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**URBAN LAND DEVELOPMENT IN NEPAL:
A CASE FOR A MANAGEMENT APPROACH**

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Introduction

Urban management attempts to bring a new perspective from which to tackle urban problems. One characteristic of this approach is that more recognition is given to the potentials of non-governmental actors. (Davey, 1993, UNCHS, 1993, van der Hoff and Steinberg, 1993, Mattingly, 1994) It has been common for the capabilities of the private and community sectors to be overlooked. Some governments have consistently sought to be the major producers of land for urban development, while failing to distinguish that their basic purpose was to see that the needed land was created. An urban management approach - with its ethos of responsibility implemented through any available suitable agent - asks such governments if their objectives can sometimes be met more effectively through strategies which guide or help non-governmental efforts to pursue governmental purposes.

One government to whom this question is pertinent is that of Nepal. Facing the demands of a rapidly growing urban population, it has sought to ensure adequate living and working conditions by executing its own land development and service schemes. The result has been greatly inadequate in relation to government intentions and to the needs of the new urban populations. At the same time, very nearly all existing residential accommodation and most other land development has come from the efforts of individuals in the private sector, albeit sometimes unsatisfactory in quality and quantity. These circumstances beg government to re-examine its current courses of action, and in particular, to consider how it can make entrepreneurs and individuals who build towns and cities perform better in terms of the public interest.

Although there is little new in a public-interest strategy which involves the private sector, an urban management approach has opened many eyes to the possibilities that government, without surrendering its responsibilities, can utilise private sector initiative, energy, and resources to execute tasks which it has traditionally thought government must do. Regulating business and individual behaviour is a widely recognised tactic of long standing, but the management concept draws fresh attention to the additional possibilities of aiding, encouraging, and participating in private actions which will bring progress towards public goals.

Current Land Development Strategies

Government in Nepal has chosen to meet the need for urban land by executing site and services, land pooling and guided land development schemes, carried out by its regional offices and local authorities. The first sites and services scheme was perhaps begun in the 1970s. When land pooling and guided land development became attractive, experts were brought to Nepal to conduct workshops which transferred practical knowledge of these strategies to staff of the Department of Housing and Urban Development of the Ministry of Housing and Physical Planning.

While the idea of sites and services scheme utilised was of a familiar sort, the other two concepts deserve comment. Land pooling in this case involved the rearrangement of plot boundaries of privately owned lands, coupled with the installation of roads, and water distribution and drainage networks. (Personal interviews, 1992) Agreement of all of the owners was necessary to initiate a scheme. Government extracted the cost of services installation and its site-planning in the form of land located within the bounded area. The notion of guided land development used was substantially different from that first advocated in Indonesia a decade ago. (Marulanda and Steinberg, 1991) In Nepal, it meant persuading landowners in areas already largely built-up to part voluntarily with portions of their plots, in order that existing paths and narrow lanes could be given reasonable widths for the traffic they would have to accommodate, or in order that altogether new roads could reach plots without any public access. The provision of no other service networks was an immediate aim.

Through the implementation of a mix of these schemes in towns and in Kathmandu, Government intended to improve the quality of the existing development and to increase the supply of buildable land which would ultimately serve the new urban households, especially the poor. By 1992, it could be seen that this strategy was achieving only token progress toward the aims of these intentions. Close examination of what was happening not only exposes the limitations of these three modes of land development. It also shows why another overall approach is needed.

The Poor Are Not Reached

The Government of Nepal aims to improve conditions for poor households. (Nepal Planning Commission, 1992:19-20) The figures suggest these are likely to be the majority of new urban residents.

The average growth rates of the 1970s and 1980s were more than twice the rate of natural increase (HMG Census, 1992), indicating substantial additions of rural migrants who are invariably poor and who have, no doubt, remained so, given the little economic growth experienced in Nepal during this time. While immigration of the rural poor continues, poor urban families are producing new families destined to be poor also in Nepal's conditions of low economic growth. Yet, none of the government land development schemes underway or planned in 1992 were likely to serve the needs of the poor.

