in different districts including Pokhara (*See Case Study 2*). Habitat for Humanity International has largely focused on housing assistance in rural areas; in 2009 they embarked on a 5,000 units urban slum upgrading project in Kavre district in partnership with local saving cooperatives (UNHABITAT Nepal, 2010).

## 6.2 Improving access to adequate housing

After the Istanbul Declaration (Habitat II), the National Shelter Policy, 1996 was revised in 2012, to address the new challenges of slums, rental housing and housing for internally displaced and economically weaker section. The National Shelter Policy, 2012 has projected that around 1,364,000 housing units are required in urban areas with around 900,000 new construction required by 2023. In this context, it is necessary to address the housing demand of deprived groups, marginalized communities,

landless families, single woman families, senior citizens, persons with disability, and orphans. The Constitution of Nepal 2015 stipulates the right to safe and affordable housing under the notion of *Shelter for All*.

According to the Nepal Living Standard Survey or NLSS (2003/2004), the population living in the houses of their ownership was about 91.6% and those living in rent were 5.4%. These figures were 92.8% and 2.2% respectively in 1995/96. People living in the rented houses have been increasing. According to the NLSS (2010/2011), the housing occupancy status of 90% of households belonged to owned category. In urban areas only 69% of households resided in their own houses.

According to the National Housing Plan 2013/14, out of 1.05 million households in urban areas, only 56.8% had own houses and 40.2% of housing units are rented (MoUD, 2015).

The Ninth Plan (1997-2002) aimed at investing in municipal infrastructures through the Town Development Fund (TDF) and IAPs were prepared for several municipalities. With the promulgation of LSG Act in 1999, municipalities were given responsibilities of their development guided by the decentralization policy. The Ninth Plan also continued to mobilize fund for housing through the Nepal Housing Development Finance Company, and expected to develop 6,000 housing plots by means of land pooling programs. To aid the housing production, Rural Housing Company was restructured into the National Housing Company in 2012. Several Town Development Committees are also involved in producing serviced plots.

The government initiatives in housing have only been through the land development programs like site and services, Guided

Land Development and land pooling. In the last fifteen years private sector played an important role in providing housing units in Kathmandu Valley. Around 62 housing projects (Group Housing and Apartments) and 6113 housing units are being implemented within Kathmandu Valley.

Guided by the Apartment Ownership Act, 1997, private developers (organized sector) have been catering to the housing demand to some extent by building multi-story buildings and group housing in the highly populated cities like Kathmandu, Pokhara, and Birgunj. These housing projects have been implemented under the monitoring of DUDBC to regulate planned housing in an institutional and legal manner.

However, the demand for low-income housing has not been addressed by such initiatives. Almost 90% of the houses are still owner built in the urban and rural areas of Nepal. The government is now working on the policies related to the rental and co-operative housing to meet the growing housing demands of the middle and the low-income people.

The Government of Nepal has endorsed, ratified and adopted numerous other international declarations and covenants regarding right to housing including the International Covenant on Economic, Social and Cultural Rights, the Habitat Agenda, the MDGs, and the SDGs. The new Constitution of Nepal, promulgated on September 20, 2015, has adopted and included *Right to Housing* under the Fundamental Rights and Duties. According to the constitutional provision every citizen shall have the right to appropriate housing and no citizen shall be evicted from the housing owned by him/her or encroached on the housing, except in accordance with law.

### 6.3 Ensuring sustainable access to safe drinking water

Water and sanitation facilities have been recognized as fundamental rights of the people in the Constitution of Nepal, 2015. Access to safe drinking water especially in the urban areas of Nepal is poor with a clear disparity among the different ecological regions of the country. Whereas only 32.9% of households have access to piped water supply in urban Hills, in urban Tarai 81% of households have access to piped water supply. According to the water, sanitation and hygiene status report 2011 basic water supply coverage is 80% at the national level, 94% in urban areas and 72% in rural areas. In Kathmandu Valley 72% of households have access to the piped water, and 10.1% have access to other sources.



*Community water tap in Tokba, Kathmandu (Photo: Sangeeta Singh)*

In Kathmandu, the water demand is 350 million liters per day (MLD) but Kathmandu Upatyaka Khanepani Limited (KUKL) is supplying only 90 MLD in dry season and 150 MLD in the wet season. People have to rely on private vendors, deep boring and well as alternative sources, which together accounts to 50 MLD of supply (MoUD, 2015). Per capita water requirement according to WHO standards is 112 to 150 liters per capita per day (lpcd).

(MoUD, 2015). But average water consumption is estimated at 35 lpcd from various sources including piped water.

Water supply in Nepal is generally characterized by unreliable and inconsistent quality of distributed water and contamination either at source, outlet or transmission level. The quality and quantity of drinking water is insufficient in all urban areas (MoUD, 2015). For example, sample survey of source, reservoirs and taps in 28 municipalities revealed E-coli bacteria in 80% of the samples. Of the 174 water sources, 68.9% were found to have microbial risks. In Kathmandu, 33% of deep tube well and 44% shallow tube wells were contaminated with coliforms.

Nepal has already met the MDG target set in WASH sector as the result of the joint collaborative efforts of all sector actors. The government is now striving towards achieving the National Target of *Basic water supply and sanitation facilities for all by 2017*. The government is also engaged in finalizing a 15-year Development Plan of Nepal WASH Sector aligning it with the SDGs. The Government of Nepal's investments in urban water supply and sanitation are primarily guided by its Twenty-Year Vision (1997-2017), which seeks universal coverage by 2017, and the National Water Plan (2002-2017).

The National Policy on Rural Drinking Water Supply and Sanitation, 2004 provides guidance on service provision in rural areas using community-led participatory approach. The National Drinking Water Quality Standards, 2006 provides details of the water quality standards to be applied to all new urban systems, and complements the Environment Protection Act, 1997 which requires Environmental Impact

Assessments of all new projects, and pollution control for all water resources. The Nepal Water Supply Corporation Act, 2007 (2<sup>nd</sup> amendment), Water Supply Management Board Act, 2006, and Water Supply Tariff Fixation Commission Act, 2006 facilitate improved management of Kathmandu Valley's water and sanitation services. These establish the legal basis for private sector management of schemes, and independent fee setting and regulation. These are applicable to all urban schemes.

The goal of the National Urban Water Supply and Sanitation Policy is to ensure socio-economic development, improved health status and quality of life of urban populations. The National Urban Water Supply and Sanitation Sector Policy, 2014 targets the poor and marginalized, through the provision of sustainable water supply and sanitation services and protection of the environment. The right to water for drinking takes precedence over rights for all other uses as stipulated in the Water Resources Act.

At the implementation level, the following initiatives have been significant: Small Towns Water Supply and Sanitation Sector Project; the Kathmandu Valley Water Supply Sector Development Program; the UEIP and several schemes managed by the Nepal Water Supply Corporation (NWSC). In line with the 15-Year Development Plan (first prepared in 2009 and updated in 2015) for Small Towns Water Supply and Sanitation, the Asian Development Bank (ADB) has been supporting the Government of Nepal in enhancing water and sanitation services in small towns since 2001. While the first round of Small Towns Water Supply and Sanitation Sector Projects were implemented in 29 towns, a total of 21 small towns are being supported through the second round of projects. Drawing experience from these projects,

the Third Small Towns Water and Sanitation Sector Project is being implemented in 26 towns.

The institutional arrangement of water supply in urban areas is being restructured. The functions of NWSC have been gradually shared by independent water supply management boards in some specific municipalities or in a cluster of municipalities. For example, KUKL is entrusted for operation and maintenance of system under lease contract for 30 years by Kathmandu Valley Water Supply Board which has taken over the ownership from NWSC few years ago.

The Government of Nepal has instituted the Ministry of Water Supply and Sanitation (MoWSS) on 24 December, 2016. The MoWSS has a mandate to draft new policies and legislations as well as revisions of existing sector policies and legislations in line with the recently promulgated Constitution of Nepal.

#### **6.4 Ensuring sustainable access to basic sanitation and drainage**

Access to safe drinking water supply and sanitation services is fundamental to improving public health. In Nepal, according to the NLSS, 2011, sanitation system coverage in 2011 in terms of household population was 56.1% in urban areas and 8.5% in rural areas. In urban areas, 88.2% households had toilets compared to 47.4% in rural areas. In Kathmandu Valley, 98.1% of household had access to sanitation system, and 99.3% had toilet. In urban hills, sanitation system coverage was 41.6% and 81.2%. In urban Tarai, sanitation coverage was only 33.2% whereas 79.3% of households had toilets. Access to sanitary system for the poorest quintile was a mere 6.6% and only 22.8% had toilets in their household.

Drainage is a major problem in low lying Tarai towns, particularly in Nepalgunj, Sidharthanagar, Janakpur, and Biratnagar and Birgunj municipalities. In general, there is no segregation between domestic and industrial waste; both types of waste are directly connected to storm water drains (MoUD, 2015).

Until the early 90s, the sector development policy was guided by periodic plans backed annual budget and programs. The first policy document was Nepal National Sanitation Policy and Guidelines for Planning and Implementation of Sanitation Program, 1994. The sanitation policy was considered necessary to promote sanitation which was given low priority compared to water supply in rural communities. Following the Sanitation Policy, the National Water Supply Sector Policy was published in 1998, which mainly focused on rural water supplies. A new Rural Water Supply and Sanitation National Policy replaced the 1998 policy in 2004, which also included strategies for the implementation of the policies.

In the absence of a specific policy on urban water supply and sanitation, the Kathmandu Valley Water Supply and Sanitation Sector Policy and the Kathmandu Valley Water Supply and Sanitation Sector Strategy were approved by the Government of Nepal in 2000 to facilitate implementation of Melamchi Water Supply Project under ADB assistance. It was only in 2009 that the Urban Water Supply and Sanitation Policy was approved by the Government of Nepal.

The TYIP (2007- 2010) provided guidance on urban sector priorities highlighting, in particular, the need to address the effects of rapid urbanization on service levels, water quality and scheme maintenance. It



proposed full integration of sewerage, on-site sanitation and solid waste management in all urban schemes and specifically endorses recovering costs from consumers.

According to the LSG Act, 1999, local government bodies are responsible for providing water and sanitation facilities. However, due to lack of awareness, human resources and, most importantly, due to lack of planning skills, hygiene and sanitation were overshadowed by physical infrastructures.

In 2003, Nepal Water for Health and Water Aid introduced Community-Led Total Sanitation in Nepal, which is an approach aimed at facilitating rural communities to: a) conduct their own appraisal of sanitation problems; b) derive their own conclusions; and c) promote community-wide action with the ultimate aim of achieving Open Defecation Free (ODF) communities.

The adoption of such difficult targets indicates a strong commitment by the Government of Nepal to transform the lives and wellbeing of the people. Subsequently sanitation coverage has risen from 6% in 1990 to 62% in 2012. The DDCs, VDCs, and municipalities have recognized the promotional actions on sanitation to achieve ODF situation through their annual planning.

In the recent years, the Water Supply and Sanitation Division/Sub-Division Offices have been playing the catalytic role for backstopping ODF initiative in coordination with District Water Supply and Sanitation Coordination Committee. In the recent years NGO/ CBOs have been active in promoting sanitation activities. Among over 20,000 NGOs registered, about 200 of them are active in water and sanitation sector in Nepal. They have potential in community mobilization

and awareness raising (Steering Committee for National Sanitation Action, 2011).

Some of the key policies and strategies related to hygiene and sanitation in the country are National Sanitation Policy, 1994; Water Supply Sector Policy, 1998; Rural Water Supply and Sanitation National Policies, Strategies and the Sectoral Strategic Action Plan, 2004; Nepal Water Plan, 2005; and the Urban Water Supply and Sanitation Policy, 2009. Government investments in water supply and sanitation are primarily guided by its Water Plan (2002–2017), which seeks universal coverage of basic level of water supply and sanitation by 2017. The Plan has also sought to improve the basic level of water supply of 27% of the population to medium to high level by 2017, and of 50% by 2027.

## **6.5 Improving access to clean domestic energy**

In urban areas of Nepal, the consumption rate of energy is increasing rapidly. The major portion of energy consumed in residential sector in Nepal belongs to urban areas. Per capita electricity consumption in Nepal in 2010 was 90 kilo-watt hours (kWh), compared to 566 kWh in India and 719 kWh in Asia. Kathmandu Valley alone consumed 29.3% (over 200 MW) of the total electricity distributed by Nepal Electricity Authority.

Out of the total national energy consumption, 90% is consumed in residential sector. Total energy consumption of oil equivalent was 10155 tons of oil in 2010/11 – an increase by 2.8% from 9876 tons in 2009/10. Of the total imported fuel residential sector consumed 16.6%.

Hydropower utilization is currently less than 1% of the power potential (MoUD,



2015). The use of liquefied petroleum gas for cooking purpose in urban areas has been increasing rapidly.

Nepal is endowed with good renewable energy potential. The major sources of renewable energy are hydropower, solar energy, various forms of biomass energy, biogas and wind energy etc. Despite huge renewable energy potential still around 85% of the total final energy consumption in Nepal is met by traditional biomass and only 56% of households in Nepal have access to electricity.

The Government of Nepal has been promoting renewable energy technologies since past two decades with the support from development partners, and private sector. The initiative taken has been fruitful and there are significant achievements in the development of renewable energy in the country.



*Solar energy for cooling in Ranipauva, Mustang (Photo: Sangeeta Singh)*

The Renewable Energy Subsidy Policy, 2013 was formulated with the goals of accelerating renewable energy service delivery with better quality, comprising various technologies, to households, communities and micro, small and medium sized enterprises in rural areas, to benefit men and women from all social groups, leading to more equitable economic growth, besides developing renewable

energy industry and attracting private investment in large capacity of renewable energy projects in the country. Subsidy provision is envisaged for mini and micro hydro power and improved water mill including subsidies for rehabilitation of damaged mini and micro hydro projects.

Solar energy technology is one of the important and popular renewable energy technologies in Nepal. Presently, the Government of Nepal is promoting small solar home systems, solar home systems, institutional solar systems and some solar thermal systems like solar dryers and solar cookers. Subsidy for solar thermal technologies is envisaged to be provided in the rural areas, whereas subsidies are also envisaged for biogas energy, biomass and wind energy. There has been significant improvement in rural electrification through increased use of solar panels; number as well as the amount of energy produced from mini- and micro-hydro projects has increased.

Till date, around 12% of the total population has access to electricity through renewable energy sources. Around 23 MW of electricity has been generated from micro hydro schemes, 12 MW from solar PV system, and less than 20 KW from wind energy. More than 1.5 million households are benefited from different renewable energy sources both for cooking lighting and end users.

The Government of Nepal and various development partners have been providing financial and technical support to increase the access to clean renewable energy. But majority of the population under poverty level living in the rural remote areas are out of access to clean energy due to high initial upfront cost of the renewable energy technologies.

Nepal is in the process of finalizing its Low Carbon Economic Development Strategy to further promote the use of renewable energy and look into the cross-sectoral approaches of the economy where greenhouse gas emissions can be minimized.

## 6.6 Improving access to sustainable means of transport

The unsustainable trends in transport sector as presently observed would further worsen social equity, lower energy security, increase greenhouse gas emissions, and destroy natural habitats and ecosystem, which will ultimately have adverse impacts on national productivity and human development (MoPIT, 2014). Road remains the predominant form of transport infrastructure in Nepal as 90% of the passengers and goods are transported through roads since air transport services is limited and expensive to the common people.

The national road network is mainly classified into two categories – Strategic Road Network (SRN), and Local Road Network (LRN). The SRN consists of national arteries providing inter regional connections linking regional and district head quarter, international borders, key economic centers, touristic centers and the major urban roads.

The road length, road density and population influenced in urban areas in five development region as of 2011 are shown in Table 3.

As of 2011, the SRN constitutes around 20% of total road network (Table 3), consisting of National Highways and 208 feeder roads totaling 11636 km. The LRN consists of 50,943 km of road length as of 2011. The total road density of SRN and LRN per 100 sq. km is 7.90 km and 42.51 km respectively. The total population served by SRN and LRN per km is 2288 and 425 respectively.

Although accessibility has increased, lack of effective connectivity has hindered balanced economic growth and hence increased transport costs.

The Approach Paper of the 14<sup>th</sup> national plan has highlighted on ensuring affordable, safe, competitive, environment friendly and people friendly transportation system.

With the technical support from the United Nations Centre for Regional Development (UNCRD) as a part of Asian Environmentally Sustainable Transport (EST) initiative, the Ministry of Physical Infrastructure and Transport (MoPIT) is taking the lead to prepare the National Sustainable Transport Strategy for Nepal in collaboration with other related government ministries.

