

Trends and Issues in Poverty Alleviation in Nepal

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INTRODUCTION

The first elected government of Nepal after the restoration of multi-party democracy in 1990 formulated a Five-Year Development Plan, the Eighth Plan 1992-97, in which poverty alleviation and sustainable development were stated as the overriding national goals. Similarly, the present government which came into office after the mid-term election at the end of 1994, has stated that poverty alleviation and uplifting the living standard of the people, including the disadvantaged and backward sections of the population, are its main objectives, for which the envisaged strategies are employment generation through expansion of productive sectors and some redistributive measures including land reform, restructuring of public expenditures, and various relief packages. Infact, even the panchayat government before the political change also pronounced similar policies, for example, the basic needs programme (BNP) during the Seventh Five Year Plan 1985-90.

Even the First Five Year Plan 1956-61 had the goal to raise production, employment, standard of living and general well-being throughout the country, thus opening out to the people opportunities for richer and more satisfying life. Similarly, the Second Three Year Plan 1962-65 had the objectives of (a) improvement in standards of living of the people (b) creation of employment opportunities, (c) provision of social services, and (d) justice in income distribution, etc.

By the time the Sixth Five Year Plan, 1982-85, and Seventh Five Year Plan, 1985-1990, were formulated, 1980-85 and 1985-90, the poverty alleviation and human development objectives had almost fully taken shape inside the thin cover of basic needs programme, which had its enthusiastic followers at that time analogous to the present government's *Build Your Village Yourself* programme. The programme did not, however, get translated into action. In the Eighth Five Year Plan 1992-97, the poverty alleviation objective got explicit formulation in line with the changed development orthodoxy of the major donors, in particular the World Bank and UNDP, whose policy prescriptions seemed to shift from structural adjustment and accelerated growth towards poverty alleviation and human development, as evidenced by two major reports in 1990- the UNDP's Human Development Report and the World Bank's World Development Report focusing on poverty.

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Unfortunately, the reality in Nepal is that the plans, programmes and projects for the last four decades, supported by various multi-lateral and bi-lateral donor, have done very little in benefiting the poor whose number is constantly on the rise. Indeed, the development projects have had very visible dualistic impact on the economy deteriorating the existing inequality in distribution of income and assets, only benefiting the urban elites and the rural elites with urban connection, while the overwhelming majority of people have remained in the periphery of the development circle. Except for the development of physical infrastructure such as roads, bridges, hydro-power, civil aviation, telecommunication and public buildings, and some social infrastructures such as schools, colleges, health posts, epidemic controls and some water supply facilities, the development of the past four decades is not reflected in the improved living standards of masses of rural as well as urban people, but in the consumption of few thousand families and their multi-storied buildings.

The country has turned from agricultural surplus in food grains and net exporter to a deficit country importing increasing amounts of food grains every years, although agriculture is the main occupation of more than 80 percent of the labour force. The per capita income has remained almost stagnant in the range of US \$170 to 180 although the revised NPC estimate is around US \$200, the change in definition and methodology of calculation is yet to be verified for international comparison. This puts Nepal among the grip of ten poorest countries in the world including some devastated African countries. With such meager per capita income, the luxurious consumption styles of the rich urban families, professionals, political leaders big businessmen and contractors, NGO leaders, and high government officials, loudly debunk the essence of the development drama of the past four decades. And, these are all going on in the name of poverty alleviation or sustainable development or rural development or some similar slogans.

There are very few targeted programmes like Small Farmer Development and Production Credit for Rural Woman and they have so far covered a negligible fraction of total poor families in the country probably about 20 thousands poor families out of about 2 million absolute poor families. Many village level projects and programmes run only as experimental or pilot projects whose replaceability at national level is hardly considered. Many projects and programmes seem successful but are not sustained once the donors' support is withdrawn or phased out. The large development projects have very poor targeting. One recent World Bank Review on Nepal remarks that rural public works projects largely benefit the big contractors rather than the poor and only about 20 percent is estimated to remain in project areas. Because of lack

of proper targeting and project design agricultural credit projects intended to benefit small farmers end up making subsidised loans available to relatively larger farmers and provision of irrigation or water supply is usually diverted to larger farmers and wealthier neighborhoods.

