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Trends and Scenario of Poverty in Nepal

Prabin Khanal¹

Abstract

This paper descriptively analyzes the poverty scenario in Nepal and particularly focuses on poverty and the macroeconomic condition, trends and dimensions of poverty, periodic development plans and their effect on poverty and finally the situation of the Millennium Development Goals in Nepal. The practice for the implementation of the organized fiscal budget has already been more than six decades, however, Nepal still suffers from poverty coupled with low economic growth, unemployment, inequality and political instability. Achieving the target of poverty reduction seems to be a very daunting task albeit many development plans keep poverty reduction as a top priority.

Key Words: Poverty, Nepal, Macroeconomic situation, Trends

JEL Classification: I32

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1. Introduction

The poverty scenario in Nepal has been quite depressing since 1950 when Nepal was liberated from the oligarchy system of the Rana regime. Since then many studies have been carried out on poverty in Nepal, and every study shows a gloomy picture of the Nepalese socio-economic condition. The main purpose of this paper is to study the poverty situation of Nepal in connection with the macroeconomic condition of the country, periodic development plans and recent Millennium Development Goals (MDGs). This paper is organized as follows: section two deals with the macroeconomic situation of the country since the 1950s and section three discusses trends of poverty in Nepal. Section three describes the dimension of poverty which mainly highlights the connection of poverty with health and education. Section four deals with the development plans and program for the reduction of poverty. Section five describes the situation of MDGs in Nepal; and finally section six concludes the paper.

2. Trends of Poverty in Nepal

The analysis of the socio-economic condition and welfare level at the household level is mainly studied by three national institutions in Nepal, namely, the Central Bureau of Statistics (CBS), National Planning Commission (NPC) and the central bank of Nepal-Nepal Rastra Bank (NRB); and it goes back to 1973 for the first time when the Household Budget Survey was conducted by NRB. NRB has been carrying out the survey in the name of the Household Budget Survey (HBS) in an interval of nearly one decade; NPC has carried out a similar household survey once in the name of Employment, Income Distribution and Consumption Pattern in Nepal in 1976/77; whereas CBS has conducted a comprehensive survey in the name of the Living

Standards Survey since 1995/96 for three times and followed by the survey of 2003/04 and 2010/11.

In an interval of nearly one decade, NRB has been conducting a survey to collect the data on household income and expenditure (NRB, 2008). To date, four rounds of household budget surveys have been conducted. The first was done in 1973-75 followed by the surveys of 1984-85, 1995-96 and 2005-06. Apart from collecting household income and expenditure, this series of surveys collects data on many issues related to socio-economic conditions of the country, for example, education, household characteristics, housing conditions, employment scenario, and rural and urban market information (NRB, 2008). The main objective of this survey was to prepare a consumer price index which could incorporate all price conditions in the country from market centers, to trace detailed income and expenditure patterns at the household level, to find the cost of living within the household (NRB, 2008).² Table 1 shows the number of households collected, coverage, market centers in all HBS. The primary purpose of all budget surveys was to estimate the Consumer Price Index along with other socio economic variables. However, the situation of the poverty analysis has been comprehensively done by the series of Living Standards Surveys conducted by CBS.

The result of the latest HBS 2005/06 points out that the average per capita monthly income in rural households is NRs 4264, whereas in urban areas it is NRs 5817. It shows the

² Market centers comprise urban market centers and rural market centers. 128 market centers were chosen for the survey, out of which 58 are urban market centers and 70 are rural market centers. The rural market centers are defined as Village Development Committees (VDCs) possessing urban characteristics and urban market centers defined for the survey are the municipalities listed in Population Census of Nepal, 2011 (NRB, 2008). The definition of important words used in the survey 2005/06 was taken from the International labor Organization (The Twelfth International Conference of Labor Statisticians) and there were some modifications on a contextual basis. The data was collected throughout that year in order to capture seasonal variations in consumption patterns of households.

difference of rural and urban per capita income of NRs 1553 - the household per capita income in urban areas is almost 1.36 times more than rural households (NRB, 2008).