**Table 3: Road length and road density in urban area by development regions, 2011**

Description	Total Road Length (km)	Road Density (km/sq.km)	Population Influenced (per km road)
Urban EDR	2601	2.866	319.06
Urban CDR	3555	4.39	639.31
Urban WDR	2367	4.115	323.15
Urban MWDR	1007	2.674	320.18
Urban FWDR	1157	1.892	288.49

Source: MoUD, 2015.

The vision statement for National EST Strategy (2015-2040) for Nepal is “*developing a transport system that is efficient, accessible, people-centric, affordable, reliable, safe, inclusive, and environmental friendly*”.

The Kathmandu Sustainable Urban Transport Project (KSUTP) is under implementation since 2011. The KSUTP envisages to enhance performance of public transport systems, improve traffic operation at congested areas and enhance walkability in the central area of Kathmandu.

The Kathmandu Valley Road Improvement Project, which started in September 2007, covers the road widening work within the SRN to relieve traffic congestion. The ADB-supported “Nepal Urban Transport Management Project” for Biratnagar Sub-metropolitan City is one of the significant projects which establishes an integrated land-use and transport strategy for Biratnagar containing a comprehensive urban transport strategy linked with the recommended future land-use pattern.

Although both Sajha Yatayat and the trolley buses provided effective public transport services in Kathmandu, they suffered from poor management and political interference. On the other hand, the private sector started coming aggressively into the transportation sector. In April 2013, Sajha Yatayat resumed its services with 16 large 55-seater buses with Euro III emission standard bringing new hopes of quality public transport service in the city.

In recent years, the government has given priority for nation-wide electric railway network. Feasibility studies for Mechi-Mahakali and Kathmandu Pokhara routes

have already been completed (total 1318 km).

## **6.7 Challenges experienced and lessons learnt**

### ***Slum upgrading and prevention***

There is an increasing trend of informal settlement formation in urban areas. A 2012 survey in Kathmandu revealed that there were 29 riverside informal settlements with 2031 households. Seventeen settlements in other locations had 467 households.

Informal settlements encroach riversides, roadsides and public open space creating serious problems in many urban areas including Dharan, Birgunj, Bharatpur and Pokhara. The challenge experienced is how to resettle the informal settlements and improve their living standards. The Informal settlements can be upgraded and resettled in new location in collaborative approach of government, non-government organization and concerned stakeholders.

### ***Improving access to adequate housing***

Urban areas have the great demand for rental housing which is mostly supplied by the private sector. There is increasing demand of rental housing units for different economical classes in the major urban areas like Kathmandu, Pokhara, Bharatpur, Biratnagar, and Lalitpur. The private sector has been catering to the housing needs especially in Kathmandu Valley to some extent through the group housing and apartments under Apartment Ownership Act, 1997. However, there is a need for reviewing the existing legal provisions, regulations and standards for group housing and apartment especially with regards to provision of safe and affordable housing. The private sector housing has mostly been targeted for the

high income groups and the challenge lies in catering to the housing needs of the low income groups of the society, and also in introducing the cooperative housing, and housing provision through public private partnership.

To recover from the damage of the 2015 Earthquake, more than 500,000 houses need to be provided through fast track method to avoid homelessness. Similarly, about 3000 offices buildings need to be rebuilt during reconstruction phase. This requires huge investments. In the absence of proper reconstruction policies and implementation guidelines, the reconstruction under the Sendai Framework with the principle of resiliency faces a lot of challenges.

#### ***Ensuring sustainable access to safe drinking water***

Urban areas of Nepal have low densities, which is creating difficulty in providing urban services as investment costs for the services are high. The challenge lies on provision of better services and improving efficiency.

Almost all urban areas have problems in access to potable water. Providing water in sufficient quantity and quality on a reliable basis is the major challenge in all the urban areas. To access the safe drinking water rainwater harvesting could be a sustainable means. Recharging the ground water through rainwater harvesting will be helpful for maintaining the ground water table.

#### ***Ensuring sustainable access to basic sanitation and drainage***

Access to basic sanitation and drainage with proper treatment facilities requires a huge investment. Achieving the cost recovery in urban water supply and sanitation system is another challenge

facing at present. The basic challenge lies in the treatment systems that are either of insufficient capacity or are in need of maintenance and repair. The introduction of decentralized wastewater system can supplement the centralized systems especially in the peri-urban and rural areas. Proper solid waste management and waste water treatment can lead to cleaner river water especially in the urban areas.

#### ***Improving access to clean domestic energy***

There is a high demand of domestic energy in the urban areas while only limited energy demand has been met, leading to load shedding problems throughout the year. Meeting the demand of domestic energy is a big challenge. It is not wise to supply non-renewable source of energy by importing it from foreign nations, to meet the huge increasing demand of domestic energy. For sustainable supply of energy the country should harness renewable source of energy like hydropower, solar energy wind and biogas energy.

#### ***Improving access to sustainable means of transport***

Road density and standards of urban transportation sector of majority of urban areas of Nepal are below the minimum standard values. Roads are narrow in comparison to the vehicle numbers on the road. Maintenance of the urban roads is not regular lacking sufficient fund. Share of public transport is insufficient. All these have resulted in unsafe and unreliable urban transport system. Mass transit system, improved public transportation facilities, promotion of non-motorized modes of transportations can help in improving the access to sustainable means of transport.



## 6.8 Future challenges and issues to be addressed by a New Urban Agenda

Due to increase in urban population, the fragmentation of families and the recent disaster, the housing demand has increased manifold. Access to housing especially targeting the different groups of low income people, marginalized groups, and disabled groups poses a lot of challenges. Due to private land ownership, the private sector has not been very much efficient in providing group and apartment housing provision.

The demand for drinking water is increasing in urban areas. Sanitation has to be extended to all areas. Source of water is decreasing; it is hardly possible to meet the demand locally. If water has to be harnessed from far away areas, the project will need a lot of investment. Investment from the government in large projects is a challenging task. Decentralization of water and sanitation services provision and attracting the private sector in the service delivery calls for a lot of reforms in the existing policies.

Harnessing hydropower and exploiting the renewable source of energy amidst the existing challenges requires a lot of political will and commitment.

New modes of rapid mass transit system and sustainable transportation system like railways etc. will require huge investment.

### *Equitable access to physical and social infrastructure*

It is necessary to ensure equitable and affordable access to basic physical and social infrastructure for all, including affordable serviced land, housing, energy, water and sanitation, waste disposal, mobility, health, education, and information and communication

technologies. However the provision must be sensitive to the rights and needs of women, children and youth, older persons and persons with disabilities, and other people in vulnerable situations such as refugees, migrants, and displaced persons, removing all legal, institutional, physical, and socio-economic barriers that prevent them from participating equally in urban life and the opportunities it offers.

Urban areas should have sufficient basic services. Unless and until the municipalities do not have basic urban services, people cannot enjoy urban life. Basic urban services like water supply and sanitation, energy, communication and transportation facilities, roads, drainage and sewerage should be sufficiently available with at least minimum urban density for categorization as urban areas.

It is necessary to plan for an integrated system of water planning and management that considers urban-rural linkages minimizes conflicts and ecological risks, maximizes positive synergies and mutual benefits, at the local and regional scales. The sustainable use of water should be promoted through a holistic water cycle approach, rehabilitating water resources within the urban area, reducing and treating water waste, increasing water storage, and providing safe and healthy drinking water within short distance in cities and human settlements, emphasizing measures to avoid conflicts and minimize the impacts of climate-related disasters especially floods and droughts, and sharing experiences among cities. Human resources capacity development should be a transversal component of the above-mentioned activities, focusing on water utilities and decision-makers.

Sustainable management of waste should be on the agenda, reaffirming the three R's



(reduce, reuse and recycle), setting zero landfill targets, and converting to energy only the inevitable residual waste. These measures will reduce pollution, lessen contamination of water bodies and groundwater, and contribute to addressing spatial, technical, and economic waste management challenges in urban areas, while contributing to creation of jobs.

### *Adequate and safe housing and shelter*

The expansion of adequate and affordable housing is central to achieving inclusive, safe, resilient, and sustainable cities in a world where rapid urbanization has exacerbated housing shortages. Housing needs to be considered as one of the highest priorities for national governments, considering the right to adequate housing for all as a component of the right to an adequate standard of living without discrimination of any kind.

There should be proper integration of housing policies and approaches across all sectors, and at all levels of government, to ensure the proximity of adequate basic infrastructure, as well as to counter segregation. The housing policies should promote equity with provisions that address discrimination, forced evictions, and the needs of the homeless and people in vulnerable situations, enabling participation and engagement of communities and stakeholders.

The focus should be on developing integrated housing approaches that incorporate the provision of adequate, affordable, safe, and well-located housing, with access to quality public space, basic infrastructure, and services like sanitation systems and public transport, as well as livelihood opportunities, combating spatial and socio-economic segregation, and improving the living conditions of the urban poor, including those in living slums

and informal settlements. Relationships with informal settlements and slums, including the informal economy, need to be redefined in ways that leave no one behind, taking into account that those areas are also engines for economic growth, prosperity, and job creation.

The focus should be to consider policies that promote a wide range of alternative housing options, considering shifting from a predominantly private ownership to other rental and tenure options, including cooperatives solutions such as co-housing and community land trust, in order to improve the supply of affordable housing, as well as to adopt policies that support incremental housing and slum/informal settlements upgrading programs.

It is also necessary to promote regulations within the housing sector, including building codes, standards, development permits, land use by-laws and ordinances, and planning regulations, ensuring quality and habitability. In this regard, planning initiatives should avoid peripheral and isolated mass housing schemes detached from the urban system.

The New Urban Agenda focuses on promoting national and local housing policies that stimulate the delivery of a variety of housing options at scale and diversified in size, standard, location and price to meet the needs of the population, and which are affordable and accessible for different groups of society.

### *Heritage and culture*

Urban culture and heritage needs to be considered as a priority component of urban plans and strategies through the adoption of planning instruments, including master plans, zoning guidelines, and strategic growth policies that safeguard a diverse range of tangible and intangible

cultural assets and landscapes and mitigate the disruptive impact of development. It is imperative to prepare a comprehensive inventory and/or mapping of these tangible and intangible assets, utilizing new technologies and techniques and involving local communities, as appropriate.

***Harnessing renewable energy for sustainability***

Renewable energy and energy efficiency are essential to the achievement of sustainable consumption and production, and that their joint deployment can create new jobs, improve public health, reduce the costs of energy supply, and enable the fastest and greatest carbon gains. The governments at the national, sub national, and local level should coordinate on energy target setting and implementation, so that deployment is achieved expeditiously and cost-effectively.

## III. CONCLUDING REMARK

### Implementation

Implementation is recognized as the critical issue and inputs drawn from all the stakeholders needs to be managed carefully. Three building blocks for effective implementation are proposed as follows:

**I. Urban governance structure:** It will be shaped as a renewed local-national partnership. Multi-level governance structure consistent with a strong national system of cities and human settlements, and spatial balance will be built, resulting into an effective decentralization based on the principles of subsidiarity and the recognition of local self-governance. Power will be devolved deeper down to the ward level. Through integrated and participatory planning, development of mixed, connected and cohesive communities will be promoted. 565 local governments are being proposed in the course of implementing the new Constitution. Stakeholder engagement framework and partnership will be developed. The Plan of Action given in Annex will provide an umbrella framework for the key sectors to work in more sustainable and coordinated ways.

Local governments will be entrusted to the whole process of partnership formation in order to attract and motivate stakeholders to participate. This approach will also make stakeholders' framework more effective.

The emergence of collaborative and sharing economies, featuring new roles and modalities for partnerships, as well as new technology for effective participation, partnership and governance structures will be recognized.

Competence of local governments will be enhanced to enable them to play a key role in strengthening the interface among all actors, offering opportunities for dialogue with particular attention to the rights and needs of and potential contributions from all segments of society, including youth, children, men and women, persons with disabilities, elderly persons, indigenous people, and migrants.

A general guiding framework such as the plan of action of this Agenda should be respected and followed by the concerned sectoral ministries. The inter-ministerial conflict and unnecessary delay in the execution of projects could be avoided by reconciling sectoral plans with the Plan of Action.

**II. Managing urbanization:** Strategic and integrated urban and territorial planning and management framework will be instituted to respond to rapid urbanization and sustainability challenges, strengthening urban-rural linkages and promoting connected and compact cities and towns. This will be done through intensive research on the viability of concepts such as CCED, Economic Region, Growth Corridor and City Region.

Partnership will be developed for strategic and integrated urban and territorial planning and management to respond to rapid urbanization and sustainability challenges.

Urban and territorial planning will be used as a tool for efficient use of land and natural resources, ensuring adequate density and connectivity and mixed uses in the built up areas to prevent sprawl; to reduce mobility needs and per capita service delivery costs; and to utilize agglomeration economies. Each of the municipalities will have a zoning plan with three categories of land use:

1. Urban areas sharing urban amenities and services with rural population as well and helping to conserve resources of the outlying areas
2. Would-be urban areas where deliberate urbanization is planned and implemented in a sustainable way
3. Conservation areas with rural characteristics to provide the necessary ecosystem services for the entire municipality.

Synergies and interactions among urban centers will be encouraged with the development of regional infrastructure projects that stimulate sustained productivity; promote urban-rural partnerships and inter-municipal cooperation; and promote local development.

**III. Enhancing means of implementation:** Financing and capacity building are identified as the two major means and instruments of implementation.

Where the increasing population will be located in the future is not easy to predict. This will depend on economic

opportunities that are created through the location of investments in infrastructure and industry as well as policies on trade and transit. Investments, not necessarily in Kathmandu, but in areas with greater growth potential and higher multiplier effects will yield greater return in the long run. Such investments will make urban development more effective, inclusive and self-financing.

National guidelines and frameworks for implementation at the local level will be prepared to unlock international financial resources. The local government will have autonomy when it truly represents the people and controls the fiscal resources. Improved urban tax system should be supported by effective delivery of urban services. The new urban agenda will ensure integration among conflicting sectoral issues. For example, industrial policy should be tied up with urban policy.

People should be made aware that, just like for any other urban services, they are paying for safety and security related services. They should assert their rights as buyers of the rights and performance indicators for the services need to be developed in an objective way to ensure that such services are actually being provided.

Financing will rely on availing better services to the people and business since the only way to generate resources in a sustainable way, is through the sale and cost recovery of urban goods and services. Different sources of funding include:

- Domestic public resources (sound financial policy framework)
- An innovative and effective financing framework and other means of implementation

- Financial management (revenue and expenditure, borrowing, climate finance)
- Implementation of green taxes and enforcement of environmental laws.
- Partnerships
- International development cooperation
- Rational prioritization in the allocation of financial resources
- Enabling strengthened municipal finance and local fiscal systems
- Productivity and competitiveness

Public private partnerships (PPP) will be extensively used as a means of financing. While respecting their territorial rights, the national government should be prepared to form partnerships with them in implementing urban projects. Innovative forms of PPP with community involvement should be used as a means of mobilizing resources and financing urban projects. Key players of governance are the public sector, the private sector, and the community sector. PPP encourages collaborative and joint efforts among them.

The goal of PPP is sustainable provision of safe, reliable, and affordable urban goods and services for all, the poor in particular, through their production, distribution, and maintenance. For this, PPP projects and programs should be formulated and implemented following the policies related to decentralization and divestment. This should be done by mobilizing, and managing resources such as money, persons, materials owned by the community, business and the government.

Partnership frameworks should build on trust, open and transparent information and a common understanding of the issues involved. Partnerships for urban areas are

complex due to the density and diversity of urban stakeholders. Effective partnerships must include capacity building to enable engagement. Challenges include a lack of trust. Partnerships should involve capacity building. Partnership will be viewed as a right. Sustainable partnership could be built only on mutual faith generated through successive achievements.

Control mechanisms and regulations generated through partnership and consensus-buildings are unlikely to be defied. Under a transparent and open system, the roles of different partners need to be clearly spelt out.

By encouraging community-driven data collection to involve people in changing their own lives, it is possible to bring forth real, implementable partnerships with financial resources.

Nepal's recent experience has shown that the gap in the resources could be managed by exploring all the possible sources including donors. Nepal will utilize the provision under SDG 8c as well. LDCs should receive financial support in availing shelter for all. In meeting this condition for an LDC like Nepal with dependent economy, the new Agenda underscores the need to mobilize outside support for the implementation of the agenda similar to the one mentioned in SDG 11.8 (c) (*Support least developed countries, including through financial and technical assistance, for sustainable and resilient buildings utilizing local materials*) or climate finance related funds besides mobilizing bilateral supports.

The main purpose of capacity development is to make goods and services easily accessible to all. One of the expected outcomes of this Agenda is by 2020, all the municipalities will have the fiscal, technical and planning capacity to carry out planned development for sustainable urbanization.