The two fundamental reasons behind the lack of appreciable success of past development efforts in uplifting the living standards of the majority of population and in alleviating poverty are : (a) lack of political commitment of the government reflected mainly in it's weak implementation of professed policies and programmes, and (b) lack of proper understanding by donors about the *dynamics* of poverty in Nepal. It is not simply the poverty of aggregate resources or lack of capital or poor infrastructure or even lack of technical expertise which can be removed by capital and technical assistance. The causes are deep-rooted in the very socio-economic, cultural and political structure of the country while the behaviour and attitudes of the people in power are characterized by their greed, corruption, inefficiency, rent-seeking behaviour and mismanagement of resources under their control. The poors which comprise a majority of population have virtually no participation in the process of governance, not only in the central level but also in the local and district level bodies, even after the restoration of democracy.

Very few investigative researches and studies have been conducted to examine the causal factors and forces, socio-cultural, economic and political, which have kept the poverty mass in Nepal shielded from the impact of the developmental process. Among those few studies, the World Bank's 1989-90 study entitled-Nepal Relieving Poverty in a Resource- Scarce Economy, Vols. I and II, later published as Nepal: Poverty and Incomes, is the first comprehensive study which analyzed the socio-economic determinants of poverty, evaluated past poverty alleviation efforts, and suggested it's own strategies.

There have, however, been many important developments after the publication of this document such as; (a) publication of the two important documents by the world Bank and UNDP in 1990 as mentioned above (b) the fundamental change in the country's political structure from partyless panchayat system to multi-party democracy with Constitutional Monarchy in 1990; (c) rule of interim government in 1990/91 with Nepali Congress and Communist alliance coalition followed by elected government of Nepali Congress for three and a half years and the coming to power of a minority Communist government after the mid-term general election at the end of 1994; (d) the publication of a Hand Book and Operational Directive on Poverty Reduction by the World Bank in 1992; (e) a national seminar on Poverty Alleviation and Human Development in 1992; (f) the formulation of the Eighth Five Year Development Plan by the National Planning Commission of Nepal; (g)

the process of globalization and liberalization initiated after 1991 which the present government, too had promised to continue and even extended in its recently published economic policy, although qualified with a few *but's and if's* here and there; and (h) the United Nation's World Summit on Social Development.

REVIEW OF SOME LITERATURE ON POVERTY IN NEPAL

In 1989 the World Bank and UNDP conducted a joint study on Dynamics of Poverty based on the background studies prepared by new ERA and IDS (now renamed as IIDS — Institute of Integrated Development Studies). The report was first published as Nepal Relieving Poverty in a Resource Scarce Economy, Vols. I and II and later in 1991 as Nepal: Poverty and Incomes. This report presented various estimates of poverty incidence based on the results of the Multipurpose Household Budget Survey (MPHBS) conducted by the Nepal Rastra Bank in 1984/85 but published in 1989. According to conservative definition using US \$ 100 as poverty line income (2340 calories for hill/mountain, 2140 calories for the terai, and 2250 calories as average for Nepal), about 40 percent of the population was found as absolute poor, or slightly less than 8 million people out of an estimated population of 19 million. But using the internationally accepted poverty line of US \$ 150 per capita per annum the poverty incidence jumped to 70 percent of population and almost 80 percent in the hills. Similarly, using M. Lipton's definition of absolute poor as those spending 70 percent or more budget on food alone the estimated poverty incidence came out as 66 percent for all Nepal, 68 percent for rural and 51 percent for urban.

The WB/UNDP study emphasized four causal factors for pervasive poverty in Nepal: (i) a limited resource base; (ii) a physical location between two large countries- both poor; (iii) rapid population growth; and (iv) poor economic performance-GDP growth averaging under 3 percent per annum over the 1964-89 period. The report clearly misses some fundamental socio-economic and political factors. Moreover, it also comes up with a pessimistic conclusion that even with the best expected performance in economic growth and population control, there would remain some 5-10 million absolute poor over the next twenty years.

