



## WATER, ENVIRONMENT AND MANAGEMENT

### National shelter policy and implementation strategy, Nepal

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#### PREFACE

This paper addresses the importance of supporting the owner builders role in providing shelter in both urban and rural areas in Nepal. The paper summarises the proposed Nepal National Shelter Policy and Implementation Strategy, finalised in March 1992. The strategy was prepared by the Ministry of Housing and Physical Planning (MHPP, HMG Nepal) with technical assistance by Culpin Planning Limited (UK), the Institute for Housing Studies (Netherlands) and the Centre for Economic Development and Administration (Nepal), with funding by UNCHS (Habitat)/UNDP.

#### INTRODUCTION

Overall shelter objectives in Nepal derive from statements in the 1990 Constitution, reflecting democratic ideals and the development imperatives of Government, in summary, these can be worded as follows:

**Shelter is a basic necessity for all, and Government will work toward setting the conditions so that, over time, this need is satisfied for all families.**

The National Shelter Policy and Implementation Strategy, March 1992, defines 'shelter' as that set of inter-related processes whereby households gain access to land, buildings, associated infrastructure and essential support services for the purposes of: (1) residential use, (2) social interaction and status, and (3) economic activities which supplement (and in some cases determine) family income. Thus shelter is a composite good both in terms of the process of creation and in terms of the ultimate use.

The term 'shelter' has been used to avoid the narrower definition often associated with 'housing' which is limited to the product of the built structure rather than the broader, process-oriented concept described above. Further, in order that these basic needs may be satisfied for all income groups and regions, and that sustainable environmental conditions are achieved, shelter processes will require support in the fields of finance, legislation, institutional systems, community development and construction technology.

From the viewpoint of national development planning, the shelter sector comprises the economic and social inputs by public, formal private, and informal private sources which contribute to the delivery of the above goods and services.

#### EXISTING HOUSING CONDITIONS

Existing housing conditions were subject to a comprehensive survey in 1991, carried out as part of the technical assistance programme. The resulting Nepal National Housing Survey (NNHS), 1991, estimated Nepal's total housing stock to be 3.0 million dwelling units, of which 2.7 million are in rural areas and 0.3 million in urban areas. Overall, Nepal's housing stock is in fair physical condition - 50.5% of dwellings are classified as kuchcha, 41.2% as semi-pucca, and 8.3% as pucca. However, there is a significant degree of overcrowding, especially in urban areas, and a very serious lack of basic household services, particularly in terms of access to clean water and proper sanitation.

Results of the NNHS shows that: (1) the large majority of households own their own dwellings, although in urban areas a significant percentage of households (24%) are in rental accommodation. Further, in both urban and rural areas (especially in the Terai) there is a growing phenomenon of squatter settlements on public land, with an estimated 7.2% of households living in such settlements; (2) the housing stock is relatively new with more than one third of stock being 10 years old or less and with only about 7% more than 50 years old; (3) overall, there are 4 persons per habitable room and 53.3 sq. ft. of habitable space per person (although in urban areas the density is significantly higher in lower income households than in higher income households); (4) the majority of houses are constructed with kuchcha materials; (5) in general, the majority of households are satisfied with their house and neighborhood; (6) existing levels of infrastructure provision are in general poor - about 28% of the households are provided with piped drinking water supply, about 30% use electricity as a source of illumination, and 23% have toilet facilities, although there are sharp contrasts in the level of infrastructure services in urban and rural areas; and (7) there is a significant number of disadvantaged groups requiring special policy attention, including for example, the physically impaired, destitute women, lepers, and certain occupational caste groups.

#### FORECASTS OF HOUSING NEEDS

Forecast housing needs for the planned period 1992-2006 have been calculated using the 'Shelter Model' developed by UNCHS (Habitat) and assumptions, based on 'best estimates', about future conditions and trends:

- **Population growth rate** - in urban areas, the base year total population (1991) is assumed to grow annually at the rate of 5.5% in 1992-1996, 5.3 % in 1997-2001 and 5.0% in 2002-2006. While in rural areas, it is assumed to grow annually at 2.1% during 1992-1996, 2.0% during 1997-2001 and 1.9% during 2002-2006;
- **Homeless** - it is estimated that there are 19,000 homeless population in urban areas and 50,000 homeless population in rural areas;
- **Upgrading** - it is assumed that 8.0% of the current dwelling stock will require upgrading in both urban and rural areas. New dwelling units built during 1992-2006 are assumed not to require upgrading;
- **Loss of Housing Stock** - it is assumed that annually 0.76% of the present urban housing stock and 2.4% of the rural housing stock will be lost because of decay, redevelopment, squatter eviction, fire and nature disasters during the planning period (1992-2006).