Many sites and services scheme plots appeared to go to speculators, but they tended to be too expensive for the poor anyway. It was expected that the costs of plots in the three sites and services schemes in Kathmandu as they were planned could not be afforded by low income households. (Interview with the Chief of the Kuleysa Project, Kathmandu, 1992, and Lewin, 1987). In any event, guided land development is not applied in low income areas and illegal slum areas. It raises the values of lands owned by middle and high income families, making them even less affordable to the urban poor. In Baneshwor, Kathmandu, for example, a government officer reported that land worth Rs 400,000 per ropani was sold at Rs 600,000 per ropani after implementation of guided land development began. (Personal interview, 1992) Similarly, because they do not have land already, the poor cannot benefit from land pooling which increases the values of plots to their owners, making them more difficult for others to purchase. (Lewin, 1987:10) Moreover, during the process of land pooling, it was not the practice of government to extract additional land as public benefit which might be used at subsidised costs to house the poor. (Study on Urban Land Development Team, 1992) Consultants working upon the Government's national shelter strategy took note of the failure of schemes to reach the poor. (Culpin Planning Ltd, 1991:3,4)

In fact, in Nepal nearly all urban land development utilised by the poor - just as for other income groups - is provided by the private sector. For the poorest, this may be in the form of rented accommodation or of illegal occupation or use of land.

The Impact Is Weak

Whether or not they benefit the poor, government schemes have produced very little urban land and provided little existing development with better infrastructure. Only one scheme had been completed by 1992. By contrast, Joshi (1991:72) estimates that, in Kathmandu and Lalitpur alone, more than 1,500 hectares of land were developed through private initiatives over the previous decade. The private sector - which is mainly individual land owners, plus a

few development companies - carries out virtually all land development. The experience so far in Nepal - like that in many other countries - suggests that land pooling, sites and services, and guided land development schemes cannot be executed by government agencies at a pace and on a scale which keeps up with the speed and size of urban population growth.

The pace of urban growth in Nepal has been rapid. Annual population growth rates in urban areas averaged nearly 6% in the 1980s, and over 7.5% during the 1970s. In nine municipalities, the recent census found an annual growth rate of 4.5% or more. (HMG Nepal, 1992)

The expected scale of growth is also large. One estimate is that the urban population will reach 3.5 million in the year 2000. (Joshi, 1991:34) The effect can be illustrated by rough calculations using the rates of growth during the period 1981 to 1991 found by the census. They show that about 4,000 new households may be formed in Bharatpur - a town of 28,000 - during the five years up to 1996. Similar calculations for Kathmandu produce an estimate of about 24,000 new households.

Pradhan (1990) calculates that the squatter population of Kathmandu will grow from an estimated 7,400 in 1990 to approximately 48,000 by the year 2001. He further reports the government's intention of implementing by the year 2000 a programme of sites and services schemes which would provide 94,000 dwellings and a guided land development programme involving 286,000 dwellings. Sixty percent of the land developed by these programmes would be made available to "families with minimum income". (HMG Nepal, 1989, "Programme for Fulfilment of Basic Needs", pp 28, 29, quoted by Pradhan, *ibid*).

These needs and intentions must be compared with the speed and scale of government efforts. Action to create guided land development schemes started in early 1989; the first land pooling scheme (in Pokhara) began a few months before. There is a claim that the sites and services scheme on the east side of Birgunj was actually begun in the late 1970s. By mid-1992, one medium-sized scheme had been completed in Pokhara, while a handful of schemes were in various stages of planning or implementation, each with plots numberings in the hundreds (eg the two large sites and services schemes in Kathmandu had 500 and 600 sites respectively). When completed, all of the government schemes together will not equal the need for Bharatpur estimated above for 1996.

Reasons

Targeted beneficiaries are missed, and implementation

is slowed or blocked or inadequate for a variety of reasons. Many of these are reasons which become clear during attempts to implement schemes. Some of the problems which then emerge have no practical solutions as yet.

a) Time and Staff Requirements

Schemes take substantial time and require substantial staff resources. For example, after 2 years, the owners in the Gongabu land pooling scheme were pressing for re-allocation of the plots. The roads had been laid out and opened up, but the plots had not been demarcated. It had taken 9 months to prepare the scheme, using an architect, an engineer, 3 surveyors, and one other full time employee and a few other technical staff on an occasional basis. This was for 318 plots on 14 hectares of land. (Personal interview with staff of the Town Controller's office, Kathmandu) In Bahktapur, after four years of implementing guided land development on 3 sites totalling 420 h, the Town Controller had opened up only 1/2 km of roads of 55 km planned. (Personal interview with staff of the Town Controller's Office.)