Research works on building technology and materials will be encouraged. Cities will be enabled to enhance their access to financial market, Capacity enhancement at municipal and ward level will enhance sustainable productivity and provide goods and services to their residents. It will be directed towards preparing situation-specific rules and regulations with commitment to decentralized government action promoting participatory development. Knowledge management activities will be encouraged utilizing academic expertise and know-how for implementation and monitoring.

A paradigm shift in terms of the new type of competence aimed at scaling up of the good experiences for making a greater impact is advocated. ICT will be integrated into governance and service delivery to transpire the concept of SMART cities. For this, a program for proper and complete use of ICT in almost all the local government agencies shall be initiated as a national campaign. This will be backed up by financial assistance to make all the necessary hardware available and technical assistance for adequate training and orientation programs. The performance indicator of digital service will be decided upon and implemented with determination.

Small computer related micro-enterprises need to be encouraged. Infrastructure must include broadband and digital technologies; and capacity and education are required to provide the skill set to effectively collaborate with each other. The technology needs to be utilized in accessing information, increasing transparency and promoting citizen engagement. This may be more than a transformative process as there are many officials (particularly at top level) not prepared to assume a new role of being a team member instead of a boss.

Service needs to be delivered in a prompt and smart way and in doing so any risks and threats perceived by any co-worker should be shared collectively. All the governmental organizational entities should be transformed to coherent and cohesive business like enterprises and any fragmentation in any level of governance structure should be avoided with political determination.

The agenda would ensure that different stakeholders will be enabled to interpret the overall legislation in place to enhance their long term interest without compromising the social good.

### **Follow-up and review of the New Urban Agenda**

The indicators should be formulated to understand what makes a city sustainable. For effective implementation, it is necessary to develop Indicators for Performance Monitoring. The results chain presented in Figure 3 will help develop performance indicators to track different levels or results.

A rigorous participatory exercise is recommended to ensure the effective implementation. Partnership formation among authorities, sectors and spaces leading to integrated and collaborative action on sustainable and inclusive urban development should be considered as an appropriate strategy to implement the new urban agenda. Sound monitoring systems shall be put in place for a transparent and participatory data collection and management, as well as open access to data, which is critical for informed decision-making, including the appropriate allocation of opportunities and equal and fair distribution of resources.

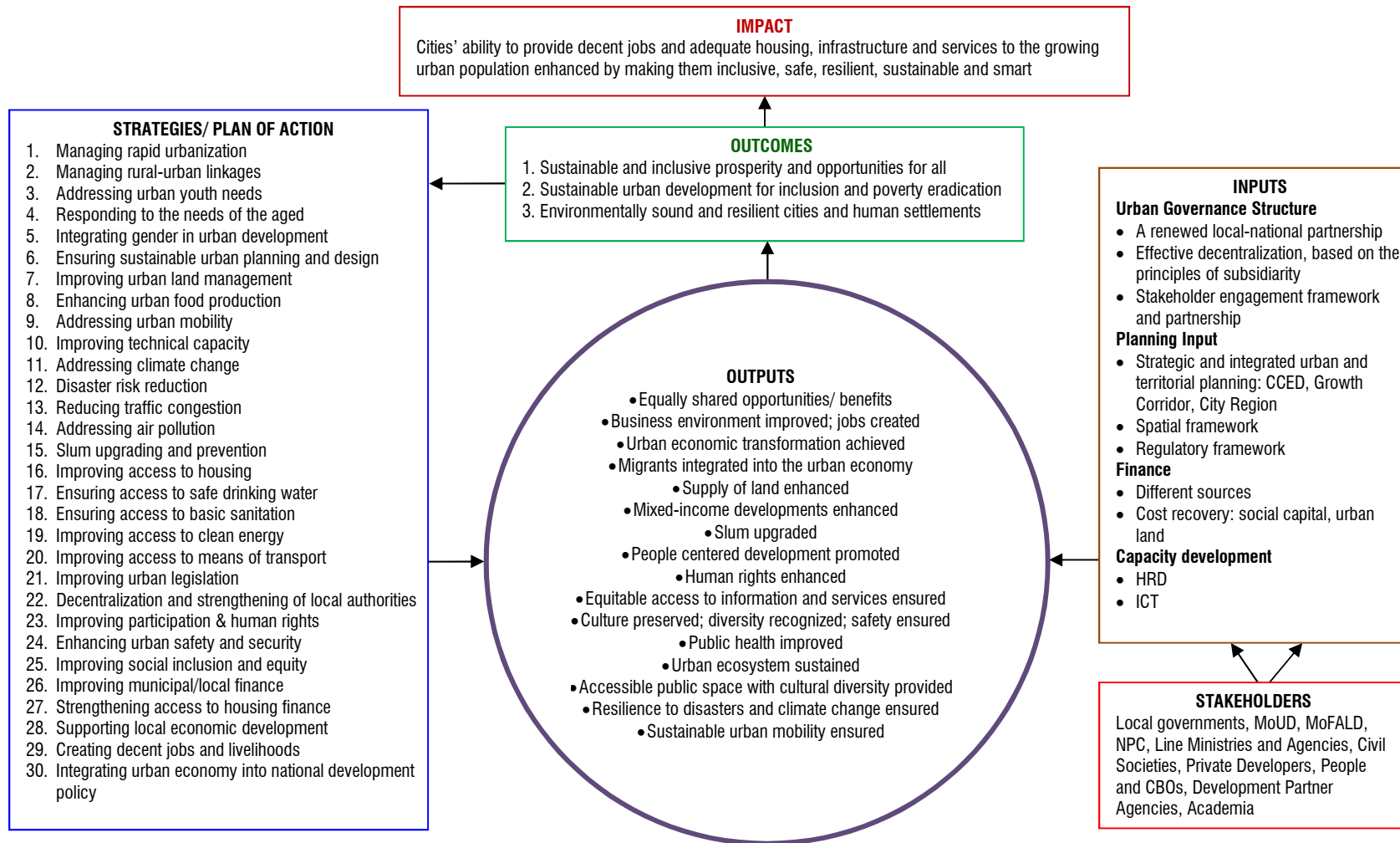


Figure 3: The results chain

For effective implementation, it is necessary to develop Indicators for Performance Monitoring based on the results chain. A rigorous participatory exercise is recommended to ensure the effective implementation of the Agenda.

Nepal's success in terms of local national partnership as well as local empowerment has been remarkable. This New Urban Agenda of Nepal is expected to secure renewed political commitment for sustainable urban development. Based on the assessment of accomplishments to date, it addresses poverty issues and emerging challenges. It provides a collaborative framework integrating all

actors. It will serve as an indicative umbrella framework for key sectors to work in a more coordinated and collaborative way for sustainable development through unified and collective commitment to sustainable urbanization with due consideration to the post-earthquake rebuilding. It will help them achieve their objectives by incorporating planning principles in their Plans. Urbanization will be projected as a cross-cutting issue; and related ministries will be pursued to integrate urbanization in the preparation of their sectoral plans for fulfilling SDGs.

## **Annex A: CASE STUDIES**

## Case Study 1

### People Housing Program (*Janata Awas*): Access to safe housing for the extremely poor and marginalized people

#### Background

The access to urban infrastructure and housing by the population below the poverty line has been a major issue in urban and rural areas of Nepal including the Dalit and the disadvantaged groups of the rural areas. The Dalits, Janajatis and other marginalized population is spread all over the country however most of these are located in Tarai districts. More than 85% of the households of the extremely marginalized castes (Musahar, Bantar, Koche, Khatwe, and Ghangad/Jhangad) reside in temporary sheds or in a huts generally made of bamboo wall, thatch roof with mud mortar finishes on wall and floor and having tiny openings for natural light and ventilation. The houses are unsafe and vulnerable during the rainy seasons and there are many health and security issues such overcrowded situations with 5-10 people sharing a single room and also living with the livestock, leading to health issues, damage of agricultural products stored in the houses due to dampness, fire hazards and so on. Moreover most of the Dalit and marginalized groups reside in the river embankments and on steep slopes and are vulnerable to disaster risks such as flooding and landslides (DUDBC, 2011).

The concept of housing for all has been propounded by the National Shelter Policy, 2012 by recognizing housing as the basic needs of all. The Interim Constitution of Nepal, 2007 and the Constitution of Nepal 2015, guarantees the establishment of the right to education, health, housing,

employment and food security to all citizens. It has been stated that it shall be the responsibility of the state to guarantee the provision of social and economic security including the land for those groups who are socially and economically backward. In order to fulfill this objective, the government of Nepal, through DUDBC implemented the *Janata Awas Karyakram* (People Housing Program) from the Fiscal Year 2066/67 BS in three districts of Tarai, in Siraha, Saptari and Kapilvastu to provide housing by constructing low cost modern housing for Dalit and deprived Muslim families.



Project districts (source: DUDBC)

#### The Approach and Actors Involved

DUDBC has been responsible for program formulation and implementation of the PHP programs which are guided by the People Housing Guideline, 2009 which the department has prepared and which was updated in 2011 in consultation with various concerned agencies and institutions. The guidelines include the implementation modalities regarding the construction site, identity of targeted class,

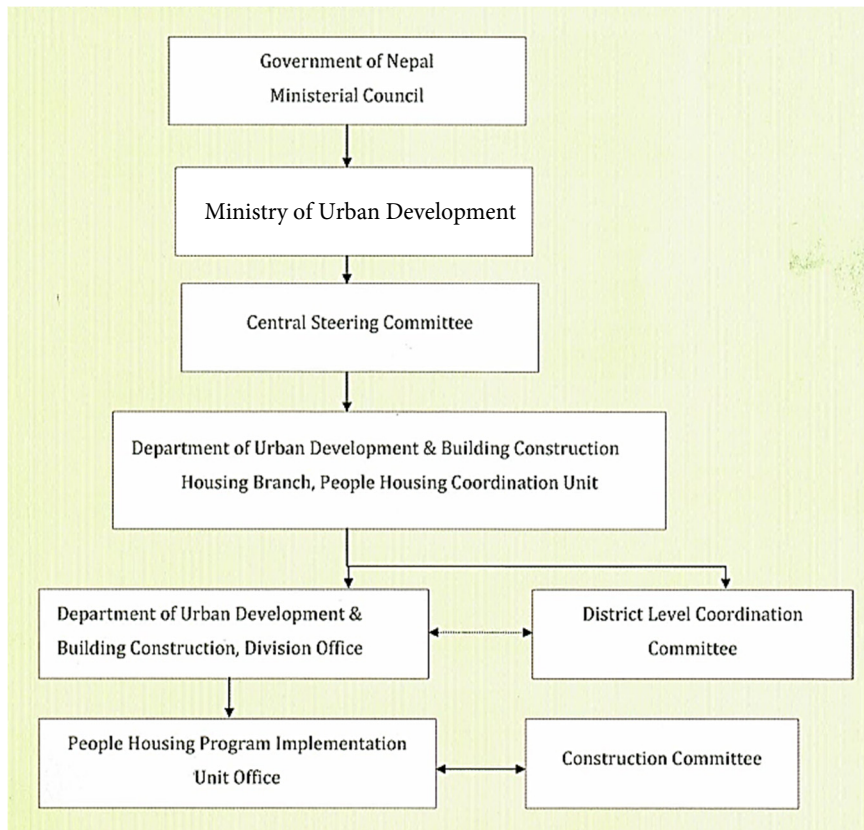


financial resource mobilization, and provision of committees, provision trainings and miscellaneous and related schedules.

The coordinator of the steering committee formulates the necessary policies for program implementation, including approval of design and cost, selection of VDC's where the programs are to be implemented and coordination and management with the concerned central and local level authorities (Figure 4).

The various phases of the program implementation are as follows:

1. Data collection for identification of target areas.
2. Collection of the application from the beneficiaries and surveying works.
3. Formation of construction committee and agreement.
4. Construction working plan and training
5. Implementation of building construction work
6. Supervision of the construction works
7. Construction work completion



**Figure 4: Organization structure**

Source: DUDBC.

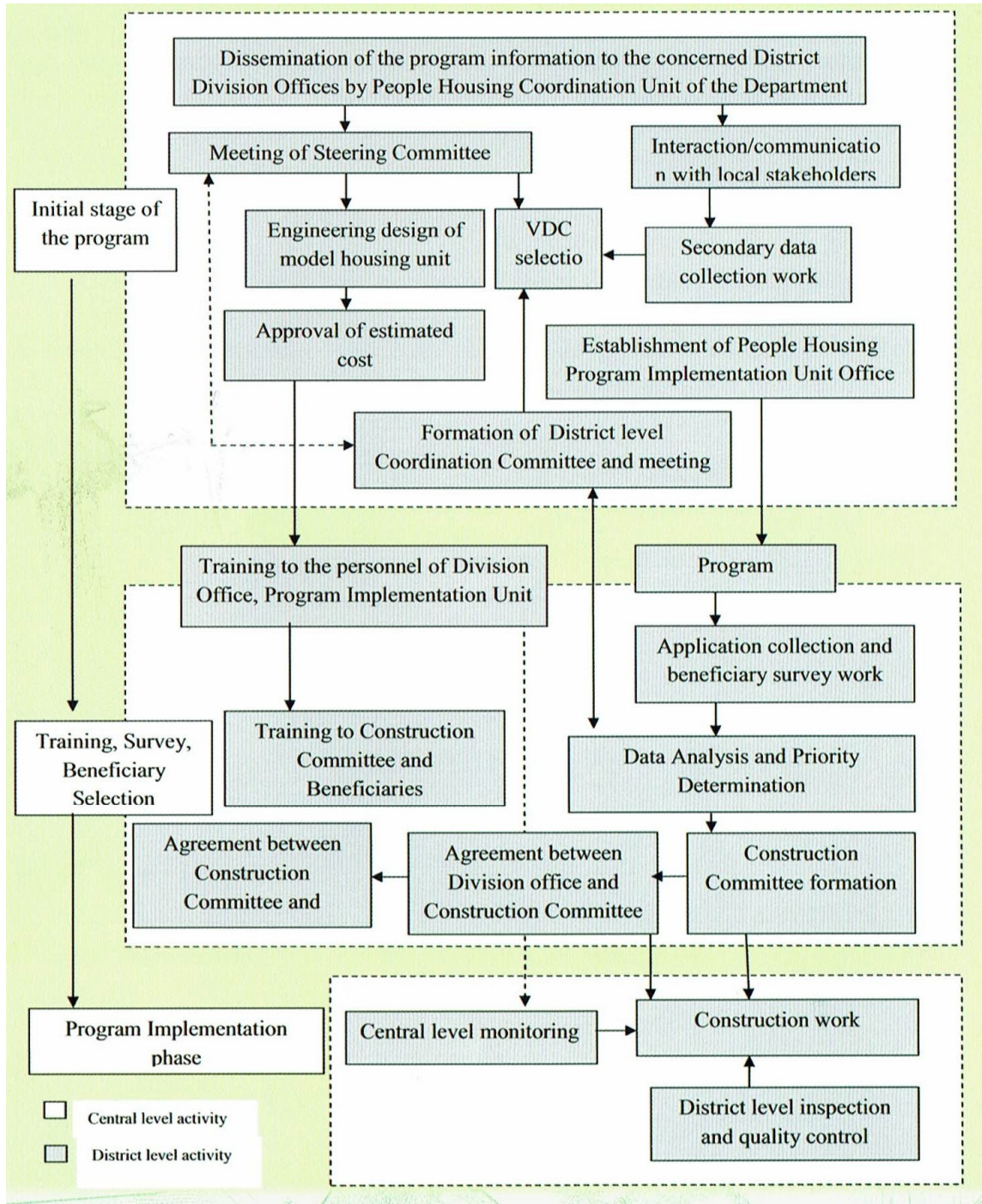


Figure 5: Program implementation process

Source: DUDBC.





Janata Awas in Bardiya (Source: DUDBC)



Janata Awas in Humla (Source: DUDBC)



Janata Awas in Dang (Source: DUDBC)



Janata Awas in Kalikot (Source: DUDBC)



Janata Awas in Udayapur (Source: DUDBC)



Janata Awas in Makawanpur (Source: DUDBC)

### The Outcome

In the first year of the initiation of the project (in 2069 BS), a total of 2274 houses in the 17 settlements in the villages of Siraha, Saptari and Kapilvasu districts were constructed. Other settlements include those of Chepang, Raute, Kusunda, dalits, adibashi, janajati, minority, backward and other marginalized groups. Presently, this Program has been extended to 43 districts. According to the DUDBC, the number of buildings completed till Asar 2073 was 6852.

**Table 4: Status of People’s Housing Program**

Fiscal Year (BS)	Districts	Targeted Number of houses	Budget allocated	Completed number of houses (till Asar 2073 BS)
066/67	3	2274	303000	1460
067/68	11	2756	287281	1226
068/69	21	2263	334464	1604
069/70	21	1548	166711	244
070/71	27	1626	153188	1028
071/72	28	1762	267184	427
072/73	43	2533	293034	863
<b>TOTAL</b>		<b>14762</b>	<b>1804862</b>	<b>6852</b>

Source: DUDBC. Note: BS: Bikram Sambat.