The report suggests the following priority elements of a poverty alleviation strategy in Nepal:

- (i) an effective population control programme;
- (ii) an agricultural program that includes : small farmer irrigation, input supply deregulation, technical package free of purchased inputs for accessible small farms in the hills; and design of an outreach cum extension programme that takes account of the constraint facing poor farmers;
- (iii) a programme of increased rural access in the terai and selected areas of the hills;

- (iv) intensification of basic education, national literacy campaign, improving relevancy and quality of education, emphasis on girls' education and adequate financing for universal coverage of primary education; and
- (v) targeted help to poor through selected off-farm income generation activities and improvements in health, nutrition, and access to food, a package of policy reforms including tenancy reform, improvement in labour contracting arrangements, decentralization and civil service reform, and NGO regulation.

THE SAARC INDEPENDENT COMMISSION ON POVERTY ALLEVIATION

The SAARC Independent Commission in its report, *Meeting the Challenge 1992*, summarizes its main findings as follows :

Problem and Setting

- (i) The size of poverty incidence in the region is, about 440 million in 1991, staggering, which is likely to grow substantially if the present population and growth trends continued.
- (ii) Social deprivations and discriminations against the poor and lack of access to social goods and services, especially in remote areas, further aggravate the problems of poverty.
- (iii) The current wave of structural adjustment and liberalization policies are likely put further strains on the poor, at least in the short run.
- (iv) The problems of pervasive poverty and deprivation are threats to democracy as well as the social fabric of South Asia.

Inadequacies of Past Development Interventions

- (i) The past development intervention over several decades have produced very low growth rates which, too, have failed to *trickle down* or shared by the poor.
- (ii) Excessive dependence on state for every lead has choked private initiatives, focus on capital accumulation has resulted in neglect of the potential capacity of the poor people, and emphasis on industrialization/modernization has created duality in the system, polarization and wide regional and rural/urban disparities. The poor both in rural and urban areas were victims of this process.
- (iii) Some benefits did trickle down in areas where; (a) there was a systematic emphasis on agricultural development and food production, (b) there was consistent investment in social development programmes, and (c) bureaucracy was committed and efficient.
- (iv) Minor adjustments to traditional intervention and ad hoc consultation with the poor are unable to reverse the process which would require a major political approach in which participation of poor plays a critical role.

Recommendation : Learning from the Ground

The SAARC Independent Commission's thrust for poverty alleviation is the call for social mobilization defined as the process of enabling the poor, marginalized and disenfranchised segments of society to build and manage their own organization, to participate in decision making and use their creativity. Social mobilization works through capacity building, self awareness, self development and self-realization. The key elements of pro-poor strategy are :

- (i) Capital formation through savings' mobilization and converting surplus labour into productive capital.
- (ii) Human Resource development-building vocational, technical, managerial and entrepreneurial skills among poor through interventions in literacy, basic education, training, primary health, food security and investments in other human development and access to basic social services.
- (iii) Promoting and fostering organizations of poor and ensuring their direct participation in making decision which affect their lives through grassroots level, bottom-up approach and decentralized decision-making, which is truly devolution of power and participatory democracy not just delegation of some power and representative democracy.

POVERTY ALLEVIATION IN THE EIGHTH FIVE YEAR PLAN 1992-97

Poverty alleviation is one of the three major objectives of the Eighth Five Year Plan. The plan document estimated the size of absolute poverty incidence in 1992 about 9.2 million or 49 percent of estimated population. Realizing poverty alleviation as a multi-dimensional process following various sectoral programmes and policies were suggested :

- (i) identification of backward areas and poor families and monitoring of impact on poverty incidence;
- (ii) self-targeted and targeted programmes for the poor (e.g. labour-intensive food-for-work and rural public works);
- (iii) increased access of poor to productive resources;
- (iv) awarding direct contracts to poor communities for technically simple works;
- (v) effective legal protection from exploitation to deprived sections;
- (vi) government sponsored employment in foreign countries;
- (vii) employment creation in non-agricultural sector;
- (viii) mitigating negative impact on environment;
- (ix) necessary institutional support to poverty alleviation programs;
- (x) pro-poor interventions in health, education; and
- (xi) resettlement of landless poor in leasehold forests.