Land pooling and sites and services schemes especially require very detailed layout planning of plot arrangements, roads and infrastructure networks. Guided land development cannot be done until accurate maps of existing plot boundaries and building and road surface locations are prepared. These necessities lie behind the enormous staff and time requirements. So do the lengthy and complicated negotiations with land owners which decide the redistribution of plots in a land pooling scheme or which settle road boundaries in guided land development.

Commenting on just guided land development, a former officer of Department of Housing and Urban Development argued that the Department did not have the capacity to carry out guided land development for all of Kathmandu, let alone for the other municipalities. (Personal interview) Officers of the Town Development Committee of Patan admitted that guided land development was not enough to deal with the scale of land needs, but they believed that trying to implement such schemes was better than doing nothing at all. (Personal interview) The Town Controller for Kathmandu acknowledged that his office could not cope with the work involved in carrying out guided land development, and that it would not be able to do so, even when extra staff promised by central government was provided. (Personal interview)

Particular problems of targeting and implementing can be found in each of the three development models.

b) Sites and Services Schemes

Some officials like sites and services schemes best because there are no cost recovery problems. This, of course, ignores the substantial subsidy involved in giving away a public asset, ie land and publicly-financed infrastructure. Subsidies of this magnitude cannot be replicated for very long or for very many households, for there is not very much publicly-owned land and there is not a governmental capacity to finance service facilities with little or no cost recovery. This view ignores as well the inequity of public benefit being given to a relatively few selected individuals, who in Nepal at this time are unlikely to be the urban poor.

When substantial subsidies are combined with the inability to direct plots to those who will actually live on them, speculation and bias in allocation are inevitable. Yet, if subsidies are not involved, the costs of land and services may easily be high enough to make plots unaffordable to those most in need.

Not only do problems of land acquisition cause delays in executing sites and services schemes; they prevent schemes from actually being feasible. Land acquisition is nearly impossible because of the political sensitivity of the issues it raises. Not only does government pay less than the market price, but during the inevitable delays of bringing about action, market prices go up while the compensation remains fixed. Land owners' objections create political pressures which halt the implementation of schemes and block the initiation of new ones. Even were this not the case, government is extremely unlikely to allocate funds sufficient for purchases at market prices which match the scale of future needs.

Land prices are already high in Nepal's urban areas, and they are rising rapidly in those municipalities which are growing quickly. Simple calculations give the order of magnitude of the funds needed for land acquisition if government were to carry out the needed urban expansion by itself. A land developer in Kathmandu reported paying in 1992 prices from Rs 75,000 to Rs 200,000 per 4 anna plot. (Personal interview) If the 24,000 new households estimated above needed accommodation in Kathmandu in the next five years, at the present growth rate, 4 anna plots for each household require a total expenditure of Rs 1,800,000,000. This is approaching four times more than the amount of Rs 504,573,000 which is proposed as part of the Eighth Plan of five years for the purchase of land in a number of urban centres, not just for Kathmandu. (HMG Nepal, 1992a)

Joshi (1991:35) argues that sites and services schemes may be of particular advantage for small towns where the cost of land is not so high as in Kathmandu.

However, there is evidence that urban land prices in the fast-growing municipalities are rising more than in Kathmandu. (Personal interviews) Land prices are certainly lower in some municipalities, because economic and, therefore, population growth is not taking place in these centres. So there is little need for urban land development in them.

c) Guided Land Development

In the case of guided land development, all the owners along its route must agree to provide land for a road. Very difficult problems arise at 1) junctions with existing roads (the entry points to the new roads), where those who have access already provided by the existing road see no advantage in giving land to start a new road, and 2) very small plots, whose owners will be left with too little land to use for themselves if they give land for a road. Consequently, to make guided land development work, it is necessary to have power and resources to 1) pay compensation in difficult cases, 2) force participation at the entry points, and 3) forcibly acquire land from the few land owners who object to the scheme.

Even after they have agreed, owners do not always give up land for roads as promised, and government has no capacity to monitor what happens. Because it is so difficult to organise agreements to give land for roads, roads are planned to only some of the plots. It is then necessary to propose land pooling to deal with the interior areas where guided land development cannot hope to create roads. However, guided land development avoids the delays and negotiations necessary in land pooling to settle the share of any land price increase to which a tenant is entitled under Nepalese law.