### Challenges and Lessons Learnt

A total of 6852 number of houses were constructed against the targeted number of 14,762 which is approx. 46% achievement. The political instability and vested interest of the politicians impacted the implementation of the project. Insufficient budget, lack of technical manpower and proper supervision, leading to low quality, shortage of materials such as woods etc. are some of the reasons given for the low percentage of achievement of the construction of houses.

The aim of the program of enhancing the access of the extremely poor people of the Dalit, Muslims and minority castes to healthy and secured residences by improving the physical condition of the housing has to a certain extent been fulfilled. The housing and its facilities provided by the program was much better than their existing situation. Almost all of the expenses are borne by the government as grant which is disbursed as the work progressed at the site.

The program was considered to be a success mainly because of its cost effectiveness and participation of locally available manpower for the construction

which boosted its popularity. Furthermore it was good example where local construction material and technology considering the vernacular architecture of the local community were given due emphasis.

Generally the private sector is not involved in profitless activities except in the fulfillment of corporate social responsibilities motivated by social service spontaneously. Therefore, it will not be wise idea to expect the involvement of the private sector in the construction of the housing for physically and economically weak individuals who build their own houses by themselves. The responsibility to address the housing needs of the deprived and economically weak group lies in the state’s instrument unless the act creates an environment of responsibilities whereby the housing developers requires to make available certain percentage of housing units to such deprived or economically weak groups. However, the necessary resources can be mobilized for the implementation of this Program by partnership/joint venture with non-profit national and international non-governmental organizations committed to social works.

## Case Study 2

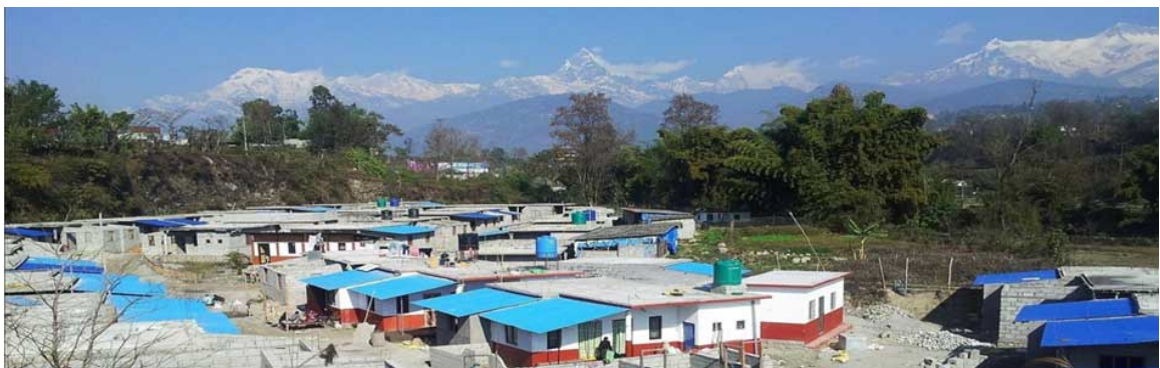
### Community-led Eco Housing Project in Pokhara

#### Background

The access to housing for low income groups of the society have not received much attention in the government programs nor have the private sector been able to cater to such housing needs in the present context where the government's direct involvement in housing is very limited. Social housing schemes like cooperative housing are yet to be initiated. However the community led eco housing project initiated by Lumanti in 2012 in partnership with Homeless International, a UK based NGO, in Pokhara Sub Metropolitan City under the **Community Led Infrastructure Finance Facility (CLIFF) program**, can be taken as a good example of providing access to housing and infrastructure for low income families in a sustainable manner. This project marks a breakthrough in engaging the private sector in pro-poor projects. The project is focused on areas where community savings schemes are already in place through Tole Lane Organizations (TLOs)

#### The Approach and the Actors Involved

Conventional finance institutions seldom lend down-market to serve the needs of low-income rental families and women-headed households. They are very often denied access to credit for any purpose, making the discussion of the level of interest rate and other terms of finance irrelevant. Therefore they are left with no option than to mobilize limited resources they possess to develop their enterprises and their dwellings slowly over time. Taking into account the existing problems and shortcomings of the low income families Lumanti initiated community managed micro finance program in 1996. Over the last 15 years, successful experiences in providing finance to small entrepreneur and producers demonstrated that poor people repay their loans and use the returns to increase their income and assets. Lumanti's approach to low-income lending with emphasis on peoples participation and usage of self-help approach raised the credit worthiness of the low-income groups to a level that made them attractive to commercial banks bringing them into the mainstream credit market.



*Community-led eco-housing project in Sambesi tole in Pokhara (Source: Lumanti)*



The establishment of Project Management Committee (PMC) in Pokhara which includes Municipality, Banks, Lumanti, Civil Society, Tole Lane Organizations Coordinating Committee, Town Development Committee, Department of Urban Development and representative from Community, political parties, Journalist and Chambers of Commerce create a framework for partnerships to make unprecedented improvements in the living conditions of the low income families. PMC is the main decision making body who identified, prioritized and endorsed the target communities for CLIFF support.

### The Outcome

The project aims at providing homes for 279 low income rental families located in four different areas: Samabeshi Tole, and Sundar Tole, of Ward 14, Sitapaaila and Birauta of Ward 17. The implementation of the project have already benefitted 76 families in Samabeshi tole and 29 families in Sundar Tole. The target families were living in rent since several years and had the ability to purchase land; hence with the support from Lumanti they got organized purchased land at Sambesi and Sundar tole. They were involved in decision-making on housing design. A team of community architects worked with the families helping them to analyze their housing situation and plan and design according to their needs. The size of land was in the range of 80 Sq. m. – 111 sq. m. (2.5 Annas – 3.0 Annas) and the built up area of the house was in the range of 550 sq. m.

The housing project was planned and implemented by the communities themselves, using low-cost and seismic-proof building techniques, with technical support from community architects,

Lumanti, and the citywide multi-partner project management committees that were set up to ensure there is broad support for the process from various development actors.



*Cost effective and seismic resistant houses and settlement  
(source: Lumanti)*

Laxmi Bank worked closely with Lumanti to support this project through investing own resources and providing banking services for the low income rental families. The maximum loan amount provided per borrower is NRs.400,000 for construction with repayment period of 7 years with interest rate at 8% per annum including all service charges of the bank. The modality of contribution is 50% from the bank and 50% from Lumanti as bank guarantee. The repaid amount was used as revolving fund which was managed by Lumanti. The fund can be allocated to support other housing improvement projects in other areas too. The houses are constructed using locally available materials with emphasis on disaster risk reduction through appropriate settlement planning and house design and

low cost. It also emphasizes on promoting community bonding through the provision of community meeting halls and also creating an ecologically sound environment through initiatives like bio gas from waste management and so on.

### **Challenges and Lessons Learnt**

Although some challenges existed in identifying the beneficiaries and coordination among the various stakeholders involved this is a community led and a precedent-setting project model involving the financial institutions, local government authorities, civil societies, international organizations all joining hands in the provision of access to housing to low income groups and can be a good example which can be replicated in other parts of the nation.

### **Case Study 3**

## **Integrated Property Tax- A Tool to Increase Municipal OSR in Nepal**

### **Background**

With the newly added municipalities, about 39% of the total populations of Nepal now live in 217 designated municipalities in three different ecological zones. The challenges posed by expected increase in urban population has to be met by these municipalities to counteracting social and /or ecological pressure within urban areas, ensuring participatory planning and decision making for good urban governance, poverty reduction and employment generation, improving urban infrastructure and services, developing housing and conserving heritage, based on the principles of social inclusion, especially of marginalized and/or disadvantaged groups. It is expected that municipalities will be able to take such challenges by increasing its municipal finance capacity in various urban sectors.

However, leaving aside the major metropolises, almost all municipalities have limited municipal financing capacities because of weak internal sources of income which is mainly comprised of different taxes and non-taxes revenues. The total municipal revenue composition is composed of big share from direct central government grants, supplemented by Local Development Fees (LDF), loans from public and private sources, savings from previous years' budgets and locally raised revenue from taxes, fines, user's charges from local enterprises. LDF which was collected at customs and distributed to the municipalities based on specified criteria

ensured that the share of it would not be less than the collection of *octroi* that was abolished in 1999. LDF has been the major contributor of the municipal revenue source as evident from the income data for the year 2010/11 in which it contributed about 17.8% in the total income sources of the municipalities followed by central grant (46.7%) and local revenue sources (20.2%). Government still continues the distribution of equivalent LDF through Local Development Fee Fund albeit it stopped LDF collection at customs since fiscal year 2007/08. It is seen that each year the municipal dependency on the central grants are increasing as evident in the growth of central grant from 1.5 billion to 4.1 billion between 2012/13 and 2014/15. In such, local authorities would have to find alternative ways to increase their financial revenues. Of several initiatives, Integrated Property Tax has been envisaged and successfully implemented as an effective tool to mobilize the financial resources of various municipalities.

### **The Approach and the Actors involved**

The Local Self Governance (LSG) Act and Regulation (1999) and subsequent Regulations empower municipalities to determine the tax types, rates and tax bases within the municipal areas. Among major sources and 18 components of tax revenue, the prevailing mode of property taxing is based on either House and Land Tax (HALT) or Integrated Property Tax (IPT). HALT is levied upon the net value of house and the plot on which the house is

built whereas IPT taxes land and building together based on total net valuation of the property. HALT is based upon the valuation of building which takes into account the size and the structure type of the house and each value of the land property are charged as prescribed by the LSG Act and Land Revenue Tax (LRT) is charged for land without building. In case of fixing value of the properties under IPT, municipal board decides the rate for each value of property within the ceiling prescribed by LSG Act and it refrains from levying LRT. Among these two, the IPT has been adopted as an important fiscal instrument by various municipalities to increase their tax revenues as theoretically it is also most suitable form of local taxation which is based on the principles of ability to pay. According to GTZ/*udle* (2008), the composition of IPT, HALT and LRT in total property based tax revenues of all Nepalese municipalities in 2005 remained 64%, 29% and 7% respectively.

*Udle* along with the support from the Local Bodies Fiscal Commission and the Municipal Association of Nepal supported the implementation of IPT in municipalities as one of the most promising source of income for improving

municipal OSR from 2000 to 2005. After piloting IPT successfully in Dharan and Butwal municipality in 2000, it emphasized on integrating house numbering as an effective tool for the implementation of IPT. Both municipalities using updated software developed to manage property database regarding land and housing parcels, introduced IPT and prepared a digital database of land and building property. Based on property valuation criteria including depreciation provision, tax assessment was carried out and billing was done in the name of each taxpayer. With this, both municipalities were able to collect 10% of the own source revenues in FY 2001/02. By 2004/05, there was significant increase in the OSR of both municipalities (*udle*, 2006).

After the successful piloting in these municipalities, *udle* trained employees from the revenue sections of 40 municipalities on 'Implementation and Management of IPT' in five Regional Learning Centers. In addition, it provided direct technical and financial support to Dhangadi and Nepalgunj for implementing IPT.

#### **IPT Implementation in Sundarbazaar Municipality: A Case in Point**

The total revenue of Sundarbazaar municipality in Lamjung District increased by whopping 8.2 million Rupees in FY 2015/16, a 425% increase in its revenue collection in preceding FY 2104/15. According to the municipal Executive Officer Sukadev Lamsal, it was possible only after the implementation of IPT in July 2015. The share of IPT is 30% of the total revenue collection in FY 2015/16. According to him, with the implementation of IPT replacing HALT, many people have self-declared the property and have come within the tax net. According to the resident of the municipality, the IPT has made people responsible towards the tax payment and he himself has paid the backlog tax for past three years. Government had declared Sundarbazaar municipality on December 02, 2014 by integrating Sundarbazaar, Bhoteodar, Tarku, Parewa Danda and Kuncha VDCs.

### **The Outcome**

By 2005, 34 out of total 58 municipalities in Nepal decided to implement IPT for its potential to generate increased revenues. MoFALD has already prepared guidelines to introduce Integrated Property Tax and by now 72 out of total 217 Municipalities have already introduced Integrated Property Tax system.

### **Challenges and Lessons learnt**

The major challenges faced in the implementation of IPT relate to the lack of financial and human resources, scientific and market value based valuation system, the preparation of proper tax databases and high tax payer resistance in many municipalities. In addition, encouraging those municipalities having properties of high value to adopt IPT in place of HALT is a daunting task especially in the context of the increased number of municipalities in Nepal. In this context, the implementation of IPT needs to be seen in integration with improvement of municipal technical capacity, urban land market and awareness programs targeted to tax payers. So far, the lessons learnt from the implementation of the IPT in various municipalities relate to its success as an important and potential revenue source for the municipality and need for attention and priority to establish a systematic database to inventory the potential tax source. In this, medium and smaller municipalities need technical support both in terms of logistics and operation training to implement IPT. The implementation of IPT in various municipalities has indicated many lessons. An udle (2006) study indicates that the linking implementation of integrated property tax with house numbering has better results. The

experience also indicated that the need to encourage private software companies to develop software and provide training to municipal staffs in the field of IPT and other resource mobilization schemes.



## Case Study 4

### Land Pooling as a tool for urban land management<sup>4</sup>

#### Introduction

Urban growth in Nepal has mostly been unplanned and uncoordinated. It has become a common practice to construct buildings even where basic urban infrastructure are non-existent or severely inadequate. Likewise, poor land subdivision has made it difficult to provide urban infrastructure and services effectively and efficiently. Land pooling aims to produce residential plots of proper shape and size, equipped with essential infrastructure such as roads, piped water supply and sewerage system, and electricity, among others.

In a land pooling project, individual plots are combined into one large estate, which is subdivided rationally after planning a new road layout (Figure 6). Landowners contribute a certain portion of land for open space, roads, and reserved plots. New road layout, often in a gridiron pattern, facilitates provision of other infrastructure such as piped drinking water, drainage, and electricity along the right-of-way, because of which the price of plot increases significantly. Therefore, despite losing some portion of their plots, the original landowners are compensated by an increase in the land value. On the other hand, the project cost is covered by the sale of reserved plots, thus making land pooling project self-financing.



**Figure 6: Plot division in Gongabu Land Pooling Project**

Source: adapted from Singh (2002)

<sup>4</sup> For further reading, see Joshi (2013:91), Joshi (1997), and Shrestha and Joshi (2009).

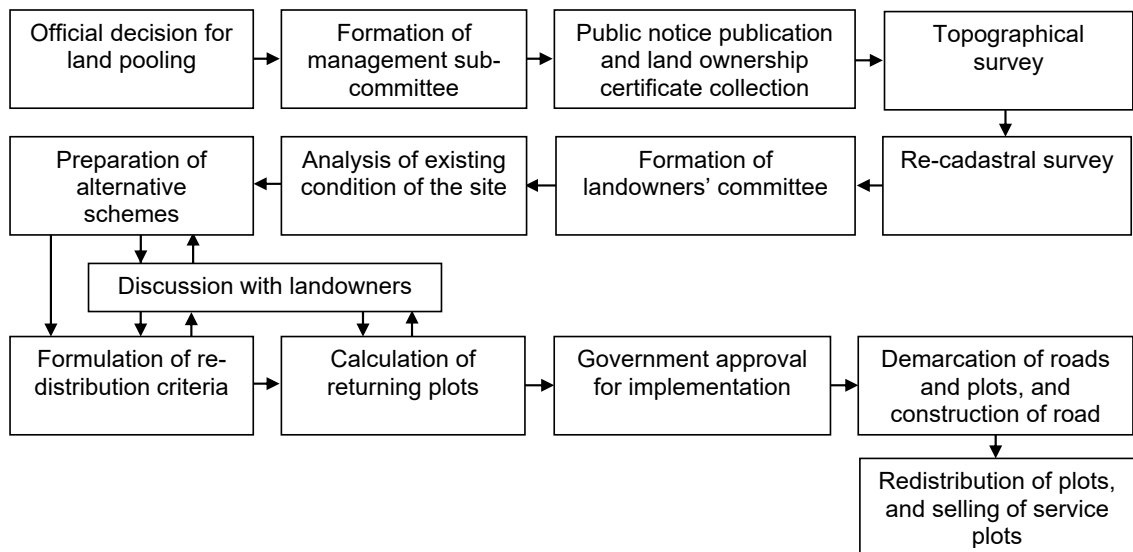
The concept of land pooling was introduced in Nepal in 1975 with the initiation of Chipledhunga Land Pooling Project (13.5 hectares) in Pokhara (Acharya, 1988). However, it took more than a decade to launch the country's first official land pooling project – the Gongabu Land Pooling Project (14.3 hectares) which was initiated in 1988 as a pilot project. So far, 12 land pooling projects (total area: 260 hectares, housing plots: 12,160) have been implemented within Kathmandu Valley and 11 projects (total area: 405 hectares; housing plots: 10,000) are coming up. Land pooling projects are also being implemented outside the Valley.