It is important to realize that the above assumptions are only 'best estimates', given the insufficiency of hard data on the historic growth of the housing stock. Varying each assumption could produce significantly different projections of future shelter needs - this is particularly true for the variable 'loss of housing stock'. Thus extreme caution is required in using the projections presented below:

- **New Units** - there will be a need for 2.5 million new units. Of this total, 17.0% will be required in urban areas;
- **Upgrading** - there will be a total upgrading need of 732,000 units, of which 60,000 units will be in urban areas;
- **Investment Requirement** - there is an indicative investment requirement for meeting total national shelter needs (new units, replacement, plus upgrading). In total, 135.9 billion rupees (NRs 75.00/ £1.00 - March 1992) would be required. Of this total 45.5 billion rupees would be required in urban areas.

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## SHELTER ISSUES

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### Actors in Housing Production

83% of housing is produced by the individual owner builder. In both urban and rural areas it is he or she who acquires land, amasses financing, assembles building materials, and manages construction. Actual construction is carried out by informal sector builders and masons, casual labor, and sometimes by the owner builder's family or the community itself. Women figure prominently in this process.

Dwelling units are frequently built incrementally over several years, and room additions are common. Most dwellings produced this way are meant for occupation by the owner builder's family, but in urban areas the renting out of units or rooms is a common way for families to supplement income.

Until now there have been very little construction of public sector housing and no formal private sector production.

### Land for Shelter

It is self-evident that housing requires land. In Nepal, especially in urban and growing rural areas, it could be said that suitable and affordable land is not only a fundamental precondition for housing but, at least in the Kathmandu Valley, is the main obstacle to its realization. It is the entry point in the housing process, and without access to it the majority of new households cannot hope to improve their shelter condition. Unfortunately, land in growth areas is already expensive and is increasing in price at a rapid rate.

### Finance for Shelter

The NNHS shows that families require many years to amass the resources required to purchase land and to build houses. At present there are practically no formal financial mechanisms available either for land or housing loans or for saving for shelter (although there are some informal credit systems).

### Shelter Services and the Neighbourhood Environment

It has been well documented that infrastructure services available to households are insufficient, especially in rural areas. Many programmes are in place to redress these problems and considerable progress can be expected, especially in the areas of community water supplies. However, there are five critical issues:

- cost recovery was a low priority under the Government's former Basic Needs Strategy, but is now seen as a key in matching the available resources to demand
- although there are several large infrastructure investment programmes, particularly targeted at the Kathmandu Valley, neighbourhood level distribution is receiving little emphasis
- in rural areas, especially in the hills, the sparse settlement pattern presents a problem for the cost-effective provision of infrastructure
- while there are advantages in low cost/ high benefit infrastructure investments, (such as on-plot improved sanitation and energy-saving techniques) there is a need to co-ordinate the various government agencies, NGOs and others working in the field
- there is a need for improved management and co-ordination within the main infrastructure departments, particularly in the move towards community-based arrangements.

### Building Materials and Technology for Shelter

Although indigenous building techniques in Nepal have evolved over centuries and admirably fit the varied climate, ecology, and available resources, there is room for improvement, in terms of: (1) alternative building materials which are more durable, cost-effective, and environmentally sound; (2) construction technologies which are less

costly and mitigate the risks posed by natural disasters; (3) improved distribution/marketing networks to help reduce costs and improve availability in remote areas; and (4) networking of international information on construction technology. There is also scope to encourage more entrepreneurship in the production of locally-based building materials.

### Poverty and Shelter

In a recent 1990 World Bank study, absolute poverty has been defined in terms of the income level required (in Nepal - US\$ 100 per annum) to support a minimum daily calorie intake.