The Eighth Five Year Plan document estimates population to reach 20.8 million by the end of the Plan period, based on 1991 census results; and the number of poor to decline from 9.2 million to 8.7 million assuming 100 percent success of the above policies and programmes as well as expansion of productive sectors of the economy due to liberalization so as to create about 1.45 million additional jobs in the plan period. This means a decline in the poverty incidence from 49 percent to 42 percent of population.

THE PROFILE OF POVERTY IN NEPAL

The Poverty Incidence

The National Planning Commission conducted a national survey of Employment, Income and Consumption Patterns in 1976/77 which estimated poverty incidence of 32.9 percent in 1976/77 based on minimum per capita daily calorie requirement of 2256 calories. Similarly, the Basic Needs Programme in 1984/85 derived poverty lines assuming minimum daily per capita requirements of 2140 calories for terai, 2340 calories for hill/mountain and 2250 calories for all Nepal; 65 percent of budget devoted to food; and all calories requirements met from cereals, pulses and potato only. The estimated poverty line at 1984/85 prices was 73 percent of per capita income, indicating a situation of pervasive poverty. But the 1984/85 MPHBS of Nepal Rastra Bank estimated about 43.1 percent as rural poverty incidence following the above definition and 1.2 percent as urban poverty incidence giving a national average of 41.4 percent. However, all micro-level studies conducted at that time indicated much higher rural poverty incidence, between 50 to 60 percent. This may be because MPHBS failed to adequately cover households at the extreme of the income distribution richest and poorest. As a result, the inequality in income distribution was also under-reported. It may also be because of the unsuitability of calories based definition as remarked by the 1991 WB/UNDP study which estimated 70 percent absolute poor using US \$ 150 as the poverty line and 66 percent using M.Lipton's definition based on share of food in total budget.

As mentioned above the Eighth Five Year Plan's estimate of poverty incidence in 1992 was 49 percent of population. Thus, ignoring for the moment the comparability and reliability of the various estimates, one thing seems clear, that the incidence of poverty in Nepal is temporally rising rather than falling despite donor-assisted development interventions related to poverty alleviation.

Based on micro and macro level studies and reports, the best guess estimate of present poverty incidence is 55 percent of total population or about 11 million absolute poor in a total population of 20 million. The marginal difference between poverty line income distribution, Gini-coefficient above 0.6, indicates that poverty is pervasive in Nepal and

the exact percentage estimate is not very important. What is more important is to realize that this poverty incidence and poverty mass is temporally rising, especially due to sluggish growth with dualistic nature, high population growth, 2.1 percent per year, and rising unemployment and underemployment, being unemployment rate about 8 percent but underemployment above 50 percent of available person days per year.

Characteristics of the Poor in Nepal

It is estimated that 95 percent of poor live in rural areas where 90 percent of total population lives. Out of these rural poor, four-fifths are either agriculture self-employed or agriculture labourers with or without tenancy. The average operational land holding of a poor farmer in terai is about 0.14 hectare per capita, about one third of average for non-poor, and in the hills about 0.05 hectare per capita, about one half of average for non-poor. Moreover, the quality and productivity of land of poor is usually much lower than that of non-poor. According to recently concluded survey of rural credit, there are about 78 percent small and marginal farmer households out of total farm households, and these small/marginal farmers own only 47 percent of land and have average per capita annual income of less than US \$100.