Table 1: Household Budget Survey I, II, III, IV

Category	HBS I	HBS II	HBS III	HBS IV
Survey period	1973/75	1984/85	1995/96	2005/06
Coverage	Rural and Urban	Rural and Urban	Urban	Rural and Urban
Number of market centers	18	35	21	48
Sample households	6625	5323	2500	5095
Population	11555983	15022839	18491097	23151423
Number of households in Country	2084062	2584948	3328721	4253220

Source: NRB, 2008

Table 2 shows that the quintile distribution of income from the poorest group to the richest. It shows that the monthly per capita income of the richest group is NRs 10,805, whereas NRs 1690 is for the poorest group signifying that the living standard of people in the richest group is 6.5 times higher than in the bottom. For the richest group, the contribution of income from business/service enterprises comprises the most, whereas for the poorest section income from the source salary, allowance, wage and pension is the highest. Agriculture turns out to

Table 2: Average Per Capita Monthly Income Per Capita Month by Quintiles

Sources of Income	Poorest	Second	Third	Fourth	Richest
Agriculture, livestock and Fishery	248	316	329	368	589
Salary, allowance, wage and pension	662	872	1178	1626	2752
Business/service enterprise and other related	337	688	1165	1858	3337
Remittance	212	445	753	849	1801
Imputed rent	105	206	350	578	1304
Others	125	256	314	491	1023
Total	1690	2784	4088	5770	10805

Source: NRB, 2008

contribute the least to the income source for the richest group, however, it is 2.37 times more than in the poorest section. Agriculture turns out to be the third contributor among six sources of income for the poor. But mostly, poor people in Nepal are engaged in agriculture, however, the contribution of agriculture to income is not very significant. This suggests that productivity of agriculture is low.

The nationwide household survey on income, consumption and employment in the name of Employment, Income Distribution, and Consumption Patterns in Nepal was conducted by NPC in Nepal in 1976/77 right after the first ever household survey conducted by the Central Bank of Nepal.³ Nepal does not have a long history and tradition of doing surveys at the household level to find the socio-economic condition at the household level (Kansal, 1981). NPC conducted this household survey to find the areas having unemployment, underemployment, subsequently areas having households with low levels of income and consumption (Kansal, 1981). This survey collected the data from a sample of 4969 households consisting of 4037 from rural areas and 932 from urban areas.⁴ The average annual household income was NRs 5569 and NRs 12,711 for rural and urban areas respectively. It shows the disparity in the income level between households for rural and urban areas. The inequality was relatively higher in rural areas than in urban areas. The value of the adjusted Gini ratio was 0.53 for rural areas and it was 0.49 for urban areas, where as the value for unadjusted Gini ratio was 0.58 and 0.52 for rural and urban areas respectively (NPC, 1978 and Kansal, 1981).

³ The reference period of the survey period was from April 1976 to April 1977 for rural areas whereas it was from July 1976 to July 1977 for urban areas. In rural areas, the reference period captured one full agricultural year and for the urban year the survey period captured one fiscal year.

⁴ The sampling frame consisted of 19% households from urban areas and 82% households from rural areas. The household selection was done on the basis of the three-stage stratified random sampling process. The first stage was for district, the second was for town or village and the third stage was for household where final data collection was conducted.

In order to capture consumption expenditures and the socio economic scenario at the household level, the first comprehensive household survey was conducted by the Central Bureau of Statistics (CBS) in 1995/96. Before this time there was not a single survey done on to collect multiple indicators associated with socio economic conditions at the household level in Nepal. The primary objective of this survey was to find the percentage of people living in absolute poverty.

In order to get the information related to household welfare, CBS has carried out the Nepal Living Standards Survey (NLSS) since 1995/96. Up to now, three surveys have been conducted and the first survey (NLSS- I) 1995/96 is followed by the NLSS-II 2003/04 and the latest one NLSS-III 2010/11.⁵ It was the first initiation through NLSS-I to obtain a detailed picture of poverty and other welfare levels at the household level. The primary objective of all surveys is to find the situation of living standards of the people living in different areas of Nepal (CBS, 2011). The statistical unit for the collection of data was the household. This survey is carried out in the whole country and includes all rural and urban areas. All those surveys adopted the Living Standards Measurement Survey (LSMS), which is a technique developed and approved by the World Bank.

