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To cite this article: Bishnu Raj Upreti, Thomas Breu & Yamuna Ghale (2017): New Challenges in Land Use in Nepal: Reflections on the Booming Real-estate Sector in Chitwan and Kathmandu Valley, *Scottish Geographical Journal*, DOI: [10.1080/14702541.2017.1279680](https://doi.org/10.1080/14702541.2017.1279680)

To link to this article: <http://dx.doi.org/10.1080/14702541.2017.1279680>



Published online: 17 Jan 2017.



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# New Challenges in Land Use in Nepal: Reflections on the Booming Real-estate Sector in Chitwan and Kathmandu Valley

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(Received 12 December 2016; accepted 3 January 2017)

**ABSTRACT** Domestic commercial land acquisition is a recent phenomenon in Nepal; it is rapidly expanding and increasingly occupying productive agricultural land for real estate and other non-agricultural commercial purposes. This paper analyses the present situation and the implications of domestic land acquisition, and identifies actors and forms of land deals and associated conflicts. The study was conducted in Kathmandu Valley (27° 32' 13" N to 27° 49' 10" N and 85° 11' 31" E to 85° 31' 38" E) and Chitwan District (83°54' 45" to 84°48'15" E and 27°21'45" to 27°52' 30" N), the areas of Nepal most affected by domestic land acquisition. In the absence of statistical material, purposive sampling was used to identify households for a survey of 208 respondents; this was complemented by qualitative research and a review of media and other documents. Respondents confirmed that land acquisition is increasing at a very rapid rate and is driven by a nexus of politicians, land brokers and real-estate actors, and that it has caused not only food insecurity but also numerous conflicts between local people and the land deal actors. Existing policies and legislations were found to be inadequate to address the challenges brought about by the domestic land acquisition process in Nepal.

**KEY WORDS:** land deals, land brokers, real estate, agriculture, food security, Nepal

## 1. Introduction: The Context

Land acquisition in the context of urbanisation in developing countries is becoming a major attraction (Goldman 2011) once people from rural areas or semi-urban areas move to urban areas. More opportunities in urban areas are not only attracting people but are also transforming rural economies into urban real estate (Goldman 2011; Locher *et al.* 2012). Such shifts are visibly observed in growing cities of Nepal. In the past decade land use patterns have been changing fast (Wily *et al.* 2009; Pyakuryal & Upreti 2011) because of the rapid process of urbanisation. Though large scale direct foreign investment in the land sector in Nepal is not evident because of its unfavourable topography (e.g. large areas of

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hill and mountain) and unfavourable investment environment (e.g. conflict and political instability), domestic investment for real-estate development in urban centres and other business enterprises is increasing (Upreti *et al.* 2008; Shrestha 2010, 2011), especially in urban areas and agricultural land accessible by road in mountain areas. Though the degree and intensity of land grabbing occurring in other countries is not observed in Nepal, some characteristic of 'land grabbing' described in the literature (e.g. Braun & Meinzen-Dick 2009; Borras *et al.* 2011), such as acquisition of land from farmers for commercial purpose, is increasing rapidly in Nepal.

Land acquisition in Nepal for urbanisation is thus directly affecting agriculture, posing a serious challenge to the agricultural sector as a whole, which is still key to Nepal's development. According to USAID (2011), agriculture provides employment opportunities to 66% of the total population and contributes about 39% of Nepal's GDP and 13% of total foreign trade. A study by Shrestha (2006) has shown that the average population growth in the Kathmandu Valley has rapidly increased. During the period of armed conflict (1996–2006), people who felt insecure in the villages but were able to afford to stay in urban and secure areas migrated in huge numbers to the Kathmandu Valley. Consequently agricultural land in the Valley has declined by 2% (836.3 ha) per annum. The main reasons for the exceptionally high growth rate between 1984 and 2000 were: (a) massive migration of people from rural areas to the Kathmandu Valley after the political change of 1990, from the highly centralised autocratic partyless Panchayat political system to a democratic multi-party system offering flexibility and opportunities for people outside valley, (b) openness brought by implementation of the structural adjustment programme of the World Bank and (c) the massive displacement of people from rural areas to the Kathmandu Valley during the civil war.