The only important asset which the poor possess is unskilled labour, forced to sell at extremely low wages. Opportunities for non-farm employment are few and the demand for agricultural labour is highly seasonal. The rate of rural under-employment is reported to be over 40 percent. In addition to chronic poverty, the rural poor are also grinded under the burden of inherited and increasing indebtedness at higher rate of interest than the institutional rate, from 36 to over 100 percent. The recent rural credit survey shows 39 percent of rural families under debt, 86 percent of whom borrowed from non-institutional sources, only 20 percent from institutional and 6 percent from both. A majority of poor is actually *hard-core* of *ultra poor*, who spends most, about three-fourth, of their budget in food alone, a small portion on clothes and fuel, and almost nil on health and education. Without strong public support, therefore, there can be no human progress for the majority of people in Nepal.

Women often constitute a relatively more deprived group because of intra-household as well social and legal discrimination between the sexes. Most rural female of age 16 years and above are either lactating or pregnant and give birth about six children during their reproductive age. Gender disparity starts right from birth, continues through different stages of the girl's life, and is deepened and perpetuated through various rituals. Sons are considered assets while daughters are considered liabilities, although females on average have 25 to 40 percent more work load than males. The education, health and nutrition of woman and girl, are much lower than those for men and boys, particularly in rural areas.

Both girl child and woman suffer relatively more severely from the consequences of poverty. The cultural emphasis on the sacrifices of woman, and disparity in access to economic resources and social services are the major causes for the larger deprivation of females. The plight of poor women is a serious issue because the health and education of mothers influence the well-being and future of their children and other family members. The gender disparity suggests the need for programmes especially targeted toward woman and girl child until they are brought into the main stream of the social and economic activities and enjoy equal access to economic resources and social services.

Most-poor are given birth by a malnourished and illiterate mother, suffer from birth complications, birth injuries, neo-natal tetanus, low birth weight and infant mortality risks, 99 per thousand live birth is national average, and obviously much higher for poor. Poor children suffer from acute respiratory infection, diarrheal disease, typhoid tetanus, etc. and malnutrition especially in vitamin A, iron, protein, and iodine. The national average of child malnourishment is 50 percent and child mortality is 145 per 1000, which are much higher for poor children. The poor child receives no toilet or personal sanitation training or pre-school education and suffers from inadequate parental care as the parents are busy in seeking out the means of survival. Many children also suffer from severe attacks of measles and sometimes tuberculosis, polio, malaria, meningitis, etc. The Surviving poor children, especially girls, have to assist their parents in farming, livestock rearing, water, fuelwood and fodder collection, and household chores. Even if some children get the opportunity to attend school, most of them will be very irregular and eventual drop-outs because of frequent illness, forced child labour, distance of schools to walk, and not the least, because of early marriage, especially of girls, as the average primary school completion rate is only 35 percent, much lower for rural areas and poor children.

The survivors are married early, and start another cycle of poverty, only at a deeper scale because of degraded environmental resources, inheritance of less assets but more debts, and increasing scarcity of opportunities for employment. For most poor, an age cover forty five is on old age, approaching retirement, not from work, but from life and its sufferings. The plans, programmes and projects made in Kathmandu with the help of donors, usually flow like ripples on the surface and leave these hard-core poor, who lie like bed-rocks on the bottom, completely untouched.

The Social Indicators

The social indicators for Nepal, in addition to the low per capita income and high poverty incidence, show deplorably low level of human progress. For example, the World Development Report 1994 gives the

following data :

Indicators	Nepal	South Asia Average
Per capita GNP (1992) US\$	170	310
Average annual growth in per capita (1980-92) in percent per year	2.0	3.0
Life expectancy at birth (1992)	54 years	60 years
Adult literacy (1990) percent	26	45
Female adult literacy (1990) percent	13	31
Population per physician (1990)	16830	2930
Infant Mortality per 1000	99	85
Under five female mortality rate per 1000	145	111
Under five male mortality rate per 1000	139	122
Maternal mortality per 100,000 live birth (from HDR-1993, average for South Asia not available hence data for India used, 1988)	850	550
Net primary enrollment (1991) compared to low income countries (except India and China)	48	74

Thus, in each and every social indicator Nepal is much worse than the average for South Asia. This is true even using the latest data published by the government for example, adult literacy rate is reported as 39 percent but includes population of 6 years or more, not age above 14 years.