### Process

The Town Development Act 1988 (with amendments twice in 1991, 1992 and 1997) authorizes Town Development Committees (TDCs) to undertake land

pooling schemes. Clause 12.1.2 of the Act (amended in 1997) states that land pooling can be carried out in any part of the town planning area with the agreement of minimum 75 percent of the landowners. Land pooling can also be initiated by local bodies such as municipalities as per the Local Self-Governance Act, 1999.

The government urban planning agency – Department of Urban Development and Building Construction – provides management control in the land pooling projects whereas TDC (or municipal office in case of municipality-led project), project management sub-committee chaired by District Development Committee chairperson (or municipal mayor depending on the case), and users' committee provide regulatory control. Figure 7 summarizes the official process of land pooling in Nepal.



**Figure 7: Official process of land pooling**

Source: After Joshi (1997)

## Advantages

Land pooling projects help minimize premature conversion of farmlands and control urban sprawl. Land pooling is an effective tool to provide housing, infrastructure, and services in an efficient manner. Even difficult and dispersed areas in the urban fringe can be served through land pooling.

One of the most notable advantages of land pooling as a planning tool is that there is no need to acquire land. It is sufficient for the land pooling project to own the land for the purpose of planning and development, which reduces the cost of land development. Other advantages of land pooling can be listed as follows:

- Land pooling helps to reduce land speculation, and enables landowners to act in a more responsible way in favor of public interest. In return, the interests of original landowners are also addressed. There is no need to displace any landowner. The landowners receive new holdings which, although smaller in size, are of increased value both in terms of use value and commodity value.
- The cost of infrastructure is borne through the sale of some of the plots, which makes planned development possible without external funds.
- Land use regulations and bye-laws are easily enforced.
- The unearned income is automatically captured before financing the urban infrastructure.



*Residential development in Gongabu Land Pooling Project area (Photo: Sunil B. Shrestha)*

## Challenges and Opportunities

Land pooling has emerged as a reliable land management tool for planned urbanization. However, there are several challenges as follows:

- Land pooling projects are implemented under Town Development Act, 1988 in which most issues are silent.
- Land pooling projects carried out in small scale cannot make significant contribution to planned urbanization. The largest land pooling project in the Kathmandu Valley covers 81.4 hectares (3000 residential plots) only whereas the smallest project covers a mere 5.44 hectares (300 residential plots).
- Municipalities still lack institutional capacity to undertake land pooling schemes on their own as envisaged in the Local Self-Governance Act, 1999. As local bodies, municipalities are supposed to lead urban planning and management including land management.
- Significant share of residential plots has remained undeveloped long after the completion of projects due to

price speculation. This is against the objective of land pooling – to promote planned developments in the city.

- Land price continues to rise, and landowners expect a bigger share forcing iterative costing. Moreover, as land prices increase erratically across different plots, it is difficult to get landowners to agree to share the cost as per the project design.
- Over times, public perception on land pooling has improved but land pooling projects still continue to suffer from delays, thereby increasing uncertainties regarding return on landowners' investment on the projects. The cooperation of landowners is required at all stages of the project. The project team has to continuously strive for cooperation, which causes delay and sometimes, even failure.
- Most land pooling projects follow generic design and layout, and ritualistic provision of open space with little concerns for building a new urban community with overall integration into the urban economy.

Land pooling schemes have successfully replaced the unpopular method of land acquisition through *eminent domain*. Therefore, despite challenges, there are numerous opportunities to be harnessed from land pooling, including the following:

- Efforts are being made to mitigate sprawl in developed and emerging urban areas through land pooling projects with an objective to create nodes out of such projects where more intensive land use is envisaged leaving aside agricultural land.

- The concept of land pooling can be applied for road construction and widening projects (e.g., Kathmandu Ring Road Improvement Project, and the proposed Outer Ring Road Project) as well as for new town development (e.g., development of towns along Mid-Hill Highway).
- Land pooling projects provide opportunities for partnership building among landowners, private sector, central government, local government, community organizations in the development of urban land.
- Production of service plots and open space without hurting the welfare of the original landowners can lead to innovative ideas such as allocating open space for wider public use, and providing land for the landless.

### The Way Forward

In order to make meaningful contribution towards planned urbanization, land pooling projects should be scaled up to benefit from the economies of scale. At the same time, land pooling projects should be made more participatory and inclusive, engaging local bodies, private sector and landowners. The Government of Nepal has initiated a number of ambitious programs for the development of new towns where land pooling can be used as an important land management tool. In already established urban areas where large-scale land pooling is not practical, new models of land development incorporating existing buildings as well, need to be developed.

## **Case Study 5**

# **Empowerment of Municipalities through Local Self-Governance Act, 1999 and Rules, 1999<sup>5</sup>**

### **Background**

In Nepal, local bodies (or local governments) imply district development committees (DDCs) at the sub-national level, and municipalities and village development committees (VDCs) at the local level. In fact, the two-tier system of local bodies was a continuation of the system prevailed during the Panchayat regime (1962-1990) under the Constitution of Nepal, 1962. As the Panchayat regime itself was highly centralized, the local bodies functioned more as extended arms of the government than as autonomous legal entities. Local governance received prominence with the promulgation of the Constitution of Nepal, 1990, which replaced Panchayat regime with multi-party democracy.

The Constitution of Nepal, 1990 called it “a chief responsibility of the State to maintain conditions suitable to the enjoyment of the fruits of democracy through wider participation of the people in the governance of the country by way of decentralization” (Section 25.4). The Local Self Governance (LSG) Act, 1999 was a break-through in the history of decentralization in Nepal. The LSG Act replaced the DDC Act, 1991, Municipality Act, 1991, and VDC Act, 1991 in an integrated way, and thereby formed a single legal basis for local governance in the

country. The Act is complemented by the LSG Rules, 1999.

Nepal became a republic after the second popular movement in 2006. Promulgated in 2007, the Interim Constitution included a separate section on local self-governance (Part 17). However, the Interim Constitution failed to provide an enforceable guarantee of autonomy to local governments. The functioning, resources and responsibilities of local bodies were vaguely defined.

The current Constitution of Nepal came into effect on September 20, 2015, under which there are three main levels of governance: federal, provincial and local. The state powers are to be shared accordingly. Under the local level, there are Village Council, Municipal Council and District Assembly. The local governments will be able to make their own laws without being inconsistent to federal or provincial laws.

Nepal is now in the process of implementing the new constitution. Several acts and other legal provisions will be revised and replaced. The provisions in the implementation of the LSG Act, 1999 and Rules, 1999, and their pros and cons will be instrumental in guiding future legislation for municipalities, which is important as many of the existing large cities will be acting as provincial capitals in future.

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<sup>5</sup> For further reading, see Joshi (2013:137), Dhungel et al. (2011), and CCD (2009).



### Provisions in LSG Act and Rules Related to Municipalities

As per Section 81, each municipality is an autonomous and corporate body with perpetual succession, having a seal of its own. Like an individual, the municipality may acquire, use, sell and dispose of property, and sue or be sued in its own name. The key provisions related to municipalities are summarized below:

- On the basis of population, income source and available urban facilities, municipalities are classified into the following three categories (Section 88): (1) municipal corporation or metropolitan city: population of at least 300,000; annual income source of minimum Rs. 400 million; (2) sub-municipal corporation or sub-metropolitan city: population of at least 100,000; annual income source of minimum Rs. 100 million; (3) municipality: population of at least 20,000; annual income source of minimum Rs. 5 million (in case of mountainous and hilly areas, population of at least 10,000 and annual income source of Rs. 500,000).
- Municipalities are authorized to prepare and implement land use plan, zoning, housing plan, and water and drainage plan, and approve design of buildings to be constructed in the municipal area (Section 96).
- Municipalities are required to formulate periodic plan (at least 5-year plan) and annual development plans, and initiate, as per necessity, land pooling and guided land development (Section 111). The process of preparing periodic plan is defined in LSG Rules, 1999 (Section 136).

- Municipalities are required to collect municipal-level objective data and prepare a resource map reflecting the situation of the municipal area (Section 112) depicting, among others, physical and social infrastructure, and location of the poor and indigenous communities (LSG Rules, 1999, Section 134).
- As per Section 119, municipalities are encouraged to engage consumers' group and non-governmental organizations for the implementation of municipal-level projects.
- Municipality shall have a separate fund of its own, consisting of grants received from Government of Nepal, grants received from the District Development Committee, amounts received from revenue allocation, and amount received from internal sources (e.g., taxes, fees, service, charges, duties, tariffs, fares, sale of properties, etc.) (Section 125).
- Construction of any building in the municipal area is prohibited without obtaining approval from the municipal office (Section 149).

### Shortcomings

Although the LSG Act, 1999 empowered local bodies, local elections have not been held since 1997, and elected local bodies have not existed since 2002 after their dissolution. Such political vacuum at the local level was not foreseen in the Act. In other words, most of the provisions laid out in the LSG Act, 1999 and Rules, no matter how groundbreaking, could not be utilized properly. Other shortcomings could be summarized as follows:

- Many of the functions, duties, and power of municipality as defined in Section 96 overlap with sectoral agencies, particularly in the area of environment, water and sanitation, health, transport, education, and culture, to name a few. For instance, both Town Development Committees and municipalities share common jurisdiction and draw on resources of the same local bodies.
- Although Section 115 requires each municipality to maintain coordination with governmental-, non-governmental- and donor agencies implementing different services and development programs in the municipal area, realization of the same remains a challenge.
- Since urban areas lie within the district jurisdiction, district development committees (DDCs) are pursued to exercise control over municipalities as well. The power vested in the DDC includes the management of resources of the municipalities. However, municipalities work independently, and the control measures exercised from the DDC are taken to be mala fide and deterrent. This has made the relationship between DDCs and municipalities to be one of friction and conflict. Unsurprisingly, district plans invariably fail to integrate municipal plans.
- Under Section 96, each municipality is authorized to prepare development plans as required. Accordingly, municipalities prepare several plans such as periodic plans, municipal transport master plans, physical development plans, building byelaws etc. However, coordination and hierarchy between or among these plans are often missing in the absence of a comprehensive development framework.
- The Government of Nepal may declare new municipalities (Section 72) or alter the boundary of existing municipalities by amalgamating surrounding areas with a resolution to such effect adopted by a two-third majority of the concerned Municipal Council (Section 73). However, declaration of new municipalities or expansion in jurisdiction of existing municipalities is seen to have exerted pressure on already constrained central municipal grant.

### The Way Forward

As aforementioned, Nepal is now in the process of implementing the new constitution. Many existing cities will be acting as provincial capitals. The LSG Act, 1999 and Rules, 1999 are seen as milestones in the history of decentralization in Nepal. However, decentralization is not only about how power is shared between different levels of government but is also about the provision of goods and services. This point has not been well addressed so far as efforts towards decentralization have always focused on the transfer of power from the center to the local level. As a result, the modes of service provision remain centralized, and the access of the poor in the process has not improved much. The new constitution has provided an opportunity to adopt decentralization in a more comprehensive form by moving beyond ‘transfer of power from the center to the local level’ to ‘delivery of goods, services, and utilities to selected locations’.



## **Annex B: PLAN OF ACTION**

## I. Urban Demography

Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (besides Dev. Partners)
<b>1. Huge influx of people from rural to urban areas and high population growth in selected urban areas</b>	<b>1.1 Create a balanced urban system with equitable resources allocation in all regions</b>			
	1.1.1. Adopt national urban system as intended in the NUDS	> 5 years	MoUD	NPC, MoFALD, MoPE, MoPIT
	1.1.2. Increase strategic investment in designated urban corridors and small towns creating ripple effects of urban development in the rural areas			
	1.1.3. Revise NUP and NUDS in the changed urban federal governance context <ul style="list-style-type: none"> <li>Integrate sectoral plans and program, with priority based comprehensive investment plan</li> <li>Integrate urban investment with inter-urban economic linkage</li> </ul>			
	1.1.4. Devise mechanism to channelize funding from external sources for capital investment in major infrastructure through specialized infrastructure financing institution			
	1.1.5. Speed up the establishment of New Towns by resolving issues related to land, priority investment			
	1.1.6. Improve institutional capacity; replace TDCs with all empowered development authority.			
	<b>1.2 Guide and regulate urbanization process in the country</b>			
	1.1.1 Strengthen the weak urban and rural linkages by means of transport and telecommunication	> 5 years	MoUD	NPC, MoFALD, MoPE, MoPIT
	1.1.2 Conduct feasibility study of inter-urban transportation infrastructure in prioritized regions and urban centers			
1.1.3 Regulate land-use along inter-city transport corridor to manage ribbon development and other urban forms				
<b>2. Weak rural urban linkage</b>	<b>2.1 Strengthen rural urban linkages between service centers and intermediate towns and its rural hinterlands</b>			
	2.1.1 Formulate dedicated policy to increase investment in physical connectivity and lead productive sector to generate multiplier economic effects	> 5 years	MoFALD, MoUD	MoPIT, MoI, MoA
	2.1.2 Promote clustering of enterprises to improve productivity and profitability by linking it with municipal spatial planning			



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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (besides Dev. Partners)
	2.1.3 Setup institutional mechanism using the provision made in LSGA for cross jurisdictional planning between the adjoining territories 2.1.4 Increase the participation of urban poor and especially the women in project conception, design, implementation and benefit sharing			
<b>3. Large number of unemployed youth and lack of proper plans to reap the benefits of 'demographic dividend'.</b>	<b>3.1 <i>Involve youth in the urban development process and decision-making process</i></b>			
	3.1.1 Develop strategies as per the National Youth Policy, 2010 to involve youth in the urban/rural development process. <ul style="list-style-type: none"> <li>Recognize diversity among the youth groups and prioritize programs for youths who fall under priority groups – differently-abled, victims of conflict, marginalized and others</li> <li>Increase literacy rate by providing adult education and informal educational programs</li> <li>Workout effective policies to involve and train youth in Disaster Management Cycle</li> <li>Devise operational policies for involving youths in planning of city's public and social spaces</li> </ul>	5-10 years	MoYS	MoUD, DUDBC, MoFALD
	3.1.2 Formulate policies to increase networking among youths by identifying the diversity among rural and urban youths			
	3.1.3 Provide collateral free loans to educated and unemployed youths			
<b>4. Lack of alternative options for the livelihood of the youths.</b>	<b>4.1 <i>Reduce the number of outbound youths in seeking of better opportunities and income generating environment</i></b>			
	4.1.1 Mobilize Youth and Small Entrepreneur Self Employment Fund, 2009 to generate career options for the youth	> 5 years	MOYS	Local bodies, MoI, MoF
	4.1.2 Provide policy support to enable and promote the returnees of foreign employment with skill and enthusiasm for entrepreneurship			
<b>5. Limited number of vocational institutional support</b>	<b>5.1 <i>Produce well-trained and educated population dividend</i></b>			
	5.1.1 Increase rural, regional-centric vocational and skill development training institutes	5 to 10 years	MoEd	MoYS, DUDBC, MoF
	5.1.2 Develop ward level youth networks, information center and sport facilities to engage youth and children			

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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (besides Dev. Partners)
	5.1.3 Increase youths' access to health-care facilities and ensure Sexual Reproductive Health Rights.			
<b>6. Existing policies for old aged population predominantly welfare based</b>	<b>6.1 Formulate right based policy framework to ensure old aged population's right to dignified living</b>			
	6.1.1 Revise, reform existing policies to incorporate basic rights of the old aged population: rights to social safety, information, education, decent livelihood opportunity and participation in policy making and political life	< 5years	MoWCSW	MoH, MoICT
	6.1.2 Incorporate/activate mechanism (e.g., help desks) for effective implementation of right based provisions in existing policies at all level of governance			
	6.1.3 Devise mechanism for effective advocacy on the concerns of old aged population using media and advocacy groups			
	6.1.4 Formulate specific national policy on Gerontology and Geriatrics			
<b>7. Limited welfare provisions for increasing old aged population</b>	<b>7.1 Secure social and economical and psychological lives of elderly people</b>			
	7.1.1 Prepare disaggregated data on facilities and services for the available government services for the old aged population	5 to 10 years	MoWCSW	MoUD/DUDBC, MoI
	7.1.2 Build old aged homes and expand geriatric wards			
	7.1.3 Mobilize and implement Health Facilities Programme Services Guidelines, 2012 to extend medical facilities			
	7.1.4 Introduce livelihood support programs to elderly population			
	7.1.5 Introduce identification mechanism (e.g., smart card) to distribute old aged allowance to the intended groups			
	7.1.6 Mainstream old aged concerns for safety in Disaster and Conflict management policies and plans			
	7.1.7 Incorporate of old age friendly walkways, resting/waiting place, transport system			
	7.1.8 Provide 50% concession on public transport and health care services			
<b>8. Limited role and participation of women in urban development affairs and decision-making process.</b>	<b>8.1 Ensure GESI in the development process</b>			
	8.1.1 Integrate GESI policies with Gender Responsive Budget Preparation Guidelines, 2012	< 5years	MOWCSW	MoUD/DUDBC, NWC, MoI
	8.1.2 Prepare GESI disaggregate data and uniform monitoring system in sectoral agencies			

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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (besides Dev. Partners)
	8.1.3 Mainstream GESI Operational Guidelines, 2013 to include real participation of women in urban planning and development at plan and project levels 8.1.4 Internalize GESI goals in operational policies in government sectoral agencies, development partners and NGOs 8.1.5 Amendment of gender discriminatory acts and implementation of gender-friendly acts 8.1.6 Ensure number of girl students in schools and colleges, and increase literacy rate of women (excluded and disadvantaged also).			