In practice, guided land development has been successful only in widening the rights-of-way for existing roads. Yet, there is little or no money for actual road construction. It is recognised that guided land development does not deal with environmental problems or provide sites for schools or open spaces. One analyst concludes that it should be used only where there are adequate public and community facilities nearby, a rare situation in urban Nepal. (Study etc., 1992) And in the end, it must be remembered that guided land development does not usually increase the number of plots, but improves conditions for plots which already exist.

d) Land Pooling

Government and its consultants favour land pooling above the others, mainly because it has the enormous advantage of avoiding the problems of land acquisition and compensation. However, it faces great

difficulty in that the landowners who do not wish to join a scheme can object and stop any plans. The existing legislation does not provide powers which allow plans to proceed against such objections. Moreover, there have been ownership disputes which greatly complicate the pooling exercise.

Another major problem with land pooling was that there is no example to show to people. No data was recorded for the one scheme implemented, which was for commercial plots, and it was done in a town distant from most others. Therefore, it has not been easy to demonstrate how land prices rise by participation in land pooling.

e) Other Land Development Modes

There is some belief that densification and upgrading offer alternatives to the three kinds of schemes which government agencies have been trying to implement.

Government redevelopment schemes to increase urban densities can not avoid the same basic problems faced by the current strategies. They will require many more staff than is made available and they will take too long to implement. This is because such schemes will require detailed planning and the acquisition of very costly land. Also they are likely to require levels of cost

recovery which are unaffordable by most low income households.

Upgrading the service infrastructure of existing housing areas does not have the same requirements. Land acquisition is marginal, and site planning does need not to be as detailed or as complex. Upgrading schemes will, nevertheless, require substantial staff resources and up-front financing. The difficulties of meeting these requirements will considerably lengthen the time in which the existing service infrastructure deficiencies can be eliminated. Even so, its greatest draw-back is that upgrading deals with land already built upon. It is not a strategy for carrying out the large scale new land development which must occur on a large scale in Nepal's urban areas.

Guided land development can be viewed as a version of upgrading, one which is applied in areas not yet fully built-up. The lessons of experience with its implementation provide evidence of some of the problems which other forms of upgrading will encounter.

Choices for the Future

Thus, the choice facing governments in Nepal - national and local - is not among the various forms of urban land development they have been trying or even among some others which are popular. The choice is whether they should continue to attempt execution of substantial land development themselves, or instead, try to shape the quality and quantity of the land development performed by the private sector. To choose the second is to embrace many aspects of an urban management approach to land. Responsibility for the achievement of public interest objectives remains with government. Yet the execution of actions necessary to this achievement is carried out by whomsoever is efficient, effective, and sufficient to the task.

With the same public interest objectives as before in mind, an urban management approach to land development in Nepal would seek to:

- a. Improve the quality and quantity of land development performed by companies and individual land owners;
- b. Bring about the construction of roads and of service mains and networks;
- c. Carry out a limited number of very important land development projects which the private sector will not implement.

Private Sector Land Development

A management approach opens the door to a combination of tactics for the extraction of better land development from the private sector. Three are most interesting in the context of Nepal: enabling, regulating and bargaining.

a) Enabling

The objective of helping builders is to get more public benefit from the land development they carry out. The most promising instruments are the same for companies as for individual land owners, although their use would vary in detail. Legal restrictions can be relaxed, taxes can be changed, access to credit can be improved, service infrastructure can be provided and technical assistance can be given.

Individual land owners - who have done nearly all the building so far - could be permitted to subdivide into plots small enough for more low-income households to afford. Restriction might be eased which discourage them from constructing rooms or larger units for rental to poor families. Leaflets with technical advice on good use of land could be distributed, even if only containing basic pointers. Development of the locations within a town most suitable at a given time could be encouraged by putting service networks into place first.

Now that government has experience with land pooling, it could help landowners themselves organise and execute such schemes. Changes to the law requiring participation of a reluctant minority would greatly increase the potential of land pooling. Publicising the basic technical details, such as simple steps for a scheme, would spread interest. A public agency capacity to install roads and service networks would be essential. So would a public authority capacity to assist the organisation of land owners, the formulation of layout plans, and the negotiation of land redistribution.

