Urbanisation and urban growth in Nepal

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Question

What are the trends in urbanisation and urban growth in Nepal? What are the main government and donor-funded projects on urbanisation currently under implementation, and planned for the next 10 – 20 years in Nepal? What are the trends in local governance of urban, and urbanising areas in Nepal?

Contents

1. Overview
2. National-level urbanisation and urban growth trends
3. Urbanisation and urban growth trends throughout the country
4. Migration trends
5. Urban governance trends
6. Current and proposed programmes on urbanisation
7. References

1. Overview

Nepal is one of the ten least urbanised countries in the world. However, it is also one of the top ten fastest urbanising countries. In 2014, the level of urbanisation was 18.2 per cent, with an urban population of 5,130,000, and a rate of urbanisation of 3 per cent (UN DESA, 2014). For the period 2014-2050, Nepal will remain amongst the top ten fastest urbanising countries in the world with a projected annual urbanisation rate of 1.9 per cent (ibid).

Urbanisation in Nepal is dominated by a few large and medium cities with an excessive population concentration in the Kathmandu Valley.

High urban growth is occurring in the Kathmandu Valley, the Pokhara Valley, the Inner Tarai valleys, and in market and border towns located on highway junctures between the east-west highway and the five main north-south corridors. Urban growth centres are also emerging close to the border with India (MoUD, 2015; Muzzini & Apericio, 2013).
The urban population distribution is uneven across the country. 33.5 per cent of the urban population is concentrated in 16 urban centres that each have a population of over 100,000 people (MoUD, 2015). The Central Development Region has the highest proportion of the urban population, followed by the Eastern and Western Development Regions. The distribution of the urban population is relatively low in the Mid Western and Far Western Development Regions (MoUD, 2015).

The average urban population density in Nepal in 2011 was 1,381 per square kilometre, which compares to the total population density of 180 per square kilometre (CBS, 2012).

At the level of urban agglomerations and municipalities:

- The Kathmandu Valley is the most populated urban region and one of the fastest-growing urban agglomerations in South Asia (Muzzini & Apericio, 2013; MoUD, 2015). Kathmandu Valley accounts for 24 per cent of the total urban population, with Kathmandu Metropolitan City alone accounting for 9.7 per cent (MoUD, 2015).
- Pokhara in the central hills is the largest and most rapidly growing medium-sized city (Muzzini & Apericio, 2013).
- Medium-sized cities (with a population between 100 and 300,000) in market and border towns located on highway junctures between the east-west highway and five main north-south corridors are experiencing high growth (Muzzini & Apericio, 2013).
- Several small cities (with populations below 100,000) along the main highways and close to the border with India are also experiencing high growth (ibid).

Internal migration is the largest contributor to urban growth (MoUD, 2015) and is increasing over time (Muzzini & Apericio, 2013). There is a net rural-urban migration of 29 per cent and the Kathmandu Valley has the largest net inflow of urban migrants (ibid).

It is not clear from the literature what impact external migration and immigration have had on urbanisation and urban growth. International labour migrants are mostly from rural areas (Sharma et al, 2014). The total number of immigrants is reducing, but most live in urban areas. A total of 3.7 per cent of the urban population was foreign born, compared with 4.4 per cent in 2001 (MoUD, 2015).

Several urban governance trends can be gleaned from the literature:

- A recent increase in the creation of new municipalities: At the time of the 2011 census, there were 58 municipalities. Since 2011, 159 new municipalities have been declared (P.K. Pradhan, personal communication, 29th October 2015).
- Decentralisation: There appears to have been a trend towards decentralisation, as evidenced by the formation of the Kathmandu Valley Development Authority (KVDA) and the implementation of the Local Governance and Community Development Programme – II. Decentralisation appears to be a further feature of the new federal structure proposed by the new constitution, although there is little current analysis of what the proposed changes imply for urban governance.
- Renewed legislative and institutional focus on urban governance: The creation of the Ministry of Urban Development and the Kathmandu Valley Development Authority in 2012, and the development of the National Urban Development Strategy (NUDS) in 2015, indicate a renewed policy attention by the government to urbanisation (WB, 2013b).
Government and donor documents provide pointers for potential future trends in urban governance:

- **Changes in the number and character of urban areas**: Nepal’s 2015 constitution stipulates a Federal Commission to determine the number and borders of each village and municipal council. The proposed provincial structure may change the character and function of those urban areas that become provincial capitals.

- **Changes in the basis for designating urban areas**: The NUDS proposes an objective and non-political basis for designating urban areas. The Nepali definition for urban areas has thus far lacked clarity (Choe & Pradhan, 2010; MoUD, 2015).

- **Clarification of the complicated and fragmented urban governance structure**: A key urban governance objective for the NUDS is to clarify the roles of different agencies such as the MoUD and the Ministry of Federal Affairs and Local Development (MoUD, 2015). Changes are also recommended for clarifying the roles of the KVDA and local bodies in the Kathmandu Valley WB, 2013b).

- **Increasing the level of public expenditure for municipal infrastructure**: A key financial objective of NUDS is the creation of self-reliant and financially solvent urban areas, with an assumption that 2 per cent of GDP will be directed towards urban investment between 2015 and 2030 (Muzzini and Apericio, 2013; MoUD, 2015).