**Acronyms:** DUDBC: Department of Urban Development and Building Construction; GESI: Gender equality and social inclusion; LSGA: Local Self-Governance Act; MoA: Ministry of Agriculture; MoEd: Ministry of Education; MoF: Ministry of Finance; MoFALD: Ministry of Federal Affairs and Local Development; MoH: Ministry of Health; MoI: Ministry of Industry; MoICT: Ministry of Information and Communication Technology; MoPE: ministry of Population and Environment; MoPIT: Ministry of Infrastructure and Transport; MoUD: Ministry of Urban Development; MoWCSW: Ministry of Women, Children and Social Welfare; MoYS: Ministry of Youth and Sports; NGO: Non-governmental organization; NPC: National Planning Commission; NUDS: National Urban Development Strategy; NUP: National Urban Policy; NWC: National Women Commission; TDC: Town Development Committee.

## II. Land and Urban Planning

Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
1. Unplanned urban growth with inadequate infrastructure and services in both emerging and established urban areas including the Kathmandu Valley – the capital region	<b>1.1 Integrate infrastructure development/extension into spatial planning ensuring sufficient investment in basic services like water supply, sanitation and housing</b>			
	1.1.1 Review, refine and adopt municipal planning process based on a comprehensive strategic spatial development framework including: <ul style="list-style-type: none"> <li>Hierarchy of plans from structure plans at sub-regional level to physical development plans at municipal level and local area plans at ward/ neighborhood level</li> <li>Integration of sector municipal-level plans (e.g., MTMPs) into the municipal plans</li> <li>Identification of needs-based infrastructure projects with clear investment plans and timelines</li> </ul>	< 5 years	MoUD	MoFALD, MoPIT, MoLRM
	1.1.2 Develop and expand basic urban services delivery projects. Planned initiative includes: <ul style="list-style-type: none"> <li>Intensive Urban Development Program in all municipalities</li> </ul>	< 10 years	MoUD	MoFALD, municipalities/ TDCs
	1.1.3 Delineate Urbanization Promotion Area and Urbanization Restriction Area in new municipalities/towns	< 5 years	Municipalities	MoUD, MoFALD, TDCs, MoLRM
	1.1.4 Promote PPP and private sector investment in the overall urban development sector (including social housing, infrastructure development, new towns development)	< 2 years (Policy environment)	NPC	MoUD, MoF, FNCCI
	<b>1.2 Expand economic activities beyond Kathmandu Valley</b>			
	1.2.1 Continue and further expand “Secondary Cities” development programs outside Kathmandu Valley incorporating new municipalities and emerging urban areas. Planned initiative includes: <i>Integrated urban development planning in new municipalities</i>	< 5 years (Planning and design)	MoUD	MoFALD, Partner municipalities/ TDCs

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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
	1.2.2 Expand and integrate industrial estates outside Kathmandu Valley	< 5 years (initiate)	MoI	
	1.2.3 Launch one mega-scale land pooling project and Special Economic Zone in each province	< 5 years	MoUD	MoFALD, MoLRM, MoI
	<b>1.3 Regulate urban development and safeguard cultural heritage</b>			
	1.3.1 Preserve and revitalize traditional settlements, built environment, and both tangible and intangible heritage through appropriate building byelaws, local area plans, cultural policies, and incentives to the locals	< 5 years (Planning and design)	MoUD	MoCTCA, MoFALD, municipalities
<b>2. Unbalanced urban and regional development due to rapid urbanization</b>	<b>2.1 Guide and regulate urbanization process</b>			
	2.1.1 Finalize National Urban Development Plan	< 2 years	MoUD	MoFALD, MoPIT, MoLRM, MoWSS
	2.1.2 Formulate regional development strategy in the context of political transition to federal system	< 2 years	NPC	Sectoral ministries
	2.1.3 Develop planned cities at strategic locations for regional development in coherence with their comparative advantages. Planned initiatives include development of: <ul style="list-style-type: none"> <li>• 10 modern cities along the Pushpa Lal (Mid-Hill) Highway</li> <li>• 10 modern cities along the Hulaki (Postal) Highway</li> <li>• Satellite city in Kathmandu Valley</li> <li>• 10 Smart Cities</li> <li>• Enhance economic competitiveness of 50 cities under One City One Identity concept</li> </ul>	< 5 years	MoUD	MoFALD, MoPIT, MoLRM, MoWSS, MoF, FNCCI
	2.1.4 Regulate urban growth following the concept of metropolitan planning. Planned initiatives include detailed study and master plan of three metropolitan areas in each province	5-20 years	MoUD	MoFALD Municipalities



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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
	<b>2.2</b> <i>Link economic, commercial and touristic centers in all provinces and district headquarters through road- and railway connectivity</i>			
	2.2.1 Develop and extend road connectivity. Planned initiatives include: <i>Kathmandu- Nijagadh Fast Track; Hulaki Road; Pushpalal (Mid-hill) Highway; Madan Bhandari Highway; Dharan-Chatara-Gaighat-Katari-Sindhulibajar-Hetauda road; Ghalchhi-Trisuli-Mailung-Syaprubesi-Rasuagadi road; Khadbari-Kimathanka track of Dhankuta- Kimathaka road (under Koshi corridor); Ridi- Baglung-Beni-Jomsom-Korala road under Kali Gandaki Corridor; Simikot- Hilsa road; Roads connecting all Terai-Madhes district headquarters to East West Highway; Manang-Mustang-Dolpa-Jumla road; Greater Lumbini Ring Road; Golden Mount Everest Ring Road; Kathmandu Outer Ring Road; Butwal-Tansen-Pokhara; Kohalpur-Surkhet; Pokhara-Kushma-Beni; Mahakali Corridor (Bramhadev-Jhulaghat-Darchula-Tinkar); Bheri Corridor (Jagarkot-Dunai-Marim-Tinje Dho); Mechi Corridor; Seti Highway; Damak Ring Road; Highway along west bank of Trishuli river (Narayangadh-Trishuli section); Electoral Constituency roads</i>	5 - 10 years	MoPIT	MoUD MoFALD
	2.2.2 Develop and expand railway connectivity. Planning initiatives include: <i>East West electrical railways; Rasuwagadhi-Kathmandu-Pokhara-Lumbini railway; Baradibas-Simara railway; Kathmandu Valley metro railway</i>	5- 20 years	MoPIT	
	<b>2.3</b> <i>Create economic opportunities in different parts of the country</i>			
	2.3.1 Implement "One Province One Industrial Estate" policy to establish modern industrial estates. Planned initiatives include industrial estates	5-10 years	Mol	
	<b>2.4</b> <i>Ensure that the sub-national plans and programs are spatially coordinated and coherent</i>			
<b>3. Unregulated, informal, haphazard and substandard fragmentation of</b>	3.1 <i>Substandard fragmentation of private lands coupled with hindrances for formal land development</i>			MoFALD, MoLRM

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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
<b>private lands coupled with hindrances for formal land development</b>	3.1.1 Prepare zoning maps for compatible and restricted uses of land including separate zones for high-rise buildings	< 5 years	MoUD	MoFALD
	3.1.2 Discourage construction of buildings and roads on the riverside through building byelaws and allocation of sufficient land for riverfront development including parks and open space	< 5 years	MoUD	MoST, MoFALD
	<b>3.2 Transform unregulated land market into more rational and scientific system</b>			
	3.2.1 Formulate and set minimum standards for urban infrastructure and services	< 5 years	MoUD	MoFALD, MoLRM, Municipalities
	3.2.2 Launch land development schemes like land pooling and guided land development under PPP			
	3.2.3 Provide legal basis for periodic revision on land readjustment			
	<b>3.3 Discourage formation and growth of informal settlements including prevention of circumstances that may lead to such settlements</b>			
	3.3.1 Develop organized settlements targeting communities vulnerable to natural risks, and backward districts in terms of human development	< 5 years	MoUD	MoFALD, MoLRM
	3.3.2 Form Organized Settlement Commission to control encroachment of public land and Trust, and to resolve problem of unmanaged settlement and squatter	< 2 years	OPMCM	MoLRM, MoUD, MoFALD
	<b>3.4 Provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities</b>			
3.4.1 Document and recover existing and encroached public spaces in all municipalities	5-10 years	MoFALD, MoLRM	MoUD	
3.4.2 Ensure accessibility to green (open) and public spaces for all citizens	5-10 years	Municipalities	MoUD	
<b>4. Urban sprawl due to delayed development of land parcels</b>	<b>4.1 Encourage infill development</b>			
	4.1.1 Develop land development model (based on land pooling or GLD experiences) to suit site-specific conditions in urban areas to exert development pressure on vacant lots	< 5 years	MoUD	MoFALD, MoLRM

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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
	4.1.2 Bring vacant lots into alternate uses such as parking lots, urban agriculture or multi-purpose open space in consultation with the landowners			
	<b>4.2 Discourage price speculation</b>			
	4.2.1 Impose vacant land tax for prolonged non-use of land or property therein	< 5 years	Municipalities	MoFALD
<b>5. Haphazard fragmentation and premature urban conversion of private farmlands</b>	<b>5.1 Discourage premature conversion of farmlands to urban use</b>			
	5.1.1 Formulate Act to support Land Use Policy, 2012	< 2 years	OPMCM	MoLRM, MoUD, MoFALD
	5.1.2 Provide incentives and technical support to preserve and utilize fertile farmlands	< 5 years	MoAD	MoUD, MoFALD, MoLRM
<b>6. Lack of integrated land use planning linking land use with mobility</b>	<b>6.1 Consolidate services like transport and infrastructures with land use plans</b>			
	6.1.1 Review and amend existing bye-laws and programs in coherence with transport planning	< 5 years	MoUD	MoPIT, MoFALD
	<b>6.2 Promote mixed-use, high density settlements catered by efficient public transport system</b>			
	6.2.1 Formulate urban transport policies and regulations	< 5 years	MoPIT	MoUD, MoFALD
	6.2.2 Prepare guidelines for transit-oriented development	< 5 years	MoUD, MoPIT	MoFALD
	<b>6.3 Promote non-motorized mode of transport</b>			
	6.3.1 Design and construct cycle tracks, pedestrian lanes and walkways for persons with disability, senior citizens and children	< 5 years	MoPIT	MoUD, MoFALD, MoWCSW
	6.3.2 Enforce vehicle taxes, congestion tax and parking cost to de-incentivize use of automobiles	< 5 years	MoPIT, MoF	MoUD, MoFALD

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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
	6.3.3 Encourage cycling and walking, and design pedestrian friendly streets	< 5 years	MoUD, MoPIT	MoFALD
<b>7. Insufficient technical human and non-human resources in municipal offices</b>	<b>7.1 Increase number and strengthen capability of municipal technical staff coherent with the size of municipalities</b>			
	7.1.1 Review and refine organizational structure of municipalities as per their categorization (metropolitan city, sub-metropolitan cities or municipalities)	< 5 years	MoFALD	MOGA
	7.1.2 Adopt e-governance	< 5 years	MoFALD, MoUD	Municipalities
	<b>7.2 Develop well-equipped office space at municipal and ward levels</b>			
	7.2.1 Build and upgrade municipal office in all municipalities with modern amenities	5-10 years	MoUD	MoFALD, municipalities
	7.2.2 Build well-equipped office space at ward-level in each municipality with online networking with the corresponding municipal office	5-10 years	MoFALD, municipalities	MoUD

**Acronyms:** DOA: Department of Archaeology; DUDBC: Department of Urban Development and Building Construction; FNCCI: Federation of Nepalese Chamber of Commerce; KVDA: Kathmandu Valley Development Authority; MoFALD: Ministry of Federal Affairs and Local Development; MoGA: Ministry of General Administration; MoI: Ministry of Industry; MoLRM: Ministry of Land Reform and Management; MoPIT: Ministry of Physical Infrastructure and Transport; MoST: Ministry of Science and Technology; MoUD: Ministry of Urban Development; MTMP: Municipal Transport Master Plan; MoWCSW: Ministry of Women, Children and Social Welfare; MoWSS: Ministry of Water Supply and Sanitation; PPP: Public-private partnership; TDC: Town Development Committee.

### III. Environment and Urbanization

Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
1. Increase in climate change risks in human settlements	<b>1.1 Implement the national and international protocols and commitments of Nepal on climate change including UNFCCC commitments and SDGs on climate change</b>			
	1.1.1 Review and formulate policies, plans and programs on national and local levels to implement the commitments	< 5 years	MoUD	MoPE, MoFALD
	1.1.2 Strengthen the institutional capacities of local bodies	5-10 years	MoFALD	MoUD, MoPE
	1.1.3 Implement and monitor progress on national and international commitments.	5-20 years	MoPE	MoFALD, MoUD
	<b>1.2 Enhance participation and ownership of stakeholders and create awareness on climate change risks</b>			
	1.2.1 Promote R&D on climate change linkages on settlements involving the academic and other organizations	5-20 years	Academic/ research institutions	MoFALD, MoPE, MoPE, MoUD
	1.2.2 Develop IEC materials and training packages, and carry out various activities for creating awareness.	< 10 years	MoUD	MoFALD, MoPE
	<b>1.3 Mainstream climate change adaptation in human settlements</b>			
	1.3.1 Review and formulate policies and strategies for mainstreaming climate change adaptation in urban planning and development.	< 5 years	MoUD	MoFALD
	1.3.2 Plan and develop ecologically sustainable and resilient cities	5 -20 years	MoUD	MoFALD
	1.3.3 Implement Urban Environment Management Guidelines and Planning Norms and Standards focusing on agriculture, water resources, and infrastructure.	< 5 years	MoUD	MoFALD, MoPE, MoWSS, MoA
	1.3.4 Implement urban component of NAPA, LAPA	Continuous	Local bodies	MoFALD
	1.3.5 Implement Low Carbon Economic Development Strategy in cities including activities focusing on sustainable transportation, green building and renewable energy.	Continuous	MoUD	MoFALD, local bodies, MoWSS, MoPIT, AEPC,



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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
<b>2. Increase in disaster vulnerabilities in human settlements</b>	<b>2.1 Mainstream DRR in urban planning and development</b>			
	2.1.1 Review and formulate policies on DRR strategies in urban planning and development	< 5 years	MoHA	MoFALD, MoUD, local bodies
	2.1.2 Carry out multi-hazard vulnerability assessments and adaptive strategies in cities in different ecological regions	5-20 years	MoUD	MoFALD, MoPE
	2.1.3 Formulate and Implement risk sensitive land use plan	Continuous	Local bodies, KVDA	MoFALD, MoUD, MoHA
	2.1.4 Implement the long term Disaster Risk Reduction Action Plan building on the National Strategy for Disaster Risk Management	5-20 years	MoHA	MoFALD
	2.1.5 Formulate and implement policies to control encroachment of water ways	<5 years	Local bodies	MoFALD, MoWSS, MoHA, MoPIT
	2.1.6 Develop Strategies for creating financial opportunities helping in reducing risk	5-10 years	MoF	
	2.1.7 Formulate strategies to enable households, communities, institutions and states to resist, absorb, accommodate to and recover from the effects of a hazard, including shocks or latent stresses in a timely and efficient manner	< 5years	MoUD	MoFALD
	2.1.8 Develop strategies for building disaster resilience in communities through building cohesion and protection of socio cultural practices leading to community bonding	< 5years	MoUD	MoFALD
	2.1.9 Develop strategies incorporate indigenous knowledge and traditional construction practices in urban development initiatives	< 5years	MoUD	MoFALD
	2.1.10 Develop strategies to build awareness and capability of the community and civic bodies based on volunteerism to reduce vulnerability	< 5years	MoUD	MoFALD
	2.1.11 Formulate strategies to create disaster resilient infrastructure	<5 years	MoUD	MoFALD
	<b>2.2 Ensure timely and effective local disaster response</b>			