Land acquisition in Bharatpur Municipality is also growing quickly (DDC-C 2014). Bharatpur is situated on the bank of Narayani River and is the headquarters of Chitwan district, located in the central Terai plain of Nepal. It is one of the most rapidly expanding cities of Nepal, with a population of 199,867 (CBS 2012), and is a commercial hub of central Nepal, with connections to Kathmandu, Pokhara, Bhairahawa, Birganj and many other towns and cities. It is well connected by road and air transport. It has large shopping areas, big hospitals, colleges, agriculture-based industries (small-scale processing industries, poultry industries, honey, mushroom, floriculture) and service industry (education and health). Further, multinational companies like Coca-Cola and San Miguel are also situated in Bharatpur (MuAN 2015). Until recently, it had an agriculture-based economy. However, agricultural land was rapidly converted into residential and industrial areas from 1990 onwards. Major business and trading houses have opened branches in Bharatpur, leading to steep rises in land values. When the government declared Bharatpur as a Sub-metropolitan city in 2014, integrating several nearby Village Development Committees such as Gitanagar, Fulbari, Sivanagar, Mangalpur and Patihani, the price of land in these areas also rose dramatically for the construction of houses, real-estate properties and industries (DDC-C 2014).

Understanding land acquisition at present demands some discussion on the land tenure system in Nepal. Historically, land tenure in Nepal was shaped by Hindu culture and customary social structure and religious belief, and it is traditionally considered as the means of social prestige and stable property. Land tenure in the context of Nepal is expressed as the mode of holding the land property in the form of freehold, leasehold, mortgage or occupancy and recognised as the major determinant of the land/property tax base (Acharya

2008). Though land tenure and security existed without land registration and cadastral survey in the earlier years, over time land tenures were gradually developed as customary tenure such as *Raikar*, *Birta*, *Jagir*, *Rakam*, *Guthi* and *Kipat* (Regmi 1961). However, most of the customary land tenures have been abolished since 1951 and the present land tenure systems comprise: (a) private land with absolute ownership (can be held by the owner or may be leased or mortgaged), (b) public and government land (public land belongs to the government but is used by the public or community whereas government land is handled by itself) and (c) Trust land or *Guthi* land (different types of *Guthi* land such as *Rajguthi*, *Nigiguti*, *Chutguthi*, *Guthi Tainati* and *Guthi Adhinastha*) (Acharya 2008). Private land acquisition for real estate is growing fast.

Globally, urbanisation processes are influenced and accelerated by the rapid expansion of the information and technology industries, government policies, opportunities available in cities, contributing to change in inter-urban dynamics because of the highly remunerative challenge of transforming rural economies into urban real estate (Goldman 2011). A study by Becker (2013) in West Africa shows how long-standing peri-urban landscapes and social relations have been changed by small-scale land acquisitions, especially with a high rate of urbanisation, leading to the transfer of land from non-market customary tenure systems to market-based, formal land tenure regimes on the edges of cities. The situation in Nepal is similar. Hence, in this paper we explore how urbanisation processes enhance domestic land acquisition by different actors (non-governmental agencies, private sector investors, real-estate companies, financial institutions and individual interest groups) obtaining land for purely economic motives, leading to frequent, high volume land transactions.

In the past decade, the media, advocacy groups and policy analysts in Nepal (Thapa & Murayama 2009; Shrestha 2011) raised concerns about the severity of the negative effects of land acquisition on agriculture and food security, livelihoods of the poor and the environment. This issue seems to have become a matter of national concern. Upreti *et al.* (2014) extensively document the food security challenges faced by the country. However, it is difficult to find research-based evidence about how land acquisition processes and practices have affected the local people's livelihoods and what implications they have for Nepali society. Hence, an in-depth qualitative study was conducted to better understand the phenomenon, the current situation in key areas where domestic land acquisition is taking place, and the implications of land acquisition on people's livelihoods. We pursued the following questions:

- (1) Who are the main actors in land acquisition?
- (2) What forms of land deals and which quality of land types are commonly acquired?
- (3) How do local people perceive the land acquisition process in Nepal?
- (4) How has land acquisition induced social conflict?