**Government and donor programmes** focusing on broader development sectors such as local governance, infrastructure, and water and sanitation are associated with urban development and are a response to increasing service delivery demands. The Kathmandu Valley has received the most attention from international agencies (Choe & Pradhan, 2010). The Asian Development Bank is the largest contributor to urban infrastructure, development and planning in Nepal (ibid). Several other donors including GIZ, the UK Department for International Development, UN-Habitat, and the World Bank are providing assistance in the urban sector.
Figure 1: Ecological zones, development regions and districts

Source: Muzzini and Apericio (2013: p.29)
2. National-level urbanisation and urban growth trends

The MoUD (2015: p.3) state that urban growth and urbanisation in Nepal are consequences of three mutually reinforcing transitions:

- A demographic transition that means more people are entering the labour force than leaving it.
- A spatial transition due to increased rural-urban migration.
- An economic transition due to the demise of the traditional subsistence economy, the declining contribution of agriculture to the GDP, and the search for new livelihood options.

Choe and Pradhan (2010) argue that the extension of municipal boundaries and the addition of new urban areas is a key factor for urban growth.

Urbanisation trends\textsuperscript{1}

UN DESA (2014: p.198) states that Nepal is one of the ten least urbanised countries in the world and the least urbanised in South Asia. However, for the period 1990-2014, Nepal was one of the top ten fastest urbanising countries in the world, with a rate of urbanisation of 3 per cent (ibid: p.68).

The number of designated municipalities has increased from 58 at the time of the last census in 2011, to 217 in 2015 (P.K. Pradhan, personal communication, 29\textsuperscript{th} October, 2015). This means that figures on urbanisation and urban growth are inconsistent:

- The 2011 census states that 17 per cent or 4,523,820 of the population resided in 58 designated municipalities (CBS, 2012, p. 3).
- The 2014 World Urbanisation Prospects Report updates this figure to 18.2 per cent, with an urban population of 5,130,000 (UN DESA, 2014: p.198).
- The Nepali Ministry of Urban Development (MoUD) states that the creation of 133 new municipalities by 2014 increased the level of urbanisation to 38.26 per cent (residing in 191 municipalities) (MoUD, 2015: p. 3).

For the period 2014-2050, Nepal will remain amongst the top ten fastest urbanising countries in the world (the only country in the top ten outside of Africa) with a projected annual urbanisation rate of 1.9 per cent (UN DESA, 2014: p.68). It is expected to remain amongst Asia’s least urbanised countries in 2050, but with a projected level of urbanisation above 30 per cent (UN DESA, 2014: p.49).

Urban growth trends

According to the 2011 census, the urban growth rate is 3.4 per cent (MoUD, 2015; Pradhan, 2015). Urban growth rates have remained above overall population growth rates since census reporting began in 1952 (see table 1 and figure 2).

\textsuperscript{1} The level of urbanisation relates to the percentage of a population that is living in urban areas at a specific point in time. The rate of urbanisation refers to the growth rate in the level of urbanisation and therefore measures changes over a period of time. Urban growth refers to the absolute growth in the urban population (UN DESA, 2014: p. 22).
Table 1: Urban growth patterns in Nepal

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<tbody>
<tr>
<td>Urban population (’000)</td>
<td>336</td>
<td>462</td>
<td>957</td>
<td>1,696</td>
<td>3,228</td>
<td>4,523*</td>
<td>5,130**</td>
</tr>
<tr>
<td>Number of urban areas</td>
<td>16</td>
<td>16</td>
<td>23</td>
<td>33</td>
<td>58</td>
<td>58*</td>
<td>191**</td>
</tr>
<tr>
<td>Urban population (%)</td>
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<td>4.0</td>
<td>6.4</td>
<td>9.2</td>
<td>13.9</td>
<td>17*</td>
<td>18.2*</td>
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<td>3.23</td>
<td>7.55</td>
<td>5.89</td>
<td>6.65</td>
<td>3.4***</td>
<td>N/A</td>
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<tr>
<td>National population growth rate (%)</td>
<td>1.65</td>
<td>2.07</td>
<td>2.66</td>
<td>2.10</td>
<td>2.27</td>
<td>1.35*</td>
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Source: Adapted from Choe and Pradhan (2010: p.7) with additional figures as stated below:
* CBS (2012)
** UN DESA (2014)
*** MoUD (2015)

Figure 2: Population and urban growth trends in Nepal

Source: Pradhan (2015: p. 1)
3. Urbanisation and urban growth trends throughout the country

Urbanisation in Nepal is dominated by a few large- and medium-sized cities and there is an excessive population concentration in the Kathmandu Valley. High urban growth is occurring in the Kathmandu Valley, the Pokhara Valley, the Inner Tarai valleys, and in market and border towns located on highway junctures between the east-west highway and the five main north-south corridors. Urban growth centres are also emerging close to the border with India (MoUD, 2015; Muzzini & Apericio, 2013).

