

# Housing Policy in Nepal: The Urban Context

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## Abstract

The Constitution of Nepal 2015 establishes a federal government structure with the vision of establishing strong local governments. The country now being vested with 293 urban municipalities and having nearly 50% of its population living in urban area, has a pressure to provide access to basic infrastructure and planned urban development [1]. The extensive growth of population has its toll on the morphology of cityscape in the urban context of Nepal. The housing sector in Nepal has witnessed a series of trends both in built form and implementation practice over the last few decades, from government-subsidized housing production through the site and services programs in the 1970s to land pooling projects (i.e., consolidation, development, and redistribution) in the 1980s and private apartment construction in the 2000s. The contribution of the housing and real estate sector to the gross domestic product in Nepal is 8% [2]. However, in the nation's national economic growth goals, the housing sector has in fact been unattended to and given little emphasis [3]. The paper thus intends to have an explanatory discussion on the housing policy of Nepal relating it with its legislation and instruments undertaken by Government with housing practice. The research is based on literature review as a methodology with use of systematic approach to inform policy and its practice, along with sectoral case study of supply sector based on interview with key stakeholders. The co relation between the policies, legislation and practices pointed out the gaps in the housing sector which requires immediate response from legislative and instrumental aspects.

## Keywords

Housing Policy, Housing Act, Housing Legislation, Housing

## 1. Introduction

The Government of Nepal has enacted the Right to Housing Act 2018 to provide a legislative framework for the implementation of the right to housing guaranteed under Article 37 of the Constitution of Nepal of 2015. In the nation's national economic growth goals, the housing sector has in fact been unattended to and given little emphasis. Housing was formerly considered a "social service," and only in the seventh Five Year Plan (FYP) was it given its own chapter (1985 – 90) [3]. Under the right to housing, approximately 2 million housing units need to be constructed by 2023, out of which some 400,000 housing units will be needed for poor, endangered, and marginalized communities. Under the People's Housing Program, 17,000 housing units have been constructed for the poor, endangered, and marginalized groups by 2018/19, and grants have been provided for the purchase of zinc sheets and timber for the construction of 7,000 safe citizen housing [4].

### 1.1 Housing Scenario in Nepal

The housing sector in Nepal has witnessed a series of trends both in built form and implementation practice over the last few decades, from government-subsidized housing production through the site and services programs in the 1970s to land pooling projects (i.e., consolidation, development, and redistribution) in the 1980s and private apartment construction in the 2000s. The contribution of the housing and real estate sector to the gross domestic product in Nepal is 8% [2]. Vision for 2030 for urban development strategy includes 50% of new residential area to be developed through land readjustment process and 15% of the total requirement of housing through

organized housing (both private and public sector) and clearly mentioning Private/cooperative sector supplying housing for the poor in large towns. The strategy for which includes encouraging private sector by activities like review and developing relevant incentive and facility package like land / infrastructure so as to provide housing to economically weaker strata [1]. Vision for 2030 for urban development strategy includes 50% of new residential area to be developed through land readjustment process and 15% of the total requirement of housing through organized housing (both private and public sector) and clearly mentioning Private/cooperative sector supplying housing for the poor in large towns. The strategy for which includes encouraging private sector by activities like review and developing relevant incentive and facility package like land / infrastructure so as to provide housing to economically weaker strata [1]. However, the strategies laid out for the vision needs to be worked out in depth for its execution as the current scenario is indicative of its stagnancy in progress.

### 1.2 Problem Statement

According to the National Shelter Strategy from 2012, the country would need 1,364,000 residential housing units in metropolitan areas, with over 900,000 of them being built brand-new by 2023. The Nepal Land and Housing Developers' Association (NLHDA) reports that, units built by private landowners account for a staggering 97.74 percent of the nation's overall housing demand, with housing developers filling just 2.26 percent of that need [5]. The deeper analysis to determine the foundation cause of demand and supply variation is required. The research under the policy and practice related to housing in Nepal is limited, where there exists no portal that

conveys the information in a systematic way. The literature on this context exists but is mostly a decade old. And since, the nation has witnessed a lot of significant natural, political, and physical changes, a major gap is seen in updation on the housing sector's policies.