## **2. Methodology**

Land for real estate and other commercial purposes is acquired mainly in highly productive lands close to urban areas or in less accessible areas well connected by the road network. Chitwan and Kathmandu Valley were purposively selected for the study because agricultural land in Kathmandu Valley has declined by 2% per annum (Shrestha 2006) and in

Chitwan the process is also highly visible. Though domestic land acquisition processes due to urbanisation are similar across Nepal, the two study sites (Kathmandu and Chitwan) are not representative of the whole country.

Key informant interviews and focus group discussions were conducted to collect qualitative data on the location, extent and type of land acquisition in the Kathmandu Valley and in Chitwan District (Shrestha 2011). In the absence of statistical material on land ownership, information was also collected from media reports. From the two geographical areas selected for the study, major land acquisition clusters were identified and purposively selected for closer study. From the clusters in Chitwan district, the three highest land acquisition sites (Bhojad, Krishnapur and Hakim Chowk in Bharatpur Municipality) were then also purposively selected for a household survey. Land plotting has been done by real-estate companies in these areas and the private sector has also invested in land to cultivate plants such as Stevia and Aloe Vera for medicinal and commercial use by agro-based companies. In Kathmandu Valley, the sites selected for the household survey were Dhapasi, Sitapaila, Harisiddhi and Thecho because of a high concentration of domestic and multinational real-estate companies in these sites. Within each cluster, a sampling frame was developed and simple random sampling was used to select households. Altogether, 208 respondents (108 from Kathmandu Valley and 100 from Chitwan district) were selected for the household survey. The purpose of the household survey was to complement the qualitative information previously collected about the current state of land acquisition. An interpretative conceptual and analytical framework (which is empirical in nature and describes how people behave and why they behave in that way) was used for analysis of the data (Denzin & Lincoln 2000).

In a further qualitative study, in-depth interviews with key stakeholders (real-estate agents, community user groups, activists, government officials and experts on food security and land issues) and field observations were applied to complement the findings of the household survey. Out of 208 respondents, 108 (52%) were from Kathmandu Valley and remaining 100 (48%) were from Chitwan.

### **3. Findings and Discussion**

#### *3.1. Skewed Land Distribution*

Our review of media documents and the available literature shows that the land tenure system in Nepal is highly skewed and is used as a means of strengthening power; it has, therefore, not only been one of the most contentious topics in the political economy of Nepal over the last fifty years, but has also become a perennial source of conflict and power struggle (Upreti 2004a). Rulers, regents, state functionaries and landlords have used land for maintaining and expanding their position, power and social relations (Acharya 2008). The end of feudalistic land-based production relations was one of the demands of the Communist Party of Nepal (Maoist) (CPN-M) during the war (Dhakal 2011) and this issue was also included in the Comprehensive Peace Agreement between all parties after the end of the war (ADB 2007; Upreti *et al.* 2008). In Nepal, land is divided into four categories according to its social implications from the agricultural productivity point of view. This division of land was started during King Pratap Malla's (1755–1777) regime (Regmi 1963) but was widely practised from 1812 (Regmi 1978). The Land Survey and Measurement Act 1963 mentions provision for land survey and

measurement by clearly identifying grades of land. The four categories are *Abbal* (the best quality land which is highly fertile, has full access to irrigation and is highly productive); *Doyam* (2nd highest category in land quality classification), *Sim* and *Chahar* (the poorest land for agriculture). Most of the *Abbal* lands are owned by landlords and elites. These categories are helpful in analysing which land category is mostly acquired.

### *3.2. Land Acquisition and Policy Gap*

Land is accumulated in Nepal by two kinds of actors. First, real-estate developers or private investors accumulate land for housing and related infrastructures construction. Second, big investors accumulate land for commercial purpose (especially keeping accumulated land for some years to sell at higher prices and/or for building infrastructures), buying hundreds of hectares of land. Often, such acquired lands are either kept fenced without any cultivation or rented for open space storage. Then the owners of the acquired lands either use them to construct residential housing, or sometimes for farming vegetables and animal husbandry, often for industrial development, and sometimes for tourism.