Regional levels of urbanisation

Levels of urbanisation differ acutely across the ecological and development regions. For the ecological zones, the level of urbanisation is highest in the hill region (21.7 per cent), followed by the Tarai (15.1 per cent) and then the mountains (2.8 per cent) (MoUD, 2015: p.3). For the development regions, the Central Development Region (which includes the Kathmandu Valley) has the highest urbanisation level of 23.5 per cent, whilst the level of urbanisation is relatively low in the Mid Western and Far Western Development Regions (see table 2) (ibid).

Table 2: Urbanisation trends 1981-2011

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<tbody>
<tr>
<td>Mountain</td>
<td>9</td>
<td>13</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Hill</td>
<td>18</td>
<td>20</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Tarai</td>
<td>48.3</td>
<td>48.8</td>
<td>45.5</td>
<td>44.3</td>
</tr>
<tr>
<td>Nepal</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>EDR</td>
<td>7</td>
<td>9</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>GDR</td>
<td>13</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>WDR</td>
<td>4</td>
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<td>FMWR</td>
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<td>3</td>
<td>6</td>
<td>6</td>
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<table>
<thead>
<tr>
<th>Distribution of Urban Population (%)</th>
<th>Level of urbanization</th>
<th>Annual growth rates</th>
</tr>
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<tbody>
<tr>
<td>Mountain</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Hill</td>
<td>0.9</td>
<td>10.3</td>
</tr>
<tr>
<td>Tarai</td>
<td>48.3</td>
<td>48.8</td>
</tr>
<tr>
<td>Nepal</td>
<td>100</td>
<td>100</td>
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<tr>
<td>EDR</td>
<td>7.0</td>
<td>7.2</td>
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<tr>
<td>GDR</td>
<td>13.0</td>
<td>20.0</td>
</tr>
<tr>
<td>WDR</td>
<td>4.0</td>
<td>5.6</td>
</tr>
<tr>
<td>MMWR</td>
<td>3.0</td>
<td>6.9</td>
</tr>
<tr>
<td>FMWR</td>
<td>2.0</td>
<td>3.4</td>
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Source: MoUD (2015: p. 3)

Urban population distribution

The Central Development Region has the highest proportion of the urban population, with 50.2 per cent. The Eastern Development Region and Western Development Region account for 18.3 and 16.9 per cent respectively. The urban population distribution is relatively low in the Mid Western and Far Western Development Regions (see table 2) (MoUD, 2015: p. 3).

33.5 per cent of the urban population is concentrated in 16 urban centres that each have a population of over 100,000 people. This includes 14 of the 58 original municipalities (4 in the hills and 10 in the Tarai), and two in the recently declared 133 municipalities (both in the hills) (MoUD, 2015: p.3). Figure 3 shows the population distribution as of 2014.

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2 The Kathmandu Valley is comprised of Kathmandu Metropolitan City, and Bhaktapur, Kirtipur, Lalitpur and Madhyapur Thimi municipalities, as well as several peri-urban areas (Muzzini & Apericio, 2013).
Figure 3: Population distribution of urban settlements

Source: MoUD (2015, p. 4)
The number of smaller urban areas is decreasing whilst the number of larger urban areas is increasing (see table 3). Between 1991 and 2011, the number of municipal areas with less than 20,000 people decreased from 22 to 4, while those with 50-100,000 people increased from 8 to 17 (MoUD, 2015: p. 6). Furthermore, the growth of larger urban centres is increasing. The urban growth rate for urban centres with over 200,000 people increased markedly from 4.78 to 9.73 per cent for the same period, whilst the growth rates of small towns with below 20,000 people decreased from 9.17 to 6.22 per cent (ibid).

Table 3: Distribution of urban population by size class of urban centres and growth rates

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<tbody>
<tr>
<td>&gt; 200,000</td>
<td>421,258 (1)</td>
<td>18.4</td>
<td>671,846 (4)</td>
<td>20.8</td>
<td>1,690,954 (36)</td>
<td>4.78</td>
</tr>
<tr>
<td>100-200,000</td>
<td>245,253 (2)</td>
<td>10.7</td>
<td>590,461 (4)</td>
<td>18.5</td>
<td>730,465 (16)</td>
<td>6.3</td>
</tr>
<tr>
<td>50-100,000</td>
<td>517,410 (8)</td>
<td>22.6</td>
<td>788,937 (11)</td>
<td>24.4</td>
<td>1,182,522 (17)</td>
<td>26.1</td>
</tr>
<tr>
<td>20-50,000</td>
<td>746,651 (25)</td>
<td>32.6</td>
<td>1,032,245 (34)</td>
<td>32.0</td>
<td>831,127 (27)</td>
<td>18.4</td>
</tr>
<tr>
<td>&lt;20,000</td>
<td>357,006 (22)</td>
<td>15.6</td>
<td>136,390 (8)</td>
<td>4.2</td>
<td>71,763 (4)</td>
<td>1.6</td>
</tr>
<tr>
<td>Total</td>
<td>2,287,487 (54)</td>
<td>100.0</td>
<td>3,227,879 (54)</td>
<td>100.0</td>
<td>4,523,821 (54)</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: MoUD, 2015: p.6

Urban population density

According to the 2011 census, the average urban population density in Nepal is 1,381 per square kilometre, which compares to the total population density of 180 per square kilometre (CBS, 2012). The population density is growing particularly quickly in the Kathmandu Valley, along the main highways, and close to the border with India (Muzzini and Apericio, 2013: p.2).