## 2. Objectives

Main objectives:

- To analyze housing policies with the prevalent practice in supply of the housing demand

Specific objectives:

- To review housing policy
- To comparatively analyze the policy and practice
- To determine the possible gap in the policy related to housing sector in Nepal.

## 3. Methodology

The research article showcases that the need of updating the data base related to housing policy and practice so as to gain the true picture of housing scenario of Nepal. The research is of qualitative nature with literature review as the methodology used. The systematic approach has been used to inform on the policy and its relevant practice. The co relation between the policies and its supporting legislation with the contemporary practice has been done to understand the contextual relationship.

## 4. Housing Policy Framework

### 4.1 Housing Related Policy

#### 4.1.1 National Shelter Policy 1996

The policy clarified that the government's role was that of a facilitator, confined to the provision of fundamental services and oversight mechanisms, with the private sector taking the lead in the provision of housing. The primary methods for improving the housing situation mentioned as:

- Provision of serviced house plots through land development initiatives carried out by Town Development Committees and private developers.
- Support for housing financing,
- The advancement of technology and building materials [6].

Nevertheless, the 1996 shelter strategy has had very dismal outcomes, primarily because no organization has been given the authority to carry out this program. Due to insufficient institutional structures and legal frameworks that did not clearly define roles or assign responsibilities, there was a mismatch between policy and execution, which resulted in duplication, gaps, conflict, and rivalry. The Shelter Policy is now revised where the urban poor's housing as well as slum and squatter improvements are given priority [3].

#### 4.1.2 National Shelter Policy 2068 (2012A.D)

The policy contains strategies to enhance the living standards of Nepalese inhabitants by encouraging inexpensive and sustainable housing choice, especially for the underprivileged and disadvantaged population, with the main goals as:

- To guarantee that all inhabitants of Nepal have access to affordable, safe housing.
- encourage ecologically friendly sustainable housing methods.
- To enhance the sector's governance and institutional capacity for the supply of housing.
- To foster a climate that will encourage private sector involvement in the housing industry.
- To encourage the use of suitable tools and materials while building homes [7].

The strategy also stressed the importance of collaboration between various government departments, businesses, and non-governmental groups to accomplish its objectives. It promoted the adoption of community-driven strategies and acknowledged the value of incorporating communities in the housing construction process.

#### 4.1.3 Land Use Policy 2015

The Land Use Policy 2015 created the regulatory framework for land use practices in Nepal, including land acquisition, land registration, land development and land use planning. The policy promotes a bottom-up approach to land use planning and management by highlighting the significance of community involvement in land use decision-making processes. The policy specifies a number of important goals, such as fostering integrated land use planning, allowing disadvantaged populations' access to land, safeguarding and conserving natural resources, encouraging sustainable agricultural and forestry practices, and handling land use disputes [8].

### 4.2 Housing Related Legislation: Direct

#### 4.2.1 Company Act 1985 and Nepal Housing Development Finance Company (NHDFC)

Nepal Housing Development Finance Company was established in 1990 under the Finance Company Act 1985 which is centered on offering financial answers to aid Nepal's housing sector's development. The company provides a range of loans, including mortgages, loans for building projects, loans for remodeling, and loans for buying land. However, it is mentioned that due to more avenues for private home loan at lower rate of interest, the future of NHDFC is challenging and more likely for gradual death [9].

#### 4.2.2 Ownership of Joint Housing Act [Apartment Ownership Act] (1997)

In Nepal, Ownership of Joint Housing Act of 1997 governs the administration and operation of apartment complexes and allows for individual or corporate ownership of flats. The definition of an apartment, the establishment of apartment ownership and

management committees, the rights and duties of apartment owners, and the processes for the sale and transfer of apartments are among the principal aspects of the act. The act also specifies the duties of the management committees and unit owners regarding the administration, maintenance, and repair of the apartment building's common spaces and facilities [10]. The act created a foundation for wide spread development of Apartment in Nepal , especially in Metropolitan city. The Apartment construction and its operation is under the National building code (NBC), Building Bylaws of Kathmandu valley 2007 with respect to the seismic safety, fire safety of the apartment buildings and open spaces, setbacks, heights and access road widths required.