Here again the private sector could perhaps provide what government cannot. It is entirely possible that land brokers and development companies can find it profitable to employ their skills and experience as agents who will prepare and implement land pooling schemes for land owners. One report observes that government-executed land pooling could be modified to operate on a profit-sharing partnership basis with private developers, which would motivate these developers. (Study on Urban Land Development Team, 1992) In fact, there have been claims that private sector brokers now perform a kind of land pooling. They buy adjoining lands, and divide the whole into a number of smaller plots, which they sell. In the future, it is therefore conceivable that brokers could pool land and plan schemes for associations of land owners with adjoining properties without buying

their land, returning to each of them a number of plots, and taking a fee or a piece of land as payment for this service. It will be critical for them to have access to up-front financing for planning and executing land pooling schemes and for the construction of roads and service networks. This may be provided through government support to the formation of appropriate funds and banks.

Helping the growing instances of squatting and illegal land development involves difficult choices. Violations of land use policies which do not create unacceptably dangerous or unhealthy conditions can be legalised. Violations of minimum plots size and service level standards may, in any event be legalised by changes to regulations which make standards more reasonable in relation to household affordability. However, services installation in low-income areas will encounter cost-recovery difficulties which may justify lower priority for them than projects which can pay their ways in programmes of rolling financing. Enabling squatters to obtain better tenure through land purchasing does not seem feasible, given the difficulties experienced with current government strategies involving land acquisition. Nor does government mediation between land owners and squatters in search of some formula for land sharing. Sharing would have to be negotiated on a case by case basis which would consume substantial staff time and skill.

In the future, companies will become more important, possibly replacing the owner-builder as the major actor. This has begun to happen in the Kathmandu Valley and will probably spread to the other towns. Although about 30 housing development companies were registered in 1992, not one of these formal land development companies appeared to be operating. The operating companies are said to be informal because they do not comply with the requirements of land use regulations, the land ceiling act, or the land transfer tax laws.

It is acknowledged inside and outside government that private sector land developers face certain major problems.

1. Land is difficult to assemble for schemes which involve a large number of land owners. Agreements which must be reached with each owner are not legally binding, because companies are not able to legalise all of their operations. If one agreement is broken, the scheme may become impossible to carry out. Also, a tenant can legally claim a minimum of 25% of the sale price when agreeing to a sale, but usually a higher percentage has to be negotiated. Land assemble is complicated as well by the right of a tenant to stay on a piece of

land if it is sold.

2. Substantial taxes must be paid on land transactions. Set at 14% in 1992 on each transfer of land, the tax on development involving a middle man totals 28%. To get around this, informal developers declare the value of their land at the minimum fixed by the land revenue office, which may be as little as one tenth of the market price. A formal company can not do this because its books will be examined. It should be noted, that even when applied to these false values, there is a substantial addition to land market prices

because these taxes are passed on to land purchasers. This adds to land price inflation, especially where there is rapid turnover of ownership.

3. The Land Ceiling Act obstructs achievement of economies of scale. In addition to the high overhead costs of small schemes, developers are prevented from legally carrying out many schemes simultaneously when their cumulative holdings exceed 50 ropanis. One para-statal housing development company claimed it could not recover the costs of infrastructure from a scheme unless it was larger than 50 ropanis. (Personal interview)

4. Virtually no sources of financing exist outside of the personal savings of shareholders and cash reserves of a few corporations. Commercial banks were apparently discouraged by government from lending for land development, and government did not create any other lines of credit for private sector developers.

By removing or reducing these problems where this would not bring significant losses of benefits to the public, companies would be helped to expand their activities.

Training for the private sector can help. Companies complain of their lack of skilled technicians to do layout planning. Some would send their overseers to training courses in layout planning if provided by government. Courses would be opportunities for identifying the elements of good land development which are of benefit to both the entrepreneur and the public.

b) Regulation

It is very important that controls be applied with caution and sensitivity. After extensive studies of land use regulations around the world, the Urban Management Programme warned that they can force up land and construction prices by limiting land supplies, requiring expensive standards, and using complicated and slow procedures to give development permission. (Dowall and Clarke, 1991) Moreover, the basic idea of control is challenged in Nepal by the common belief that land owners have a fundamental right to build on their lands. They demand compensation when that right is refused.

Nevertheless, a degree of regulation makes sense, in order to achieve economies and efficiencies, plus public benefits where this does not unreasonably overburden the financial means of the land users. Some control is essential to achieve easy-to-service layouts which help overcome the grave infrastructure deficiencies which are common. Government uses

guided land development schemes remedy circumstances arising in the absence of such basic control. Land development companies may welcome a set of rules and regulations to which they are all subject. These would establish the minimum levels of acceptable quality from which competition among themselves would begin.