The estimation of poverty in all rounds of surveys, NLSS I, NLSS I, NLSS III is based on the Cost of Basic Needs (CBN) approach. Using the CBN approach, the Central Bureau of Statistics has formulated the poverty line for all three periods of time and defined the poverty

⁵ The total number of households enumerated in NLSS I, NLSS II, NLSS III are 3373, 3912 and 5988 respectively. In order to capture a seasonal variation all surveys enumerated data taking the period of one year. All of the data entry was done in the survey field. All of the surveys collected data and information on various aspects of welfare and included consumption, income, access to facilities, housing, education, health, migration, employment, credit, remittances, employment and anthropometrics. These surveys used two types of questionnaires, namely, household questionnaires and community questionnaires. The community questionnaires were divided into urban community and rural community questionnaires.

line as the expenditure required by an individual to fulfill the basic needs expressed by food and non-food items as well (CBS, 2011)

The poverty measured in different indexes has been presented in Table 3 for the years 1995/96, 2003/04 and 2010/11. Poverty incidence has been decreased over a period of fifteen years from as high as 42% to 25%. However, the poverty incidence in rural areas is higher than in urban areas. All indexes of poverty are higher for rural areas than for urban areas.

Table 3: Poverty scenario in Nepal⁶

Area	Head Count Index			Poverty Gap Index			Squared Poverty Gap Index		
	1995/96	2003/04	2010/11	1995/96	2003/04	2010/11	1995/96	2003/04	2010/11
Nepal	41.76	30.85	25.16	11.75	7.55	5.43	4.76	2.70	1.81
Urban	21.55	9.55	15.46	6.54	2.18	3.19	2.65	0.71	1.01
Rural	43.27	34.62	27.43	12.14	8.50	5.96	4.83	3.05	2.00

Source: CBS, 2011

The poverty is estimated on the basis of consumption expenditure made for food and non food items and Table 4 shows the per capita consumption expenditure in nominal terms for all three years. The per capita consumption expenditure of Nepal in 2010/11 has increased

Table 4: Consumption expenditure by decile group, 1995/96- 2010/11

Nominal per capita consumption (NRs.)	Nepal Living Standards Survey		
	1995/96	2003/04	2010/11
First (Poorest)	2152	4183	11093
Second	2987	5647	15241
Third	3608	6786	17893
Fourth	4178	7960	20744
Fifth	4777	9230	24238
Sixth	5506	10913	28270
Seventh	6483	13179	33196
Eighth	7812	16144	40730
Ninth	10220	22479	54203
Tenth(Richest)	20263	62037	102772
Nepal	6802	15848	34829

Source: CBS, 2011. Nepal Living Standards Survey, Kathmandu

⁶ The poverty line estimated for NLSS 2003/04 was taken from the same basket of basic needs that was designed in the first survey in 1995/96. However, a new basket of basic needs was estimated in 2010/11 in order to capture the changes in living conditions of the people in the country. Each poverty index is measured in percentage.

by 5.12 times more than in 1995/96. The share of the poorest 20% of the population has nominal per capita consumption as low as 7.6% in comparison to 44.9% of the richest 20% of the population in 1995/96. This shows the inequality in consumption among different consumption groups. This has not slightly changed even after 15 years of time in 2011. The share of the poorest 20% of the population in consumption is exactly the same as in 1996, whereas the share of the richest 20% of the population in consumption is slightly higher than in 1996 and it is 45.1%. It signifies there has been no significant improvement in reducing the gap between poor and rich people.