In Kathmandu Valley, several urban centres had densities above 10,000 people per square kilometre in 2011. This includes Kathmandu (19,726), Lalitpur (14,574) and Bhaktapur (12,462) (CBS, 2014; MoUD, 2015: p.6). Madhyapur Thimi and Kirtipur in the Kathmandu Valley have densities of 7,474 and 4,445 respectively. Several urban centres in the hills and Tarai have relatively high densities, including Pokhara (4,626) and Banepa (4,454) in the hills, and Birgunj (6,420) and Biratnagar (3,439) in the Tarai (CBS, 2014; MoUD, 2015: p6).

Urbanisation in the Kathmandu Valley

The Kathmandu Valley is one of the fastest-growing urban agglomerations in South Asia (Muzzini & Apericio, 2013; MoUD, 2015):

- In the 2011 census, the population of Kathmandu Metropolitan City was 1,003,285 (CBS, 2012: p.3). UN DESA (2014: p.367) updates this to 1,142,000 in 2014, and projects a population of 1,183,000 in 2015, rising to 1,855,000 by 2030 (ibid: p.338).
- The urban growth rate for Kathmandu Metropolitan City between 2010 and 2015 was 3.94 per cent (UN DESA, 2015: p.393).
- Kathmandu Valley has 29 per cent of the country’s total urban population, with Kathmandu Metropolitan City alone accounting for 22.2 per cent (MoUD, 2015: p. 6). However, the addition of 133 municipalities by 2014 lowers this figure to 24 per cent of the total urban population, with Kathmandu Metropolitan City alone accounting for 9.7 per cent (ibid).
The percentage of the total population residing in Kathmandu Metropolitan City in 2015 will be 4.2 per cent, rising to 5.6 per cent in 2030 (UN DESA, 2015: p.393).

Kathmandu Valley’s boundaries are also expanding quickly due to urban sprawl:

- Annual population growth in 2011 was high in the peripheral municipalities of Kirtipur (5 per cent) and Madhyapur Thimi (5.7 per cent) (Muzzini & Apericio, 2013: p.34).
- Population growth in peri-urban areas (which are officially classified as rural space) in 2011 was also high at 4.8 per cent per year (ibid).

Urbanisation and urban growth in medium-sized cities

Pokhara is the largest and most rapidly growing medium-sized city (Muzzini and Apericio, 2013: p.2):

- According to the 2011 census, its population is 255,465 (CBS, 2014). It has a projected population of 329,000 in 2015, rising to 549,000 by 2030 (ibid: p.338).
- The urban growth rate between 2010 and 2015 was 5.21 per cent (UN DESA, 2014: p.393)
- The percentage of the urban population residing in Pokhara in 2015 will be 6.2 per cent, rising to 6.7 per cent in 2030 (ibid: p. 426).
- The percentage of the total population residing in Pokhara in 2015 will be 1.2 per cent, rising to 1.7 per cent in 2030 (ibid: p. 460).

Significant growth is also occurring in market and border towns located on highway junctures between the east-west highway and five main north-south corridors. In the Tarai, which in 2011 accounted for 44 per cent of the total urban population, several urban growth centres have appeared at railheads on the border with India. The main urban centres in each corridor are Biratnagar (east), Birgunj (centre), Butwal (west), Nepalgunj (midwest), and Dhangadhi (far west) (Muzzini & Apericio, 2013: pp.34-35).

Three other medium cities in the Tarai also have sustained urban growth above 4 per cent per year. This includes Bharatpur in the Central Tarai, Butwal in the Western Tarai, and Dhangadhi in the Far Western Tarai (Muzzini & Apericio, 2013: p.28).

Urbanisation and urban growth in small cities

The fastest-growing small cities, with populations below 100,000 and growth in excess of 4 per cent, include Damak and Itahari (Eastern Tarai), Banepa (Central Hills), Byas and Tansen (Western Hills), Gorahi and Tulsipur (Midwestern Tarai), and Birendranagar (Midwestern Hills) (Muzzini & Apericio, 2013: p.28).

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3 Muzzini and Apericio (2013) define medium-sized cities as those with a population of between 100,000 – 300,000 and small cities as those with populations below 100,000 (according to the 2011 census).
4 The north-south corridors are arterial roads that connect several towns.
4. Migration trends

Internal migration
According to the MoUD (2015: p.7), internal migration is the largest contributor to urban growth. Muzzini and Apericio (2013: p.38) produced data on recent (2002-2007) and lifetime (up to 2007) internal migration patterns based on the 2008 Nepal Labour Force Survey (see figure 4).

- There is a net rural-urban migration of 29 per cent: the inflow of migrants to urban areas is 45 per cent of the total urban population, whilst the outflow is 16 per cent, (ibid).
- Rural to urban migration is increasing over time: 34 per cent of recent migrants moved to urban areas, compared with 23 per cent of lifetime migrants (ibid).
- Kathmandu Valley has the largest net inflow of lifetime migrants, who account for 36 per cent of the valley’s urban population. This is more than twice the net level of migration to any other urban region (Muzzini & Apericio, 2013: p.39).