The more difficult problem will continue for some time to be the regulation of construction and subdivision by individual land owners. A management approach can offer several lines of action which may be within the limited administrative capacities of central, regional and local governments.

A first measure would begin to educate the general public in the benefit they stand to gain. Land owners can be made to see that certain elements of control achieve the cooperation of neighbours in creating a better environment. Moreover, if the general public learns to recognise the characteristics of properly developed land, they will then demand higher levels of quality when they enter the housing or land market.

A second measure would give more teeth to regulations, but this is not easy. Normal enforcement procedures are cumbersome and require an enormous monitoring capability. Alternatives are to refuse services to, or to tax more highly, those properties which violate public policies. A government which is managing urban activities would in theory be able to coordinate its tax and service departments as these measures require. However, most properties must be benefiting from adequate services for a deprived group of land owners to feel the penalty, a situation which may be increasingly difficult to achieve. And land or property taxation is not yet a feature of local government, although it is considered inevitable. A management approach would recognise a tactic which may be more realistic: that communities themselves may be effective enforcers of controls which they value, because they have taken part in establishing the extent and nature of these controls for their respective areas. (Mattingly, 1990)

A third measure would simplify the administrative procedures for regulation and set standards at levels which are enforceable because they are reasonable, especially in terms of a household's ability to pay.

If governments improve the capabilities of their own technical staff, this will improve the quality of private sector proposals for which these staff negotiate during the process of giving approval.

c) Bargaining

Effective but flexible land use regulations provide a basis for negotiation. On a case by case basis, less

important requirements can be relaxed in exchange for more public benefits from the land developer. This strategy is being carried out in cities as different as London, using the concept of "planning gain", and Sao Paulo, Brazil. Land for housing the poor can result, or simply cooperation by entrepreneurs in producing good quality layouts with adequate service networks.

Other opportunities for negotiating with the private sector can be fashioned out of changes to the taxes and landholding limits in the current laws which were discussed as an aspect of enabling. If redrafted to permit flexibility on a case by case basis, these, and access to badly needed financial credit, could be used either as points of negotiation or as incentives to guide development to preferred growth areas and into planned layouts. Land pooling agreements can be negotiated which give lands to government for public benefit with value in excess of government's costs.

Infrastructure provision offers government perhaps its most powerful means of bargaining, so much so that it is discussed in greater detail below. For example, a government could negotiate with builders on sharing the cost of infrastructure. Or a developer could be guaranteed the provision of electricity if he followed the requirements of government guidelines, using a degree of inter- or intra-departmental coordination which a management approach would be expected to organise. It is essential that public authorities are able to deliver on their side of any bargain. The consequences are illustrated by the case of a major land developer who claimed he had followed the new guidelines issued in 1992 by the Kathmandu Valley Town Development Committee, listing minimums for road widths, plot sizes, plot dimensions, etc.. Because he was not provided services, he was no longer willing to do what the guidelines asked. (Personal interview) Although governmental resources and organisational ability will never be enough, strategic use in negotiating can be made of that infrastructure which public authorities are able to put into place. As government capacities grow, so will the power and importance of this tool.

To bargain, government officers need negotiating skills and sufficient dedication to the public interest to act fairly and honestly. Experience with guided land development and land pooling has demonstrated these qualities at all government levels and widespread. But there cannot be enough staff to bargain effectively with all the companies and individuals who need to create urban land which is sufficient for the growing demand. A mis-match of scales will exist similar to that which makes the current strategies so impotent. Consequently, case by case negotiating must be confined to strategically important projects or places, if it is to be effective.

Infrastructure Provision

If they do nothing else, governments will have to provide some service infrastructure. From the more comprehensive perspective of urban management, this may be the key to better urban land development. Compared to administering land use regulations in relation to plans, better development of more private land may be stimulated, guided, and negotiated by directing and coordinating the construction of roads, surface water drains, any sewers, water piping, street lighting and electricity distribution networks. Consequently, controlling the provision of services is probably more important than all the current efforts of governments to execute sites and services, guided land development and land pooling schemes.