The social indicators are not only miserably low but the improvements in them are also very slow. For example, the infant mortality rate could be reduced only from 157 per thousand to 99 even after 22 years of vigorous health interventions after 1970. Similarly, the maternal mortality rate is still alarmingly high notwithstanding numerous governmental and non-governmental interventions supported by many donors and INGOs towards mother and child welfare. Such improvements are clearly unacceptable in view of the rapid strides made by other developing countries including neighbours like China which reduced infant mortality rate from 69 to 31, and Sri Lanka which reduced it from 53 to 18. Another aspect of the slow progress is the wide male/female and urban/rural gaps which have not appreciably narrowed. For examples, the net primary enrollment for girls is still 35 percent against 61 percent for boys which, in average, is 48 percent.

Poverty, Food Security and Malnutrition in Nepal

It is estimated that 36 percent population in Nepal consumes less than minimum calorie requirement, while more than 50 percent children under six are stunted. Food security is complicated by high levels of disease and infections so that intake of adequate calorie is necessary but not sufficient to prevent malnutrition. In Nepal, gastro-intestinal

infections and parasites estimated to cause loss of over 20 percent of caloric intake, and the prevalence of such infections are found up to 90 percent in many local studies. Moreover, income generation is a necessary measure but not sufficient to affect nutritional status for many poor, because sanitation, dietary changes, education, adequate local food supply and availability of water supply, health programme and disease control are also simultaneously required as complementary interventions.

The important sources of malnutrition in Nepal are: (a) low production/income aggravated by wide seasonal and regional disparities; (b) diseases and parasitic infections, especially among children plus seasonal epidemics of malaria, diarrhea, dysentery and typhoid; (c) dietary pattern which emphasizes cereals and course low protein and vitamin intake; (d) lack of nutritional knowledge, superstitions, culture, inappropriate cooking process and other handling, processing and storing problems; (e) gender discrimination against girls and women, frequent and premature child bearing, and other maternal problem; and (f) population pressure, high fertility, premature marriage and environmental degradation.

In Nepal food security and local food availability are intimately tied, because; (i) agriculture accounts for 90 percent of rural income and 90 percent of people are rural. Thus for an overwhelming majority of population agricultural incomes and personal income are the same things. Even for the large part of the rest who are self-sufficient in agricultural production, agricultural wage labour provides the bulk of their income; (ii) in the hills (except for few accessible areas), transportation costs are so high that food from outside becomes unaffordable at the expected income levels. Therefore, it is said that in Nepal migration of people away from food deficit areas is relatively easier than the movement of food towards these areas.

At present, total food production meets less than 90 percent of requirements and is further lagging behind population growth. In addition exports to India from surplus area during production season, tremendous regional imbalances in per capita food production, and poor transport and storage system imply that many districts have large chronic food deficits. Thus, aggregate production figure may be misleading in such a disconnected country as Nepal where it takes several days to reach from one part of the country to another by normal means of movement.

The DFAMS data for 1990/91 reported that there were 34 food sufficient districts (2 in mountain, 12 hills and 20 terai), while there were 41 food deficit districts (14 mountain and 27 hills). The situation seems to have much deteriorated in the last four years, because of drought, floods and hail-stones. Moreover, in terai many districts have turned food deficit areas because of growth and immigration of people. Even in a food sufficient district, not all families have equal access to food

supply. The percentage of households with less food is estimated at 47 percent for rural hills, 40 percent for urban hills, 31 percent for mountains, 23 for rural terai.

Food availability is highly seasonal for poor families. Thus, annual production figure is also misleading. In comparison to non poor families, home production covers lower proportion of the total caloric requirement of the poor who are forced to buy larger share of requirement usually at the time when prices are highest. The average poor family in the terai produces only about 62 percent of its food requirement and fulfills the rest as wages in kind or market purchase. Thus, the large seasonal variation in supply and prices (March to July being hungry season) severely affects the poor families. They sell whatever meager surplus they have during harvest, among other for debt repayment, and have to buy later at higher prices. Thus, food security and nutrition are two important aspects of poverty alleviation and human development in Nepal.