Using data from the Nepal Living Standards Survey 2010/11 and the 2011 census, Sharma et al. (2014) state that over a fifth of the population consists of internal migrants, with 62.5 per cent of these in urban areas. However, rural-to-rural migration still accounts for the majority (62.5 per cent) of internal migration, which is three times more than rural-urban migration (17.7 per cent), and much more significant than urban-urban migration (3 per cent).

External migration and immigration
It is not clear from the literature what impact external migration and immigration have had on urbanisation and urban growth.

Sharma et al. (2014: p.36) state that international labour migrants are mostly from rural areas, with figures of rural migrants ranging from 90.6 (provided by the National Demographic and Health Survey 2011) to 71.6 per cent (provided by the Nepal Living Standards Survey 2010/11). At a district level, Kathmandu (5 per cent) and Jhapa (4 per cent) send the highest number of international migrants abroad (ibid) (see figure 5).

The total number of immigrants is reducing. Using 2011 census data, the MoUD (2015: p.7) approximate that a total of 3.7 per cent of the urban population was foreign born, compared with 4.4 per cent in 2001. There were 138,910 foreign nationals living in Nepal in 2011 and 53.1 per cent of these were accounted for in urban areas (Sharma et al., 2014: p. 63).
**Figure 4: Internal urban and rural migration flows (Lifetime Migration, 2008)**

![Chart showing internal urban and rural migration flows](chart)

Source: Muzzini and Apericio (2013: p.39)

**Figure 5: Destination of immigrants by country of origin and location**

![Chart showing destination of immigrants](chart)

Source: Sharma et al. (2015: p.63)
5. Urban governance trends

The creation of new municipalities

There is a trend towards the development and creation of new municipalities and a concurrent decrease in the number of Village Development Committees (VDCs). Muzzini and Apericio (2013: p.28) argue that the reclassification of rural into urban areas is an important driver of urban growth.

The number of municipalities has increased drastically in recent years. At the time of the 2011 census, there were 58 municipalities (CBS, 2012). 62 new municipalities were declared in 2011/12, a further 72 in 2014, and 25 in 2015, which brings the total to 217 (P.K. Pradhan, personal communication, 29th October, 2015). These can be divided into the following categories:

- Kathmandu Metropolitan City: The only city in Nepal with a population of over a million (CBS, 2014)
- 12 sub-metropolitan cities: At the time of the 2011 census, there were four sub-metropolitan cities, including Biratnagar, Birgunj, Lalitpur, and Pokhara, all of which had a population of between 100,000 to 300,000 (CBS, 2014; Muzzini & Apericio, 2013: p.28). In November 2014, the government proposed seven further sub-metropolitan cities, including Hetauda, Dharan, Itahari, Bharatpur, Butwal, Nepalgunj and Janakpur (New Spotlight, 2014a). In September 2015, Dhangadhi was upgraded to a sub-metropolitan city (Thapa, 2015).
- Other municipalities, which range from medium to small municipalities, with many of the latter showing rural characteristics (UN-Habitat, 2010).

The development of new municipalities is largely due to the merger of VDCs (Devkota, 2014). According to the Local Self Governance Act 1999, the government can declare an area as a municipality by merging surrounding villages with basic infrastructure. There has to be a population of at least 20,000 in the Tarai region and 10,000 in the hill and mountain regions, and the ability to raise one million rupees in annual revenue from internal resources (P.K. Pradhan, personal communication, 29 October, 2015).

Choe and Pradhan (2010: p.36) define the mandates of municipalities, as stipulated by the Local Self Governance Act 1999, as:

- Preparing and implementing plans and programmes within municipal boundaries.
- Generating revenue from internal sources (tax and non-tax revenue) and external sources (grants, public borrowing and loans).
- Performing a total of 81 functions, including: finance; physical infrastructure development; the provision of water resources, sanitation and environmental services; education; sports and culture; work and transportation; health and social welfare services; tourism; and industry.

Decentralisation of urban governance

There appears to have been a trend towards decentralisation, as evidenced by the formation of the Kathmandu Valley Development Authority (KVDA) and the implementation of the Local Governance and Community Development Programme – II (see below). UN-Habitat (2010) states that the responsibilities of municipalities were limited until the promulgation of the Local Self Governance Act.
There are a number of planning agencies at the regional, district and local levels, which also indicate a measure of decentralised urban governance:

- The Kathmandu Valley Development Authority (KVDA), created in 2012, has responsibility for planning, development, enforcement of regulations and coordination of over five urban local bodies and 99 VDCs in Kathmandu Valley (WB, 2013b).
- District development committees are involved in the physical development of municipalities, as well as small towns and market centers that lie within the district (Choe and Pradhan, 2010: p.38).
- Town development committees formulate and implement town development plans, and have the authority to engage in land development activities and to enforce town plans, construction rules and planning codes (UN-Habitat, 2010: p. 25).

Decentralisation is a feature of the new federal structure proposed by the new constitution, although there is little current analysis of what the proposed changes will mean for local urban governance.