The desirability and value of land development can be raised with infrastructure. Because of this, an ability to manage the provision of infrastructure is a powerful tool in dealing with individual land owners and companies. Infrastructure provision can stimulate and encourage private sector action. Also, the promise of infrastructure, if believed, can be a bargaining point for improving the quality of private sector land development, even when the users pay for the service infrastructure. Guarantees of services could also be used to get the private sector to come forward with land pooling and guided land development schemes. Conditions are appalling in some urban housing areas because of poor services. Studies preparing for the current national plan found that in 32 municipalities that less than 50% of the population was served with sanitation, stormwater drainage, and solid waste removal, although coverage for water supply and electricity was above 70%. (Ministry of Housing & Physical Planning, c. 1992)

However, current deficits are completely overshadowed by the expected need of Nepal's cities over the next 15 years. For example, 1.8 times as many kilometres of urban road will be needed. So will 2.7 times as many new water connections will be needed, as well as 9 times as many kilometres of stormwater drains. The plan acknowledges that urban service investment requirements will seriously strain central government's available resources and municipalities' own revenues, so that a considerable gap will remain. (Ministry of Housing and Physical Planning, circa 1992:3) In response to this realisation, the plan proposes to lend a total of nearly Rs 550m for servicing municipal land. This sum may not eliminate the gaps, but it will finance a considerable amount of urban infrastructure, and it will provide major opportunities for influencing the actions of the private sector.

Infrastructure for housing is not the only concern. An important objective for managing these towns is likely

to be that of increasing productivity. In land management terms, this may boil down to ensuring that adequate infrastructure is in place for manufacturing and service industry, and that it is there in good time. It may also mean creating good road networks for the movement of goods and services within, in and out of the town. Because productivity may be the basis of incomes which, in turn, determine what is affordable, bringing about the servicing of residential development may actually be of secondary importance to organising infrastructure for industry.

To manage urban land development through the provision of infrastructure would require a somewhat different view of the organisational structure of local and central government. There would need to be a capacity for mobilising and managing the funds, and there would need to be a capacity to direct and monitor the several different actors who separately construct these facilities. The two needs are in fact closely related.

A model for doing this has been under discussion within government. In time, municipal and other local governments might finance loans obtained through central government channels. With its capital, a municipality would purchase the construction of a road, water pipe extension, or whatever from an experienced producer, who may be in government (eg the Ministry of Works) or may not (eg a construction company). The means of financing will be critical. A local government will need the capacity to extract both user fees and some form of taxation, probably property taxes. Not only urban land development, but a host of public service concerns depend upon such a capacity. Local revenue generation is inevitable if Nepal is to have effective local government. As long as municipal government remains largely in the hands of national agencies, management of coordinated infrastructure construction aimed at overall objectives will be much more difficult. Until decentralisation occurs, national government management of infrastructure investment can be carried out in selected towns and cities - through coordinating committees and budgeting of capital expenditures - in order to achieve better land management than at present.

The formulation of integrated action plans has been promoted in Nepal. These are less complex and less detailed than traditional plans, and they show directions of urban growth and the lines of new service and road networks. Such plans would provide a strategy for directing and coordinating infrastructure construction. If emphasis is to be upon enabling the private sector, the actions of companies and individual land owners have to be given more attention in these action plans. For example, they can make it clear where land will be serviced at a lowest cost and where

it will not.

Land Development by Government

Even if it concentrates upon regulating, enabling and negotiating with the private sector to provide better land development, there will nevertheless be schemes which government must do because the private sector will not. Some land development will not be sufficiently profitable to companies or within the capabilities of individual land owners, but will be desirable in the public interest, such as for recreation, schools, infrastructure installation or upgrading projects, or housing for the poorest.

Where opportunities for cross-subsidy arise and it is not possible to negotiate low income housing construction by a private sector actor, such as in a land pooling scheme, a government may find itself facing a land development execution task. Even such cases, and those of creating recreation facilities or schools or carrying out infrastructure upgrading schemes in areas already built-up can be contracted to the private sector. This could be more effective than maintaining a capacity with the government, and it would allow a public authority instead to concentrate upon the careful management of the contracted work.

Built-up areas deficient in services present a particular problem, especially because they make up such a large part of existing municipalities. These have been the target of the guided land development schemes. The possibilities for negotiating and enabling which a management approach reveal have far less meaning where small plot boundaries are already established and partial construction has taken place. Various kinds of upgrading schemes under government direction are one answer. A critical factor will be their financing, both the mobilisation of capital and cost recovery. An adequate cost recovery mechanism can overcome some of the drawbacks of extensive negotiations and lack of compensation in guided land development. A logical basis for recovery would be a fair distribution of costs among land owners according to the relative benefit each receives. While this may be foreign to urban residents, cost recovery will have to become a feature of their lives for other reasons of government. Upgrading for more widespread benefit - such as for a major link in the basic municipal road network - would be partially paid for from general taxation, in addition to charges laid upon near-by land owners.