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	2.2.1 Review and implement the Post disaster recovery framework and integrate effective principles in post disaster recovery process	< 5years	MoHA	MoFALD
	2.2.2 Develop efficient mechanism to address immediate needs of the communities in case of disaster	<5 years	MoUD	MoFALD
	2.2.3 Strengthen the district development offices/local bodies/communities	<5 years	MoUD	MoFALD
	<b>2.3 Enhance preparedness for effective response</b>			
	2.3.1 Implement the National Strategy for Disaster Risk Management in Nepal, 2008	5-10 years	MoUD	MoFALD
	2.3.2 Implement National Plan of Action for Safer Building Construction	5-10 years	MoUD	MoFALD
	2.3.3 Implement Disaster Preparedness and Response Planning, 2011	5-10 years	MoUD	MoFALD
	2.3.4 Formulate and Strengthen the committees to enhance preparedness for effective response	5-10 years	Municipalities	MoFALD
	2.3.5 Enhance preparedness through establishing emergency water facilities, stockpiling essential items in crucial places and first aid	Continuous	Municipalities	MoFALD
	2.3.6 Enhance preparedness and management of by promoting and preserving the safer zones like urban open spaces and buildings for effective humanitarian response	5-10 years	MoUD	MoFALD
2.3.7 Increase public awareness and public education for disaster risk reduction by focusing on campaigns, participatory learning, informal education and formal school-based interventions.	5-10 years	MoHA	MoUD, MoFALD	
<b>3. Rise in the number of private vehicles, inadequate and inefficient public transportation facilities and growing traffic congestion</b>	<b>3.1 Review and implement policies and regulations to discourage motorized vehicles and promote public transportation</b>			
	3.1.1 Provide incentives for public transportation and discourage private motorized transportation	< 5 years	MoF	MoPIT
	3.1.2 Integrate transport planning with land use and density	< 5 years	MoUD	MoPIT
	3.1.3 Review, formulate and implement the existing policies and regulations	< 5 years	MoPIT	MoUD, MoFALD
	<b>3.2 Promote and enhance effective traffic management</b>			

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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
	3.2.1 Identify roads of different hierarchy based on traffic volume within urban limits.	< 5 years	MoPIT	MoUD, MoFALD
	3.2.2 Implement intelligent traffic management system	5 -10 years	MoPIT	MoUD, MoFALD
	3.2.3 Provide traffic signals in road junctions and other areas for effective traffic management	5 -10 years	MoPIT	MoUD, MoFALD
	3.2.4 Enhance and upgrade road conditions and walkways to provide safety and reduce congestion	5 -10 years	MoPIT	MoUD, MoFALD
	3.2.5 Implement effective parking management systems including on-site parking control systems.	5 -10 years	MoPIT	MoUD, MoFALD
	3.2.6 Implement Nepal Road Safety Action Plan (2013-2020)	5 -10 years	MoPIT	MoUD, MoFALD
	3.2.7 Promote public awareness on traffic rules and regulations and safety issues	5 -10 years	MoPIT	MoUD, MoFALD
	3.2.8 Strengthen institutional capacities for effective traffic management	5 -10 years	MoPIT	MoUD, MoFALD
	<b>3.3 Promote public transportation</b>			
	3.3.1 Promote Bus Rapid Transit in the primary and secondary routes	5 -10 years	MoPIT	MoUD, MoFALD
	3.3.2 Classify public transportation routes across the Valley and other areas of the country and prescribe the standard of vehicles plying the classified routes.	5 -10 years	MoPIT	MoUD, MoFALD
	3.3.3 Improve existing public transport through provision of high capacity public vehicles and people centric design	5 -10 years	MoPIT	MoUD, MoFALD
	3.3.4 Promote research on sustainable mass transit system feasible in Nepal's context	5 -10 years	MoPIT	MoUD, MoFALD academic and research institutes
	<b>3.4 Promote non-motorized transportation and car free zones in the urban areas</b>			
	3.4.1 Formulate and implement strategies for pedestrianizing the city core areas including heritage zones and other feasible areas	< 5 years	MoCTCA	MoFALD
	3.4.2 Implement the "car free zones" in the dense core areas of the cities	< 5 years	MoPIT	MoFALD

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	3.4.3 Enhance alternative transport modalities like cycling and walking; provide enabling infrastructure to include persons with disability	5 -10 years	MoPIT	MoUD, MoFALD
<b>4. Deteriorating air quality in the cities</b>	<b>4.1 Implement existing policies and formulation of additional policies on air quality management</b>			
	4.1.1 Implement the existing vehicle emission standards.	< 5 years	MoPIT	MoPE
	4.1.2 Implement pollution tax and other regulations for regulating the polluting industries	< 5 years	MoF	MoPE
	4.1.3 Provide innovative mechanism for incentives like smoke-free urban areas	< 5 years	MoPE	MoFALD
	4.1.4 Review, formulate and implement policies on reducing domestic air pollution	< 5 years	MoPE	MoFALD
	4.1.5 Implement the Solid Waste Management Act 2011 for controlling air pollution from open dumping of solid waste	< 5 years	MoPE	MoFALD
	4.1.6 Relocate polluting industries towards the outskirts of the municipal boundaries	< 5 years	MoI	MoHA, MoPE
	4.1.7 Review, formulate and implement policies on reducing air pollution due to generators and road dust, among others	< 5 years	MoPE	
	4.1.8 Review, update and implement Urban Environment Management Guidelines at ward level in all municipalities	< 5 years	Municipalities	MoPE, MoFALD, MoUD
	<b>4.2 Monitor increase in air pollution</b>			
	4.2.1 Install air quality monitoring mechanisms in different places in urban areas	< 5 years	MoPE	MoFALD, local bodies, academic and research institutes
4.2.2 Disseminate the monitoring results and use findings for policy and planning	< 5 years	MoPE	MoFALD	

**Acronyms:** AEPC: Alternative Energy Promotion Center; DRR: Disaster risk reduction; KVDA: Kathmandu Valley Development Authority; LAPA: Local Adaptation Plans of Action; MoCTCA: Ministry of Culture, Tourism and Civil Aviation; MoF: Ministry of Finance; MoFALD: Ministry of Federal Affairs and Local Development; MoHA: Ministry of Home Affairs; MoI: Ministry of Industry; MoPE: Ministry of Population and Environment; MoPIT: Ministry of Physical Infrastructure and Transport; MoUD: Ministry of Urban Development; MoWSS: Ministry of Water Supply and Sanitation; NAPA: National Adaptation Programme of Action; SDG: Sustainable Development Goal; UNFCCC: Sustainable Development Goal.

## IV. Urban Governance and Legislation

Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
<b>1. Restructuring of local bodies in line with the Constitution of Nepal, 2015</b>	<b>1.1 Enact new acts and/or improve existing legal framework to avoid conflicts of responsibilities and roles among various authorities</b>			
	1.1.1 Articulate functions and territorial jurisdictions of central government and local bodies for better coordination	<5 years	MoFALD	MoL
	<b>1.2 Build adequate technical human resource municipalities to undertake development projects</b>			
	1.2.1 Strengthen municipalities with adequate manpower, logistics and finance	<5 years	MoFALD	MoUD
<b>2. Central dominance in decision-making process</b>	<b>2.1 Ensure inclusive public participation in planning process</b>			
	2.1.1 Institutionalize public hearing, public audit and social audit for social accountability	<5 years	MoFALD	MoUD
	2.1.2 Increase capacity building programs and trainings to empower local people			
	2.1.3 Promote the role of private sector and CBOs and build partnership at local levels leading to integrated and collaborative action on sustainable and inclusive urban development			
	2.1.4 Design and implement policy framework to ensure inclusive participation			
	<b>2.2 Ensure good local governance</b>			
	2.2.1 Make citizen charter effective to map governance	<5 years	MoFALD	MoUD
	2.2.2 Involve CBOs, youth forums, women forums in the planning process			
2.2.3 Create an online portal system or weekly communal hearings to display meeting minutes, inform locals or interact with them				
2.2.4 Transform MCPM system into result-based system				
2.2.5 Initiate smart delivery of services using ICT including e-BPS, street addressing system				
<b>3. Social exclusion in the access to urban services</b>	<b>3.1 Ensure gender equality and social inclusion in the delivery of urban services</b>			
	3.1.1 Amend existing urban planning laws and legal procedures to make service inclusive	<5 years	MoFALD	MoUD
	<b>3.2 Ensure urban safety and security from disasters and crimes</b>			

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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
	3.2.1 Prepare and implement urban safety and security plans 3.2.2 Mobilize TLO to increase communal cohesiveness	<5 years	MoFALD	MoUD
<b>4. Settlement policy at the central level</b>	<b>4.1 <i>Devise a coordination mechanism between federal states in liaison with the central body, state authorities and local bodies</i></b>			
	4.1.1 Prepare a framework for housing policies for each province	<5 years	MoFALD	MoUD, MoL
	4.1.2 Prepare policies to direct loans and grants in each province for housing and settlement development			
	4.1.3 Establish urban development authorities			

**Acronyms:** CBO: community-based organization; DUDBC: Department of Urban Development and Building Construction; MCPM: Minimum Conditions and Performance Measures; MoF: Ministry of Finance; MoFALD: Ministry of Federal Affairs and Local Development; MoL: Ministry of Law, MoUD: Ministry of Urban Development; TDC: Town Development Committee, TLO: Tole Lane Organization.



## V. Urban Economy

Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
1. Weakening of internal revenue generation by municipalities limiting their capacity to increased urban financing	<b>1.1</b> <i>Reduce the dependency on central grant and identify and implement the innovative approach to increase the internal revenue (tax and non-tax revenues) generation</i>			
	1.1.1 Identify the policy hindrances to increase the internal revenue and design principles of local taxation that involves local authorities, citizens and local businesses	5 to 10 years	Local Bodies	MoFALD, MoF, MoLRM
	1.1.2 Design framework for local government finance for optimal revenue composition, local taxes & optimal non-tax income			
	1.1.3 Find out alternative to LDF (big municipal revenue contributor-abolished in FY 2007/08)			
	1.1.4 Promote IPT in newly designated municipalities through improved market based valuation system, technical capacity building of municipalities			
	1.1.5 Improve Cadastral Information System to increase immovable property tax system			
	1.1.6 Develop land information system for increasing tax base			
	1.1.7 Promote equitable tax and non-tax revenues			
	1.1.8 Increase the proportion of unconditional grants to local government			
	1.1.9 Introduce the value capture tax to increase OSR			
2. Weak institutional capacity, limited knowledge in project design and management	<b>2.1</b> <i>Improve the institutional capacity for project management</i>			
	2.1.1 Implement programs targeted to human resource & skill developments	<5 years	Local Bodies	MoUD, MoF, MoPIT
	2.1.2 Implement Programs targeted at improved accounting system			
	2.1.3 Implement Programs targeted to inventory and management of municipal assets			
	2.1.4 Classify the level of projects and designate the rights and duties to different level of government (viz. effective use of 'planning norms and standards-2015 prepared by MoUD)			
	2.1.5 Limit TDF to financial intermediaries and not to involve in technical details to increase municipal technical capacity and to increase TDF's financial management efficiency.			
	<b>3.1</b> <i>Ensure the increased participatory prioritization of infrastructure projects for multiplier economic effects</i>			

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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
3. Weak bottoms up approach in prioritizing the infrastructure investment and financing	3.1.1 Devise mechanisms for increased participatory investment program formulation and prioritization 3.1.2 Identify programs suitable for public private partnership 3.1.3 Reform policies to increase the private sector participation in infrastructure development	<5 years	Local Bodies	MoUD, MoFALD, MoPIT, Academic Institutions
4. Arbitrary and competing funding/ allocation of central grants	<b>4.1 Ensure effective demand for the central grant</b> 4.1.1 Redesign the grant system to cater to effective demand of the municipality 4.1.2 Identify the priority based revenue generating infrastructure development projects 4.1.3 Increase the capacity of TDF to diversify the investment options	<5 years	MoFALD/ MoUD	Local bodies, NPC
5. Limited integration between municipal spatial planning and revenue generation strategy	<b>5.1 Ensure the integrated municipal/town development plan</b> 5.1.1 Emphasize on projects/programs that integrates PEDP & MSIP with local revenue generation strategies/planning 5.1.2 Formulate/revise policies to ensure equitable revenue generation planning according to the land uses & maximization of opportunity cost	<5 years	Local Bodies	MoUD, MoFALD, MoPIT
6. Weak formal housing finance	<b>6.1 Ensure the easy and affordable housing finance to perfect existing formal land market</b> 6.1.1 Identify and include housing sector as productive sector 6.1.2 Formulate policy incentives for banking sector to increase affordable & innovative finance for both developers and buyers alike 6.1.3 Integrate formal and informal housing finance in urban economy 6.1.4 Initiate Urban Land Banking in new municipalities	5 to 10 years	MoF	Nepal Rastra Bank, MoUD, Local bodies
7. Existing Housing policy issues	<b>7.1 Ensure the increased participation of private sector in housing sector</b> 7.1.1 Devise operational policies to correct and perfect the formal land market <ul style="list-style-type: none"> <li>• Devise policy mechanism for ensuring the private investment</li> <li>• Improve the existing cadastral information system</li> <li>• Establish Land Information System (LIS)</li> <li>• Implement one window policy for land and housing development permission</li> <li>• Formulate policy to discourage the land speculation and excess holdings through fiscal tools (viz. vacant land tax)</li> <li>• Provide hassle free access to land</li> </ul>	<5 years	MoUD	MOLRM, MoF, Cadastral Department, Office of Land Revenue, FNCCI

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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
	7.1.2 Formulate policy for co-operative finance system for housing development and disposal 7.1.3 Prepare land pooling manual for land-owner cooperative finance in urban land and housing development 7.1.4 Implement site and services scheme for targeted urban poor 7.1.5 Formulate land sharing schemes for low-cost housing development for squatter settlement 7.1.6 Increase private sectors participation in rental housing development for urban poor and low income groups 7.1.7 Introduce land sharing/infrastructure benefits sharing for upgrading the slums and squatter settlements			
8	<b>8.1 Prepare comprehensive LED policy for municipalities</b>			
No clear and dedicated policy for LED	8.1.1 Identify the 'lead economic sector' of the municipality/city 8.1.2 Formulate policy support for local investment climate 8.1.3 Identify programs aimed at supporting medium and small size enterprises 8.1.4 Formulate policies for clustering of enterprises with common service & corporate infrastructure) 8.1.5 Formulate policies to develop local capital market 8.1.6 Economic & Productive Skill Development Programs 8.1.7 Integrate LED with rural urban linkage development	<5 years	MoFALD	DOI, MoF, MoUD, MoA, MoCTCA, Local bodies
9	<b>9.1 Integrate LED policy with municipal spatial planning</b>			
Lack of area based local economic growth	9.1.1 Integrate municipal planning with LED policy 9.1.2 Develop Special Area Development programs (viz. SEZ) 9.1.3 Integrate the need of informal economic agents in municipal planning	<5 years	Local Bodies	MoUD, MoFALD, MoPIT
10	<b>10.1 Integrate informal economy with the national economy</b>			
Limited integration of informal economy in the national GDP	10.1.1 Recognize and integrate informal sector of economy in LED Policy 10.1.2 Design capacity building training center for informal sector workers. 10.1.3 Recognizing the certain disadvantaged groups through LED Policy	<5 years	MoFALD	MoI, NPC
	<b>11.1 Create decent jobs through effective LED policy and its implementation</b>			

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Issues	Objectives/ Activities	Time Frame	Lead Agencies	Supporting Agencies (Besides Dev. Partners)
11 Lack of employment opportunity , poverty and low income level, and inadequate investment in productive sector and infrastructural projects	11.1.1 Increase investments in lead sector of economy 11.1.2 Mobilize Youth and Small Entrepreneur Self Employment Fund (YSEF) 11.1.3 Promotion of urban farming for increased employment and urban food sufficiency 11.1.4 Invest in market development and financial literacy	<5 years	Local Bodies	MoYS, Mol, MoA, FNCCI
12 Inadequate policy support for integration and inadequate exploitation of comparative advantages of urban areas	<b>12.1 Formulate adequate policies for integration and to unleash the existing economic potential</b>			
	12.1.1 Formulate/enhance policy screening tool to assess the integration at policy, planning process & implementation, program and project levels	<5 years	NPC	MoF, MoFALD, MoUD
	12.1.2 Facilitate local/regional authorities to identify local and regional comparative advantages through supportive policies 12.1.3 Develop projects in line with comparative advantages.			

**Acronyms:** MoFALD: Ministry of Federal Affairs and Local Development; MoH: Ministry of Health; Mol: Ministry of Industry; MoLRM: Ministry of Land Reform and Management; MoUD: Ministry of Urban Development; MoYS: Ministry of Youth and Sports; NPC: National Planning Commission; NWC: National Women Commission; TDC: Town Development Committee; TDF: Town Development Fund.