The draft 2015 Constitutional Bill of Nepal stipulates that there will be a Municipal Executive in each municipality headed by a democratically elected Mayor and Deputy Mayor (International IDEA, 2015). In terms of local legislature, the draft 2015 constitution stipulates one Municipal Assembly in each municipality, comprised of the Mayor and Deputy Mayor, along with ward chairpersons, four members elected from each ward of the Municipality, and a member elected from the Dalit community (ibid).

The level of fiscal decentralisation at the municipal level is not clear from the literature and is the subject of ongoing debate in light of the new constitution (MoUD, 2015). Choe and Pradhan (2010: p. 40) contend that there is no financial decentralisation in local bodies; district governments control the collection of revenue and pass it on to municipalities. The 2015 draft constitution stipulates a ‘Local Consolidated Fund’ in each municipality, where grants, loans and funds from other sources will be deposited (ibid).

**Renewed legislative and institutional focus on urban governance**

The World Bank (2013b) argues that recent institutional and legislative trends indicate renewed policy attention by the government to urbanisation and urban governance. One such trend is the creation of new institutions such as the Ministry of Urban Development (MoUD) and the KVDA in 2012.

The Ministry of Urban Development (MoUD) is responsible for: urban and regional planning; developing and managing basic urban infrastructure services such as water supply, sanitation, solid waste management; and housing. It has two implementing agencies, the Department of Water Supply and Sewerage (DWSS), and the Department of Urban Development and Building Construction (DUDBC), as well as other organisational entities such as the Town Development Fund. It has oversight over regional planning authorities such as the KVDA and other Town Development Committees (MoUD, 2015: pp. 47-48). The MoUD shares responsibility for the urban sector with other central government agencies such as the National Planning Commission (NPC) and the Ministry of Federal Affairs and Local Development (MoFALD) (see figure 6) (MoUD, 2015: pp. 47-48).

The development of new legislation and strategy is also indicative. The 2015 National Urban Development Strategy (NUDS) sets out the medium and long term strategic direction for the MoUD for the period 2015 to 2030. It assesses existing conditions of infrastructure, environment, economy and governance, establishes benchmarks, and identifies the priority strategic initiatives for investment in urban infrastructure and environment. It is designed to compliment the 2007 National Urban Policy
Urbanisation and urban growth in Nepal

(NUP), the primary document for urban development in Nepal, which has experienced problems with implementation and financing (MoUD, 2015).

Figure 6: The urban institutional arrangement in Nepal

Source: MoUD (2015: p. 49)

Potential future developments and trends

Government and donor documents provide indications on potential future trends in urban governance.

The potential implications of the new constitution on urban governance

The 2015 draft constitution states that the government will form a Federal Commission to determine the number and borders of each village and municipal council (International IDEA, 2015).

The creation of new municipalities in advance of the federal structure proposed in the new Nepali constitution appears to be a source of controversy. Devkota (2014) argues that the new constitution may require reconfiguring the structure and boundaries of local governance, including the municipalities.

The MoUD (2015: p.64) states that certain urban centres will become provincial capitals under the new federal structure and will attract priority investments in infrastructure and urban development. The federal structure may also have an impact on the urban system as a whole. The development of intra-province road structures and the policies of provincial governments may impact upon the size, character and functions of certain small towns and market centres.

Clarifying the definition of urban areas

According to Pradhan (2012), the definition of ‘urban’ in Nepal is inadequate because it emphasises population size above other criteria such as population density and the proportion of the population that are economically active. This means that urban areas often have rural characteristics.

The MoUD (2015: p. 64) recommends establishing an objective and non-political system for upgrading settlements to municipal status. It proposes a system of ‘census town’ designation, whereby settlements should fulfil the following criteria to be designated as an urban area:
- A locality with a population of 5000 or more.
- A population density of 500 persons per square km.
- 50% of the economically active population engaged in non-agricultural activities.

**Enhancing coordination for urban governance at the national and local levels**

Urban governance in Nepal is complicated and fragmented, whilst Kathmandu Valley has a spatially fragmented and asymmetric local governance structure. This is dominated by the Kathmandu Metropolitan City, with an imbalance in financial and human resources, and technical capacity across the local bodies (WB, 2013b: p.5).

A key urban governance objective of NUDS is to create an efficient and effective governance infrastructure for urban management and service delivery. This includes improved coordination between central agencies such as the MoUD and the MoFALD (MoUD, 2015).

For the Kathmandu Valley, the World Bank proposes a system where the MoUD has central oversight, high-level policy-making and technical support functions, whilst the KVDA will take on responsibilities as the metropolitan planning agency, metropolitan coordination, strategic land development and infrastructure projects. Municipalities and VDCs within the valley would retain responsibility for local planning and service delivery (WB, 2013b: p.6).

**Finance and investment for urban areas**

Public capital expenditure for municipal infrastructure is inadequate to meet the growing needs of urban areas, and is biased against Kathmandu and the largest cities, where infrastructure needs are the greatest (Muzzini & Apericio, 2013).

The NUDS investment strategy assumes that at least two per cent of GDP will be allocated for urban infrastructure investment between 2015 and 2030. Strategies include a coordinated investment in urban areas involving all sectoral agencies and the private sector. The strategy also proposes increased investment in the mid and far west development regions, in underdeveloped regions of inner Tarai and southern Tarai, as well as in strategic small towns and new towns (MoUD, 2015).