#### **4.2.3 Building Act 1998**

The construction and administration of buildings in Nepal are governed by the Nepal Building Act of 1998. The legislation, which establishes standards for building design, construction, and maintenance, was passed by the Nepalese government to safeguard public safety, health, and environmental protection. The act addresses several construction-related topics, including building permits, building rules, building standards, building inspection, building materials, and building safety. The legislation also covers the obligations for building owners, architects, engineers, contractors, and other parties engaged in the construction of buildings. Before beginning any construction work, building owners are required under the Nepal Building Act of 1998 to get a building permission from the local government authority. The legislation also stipulates that certain building norms and standards, such as those governing fire safety, earthquake-resistant design and construction, and accessibility for people with disabilities, must be followed by all structures. The act was strengthened by many policy instruments like building code and building by laws which have been in a frequently updated especially after 2015 earthquake.

#### **4.2.4 Right to Housing Act 2018**

The Government of Nepal has enacted the Right to Housing Act 2018, which came into force on 18 September 2018. The purpose of the Act was to provide a legislative framework for the implementation of the right to housing guaranteed under Article 37 of the Constitution of Nepal of 2015. It is encouraging to note that country has secured a constitutional guarantee of the right to housing as a fundamental right. And the enactment of legislation setting normative standards necessary to put this guarantee into practice also signifies further progression in this regard. However, based on critical review by [11], the scope of the Act is found to have narrow focus in providing housing and financial facility to those in need of housing. And since, adequate housing is not only about owning a house but also the security of tenure and the act seemed to revolve only around ownership-based model and act for the rental housing is still missing. This also indicates the whole issue of secure tenure with a need of National Urban Rental Housing Policy.

### **4.3 Housing Related Legislation: Indirect**

#### **4.3.1 Land Acquisition Act (1977)**

The primary goal of the legislation was to make sure that the government, as well as the landowners, was treated fairly, justly,

and equally during the land acquisition process. The government is permitted to purchase property for infrastructure projects such the construction of parks, roads, bridges, public buildings, and other types of infrastructure. Land acquisition comprises a number of processes, such as the creation of a notification by the government, the evaluation of compensation by an official designated by the government, and the payment of compensation to the landowners [12]. The compensation given to the landowners is determined by the market value of the property at the time of purchase, which takes into account both the value of the unimproved land itself as well as any buildings or other improvements. The statute also covers the expense of displaced people's rehabilitation and relocation. The most recent update to the act was adopted in 2019, and it brought about several improvements, including the formation of a Land Acquisition Compensation Fund and a provision for the payment of interest on postponed compensation payments [13]. The government acknowledges that it has a legal obligation to collaborate closely with business. For the improvement of Nepal's infrastructure, the New Land Acquisition Act is crucial. It validates the government's facilitation of land acquisition for public-sector objectives from the private sector [14].

#### **4.3.2 Town Development Act 1988**

Town Development Act 1988 is a part of legislation that governs urban planning and development in Nepal providing legal framework for the development of towns and cities with focus on promoting sustainable and equitable development. Promoting public involvement in the planning process is one of the Act's main goals. While creating town development plans, local governments are expected to interact with local stakeholders and communities to get their views. Moreover, the Act called for the creation of a Town Development Fund and was established in the consecutive year 1989 which is utilized to support town development initiatives. The Fund is financed by several sources of income, such as taxes, fees, and charges assessed on development operations. However, post the political reform of Nepal after switching from central to federal government, a strong requirement for update of Town development Act is necessary. [15]stressed the new legislation should be viewed as only the umbrella (or model) town planning act as the 753 Local Governments encompass a wide variety of geographical locations and ecological/ ethnic diversities, different levels of development and urbanization, ranging from rural service centers and market towns to metropolitan regions.