The study revealed that there is a wide policy gap concerning the current challenges associated with land issues in Nepal. The policy gap is providing space for private land investors and real-estate developers to acquire highly productive agricultural lands for non-agricultural purposes. The two major acts, the Land Act of 1964 and the Joint Housing Act of 1997, are not able to address the current changes as these laws are outdated. A new land use classification has recently been defined with different land categories: agricultural land, residential area, industrial area, commercial land, forest land, public land and other lands. However, this classification is not yet in use. Organisations responsible for land administration are weak, suffering from a lack of human and financial resources, and therefore are not able to deal with the new challenges that have emerged in the land sector. In an interview, the Chairperson of the Nepal Land and Housing Developers Association stated that there is no standard procedure for environmental impact assessments for house construction and that they are using the standards of hydropower development instead. Earlier studies (ADB 2007; Adhikari 2008; Shrestha 2011; Ghimire & Upreti 2012) have also shown there is a wide policy gap in addressing land-related challenges.

It has become evident that existing land-related laws and regulations need to be revised and updated. Inter-ministerial coordination is crucially important as the land and housing issue is under the jurisdiction of different ministries (agriculture, housing and physical planning, land reform, local development) and different authorities (urban development, municipalities, village development committees). A comprehensive national land use policy and effective institutional arrangements to implement the policy are urgently needed. Moreover, there is a need for urban and spatial planning for dealing with land acquisitions.

### *3.3. Main Actors in Land Acquisition*

Domestic land acquisition for commercial purposes has been rapidly increasing in Nepal since 2001. In November 2001, the Maoists declared their own government, parallel to the state, and brought a 75-point programme to be implemented by their government. The 26th point under the 'Land and Agrarian Revolution' heading declared the confiscation of land from landlords and distribution to the landless. This point states:

The main policy of agrarian revolution shall be to abolish the feudal, semi-feudal and bureaucratic capitalist production relations in the land and develop national capitalist relations ... The lands owned by feudal, bureaucratic capitalists and various Guthis [a type of feudal ownership by social and religious institutions] in the places where the old reactionary power structure have been smashed, shall be seized without any compensation and distributed to landless and poor peasants, and the tillers shall be made the owners of the land ... (Upreti 2010b, p. 320)

Consequently, well-off people having more land and property in the rural areas were targeted and for security reasons they came to cities, where the Maoists had little influence. Hence, a massive inflow of people from rural areas to cities required more houses and the real-estate companies started building residential areas. This has also contributed to massive urbanisation.

Further, when the CPN-M started confiscating land from the landlords and rich people to distribute to poor and landless people, landlords facing this predicament preferred to sell their lands that had potential for commercial development to commercial investors at a cheap price. Then, the commercial investors paid donations and bribes to negotiate with the Maoists, with the intention of developing real-estate; once the peace agreement in November 2006 ended the civil war, the developers started massive construction. Politicians, mainly local politicians and ex-members of parliament, and local social leaders who were obstructed from engaging in politics by CPN-M, shifted their activities to land brokering. Moreover, real-estate agents, business people, land brokers and middlemen created real-estate companies or affiliated with other registered real-estate agents and engaged in land brokering as well. As a result, more than 20 large real-estate companies and hundreds of saving and credit cooperatives have emerged in Kathmandu Valley in the past 12 years and engaged heavily in land acquisition. The studies of Nepal Rastra Bank (2010, 2011) have also confirmed such a situation.

The largest number of respondents (117 or 56%) said local brokers were involved in land acquisition deals, followed by politicians (mentioned 63 times or 30%), social leaders (mentioned 58 times or 28%), business people (mentioned 58 times or 27%) and real-estate agents (mentioned 26 times or 13%). It was understood from the focus group discussions that most of the actors engaged in land acquisition deals were paying commissions to CPN-M, senior leaders of political parties, security officials and government bureaucrats to get protection and they were highly successful in their endeavours. In response to the question related to the role of power and influence in land acquisition, 78% of respondents (139) said that the elite nexus is entirely controls land deals and therefore they are not transparent and often the legal provisions are manipulated. This has led to a general feeling of distrust and insecurity about land tenure. Land tenure studies in Africa, Asia and Latin America (Assies 2009; Ubink *et al.* 2009) have also shown that land tenure security is a major concern in other developing countries.