The key financial objective of NUDS is the creation of self-reliant and financially solvent urban areas. Major strategies include the development of an inter-governmental fiscal transfer system and enhancing the mobilisation of municipalities’ own revenue (ibid).

**Priorities in urban infrastructure-related sectors**

NUDS’ other sector priorities include (MoUD, 2015):

- Strengthening the national and regional urban system by strengthening urban-rural linkages, including road connectivity in key Tarai urban centres.
- Improving urban infrastructure by increasing the national resource allocation for urban infrastructure development, maintenance and service delivery, and promoting private sector investment.
Improving water supply and sanitation through: the protection and better management of fresh water sources; the promotion of community water storage facilities; and facilitation of private sector investment.

A broader perspective on urban transportation, including: the integration of land use and transportation in urban areas; the promotion of sustainable urban public transport; and the development of transport management standards and plans for urban areas.

The provision of affordable, adequate and safe housing by: enabling the private sector to provide housing to disadvantaged areas; and through the promotion of innovative, economic and environmentally friendly building.

The provision of adequate, reliable, efficient and green energy through: the development of hydro-power projects that service urban locations; and the promotion of solar energy and energy efficient building materials.

6. Current and proposed programmes on urbanisation

Information on proposed projects for the next 10 – 20 years is limited. Current programmes focusing on broader development sectors such as local governance, infrastructure, and water and sanitation are associated with urban development. They are a response to the increasing service delivery demands due to urbanisation. Choe and Pradhan (2010) state that the Kathmandu Valley urban region has received the most attention from international agencies.

Government programmes

Local Governance and Community Development Programme – II (LGCDP II)

The LGCDP II (July 2013 – July 2017) is the government’s flagship programme for supporting the improved functioning of local governance, including municipalities. Its goal is to contribute towards poverty reduction through better local governance and community development. The programme provides a framework for strengthening decentralisation and devolution, and improving local governance for the effective delivery of basic services and the empowerment of citizens. It is supported by several international agencies, including the Asian Development Bank (ADB), the World Bank, the European Union, the UK Department for International Development (DFID), Denmark, GIZ, the Japan International Cooperation Agency (JICA), Norway, the Swiss Agency for Development and Cooperation (SDC), USAID, and several UN agencies (MoFALD, 2013: p.20).

It has four stated outcomes (MoFALD, 2013: pp.20-25):

- Citizens and communities hold their local governance actors accountable: This entails empowering citizens, especially women, children and disadvantaged groups, by engaging them in local level planning, monitoring and oversight processes.
- Responsive local bodies: This involves expanding the availability of local body fiscal resources to enable them to deliver better public goods and services.
- Efficient and effective local services: This involves improving access to and the quality of local infrastructure and other socio-economic services administered by local bodies.
Strengthened policy and institutional framework for devolution, sub-national governance and local service delivery: This entails improving and updating the policy and institutional framework for devolution, sub-national governance and local service delivery.

Town Development Fund

The Town Development Fund (TDF) was established in 1997 as an autonomous financial intermediary for providing funds to municipalities. It aims to alleviate urban economic and social poverty through long-term financing in social infrastructure and revenue generating projects. It also supports the technical, managerial and financial capabilities of municipalities in the formulation, implementation and evaluation of urban development plans and programmes (TDF, 2014).

The TDF has financed a wide range of urban infrastructure projects in municipalities with the support of the government, GIZ, the World Bank and the ADB. It has recently created an open access fund where municipalities can bid for funding on a competitive basis (ibid).

International agencies

Asian Development Bank

Choe and Pradhan (2010) state that the ADB is the largest contributor to urban infrastructure, development and planning in Nepal. ADB’s Country Partnership Strategy 2013-2017 (ADB, 2013a) lists ‘urban services’ as one of its three core sector priorities, with a total budget of US $ 270 million. The ADB will focus on water supply and sanitation services, and other municipal infrastructure and services, including related reforms and institutional strengthening. Another priority area is urban transport planning and management (ibid).

ADB’s urban sector projects in Nepal are:

- The Kathmandu Valley Water Supply Improvement Project (April 2015 to December 2020), which aims to improve the efficiency and the reliability of the water supply system through expanding reservoirs, and providing water connections to the poor and households headed by women (ADB, 2015a).
- The Third Small Towns Water Supply and Sanitation Sector Project (September 2014 to June 2019), which supports the government in providing water supply and sanitation services to select small towns in Nepal. It funds physical investments in infrastructure and nonphysical investments in the strengthening of policy, regulatory and institutional capacity, and service delivery and project management (ADB, 2014a)
- The Kathmandu Valley Wastewater Management Project (April 2013 to June 2019) invests in the rehabilitation and expansion of the sewerage network, the modernisation and expansion of wastewater treatment plants, and the improvement of wastewater management (ADB, 2013b).
- The second Small Towns Water Supply and Sanitation Sector Project (September 2009 to March 2016) has three components: developing an efficient, effective, and accountable urban water supply and sanitation sector by establishing and implementing policies, establishing service standards, and enhancing sector coordination; the development of safe, accessible, and adequate water supply and sanitation facilities in about 20 small towns; and strengthening the capacity for project management and operation (ADB, 2009).
The Melamchi Water Supply Project (December 2000 to December 2016) aims to alleviate the chronic water shortage in Kathmandu Valley and comprises infrastructure development, social and environmental support, institutional reforms, and project implementation support (ADB, 2008).