THE DYNAMICS OF POVERTY IN NEPAL

The focus of previous planned development efforts in Nepal has been on creating infrastructure for development, although some work has also been done toward creating institutions for delivering social services, such as hospitals and health post, schools, water supply, etc. Explicit concern about poverty and living standard of the people was shown with the Basic Minimum Needs Programme in mid 1980 which, however, did not go very far. Although, several poverty alleviation projects have been going on for almost two decades, they have not yet assumed the status of a national poverty alleviation programme. Projects which have some promising features, such as food-for-work in rural public works, production credit for rural women, and now banking for poor, have very small coverage in relation to the huge poverty mass about, 11 million absolute poor of which about half are *ultra* poor. Moreover, the replicability of such programmes on larger scale is yet to be experimented. The existing larger projects have generally failed to reach and benefit the poor due to weaknesses in design and implementing. Thus, notwithstanding the donor-assisted development efforts for over four decades and explicit poverty alleviation projects for about two decades, including subsidy and transfer programmes, IRDP's food and feeding programmes, poverty in Nepal seems to have expanded as well as deepened, because of the following factors:

Political and Socio-cultural Factors

- (i) Lack of good governance.
- (ii) Lack of participation by masses of people in the development process.
- (iii) Weak, inefficient and corrupt administration and rent-seeking attitude.
- (iv) Gender discrimination.
- (v) Caste discrimination.

- (iv) Cultural -traditional factors.
- (vii) Poor access to social services, low human development and inappropriate public expenditure pattern.

Economic and Demography Factors

- (i) Sluggish growth rate in face of rapid population growth which is around 3 percent per annum against average population growth of 2.5 percent.
- (ii) High inequality in assets and income distribution aggravated by lopsided, dualistic development process.
- (iii) Massive unemployment and under-employment.
- (iv) Inefficiency in management of available resources.
- (v) High inflation and rising cost of living relative to rise in income of fixed income groups.
- (vi) Deteriorating terms of trade of primary and traditional sectors.
- (vii) High indebtedness, heavy dependence on informal credit and lack of access to institutional credit for majority of population.
- (viii) Mismanagement of foreign assistance.

Geophysical Factors

- (i) Lack of aggregate resources. (ii) Landlockedness between two poor developing countries and long open border with India.
- (iii) Extremely difficult topography and poor infrastructure.

CONCLUSION

The following socio-political factors can be attributed for chronic and pervasive poverty in Nepal.

The Issue of Governance

Good governance involves accountability, transparency, predictability, rule of law and effective implementation of policies. Governance in Nepal, during the partyless panchayat and even after restoration of multi-party democracy has been lacking in effective implementation of policies. No one in higher position is held accountable for non-performance or mismanagement. Every day there are reports of misuse of public resources by people in high position. Sometimes commissions are also formed for investigation when the issue becomes highly publicised or when the person involved is thrown out of power but rarely any action is taken except for penalizing subordinate officials as scape goats. Only low level officials are usually penalized for any misdeed. Corruption is an inverted tree with roots higher up. The roots of corruption have been left untouched by all governments so far. Transparency is lacking in procurement, recruitment, awarding contracts, appointments, hiring, firing or even selling public properties, e.g. public enterprises. This situation has not change a bit even after restoration of

democracy as exemplified by numerous scandals and irregularities which are publicized every month. The Auditor General's office reports every year of billions unverified and irregular expenditure in all ministries but no action is ever taken. In fact there is a pervasive network of rent-seeking officials and political leaders who oblige each other with big financial gains at the cost of the people and the public budget.