#### *3.4. Factors Promoting Land Acquisition in Nepal*

A study by Mathema (1999) indicated that the expansion of land acquisition started in Kathmandu in the late 1990s. In the following decade, the scale of land acquisition accelerated rapidly (Shrestha 2011; Ghimire & Upreti 2012). The boom of commercial banks and their easy credit facilities for housing and real estates has been one of the main

factors of land acquisition (NRB 2010). The Economic Analysis Division of the Nepal Rastra Bank (central bank of Nepal) also examined the situation and pointed out complications in real estate financing in Kathmandu (NRB 2011). A large number of financial institutions (31 commercial banks, 89 development banks, 79 finance companies and 21 micro-credit institutions in 2009) licensed by the central bank have invested huge amounts in the real-estate sector, with investment increasing by a remarkable 227% between 2006 and 2009 (Ghimire & Upreti 2012). Sapkota (2011) highlights that over one billion US dollars were invested in the real-estate sector in two to three years. Further, in an interview conducted for the present study, the Chairperson of the Nepal Land and Housing Developers said approximately 1.5 billion US dollars is being invested in the real-estate sector.

According to Ghimire and Upreti (2012), some of the major factors promoting land acquisition and the real-estate boom in Nepal are massive migration and associated remittances in the past decade, a large number of cooperatives focusing on land issues, the positive investment environment created after the signing of the Comprehensive Peace Agreement in 2006 (Upreti 2010b; NRB 2011), rapid urbanisation and the migration of better-off people from villages to city centres and Kathmandu Valley (CBS 2011; Dhakal 2011). The reports of UN-HABITAT (2010) and the WB (2012) have also underlined the intensity of urbanisation and related challenges in Nepal. The lack of a clear land policy and corresponding laws (such as land use classification and restrictions for constructing infrastructure and buildings on agricultural land, and social impact assessment guidelines), political protection of land buyers, and haphazard urbanisation are other main factors identified by the present study.

Remittances obtained in Nepal in recent years constitute another major factor promoting investment in the land and real-estate sector. In the past decade the commercial banks are investing large portions of their lending to the real-estate sector (NRB 2011) and the situation is similar in the case of investment of cooperatives in the real-estate sector. Further, a large portion of remittances coming from migration is invested in land and housing (Sapkota 2011). As Nepal is one of the highest recipients of remittances (as a percentage of GDP) in the world (Seddon *et al.* 2002), having great significance both at micro and macro levels (Pradhan *et al.* 2008; Shrestha 2008), its utilisation and the impacts on economic growth have both positive and negative effects (Dahal 2014). However, one of the criticisms of the massive inflow of remittances to unproductive sectors like housing and land (Sapkota 2013) is that once productive land is occupied for the construction of buildings and other infrastructures financed by remittances, it will lead to further reduction of agricultural productivity and consequently increased food insecurity. The study by Thapa (2011) indicates a serious threat to agriculture in Kathmandu Valley in terms of decrease in production and productivity by the rapidly growing number of brick kilns associated with the fast urbanisation and real-estate development expansion. Shrestha *et al.* (2014) reach similar conclusions.

The influence of politics in land acquisition by the real-estate actors is high. Media coverage as well as information collected from the key informants during the field study reveals that political influence in the real-estate sector is multidimensional, ranging from the engagement of many local to senior politicians directly in the land acquisition-plotting-selling business, investing in established real-estate companies, political party cadres serving as land brokers and middlemen and providing party memberships and political positions to land brokers, investors and owners of real-estate companies. The influence of



politics in the real-estate business and *vice versa* is reflected in this statement by a key informant:

The chairperson of the Nepal Land and Housing Developers Association and one of the largest real-estate developers and Chairman of a commercial bank was hand-picked, on the strength of his donations, by the second largest political party to become a Member of Parliament, and now he is highly influential in making decisions in favour of real-estate brokers and commercial banks despite vehement opposition by civil society, media and experts saying this is policy corruption. (Interview, 18 September 2016 in Kathmandu)

Such phenomena of policy corruption are present not only in the real-estate sector but everywhere in Nepal. In this context, Regmee and Bhattarai (2014) document a detailed catalogue of policy corruption prevalent in Nepal.