#### **4.3.3 Local Self Governance Act 1999 and Housing**

The Local Self Governance Act 1999 provides a framework for local administrative and governance including municipalities and rural municipalities to empower local communities to participate in decision-making process and to promote decentralization of power and resources to local bodies. While in terms of Housing, the act provides local bodes with the authority to plan, regulate and manage housing and land development within their jurisdiction and it mandates local bodies to prepare and implement local area plans, which includes provisions for housing and land use, and made responsible for issuing building permits and enforcing building codes and standards. The act also emphasized the participation of local communities in housing and land development planning

and implementation. It also provides for the establishment of housing and land development funds at the local level which can be used to support affordable housing and land development projects. It has been mentioned that the local bodies can also collaborate with private sector and non-governmental organizations to implement housing and land development projects. Some of the collaborative examples can be seen in practice in terms of land pooling projects and site and services project, however, in terms of scaling up the housing projects to meet the demand, a proper framework for partnership between government/ public and private/ non-governmental sector has not been made.

## 5. Housing Practice

The major actors in the housing supply are private- owner, private company, and public sector.

### 5.1 Private Built (Owner Built) Housing:

The privately built housing has the major share in the housing supply. However, the biggest challenge that this sector has led to is the sprawl. With government not being able to enact the land use policy, the evident sprawl of privately built housing have created a great concern for infrastructure and access to facilities.

The private owner-built sector requires a building permit from their municipality/ rural municipality which has to comply the building code. The building permit process has been strictly strengthened after earthquake 2015 with periodic notice for applying building permit and competition certificate. The evident development of slum is in response to this sector of private owner-built practice. The strong guideline to control it is guided by Land Use Policy established in 2015, however, in absence of legislation or act, the policy is struggling to be implemented.

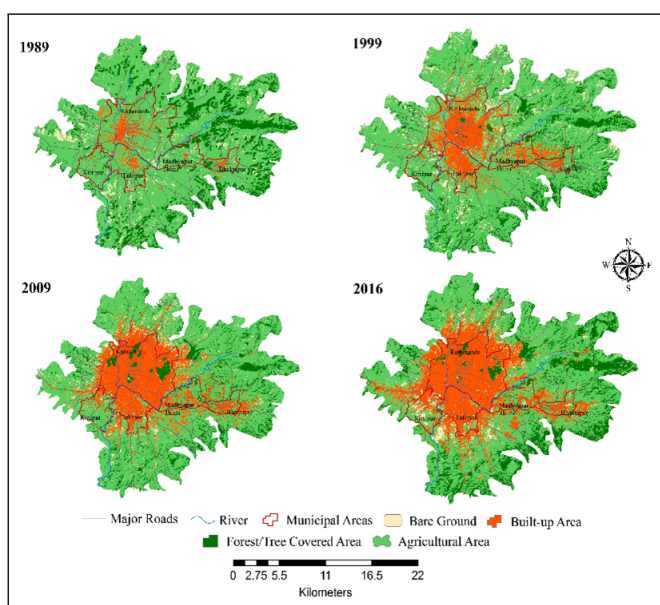


Figure 1: Change in land cover of Kathmandu Valley (Ishtiaque, A., A; Shrestha, M; Chhetri, N.;, 2017 )

### 5.2 Private Sector (Company) built housing

According to the Nepal Land and Housing Developers' Association (NLHDA), out of the total demand of homes, 2.26 percent is being fulfilled by housing developers while units constructed by the private landowners is 97.74 percent. But, construction of houses on plot in unplanned area is what results in sprawl leading to difficulty in accessing infrastructure and services. This is the reason why; gated community of housing are attracting buyers.

Based on interview with key players in real estate development, the real estate development steps identified are as follows:

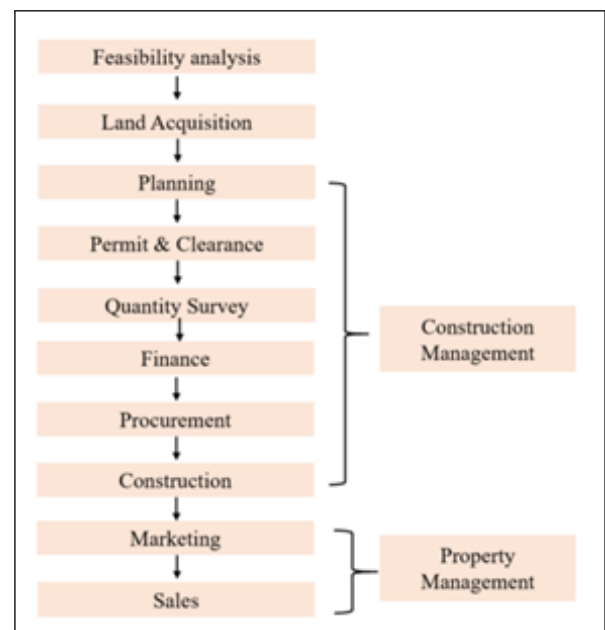


Figure 2: Real Estate Development Practice in Nepal

Housing project permit in Kathmandu Valley is governed by Kathmandu Valley Development Authority (KVDA). To apply for planning permit, the developer has to present with Report consisting of Project details and Project masterplan, infrastructure plan i.e., road, sanitary system, electrical system, land use plan showing percentage of green space, road and saleable land. The required document are company registration document and instruction document, Land tax clearance and company tax clearance. The environment regulation like IEE and EIA are also required. However, the developers do find the process to be inefficient from governments side. It is a great initiative by government to impose environmental concern before conducting any construction, however, the process for EIA is hectic and would take an entire year for the process after submitting all project details and drawings (Jha, 2022)[Interview].

In terms of Apartments, up until 2015, 51 apartments were constructed and inhabited in Kathmandu Valley. There are total 63 apartments as of 2017.

S. No.	Status of apartments	Number of apartment	Housing units	Remarks
1	Inhabited and completion certificate issued	19	1747	55 apartments inside ring road and 16 apartments outside ring road
2	Inhabited but completion certificate not issued yet	32	3963	
3	Under Construction stage	7		
4	Occupancy/ Use Change	5	160	
5	Construction not started	6	224	
6	Approval Cancelled	2	140	
Total		71	6234	

DoK, 2017.

Figure 3: Status of Apartment [16]

The process of apartment construction approval includes the following governmental agencies.

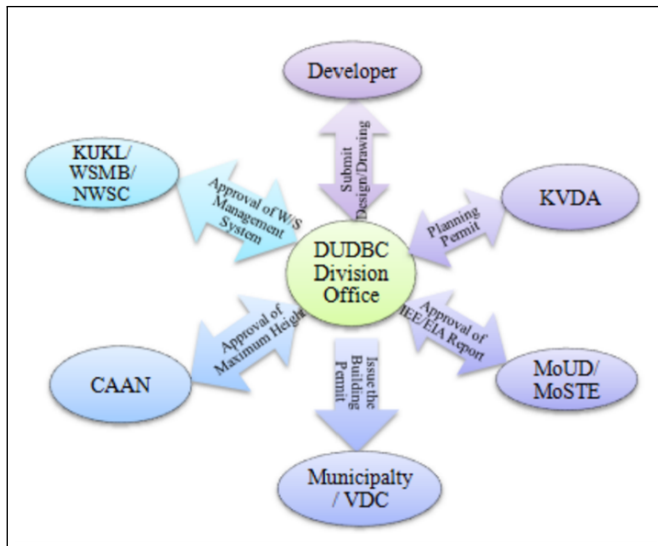


Figure 4: Approval for Apartment Construction [17]

Department of Urban Development and Building Construction (DUDBC) Division office is the central entity where the developer submits the design. The planning permit is given by Kathmandu Valley Development Authority (KVDA), the approval of IEE/ EIA Report is given by Ministry of Urban Development/ Ministry of Science, Technology and Environment. The Building permit then requires the approval from Local municipality/ VDC. The approval of maximum height is provided by Civil Aviation Authority Nepal (CAAN), and the approval of water and sanitary management system is given by Kathmandu Upatyaka Khanipani Limited/ Nepal Water Supply Corporation. However, the momentum of apartment construction has declined post the earthquake. For metropolitan cities , shelter policy has advocated for apartment construction with commencement of Apartment ownership act, however, the decline in the construction of the apartment is indicative of the fact that the policy or its framework didn't made the arrangement for the potential risk reduction of developers in case of unforeseen events like earthquake or financial recession. The interview with General Manager CG Properties Pvt Ltd (Developer) expressed that the high-rise and midrise-apartments what the Kathmandu valley should resort to and is more financially viable than housing units, however, the apartment construction is an investment intensive affair with unpredictable financial hurdles and risk reflecting to the countries experience with events like earthquake, Covid 19 and its impact to construction industry, and country's financial recession (Thakur, 2022).