Based on NHSS results, some 40% of the population in urban areas and over 70% of the population in rural areas are living at or below the absolute poverty level. There is also evidence which shows that absolute poverty is increasing rapidly. The NNHS findings also give a very pessimistic outlook for peoples' ability to afford any kind of shelter. According to traditional concepts of affordability, families of limited means cannot afford even the most basic housing units. Present production of housing mostly benefits the more wealthy and 'asset-rich' and as much as 85% of urban and 65% of rural households cannot afford to acquire or build suitable housing. Should the present trend in general economic conditions continue, an increasing proportion of households, particularly in the urban areas, will be entering into the absolute poverty group and, as a result, be unable to afford shelter. Since poverty is a complex issue, shelter implementation strategies can, no doubt, assist to improve the situation, but there is need for coordinated multi-sectoral income/ employment generating programmes.

While affordability based strictly on household incomes is misleading, an increasing share of households are unlikely to gain access to land and housing based on present trends. A central issue arising, therefore, is whether Government should intervene in the shelter sector on behalf of these poorest households.

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## ALTERNATIVE GOVERNMENT APPROACHES

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While most community groups, administrators, and politicians may agree with the overall shelter objectives outlined above, it would be natural for different schools of thought to emerge on how to approach these objectives, based on particular philosophies. It is possible to synthesize the various themes into three main alternative approaches:

- Government as provider - direct public sector production of housing to achieve sectoral objectives and to meet housing need forecasts
- Government as a passive element - laissez-faire approach implying continuation of existing trends
- Government as an enabler - supporting the private sector's leading role in the sector

### Preferred Approach

#### - Government as an enabler

Space does not allow for a discussion of the evaluation of the above alternative approaches. The process which led to the formulation of the National Shelter Policy and Implementation Strategy, including selection of the enabling approach as the preferred approach, was a joint collaborative effort reflecting wide consensus.

The enabling approach is based on a clear understanding of the comparative advantages of the public and private sector at each stage in the development cycle of policy making, planning, design, implementation and evaluation. Government makes a clear statement that the people should not rely on government to provide housing, that it will make no empty promises and that its main role is to promote, demonstrate and facilitate the provision of shelter, primarily through indirect measures. The direct provision of housing remains the task of the individual owner builder, but increasingly, private housing will be supplied by formal land/ housing developers responding to Government incentives. Public sector-initiated shelter programmes will be carefully targeted to specific low income and disadvantaged groups. In summary, the approach allows the dominant private sector to supply a higher proportion of appropriate affordable housing units and to meet a higher proportion of shelter 'needs'.

Under the enabling approach therefore, housing supply paths are diversified to include: owner builders, formal land/ housing developers; public sector-initiated programmes for low income groups, including sites and services projects, and selected public housing schemes for disadvantaged groups, such as for example, the handicapped, aged, destitute women and refugees. In addition, public housing will be provided as an incentive for Government employees in remote stations.

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## BASIC SHELTER POLICY STATEMENT

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Based on the enabling role of Government in the shelter sector, the agreed national shelter policy for Nepal can be summarised as follows:

Shelter is seen as an asset and accumulated capital for both households and the national economy, and as such it is an integral part of a productive economy as well as being a consumption good. Given Nepal's past level of economic development, inevitably there are many calls on scarce national resources. It is therefore necessary for the shelter sector to achieve its objectives with the maximum degree of financial self-sufficiency.

For the foreseeable future, production of shelter will be the role of the private sector - at first, as now, through individual efforts and subsequently with an increasing contribution by private developers. Government will only intervene in this process as an enabler in the following ways:

- to remove existing impediments in the supply, transfer, and regulation of land for shelter

- to introduce supporting, catalytic actions designed to increase the operations of land and housing markets in favor of the majority low income households, mainly through improvements in the areas of finance, cost-recovery, shelter technology, tenure, land acquisition, administration, security, and regional balance
- to introduce appropriate actions designed to minimize the impact of the shelter sector on environmental conditions, maintain basic public health, and minimize the impact of natural hazards on shelter

In organizing and prioritizing the actions to be undertaken by Government and all the private sector, the many strengths of the land and housing markets are a major resource to be built on, to be led and encouraged by market forces with specific programmes by Government targeted at priority low income groups.

Thus the overall strategy is not a radical programme; the limited resources available to Government and more pressing demands on those resources by other sectors such as agriculture, manufacturing and social services preclude a more interventionist approach in any case. The preferred strategy is a practical approach which moves with and only modifies, reinforces and improves existing trends.

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