### *3.5. Domestic Land Acquisition*

*3.5.1. Forms of Domestic Land Deals and Means of Acquiring Land.* When acquiring land from the farmers, land brokers and real-estate companies were said to use a variety of strategies, such as offering higher prices than prevailing local market prices, directly and or indirectly threatening local land owners in order to get land for themselves, offering attractive schemes (such as giving a parcel of developed land to land owners, providing constructed houses or giving loans in exchange for specific plots) or creating a compulsion for local land owners to provide land to land brokers and real-estate agents (e.g. by purchasing land around specific areas and confining the land owners within their property, forcing them to sell their land because access to it is no longer possible).

The most common type of land deal was said to be the purchase of land as per the legal provisions in Nepal. Indeed, of a total of 199 respondents in Kathmandu and Chitwan, 70% reported that the purchase of land was the most common form of acquisition, followed by leasing (mentioned by 16% of respondents). When comparing results in the districts, 'purchase of land' was mentioned most in Lalitpur (99%), followed by Kathmandu (92%) and Chitwan (44%), whereas Chitwan stood in first position among the surveyed districts in the 'lease arrangement' category. Earlier studies (Thapa 2009; Shrestha 2010; Ghimire & Upreti 2012) show similar forms and techniques of land acquisition in Nepal.

Respondents from the two district of Kathmandu Valley (Lalitpur and Kathmandu) highlighted that the reason for the preferred method of acquisition is permanent transfer of land ownership, whereas lease arrangements are most preferred in Chitwan. The main reason for this difference is that investors want ownership so that they can sell it instantly when they see a chance of getting higher returns, as space is scarcer in Kathmandu Valley than in Chitwan. In Chitwan, the owners of the land prefer long-term leases. One of the respondents suggested that the national capital of Nepal could be moved from Kathmandu to Chitwan, and so they did not want to sell their lands.

*3.5.2. Quality of Land Types in Acquisition and Food Security Effects.* Surprisingly, the focus of land acquisition, even for real-estate purposes, was found to be *Abbal* (best quality agricultural land). Up to 72% of the total survey respondents (139 of 193) said that the type of land most acquired was in highly productive agricultural areas where

**Table 1.** Land acquisition by quality of land.

Study sites	<i>Abbal</i> (Best quality)		<i>Doyam</i> (good quality)		<i>Sim</i> (average quality)		<i>Chahar</i> (poorest quality)		Total
	Count	%	Count	%	Count	%	Count	%	
Kathmandu Valley	54	57.4	25	26.6	7	7.4	8	8.6	94
Chitwan	85	85.9	12	12.1	2	2	0	0	99
Total	139	72	37	19.2	9	4.7	8	4.1	193

farmers were producing crops and vegetables throughout the year. Only 19% of respondents said that land acquisition focused on *Doyam* (second highest quality land) and very few respondents said that land was mainly acquired in *Sim* (5% or nine respondents) and *Chahar* (4% or eight respondents). The quantitative survey data showed that a large proportion of respondents (87%) thought that more than 60% of highly productive agricultural lands were divided into numerous plots and sold, and then kept barren. This was also confirmed by field visits and discussions with key informants and farmers. Similarly, more than 80 housing colonies have been constructed in the study areas for which access roads are constructed very haphazardly in agricultural areas. Such land acquisition was described as having direct effects on food security and livelihoods of farmers. Earlier studies (Ghale 2011; Ghimire & Upreti 2012) have also shown similar effects.

Table 1 shows that 72% of respondents of the study areas believe that the best quality agricultural land is threatened by real estate and commercial land acquisition, and only 4% of respondents said that the poor quality land was accumulated. This means that productive land is under acquisition and this has negative effects on food security because the best quality productive land was kept barren or was built on or used for roads. The key informants also said that land acquisition had increased food dependency.