Good governance requires strong political commitment, dedicated and competent leadership. But the unfortunate thing about multi-party democracy in Nepal is that both of these elements are conspicuous by their absence. In the panchayat regime the loyalty of officials and political leaders was directed not towards the people but towards centers of power inside and outside the palace. Similar is the situation in multi-party democracy. All major political parties are completely undemocratic in character, run by political high commands. The top leadership is never challenged or questioned and their character weakness, greed, family interest, nepotism and selfish decisions are overlooked or accepted by the party followers who behave like sycophants or servile followers of religious leaders.

The governments attitude is to rule the people not to serve them. The poor are never in the priority of policy makers, except in speeches and policy announcements, because they have little political clout despite their large numbers. Even their voting power is manipulated by others during election. Once in power or in any important position, the attitude is to stick to it by any means, for as long as possible, even at the cost of the broad national or social interests. Indeed, the interests of political parties has overwhelmed national interests, and the selfish interests of leaders and their coteries have taken precedence over broader interests, the tail is wagging the dog instead of the dog wagging the tail. Democracy seems to be too politicized in Nepal. The media is also very weak and extremely biased because of affiliation to one or the other political party or group within a party. The private media is financially much dependent on the support from various pressure groups or political parties, and public media is a humble servant of the ruling party and the government. As a result, mass media had done little to strengthen democracy.

The result of all these political anomalies is that accountability, transparency, and rule of law are severely compromised. Public resources are grossly misused. Rent seeking behaviour is thriving and very few people are interested in genuine profit-making entrepreneurship. Industrial growth and overall economic growth is also constrained because of this and resources flow in rent-seeking trading, financial activities or real-estate. Rampant corruption continues unabated. Most projects end up benefiting urban and rural elites, concerned officials, consultants, and contractors. This process largely explains the failure of past intervention in alleviating poverty or bringing about overall development.

Urban Bias in Foreign Aid

Multilateral, bi-lateral and INGO assistance is concentrated at the center and in technical assistance or infrastructure building and capital assistance. Almost all foreign aid is channeled by the central government and Kathmandu based NGOs. IN a country where 70 percent of public budget for developmental projects is foreign-aid dependent, such a central control over foreign aid makes other arrangements towards decentralization practically meaningless. Moreover, the lion's share of foreign assistance, especially the biggest multilateral and bilateral, is absorbed by infrastructure which has strong urban and center bias. Less than 10 percent of total aid flow to Nepal is devoted to human priority of social expenditures.

Low Human Development Investment

Nepal, like many other developing countries, has resources to finance human resource development, if there were courage to cut down unnecessary expenditures and commitment to eliminate inefficiency and corruption. The 1991 HDR suggest a measure called Human Expenditure Ratio, the percentage of national income allocated through public budget to high priority social expenditures, to test the national commitment to human development. Unfortunately, the budgets, so far, have allocated only about 2.5 percent of national income(GNP) to these areas, which is about half the recommended minimum in 1991 HDR. It is inadequate, not only because the HDR says so, but also because the deplorable low level of development in Nepal cannot be improved without adequate investment in these areas. Of course, only increased investment will not do without proper utilization and institutional development of rural service delivery. Four-fifth of adult women are illiterate. Almost half of adult men are illiterate. Child mortality is one in every seven under five years, and infant mortality is one in ten. Average life expectancy is about 55 years. An overwhelming majority of population has no excess to safe drinking water or means of sanitation. About half of children suffer from malnutrition of moderate to severe degree, a maternal mortality rate (830 per 100,000 live births) is double of even South Asian average, and one of the highest in the world. Can there be any excuse for not substantially increasing human investment in Nepal ? Even the donors need to restructure their aid towards human investment so as to raise it from below 10 percent to at least 20 percent of total aid flow, in areas of (a) basic and primary education, adult education, female education, technical and vocational education, free primary text-books and special education, (handicapped), etc.; (b) primary and preventive health care, including expenditures on small rural hospitals, health posts/centres, FP/MCH, environmental health, education, nutrition and control of malaria, TB, leprosy, goitre, blindness, diarrhea, ARI, epidemic control and AIDS, etc.; and (c) drinking water.

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