## VI. Housing and Basic Services

Issues	Objectives/ Activities	Time Frame	Leading Agencies	Supporting Agencies (Besides Dev. Partners)
1. Increasing demand of housing, due to rise in urban population and fragmentation of families and lack of supply of affordable and safe houses	<b>1.1. Review and develop relevant policy framework for promoting affordable safe, inclusive and sustainable housing development</b>			
	1.1.1 Review, formulate update and monitor housing standards and regulations	< 5 years	MoUD	MoFALD, MOLRM
	1.1.2 Review and develop relevant incentives and facility packages to encourage private sectors in development of affordable, safe, inclusive and sustainable housing	< 5 years	MoUD	MoFALD, MoLRM, MoF
	1.1.3 Review and update housing policies based on participatory planning and the principles of social inclusion and participation, economic effectiveness, environmental protection and cultural adequacy	< 5 years	MoUD	MoFALD
	1.1.4 Review policies, implement and supervise safety compliance in the housing construction sector	< 5 years	MoUD	MoFALD
	1.1.5 Prepare guidelines for retrofitting private and public buildings and enhance technical capacity of municipalities to provide retrofitting services	< 5 years	MoUD	MoF
	<b>1.2. Increase access to affordable housing: Provide safe, adequate affordable and environment-friendly housing by developing planned settlements</b>			
	1.2.1 Strengthen and improve access to housing finance and effectively mobilize the financial resources necessary for the development of housing	< 5 years	MoF	MoFALD, MoUD
	1.2.2 Provide technical support for safer building construction practices at household level	< 5 years	MoUD	MoFALD
	1.2.3 Monitor functional and structural changes in buildings to ensure compliance to byelaws	< 5 years	MoUD	MoFALD
	1.2.4 Provide incentives to the private sector/developers to designate certain percent of the project for cost effective housing	< 5 years	MoUD	MoFALD
	1.2.5 Implement and enforce the updated bye-laws and building codes.	< 5 years	MoUD	MoFALD
	<b>1.3. Promote wide range of alternative housing options</b>			

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Issues	Objectives/ Activities	Time Frame	Leading Agencies	Supporting Agencies (Besides Dev. Partners)
	1.3.1 Promote social housing through public private partnership	Continuous	MoUD	MoFALD, MOCPA
	1.3.2 Promote cooperative housing	< 5 years	MoUD	MoFALD
	1.3.3 Provide other types of housing than private ownership like rental and other tenure options	< 5 years	MoUD	MoFALD MOCPA
	1.3.4 Promote safe incremental housing options	< 5 years	MoUD	MoFALD
	1.3.5 Promote housing for urban poor	< 5 years	MoUD	MoFALD
	1.3.6 Study the feasibility of house pooling in core areas so as to ensure the architectural integrity.	< 5 years	MoUD	MoFALD
2. Reconstruction and recovery of housing stock partially/fully damaged by the 2015 earthquakes and other disasters	<b>2.1. Carry out reconstruction and recovery works ensuring safer housing and resilient communities</b>			
	2.1.1 Promote owner / community driven reconstruction approach using local materials and technology for the 2015 earthquakes	< 5 years	NRA	MoFALD, MoUD
	2.1.2 Conduct training programs specifically focused on retrofitting of various types of buildings for the construction workers	< 5 years	MoUD	MoFALD
	2.1.3 Promote involvement of private sector in reconstruction	< 5 years	Private sector	Local bodies, MoUD
3. Destruction of traditional settlements	<b>3.1. Carry out reconstruction and regeneration of traditional settlements</b>			
	3.1.1 Prepare plan to guide reconstruction and regeneration of traditional settlements in line with traditional knowledge	< 5 years	MoUD	MoFALD, MoUD
	3.1.2 Involve locals in the reconstruction and regeneration process, building sense of ownership	< 5 years	MoFALD	MoE
	3.1.3 Develop urban regeneration projects and cultural policies in line with the existing policies	< 5 years	MoUD	MoFALD, MoUD



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Issues	Objectives/ Activities	Time Frame	Leading Agencies	Supporting Agencies (Besides Dev. Partners)
	3.1.4 Prepare guidelines to safeguard intangible heritage that includes local cultural practices, traditional norms and skills	< 5 years	MoCTCA	MoFALD, MoUD
4. Rise in informal settlements with minimal basic services	<b>4.1. Manage informal settlements through policy incentives and programs</b>			
	4.1.1 Facilitate private sector for affordable rental housing through provision of incentives and affordable housing facilities	< 5 years	MoUD	MoFALD
	4.1.2 Prepare inventory map of public land and ensure its monitoring and protection to prevent further encroachment of land	< 5 years	MoUD	MoFALD
	4.1.3 Promote community led schemes for addressing management of informal settlements	< 10 years	MoUD	MoFALD
	4.1.4 Implement slum upgrading programs and informal settlement upgrading and relocation programs	< 20 years	Local bodies	MoUD, MoFALD
5. Inadequate government and private investment on infrastructures	<b>5.1. Increase investment in infrastructure and other basic services</b>			
	5.1.1 Implement PPP for procuring and financing infrastructure and services in the country.	< 5 years	Local bodies	Related line ministries
	5.1.2 Review the existing policies and regulations for promotion of PPP			
	5.1.3 Formulate and implement clear policy guidelines on PPP by the government.			
	5.1.4 Review the existing policies and formulate new policies to increase investment in infrastructure and other basic services			
	<b>5.2. Provide basic infrastructure services in all urban areas</b>			
	5.2.1 Define standards and quality of basic infrastructure in urban and rural areas	5-20 years	MoWSS	MoFALD, MoF
5.2.2 Implement efficient funding and financing mechanism for provision, upgrading and maintenance of infrastructure and services				
6. Access to safe drinking water supply in human settlements inadequate and lack of equity in access to water supply	<b>6.1. Protect and sustainably manage water resources</b>			
	6.1.1 Delineate, protect and manage the water resources through policy and regulatory measures.	< 5 years	Local bodies	MoFALD, MoWSS
	6.1.2 Regulate the diversion of water from the river water sources through policy regulations			

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Issues	Objectives/ Activities	Time Frame	Leading Agencies	Supporting Agencies (Besides Dev. Partners)	
	6.1.3 Promote rainwater harvesting and water recharging				
	6.1.4 Preparation of "source and settlement master plan" for water management				
	<b>6.2. Revive the traditional water supply system in the traditional settlements.</b>				
	6.2.1 Make an inventory of the existing traditional water supply systems	< 5 years	MoWSS	MoFALD	
	6.2.2 Protect the sources of traditional water spouts in urban areas				
	6.2.3 Revive the traditional water systems system including ponds, wells, hiti, etc.				
	6.2.4 Rehabilitate the ponds through rainwater harvesting and also use the ponds for recharging groundwater wherever applicable				
	<b>6.3. Ensure provision of potable water supply to all</b>				
	6.3.1 Install water treatment plants and monitoring system in communal spaces	< 5 years	MoWSS	MoFALD	
	6.3.2 Test water samples periodically and raise awareness on different methods of rectifying quality of water				
	6.3.3 Proper management of operation and maintenance works related to water supply				
	6.3.4 Regulate the water supply by the water vendors.				
	6.3.5 Promote decentralized water supply provision.				
	7. Households with poor access to sanitation and drainage facilities and lack of equity to access.	<b>7.1. Improve access to sanitation and drainage facilities.</b>			
		7.1.1 Implement the Open Defecation Free campaigns	< 5 years	MOWSS	MoFALD
7.1.2 Ensure operation of all existing treatment system and faecal sludge management and add new treatment systems		< 5 years	MoWSS	MoFALD	
7.1.3 Promote construction of public toilets		5-20 years	MoWSS	MoFALD	
<b>7.2. Promote sustainable waste water management.</b>					
7.2.1 Provide incentives to separate greywater and black water and encourage recycling and reuse of greywater on a household and communal level		< 5 years	MoWSS	MoFALD	

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Issues	Objectives/ Activities	Time Frame	Leading Agencies	Supporting Agencies (Besides Dev. Partners)
	7.2.2 Promote decentralized wastewater system like constructed wetlands, ecosan toilets etc. in peri-urban areas and reuse treated water for recharging rivers 7.2.3 Put mechanisms and legislation in place to segregate industrial and domestic sewerage waste			
8. Inefficient solid management.	<b>8.1. Promote sustainable solid waste practices.</b>			
	8.1.1 Launch solid waste management projects. 8.1.2 Encourage/facilitate segregation of waste at HH level 8.1.3 Promote the practice of 3R 8.1.4 Create a full-fledged operating model of 3R including composting at HH/community level 8.1.5 Allocate proper sites for transfer stations and landfill sites 8.1.6 Manage transfer stations for waste processing as well, and manage landfill sites for resource recovery from waste	< 5 years	MoFALD	Local bodies
9. Inadequate, unreliable and inefficient supply of energy	<b>9.1. Promote reliable and sustainable energy through alternative sources of energy based on the available resources</b>			
	9.1.1 Develop incentives (price, installation) to promote solar energy for cooking and domestic use 9.1.2 Promote energy efficient and passive design concepts. 9.1.3 Prepare models and guidelines, and disseminate designs for energy efficient construction for all ecological regions 9.1.4 Conduct research on innovative, economic and environment friendly sources of energy (hydropower, solar energy, various forms of biomass energy, biogas and wind energy etc.)	< 5 years	MoEn	MoFALD
10. Inadequate and unreliable means of transport in urban regions	<b>10.1. Increase road density and maintain road standards for intra-urban connectivity</b>			
	10.1.1. Define the hierarchy of roads based on traffic volume within urban limits	< 5 years	MoPIT	MoFALD

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Issues	Objectives/ Activities	Time Frame	Leading Agencies	Supporting Agencies (Besides Dev. Partners)
	10.1.2. Expand/upgrade roads to meet the standards			
	10.1.3. Seek out alternative modes of transport – cycling. Make pedestrian and bicycle-friendly lanes with optimum design parameters			
	<b>10.2. Make the urban-rural connectivity efficient</b>			
	10.2.1. Research on the feasibility of BRT and MRT	< 5 years	MoPIT	MoFALD
11. Weak institutional capacity to deliver infrastructure services and lack of institutional coordination in infrastructure planning and development	<b>11.1. Ensure reliable supply of basic infrastructures in all areas</b>			
	11.1.1. Specify the nature of strategic investment in higher order/shared infrastructure and institutions responsible for its successful implementation	< 5 years	MoPIT	MoFALD
	11.1.2. Define committees and groups which will identify needs and types of infrastructures			
	11.1.3. Identify shared infrastructures like shared landfill site, hospitals etc.			
	<b>11.2. Designate different institutions responsible for different sectors</b>			
	11.2.1. Review and map institutional capacities and gaps in infrastructure services delivery	< 5 years	MoPIT	MoFALD
	11.2.2. Formulate proposals and projects to fill the gap			

**Acronyms:** 3R: Reduce, Reuse, Recycle; BRT: bus rapid transit; HH: Household; MOCPA: Ministry of Cooperatives and Poverty Alleviation; MoCTCA: Ministry of Culture, Tourism and Civil Aviation; MoEn: Ministry of Energy; MoF: Ministry of Finance; MoFALD: Ministry of Federal Affairs and Local Development; MoLRM: Ministry of Land Reform and Management; MoUD: Ministry of Urban Development; MoWSS: Ministry of Water Supply and Sanitation; MRT: Mass rapid transit; NRA: National Reconstruction Authority; PPP: Public-private partnership.

## **Annex C: INDICATORS**

## Indicators

S.N.	Main Indicators	Sub-indicators	1996	2006	2013
1	Percentage of people living in slums		67.3 (1995)	60.7 (2005)	54.3 (2014)
2	Percentage of urban population with access to adequate housing	Housing ownership (%): <ul style="list-style-type: none"> <li>• Owner</li> <li>• Renter</li> <li>• Rent free</li> <li>• Others</li> </ul>	78.54 15.74 4.36 1.37 (1995/96)	72 23.5 3.8 0.7 (2003/04)	69.2 26.5 3.9 0.4 (2010/11)
3	Percentage of people residing in urban areas with access to safe drinking water	Improved water source, urban (% of urban population with access)	95.2	92.9	91.3
4	Percentage of people residing in urban areas with access to adequate sanitation	Improved sanitation facilities, urban (% of urban population with access)	40.3	48.6	54.4
5	Percentage of people residing in urban areas with access to regular waste collection	Percentage of urban household with access to garbage disposal system	20.39 (1995/96)	45 (2003/04)	42.7 (2010/11)
6	Percentage of people residing in urban areas with access to clean domestic energy	Percentage of urban households using other fuels for cooking (Other fuels include electricity, bio-gas, coal/charcoal and other categories)	2.12 (1995/96)	3.9 (2003/04)	4.6 (2010/11)
7	Percentage of people residing in urban areas with access to public transport	No. of public transport vehicles (bus, microbus and tempo) registered in urban areas	603 (1995/96)	1654 (2005/06)	8103 (2015/16)
8	Level of effective decentralization for sustainable urban development measured by:				
8.1	Percentage of policies and legislation on urban issues in whose formulation local and regional governments participated from 1996 to the present		NA	NA	NA
8.2	Percentage share of both income and expenditure allocated to local and regional governments from the national budget	Ratio of grant from central government to total internal income of local bodies	NA	7.06 (2010/11)	4.36 (2012/13) 4.42 (2013/14)
		Share of internal income to total income of local bodies	NA	12.41 (2010/11)	18.65 (2012/13) 18.45 (2013/14)



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S.N.	Main Indicators	Sub-indicators	1996	2006	2013
8.3	Percentage share of local authorities' expenditure financed from local revenue	Ratio of actual total expenditure to total income	NA	1.03 (2010/11)	1.02 (2012/13) 1.11 (2013/14)
		Share of internal income to total expenditure		13.69 (2010/11)	22.53 (2012/13) 20.47 (2013/14)
9	Percentage of city, regional and national authorities that have implemented urban policies supportive of local economic development and creation of decent jobs and livelihoods	Number of municipalities that have prepared periodic plans	NA	40	56
10	Percentage of city and regional authorities that have adopted or implemented urban safety and security policies or strategies	Number of municipalities that have prepared Local Disaster Risk Management Plan	-	-	54
11	Percentage of city and regional authorities that have implemented plans and designs for sustainable and resilient cities that are inclusive and respond to urban population growth adequately	Number of municipalities that have prepared periodic plans	NA	40	56
		Number of municipalities that have prepared Municipal Transport Master Plans	-	-	11
12	Share of national gross domestic product (GDP) that is produced in urban areas		NA	NA	33.1 (2014/15)

**Note:** Alternative indicators used where data against recommended indicators are not available. Data sources are as follows (corresponding indicators are in square parenthesis):

[1] World Development Indicator, Nepal, <http://data.worldbank.org/indicator/EN.POP.SLUM.UR.ZS?locations=NP>. [2] Nepal Living Standard Surveys. [3] World Development Indicator, Nepal, <http://data.worldbank.org/indicator/SH.H2O.SAFE.UR.ZS?locations=NP>. [4] World Development Indicator, Nepal, <http://data.worldbank.org/indicator/SH.STA.ACSN.UR?locations=NP>. [5] Nepal Living Standard Surveys. [6] Nepal Living Standard Surveys. [7] <http://www.dotm.gov.np/en/vehicle-registration-record>. [8.2] MoF (2015). [8.3] MoF (2015). [9] Communication with MoFALD. [10] Communication with MoFALD. [11] Communication with MoFALD. [12] MoF (2015).

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# About the Report

This Report evolved from intensive research, consultations and study on six thematic areas following the format given to all member states by HABITAT III Secretariat for preparing their individual national reports.

The Report begins with "Introduction" where an attempt is made to define the New Urban Agenda for Nepal, the purpose being to make the New Urban Agenda clear to all the stakeholders and implementers. Based on the theme-specific outcomes and findings from the extensive consultations and research undertaken for the last two years by the Study Team and the Ministry of Urban Development personnel, problems and issues being addressed by this agenda is summarized in this part after a brief background. The vision, goals and objectives are set. The expected impact, outcomes and outputs are also indicated.

The main body of the report is organized in six chapters corresponding to the six assigned thematic areas following the given format – description of the given issues, challenges and lessons learnt, future challenges and the New Urban Agenda.

The last part of the report is "Concluding Remarks", which mainly deals with implementation. For effective implementation of the Agenda, strategies with respect to building governance structure, managing urbanization and means of implementation are spelt out. It ends with mechanisms for Follow-up and Review and the Results Chain for the purpose of performance monitoring.

Plan of Action, case studies and indicators are given as annexes at the end of the Report.

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