Several studies (Shrestha 2010; Dhakal 2011; NRB 2011; Pyakuryal & Upreti 2011) have shown that productive agricultural lands are heavily affected by land acquisition processes, causing food insecurity (Ghale 2011). A study on land reform and agrarian transformation in Nepal also shows that the land use system has been heavily affected since 2001 (Sharma 2004; Adhikari 2008; Pyakuryal & Upreti 2011; Locher *et al.* 2012).

**3.5.3. Public Perception of Land Acquisition in Nepal.** As shown in the analysis of media documents, a much-debated topic in Nepal is public dissatisfaction with land acquisition, especially the acquisition of productive agricultural land used for non-agriculture purposes. Hence, one question in the survey addressed public opinion on land acquisition.

Table 2 shows that in Chitwan district, 47% of respondents felt that land acquisition projects in their area were bad for local society because they introduced conflicts, bad for the environment because they destroyed natural resources and biodiversity for roads and buildings, bad for the livelihoods of the poor because the cost of living had greatly increased, and bad for farmers because their fertile lands were affected. In the case of respondents from Kathmandu Valley, the percentage was much higher: 86% felt that land acquisition projects had negative impacts. By contrast, 53% of respondents from Chitwan said that the projects were good for the community and the local economy, whereas only 11% of respondents from Kathmandu Valley felt these projects were good. The main reason given for a positive

**Table 2.** Local people's perception on land acquisition.

Study sites	Good		Bad		Do not know		Total Count
	Count	%	Count	%	Count	%	
Kathmandu Valley	11	10.6	89	85.6	4	3.8	104
Chitwan	52	52.5	46	46.5	1	1	99
Total	63	31	135	66.5	5	2.5	203

assessment was that the land acquisition phenomenon was providing employment, and bringing development to the area (roads, electricity and new market opportunities).

Observations by respondents regarding land use change show the degree of transformation: 87% (176 respondents out of 203) reported that they had observed a shift from agriculture to non-agriculture. The large majority (156 respondents out of 176) reported that the main shift from agriculture to non-agriculture went to the housing and real-estate sector, followed by plotting of agricultural land by land brokers for sale (which is kept barren with fences and road alignments) to individuals or to housing companies. The findings of this study concur with the findings of previous studies (Sharma 2004; Adhikari 2008; Shrestha 2011; Ghimire & Upreti 2012).

The respondents to the key informant interviews, focus group discussions and those respondents from the household survey, who felt land acquisition was bad, offered three major recommendations for addressing the negative effects of the new land acquisition problem. They suggested: (a) protecting land through policy and regulations, (b) designing and applying proper land use plans with restrictions on using agricultural land for other purposes and (c), imposing strong penalties on those who use agricultural land for other purposes. Previous studies (Adhikari 2008; Dhakal 2011; Pyakuryal & Upreti 2011) also showed that there is a need for coordinated policy and strategy to ensure benefits from the current process of agrarian transformation in Nepal.

### 3.6. Land Acquisition and Social Conflict

Land is not only a powerful means of shaping local power relationships, but also a main source of conflict and tensions (Lund 1998; Upreti 2004a, 2004b; Odgaard 2006; Pradhan 2009; Schutter 2011; Shrestha 2011). In the past 3–4 years, Nepal's media have often reported tensions related to land acquisition. The results of the survey also show that such disputes were more frequent in Kathmandu, while in Chitwan the feeling seems to be that there was no such increase. Indeed, responding to a question about the existence of land disputes after land deals, 78% from Kathmandu District and 66% from Kathmandu Valley said land disputes had increased since domestic land acquisition had

**Table 3.** Situation of land dispute after land acquisition.

Study sites	Yes		No		Do not know		Total Count
	Count	%	Count	%	Count	%	
Kathmandu Valley	70	70.7	27	27.3	2	2	99
Chitwan	15	16.3	77	83.7	0	0	92
Total	85	44.5	104	54.5	2	1	191

become prominent, especially in the real-estate sector. But in Chitwan only 16% of respondents observed such an increase in disputes after land deals (Table 3).