Building Capacity

Although the limited government staff resources available may be used more effectively if they are employed in managing urban land development, this does not mean they would then be adequate. The

change to a management approach will involve training central and local government staff in how to stimulate, control, guide, and negotiate with the private sector.

Government staff lack knowledge of private sector operations sufficient to establish the degree of public benefit which can be obtained from them. They also lack knowledge of the mechanisms for working cooperatively with the land developers. A technical familiarity with land pooling, guided land development, or site planning is not widespread. Local government would need the ability to quickly check and review proposals, which is too difficult for present municipal administrations. If more experienced central government staff were shifted to the municipalities during a process of decentralisation, the prospects would be better.

In order to finance infrastructure provision, a municipal government will require the capacity to obtain and service loans. Borrowing on a large scale will be necessary. Municipalities have great difficulty putting together proposals for loans. They do not know how to provide documentation and how to plan, and they lack the technical capability to implement and monitor. Then they encounter grave problems when trying to pay back any loans obtained. Cost recovery and revenue generation, and thus loan repayment capabilities of municipal government seem inadequate for the loans already made. This shows how difficult it will be for municipalities to service the larger loans needed in the future.

To support land development, more successful strategies of cost recovery and taxation will probably have to be implemented. The draft Shelter Sector programme for the Eighth Plan proposed to promote or sponsor an urban land tax which would recover part of the investment in infrastructure. A property or vacant land tax has also been proposed (Culpin Planning Ltd., 1991), which among other results, would provide revenues to be used to finance the infrastructure improvements so badly needed in urban areas.

An important part of building municipal capacity to manage land development will be the education of local political leadership. To support a change in approach and to make effective use of it, local government decision makers must know clearly what it involves, especially the financing and coordination of infrastructure delivery and the management of private sector building activity.

Training and education should be extended to the private sector developers themselves. Greater competence in planning will produce better quality proposals, reducing the efforts required of

government. In order that the line agencies can take action to install service networks, more accurate plans and engineering drawings for services would be needed. This would call for better technical skills within land development companies and better access for individual land owners to local professional services. Government could take part in training the private sector developers and brokers in basic site planning, the execution of land pooling and in the costing of schemes.

Consequently, to effectively operate an urban management approach to land development, greater public sector capacity - especially at municipal level - will be essential. Yet, the argument for change is partially based upon the present lack of governmental capacity to execute land development schemes of the size and speed required. The difference is one of scale. To be the major producer of urban land, government will

need a very large number of newly-trained technical staff and sums of money for land purchase much greater than any amount which its priorities would conceivably allow. In contrast, an urban management approach strives to add the enormous capacity of the private sector to public efforts directed at better land development. The leverage obtained can reduce the public sector resource requirement to realistic levels. Moreover, this leverage adds substantial power to the strategic use of what ever public sector capacity there is. It may even be possible to create the needed additional capacity among existing decision makers and within existing staff positions, using training or education.

Conclusion

The Government of Nepal is attempting to improve the quality of urban land development, especially that used by the poor, through the execution of its own land development or improvement schemes. Analysis of its efforts and of the need for urban land leads to the conclusion that the current strategies can accomplish very little in relation to their objectives.

Through the perspective of an urban management approach, other strategies become apparent, some of which offer the prospect of more successful results. A combination of government actions which acknowledges that nearly all urban land is actually developed by the private sector could be more effective. Its principle elements would be 1) working with the private sector, 2) providing service infrastructure, and 3) undertaking only those necessary land development projects which the private sector will not produce.

Though the basic strategy of this set of actions is to obtain from the land owners and developers a better quality of physical environment in terms of the public interest, the key to the whole may be new investment in service infrastructure. The installation of service and transport networks will provide major opportunities for influencing the actions of the private sector and for executing government projects which raise the quality of the environment of the urban poor.

A management approach will require a greater capacity within both government and the private sector to perform their roles. Chief among that needed by government staff and political leaders will be the skills and attitudes to work effectively with the private sector in achieving the public interest.

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