The Nepal Integrated Urban Development Programme (February 2012 to December 2017) aims to provide the population in Dharan, Janakpur, Nepalgunj, and Siddharthanagar municipalities with better access to infrastructure and services in a socially inclusive manner. This includes improvements in drainage systems, solid waste management facilities, urban roads and community development programmes (ADB, 2015b).

The Kathmandu Sustainable Urban Transport Project (November 2010 to June 2015) aims to deliver a more efficient, safe, and sustainable urban transport system through upgrading the public transport network and improved traffic management (ADB, 2010b).

The Far Western Region Urban Development Project (December 2014 to March 2017) provides technical assistance to assess the improvements required for urban services in select municipalities in the Far Western Development Region (ADB, 2014b).

The Secondary Towns Integrated Urban Environmental Improvement Project (July 2010 to June 2016) aims to develop reliable, affordable, and effective municipal infrastructure, and to strengthen the capacity of municipalities and the central government for project management and operations in Biratnagar, Birgunj, Butwal, Panauti, Dhulikhel and Banepa (ADB, 2010a).

Germany

GIZ currently supports a Capacity Development of New Municipalities project (July 2015 to June 2017). This assists the MoFALD and the MoUD in capacity development to improve service delivery in newly established municipalities (GIZ, 2015).

Japan

Urban development is not a priority area in Japan’s Country Assistance Policy for Nepal. However, urban infrastructure and environment are alluded to under the priority area of ‘building social infrastructure and institutions for balanced and sustainable economic growth’ (JICA, undated a).

Current urban-related projects include:

- Grant aid for Tribhuvan International Airport modernisation project (2013) (ibid).
- Technical assistance towards the Project for Hydro-microbiological Approach for Water Security in Kathmandu Valley (2014-2019). This project aims to enhance the management system for potable water resources, including improving water quality (JICA, undated b).
- JICA are supporting the Melamchi Water Supply Project through the provision of a loan for the construction of a water treatment plant (JICA, undated c).

United Kingdom

DFID is implementing the Nepal Local Governance Support Programme (November 2013 to July 2017). This programme of support is not specific to urban areas, but does aim to improve local government
accountability, including municipalities, and to improve local infrastructure and services. Part of the programme supports the LGCDP II. NGOs are also being supported to improve service delivery, infrastructure and accountability in 18 of Nepal’s most challenging and poorly performing districts (DFID, 2014).

**United Nations**

The UN Development Assistance Framework (2013-17) for Nepal cites two outcome areas which contain components relevant to urbanisation and urban development (UN, 2012):

- **Vulnerable and disadvantaged groups get improved access to basic essential social services and programmes in an equitable manner (in both urban and rural areas):** The UN is providing assistance to the Ministry of Physical Planning, Works and Transport Management (MPPWTM) and MoUD in the areas of water, sanitation and hygiene, and shelter. UNICEF and UN-Habitat are supporting initiatives that increase the use of safe and sustainable drinking water and sanitation facilities. UN-Habitat is also working with municipalities to ensure the adoption and implementation of effective urban sector policies related to water, sanitation, shelter and the livelihoods of disadvantaged communities (UN, 2012, p.22).

- **People living in areas vulnerable to climate change and disasters benefit from improved risk management and are more resilient to hazard-related shocks:** This includes strengthening national and local government capacity to reduce risk and adapt to climate change (UN, 2012: p.35). The UN expects to ensure that municipalities have relevant planning by-laws, building codes, climate change policies and programmes, and emergency response mechanisms in place by 2017 (ibid).

**UN-Habitat**

UN-Habitat provides support in water and sanitation, shelter, slum upgrading, climate change and urban transport (UN-Habitat, undated).


- **Urban Planning and Design: Green Homes – Promoting Sustainable Housing in Nepal (2013-2015):** In association with the EU and other partners, this project promotes environmentally friendly products and services to reduce pollution, promote green jobs and reduce urban poverty (ibid).

- **Urban Basic Services: Global Sanitation Fund (2010-2017):** This programme aims to help the government achieve the national goal of universal sanitation coverage by 2017 (ibid).

**World Bank**

World Bank’s Country Partnership Strategy (2014-18) does not list urban governance or development as a strategic priority and is reducing its engagement in urban development (WB, 2014).
Current projects include:

- The Pro-Poor Urban Regeneration Pilot Project (October 2013 to September 2017): The project pilots a pro-poor, community-based approach for urban regeneration in Lalitpur City. It funds a grant facility to improve local services and public spaces, promote local heritage and develop income-generating activities linked to cultural industries in distressed neighbourhoods (WB, 2013a).

- The Urban Governance and Development Programme: Emerging towns project (May 2011 to July 2016): The project aims to improve the delivery of basic services and priority infrastructure in emerging municipalities, including Mechinar, Dhankuta and Itahari in the East, and Lekhnath, Baglung and Tansen in the West (WB, 2011).

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