### 5.3 Public Sector Housing

The primary organization responsible for enforcing housing policies, rules, and standards is the Department of Urban Development and Building Construction. With 25 district level divisional offices spread out around the nation, the agency assists towns in creating periodic plans and digital base maps. The involvement of public sector in housing includes formulating policies and legislation, developing policy instrument like establishing Fund, creating a finance company for housing projects, updating housing and land related bylaws. The direct involvement of Public sector includes in the project under National Reconstruction Authority, Social housing programs like Janata Awas Programs for low-income families, including homeless people, marginalized communities and squatter resettlement. The public sector is also involved in land development projects like site and services and land pooling projects.

## 6. Discussion

The time line of policy and its framework in relation to political and major events is shown in figure-5. The time line is indicative of the correlation of actions taken by government in meeting the objective of policy and development plans. The government with an effort to develop infrastructure was guided by land acquisition act 1997. However, the debate of right compensation to the owners has been strong which led to its revision in 2019. Likewise, Nepal Housing Development Finance company 1990 was established with an aim to establish a range of loans, including mortgages, loans for building projects, loans for remodeling, and loans for buying land. The Town Development Act 1988 advocated for planned development and based on which site and services projects were initiated. Likewise, numerous land pooling projects also took its pace to grow under the Land Pooling Act and which has been considered a successful urban development project. [18] stresses that the development costs are not only lower than other types of land development but are also shared by all the landowners and further, claims land-pooling projects in the valley are gaining popularity and are the residents preferred model. The National Shelter Policy 1996 was based on the detail housing survey which project the housing demand and thereby, advocated to produce dwelling units. In Response to the policy, a legislative framework in the form of Apartment Ownership Act 1997 was made. The framework attracted a lot of developers to venture on the apartment construction projects with 51 apartments completed apartments with 2015 which later faced a decline due to earthquake. The National Shelter Policy was updated on 2012 which gave the importance of collaboration between various government departments, businesses, and non-governmental groups to accomplish its objectives. The concept of partnership has been advocated by government throughout the year with a mentioned in National Urban Development Strategy 2015 and also [1]advocated for Public Private Partnership (PPP) in housing supply for economically weak strata. However, in terms of practice there is no framework or model based on which the partnership can be done for the housing projects. In 2015, addressing the need of post-earthquake scenario, Nepal Reconstruction Authority was established. The same year the country faced a political reform from central government to