This difference is due to the different situations in Chitwan and Kathmandu Valley. In the latter, it is likely to be due to the higher price of land and existence of a greater number of real-estate companies in Kathmandu Valley. The main issues causing land conflicts reported by the respondents in the Kathmandu Valley were air (mainly dust) and noise pollution and crops damaged by construction work, the drying up of groundwater used by local people because of deep-bore drilling by the real-estate developers, manipulations and misguiding by land brokers, and threatened livelihoods of local people. The respondents frequently reported that there was no public consultation of or participation by the local people in the decision-making processes on land issues. The real-estate developers were using their power and influence (with politicians, bureaucrats and security forces) to acquire lands, and their brokers were cheating the local people. Further, most of the respondents in the Kathmandu Valley reported that the companies acquiring land from local people had promised to do many things for the community (such as infrastructure development and new jobs for the local people), but once they had bought the land they did not fulfil their promises. Respondents also underlined that many agricultural labourers had been affected by domestic land acquisition.

While comparing the situation of land disputes before the intervention of land acquisition projects in the study districts, nearly a quarter of the respondents said that land disputes in their areas were observed before the projects but more than two-thirds of respondents believed that there is a relationship between the land acquisition and local land disputes. Other studies have also shown that land acquisition brings social tension and conflict (Odgaard 2006; Upreti 2010a; Schutter 2011).

#### **4. Conclusions**

The results of this study show that one of the main issues related to domestic land acquisition in Kathmandu Valley and Chitwan is a major lack of effective policies and proper legal provisions related to land tenure, land acquisition and land planning. Because of this lack of strong implementation and monitoring, highly productive agricultural land is increasingly being used for non-agricultural purposes. Moreover, a strong nexus exists between political actors and land acquisition actors, contributing to domestic land grabbing in Nepal. In the context of weak implementation of the rule of law, the powerful politics-business nexus has been a prime driver of land acquisition in both study areas, leading to a shift in land use pattern from agriculture to non-agriculture (mainly for infrastructure development). A sound and comprehensive land use policy that ensures proper land administration and management is essential, including the following: land use mapping and cadastral data, securing tenure, optimal use of land resource, effective mechanisms for the protection of the agricultural lands, better coordination among the stakeholders of land and agriculture, adequate infrastructure and human capacity, and ensuring productivity for achieving food security requirements.

Another key finding is that direct investment by transnational companies in the land sector is less serious in Nepal than in other developing countries. The primary drivers behind the unruly form of domestic land acquisition in Nepal are the civil war, a weak and problematical implementation of land tenure laws, migration of people from villages to cities, rapid urbanisation and the boom in the real-estate sector as a newly developing

economic opportunity. Though this new sector has created some employment opportunities and provided housing facilities to relatively better-off people, it has created a number of social conflicts between local people and the residents of real-estate housing. Hence communities are divided and social harmony is eroding.

Domestic land acquisition has developed at the expense of highly fertile agricultural lands, thus affecting the study areas' food production capacity and productivity, thereby contributing to food insecurity. In addition, it has affected the lives of people whose livelihoods were based on agriculture. Although it has provided road infrastructure in the newly-developed areas, the domestic land acquisition phenomenon has not helped the poor, since they have no vehicles and often the road networks are not suitable for the large vehicles required for public transportation. The fast growing urbanisation process and the consequences of land acquisitions for construction of buildings and expansion of real-estate areas demands urgent policy responses from the government to address the problems brought by the rapid urbanisation and real-estate development in Nepal in general and the study areas in particular.

### **Acknowledgements**

We extend our thanks to the respondents of the study who had provided valuable information. Similarly, we express our gratitude to Mr. Kabin Maharjan, Ms. Shristi Singh and other colleagues who helped us in data collection. We also express our appreciation to Ms. Sharmila Shivakoti (NCCR Research Officer) for her constant support in the research and writing process. We appreciate the two anonymous reviewers for their valuable comments and suggestions that greatly helped us revise and improve the article.

The authors acknowledge support from the Swiss National Centre of Competence in Research (NCCR) North-South, co-funded by the Swiss National Science Foundation (SNSF) (grant 51NF40-128817), the Swiss Agency for Development and Cooperation (SDC). Furthermore, this research was Supported by the Nepal Centre for Contemporary Research (NCCR) and the Centre for Development and Environment (CDE) of the University of Bern.

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