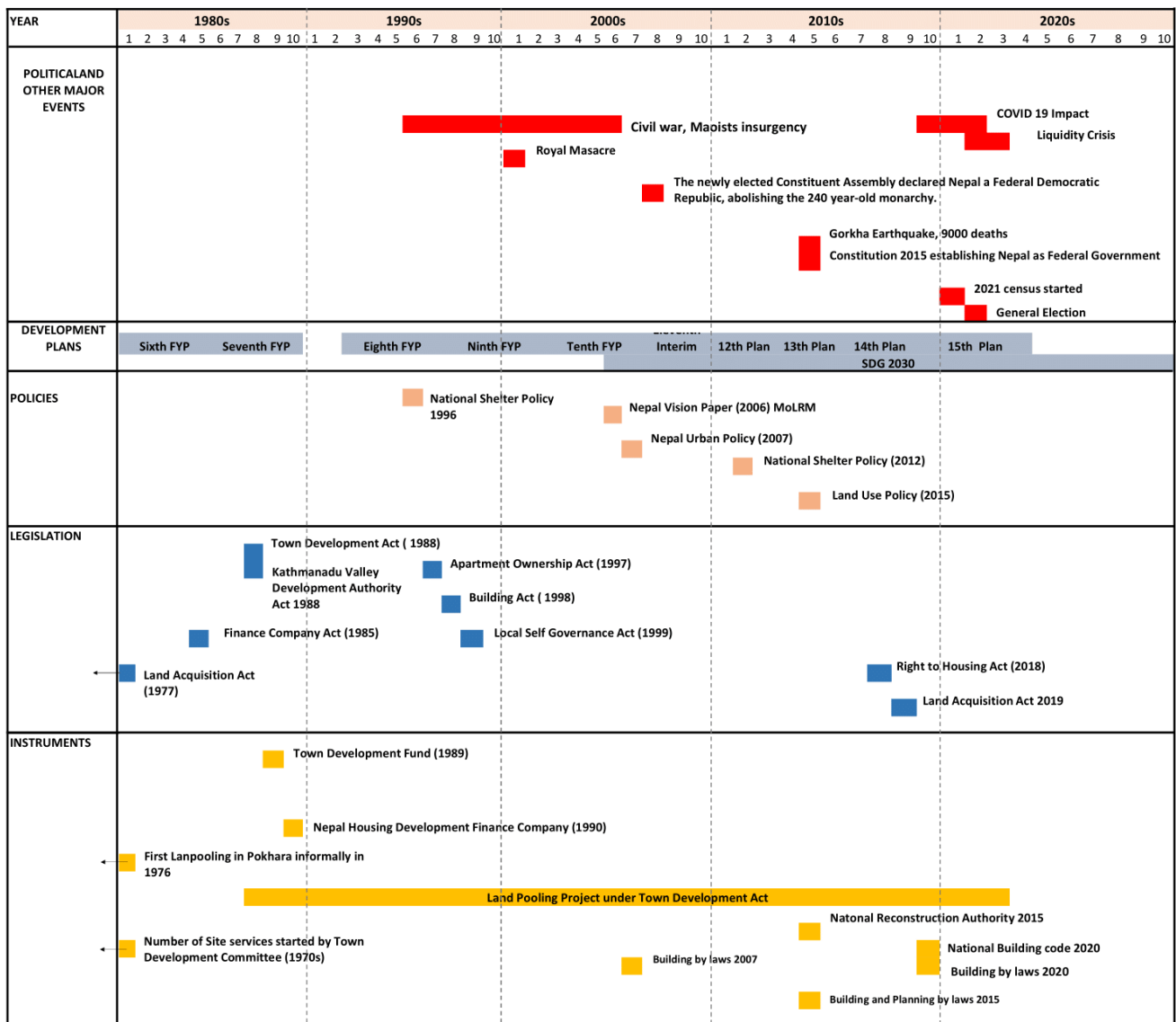


Figure 5: Timeline showing the housing related policy, legislation and key events)

federal government and the constitution of Nepal 2015 was established. The right to housing Act 2018 then provided legislative framework for the implementation of the right to housing guaranteed under Article 37 of the Constitution of Nepal of 2015. However, adequate housing is not only about owning a house but also the security of tenure and the act seemed to revolve only around ownership-based model and act for the rental housing is still missing. This also indicates the whole issue of secure tenure with a need of National Urban Rental Housing Policy. The Covid 19 was a major crisis which the country faced as the country was in lock down which disrupted many business and causing its impact in real estate sector. The accumulated impact of Covid 19 with the liquidity crisis in 2022, the housing and land related business had been hit harshly. The unprecedented events mark the risk involved in real estate sector. The major problem the cities are facing is the unrealistically high real estate value indicating a real estate bubble. The policy and the legislation also fails to have the real estate value regulated.

## 7. Conclusion

The policy and its legislative framework in the chronological outlook across the major political and national events establishes a comprehensive understanding of housing context in Nepal. The cross analysis of policy with the practice in terms of actors involved in housing sector pointed out the major gap in the policy and its framework to address . The National Shelter policy 2012 with Right to Housing Act 2018 had its shortcoming being owner-centric unravelling the dire need of National Rental Housing Policy for secure tenure ship. Likewise, the real estate prices in the market is unregulated where many scholars and financial experts have indicated the growing real estate bubble. And with a slight sign of bubble bursting in year of 2022-23 as result of liquidity crisis, there is a need of Real estate regulation Act. Furthermore, with events like COVID 19 and liquidity crisis which has hugely impact the housing business sector, the risk management strategies needs to be developed especially, involving financial institutions. The National Shelter policy, the development plans, and National Urban Development strategy have advocated for Public Private Partnership but, there exist no contextual framework or a model where a public private

partnership can be formed to address the housing demand in larger scale.

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