2. Macroeconomic situation of Nepal since the 1950s

With a history of around 6 decades for the implementation of fiscal budget⁷ and periodic plan, the development of the Nepalese economy until now seems to be very fragile suffering from different problems, namely, low economic growth, unemployment, poverty, inequality, political instability coupled with corruption and unaccountability. These have been regular episodes in the development process of the Nepalese economy and as a result of which Nepal became one of the poorest countries in the world. The macroeconomic scenario of the country remains almost insignificant in the last sixty years. Table 5 below shows the performance of the Nepalese economy from 1980 to 2012. It compares the growth rate of an economy with the giant neighboring nations, India and China. The growth rate of the Nepalese economy is always less than the growth rate of both China and India. In 1980 the growth rate of Nepal was 2.3% in comparison to 3.6% and 7.9% of India and China respectively.⁸ The economic growth rate of China is higher than Nepal every year, however, during the last 30 years Nepal has beaten India

⁷ The first government budget was announced on 4th February, 1952 and the first Five-Year Plan was implemented in 1956.

⁸ During the last forty five years from 1965 to 2010, the average growth rate of the Nepalese economy was merely 3.6%.

in economic growth rate once in 1985, when the country growth rate was 6.1%. A simple conclusion can easily be drawn from the table. Although Nepal lies between both rising nations it is unable to benefit from the economic momentum of both countries.

Table 5: Gross Domestic Product (Annual Percent Changes)

Year	Nepal	India	China	World
1980	-2.3	3.6	7.9	1.8
1985	6.1	4.9	13.5	3.9
1990	4.6	5.6	3.8	3.2
1995	3.5	7.4	10.9	3.3
2000	6.1	5.2	8.4	4.7
2001	5.6	3.9	8.3	2.4
2002	0.1	4.6	9.1	2.9
2003	3.9	6.9	10.0	3.7
2004	4.7	7.6	10.1	4.9
2005	3.5	9.0	11.3	4.5
2006	3.4	9.5	12.7	5.2
2007	3.4	10.0	14.2	5.4
2008	6.1	6.2	9.6	2.8
2009	4.4	6.6	9.2	-0.6
2010	4.6	10.6	10.4	5.3
2011	3.5	7.2	9.2	3.9

Source: IMF, World Economic Outlook, 2012

In connection to the slow economic growth of Nepal, the annual population growth rate of Nepal from 1970 to the end of the 20th century is more than 2%. Because of the country's slow economic growth, Nepal was unable to properly deliver all kinds of services to its citizens as it should have been and was unable to pull the majority of Nepalese people out from poverty. The population growth rate is depicted in Table 6. It shows that the first half of the 20th century realized negative growth in population as it was common given the technology and medical facilities the country had during that period of time. With modern equipment and medical facilities, the infant mortality rate dropped and the population growth rate became higher.

Table 6 : Population growth rate since 1911

Census year	Total Population	Population Change	Annual Growth Rate
1911	5638749		
1920	5573788	-64961	-0.13
1930	5532574	-41214	-1.07
1941	6283649	751075	1.16
1952-54	8256625	1972976	2.27
1961	9412996	1156371	1.64
1971	11555983	2142987	2.05
1981	15022839	3466856	2.62
1991	18491097	3468258	2.08
2001	23151423	4660326	2.25
2011	26620809	3469386	1.4

Source: CBS (2002), Population Census of Nepal, National Report, Kathmandu
CBS (2011), Preliminary Result of National Population Census 2011, Kathmandu

Table 7 : Various Macroeconomic Indicators⁹

Fiscal Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Real GDP	4.7	3.5	3.4	3.4	6.1	4.5	4.8	3.9
Agriculture	4.7	3.5	1.9	1	5.8	3	2	4.5
Industry	1.5	2.9	4.4	4	1.6	-0.6	4.1	2.9
Service	6.8	3.3	5.6	4.5	7.3	6	5.8	3.6
Per Capita GDP	293	328	350	410	491	497	610	712
Consumer Price Index	4	4.5	8	5.9	6.7	12.6	9.6	9.6
Total Government Expenditure /GDP	16.7	17.4	17	18.4	19.8	22.2	21.8	21.6
Recurrent Expenditure/GDP	10.3	10.5	10.2	10.6	11.2	12.9	12.7	12.4
Capital Expenditure/GDP	4.3	4.6	4.5	5.5	6.6	7.4	7.6	7.9
Export/GDP	10	10	9.2	8.2	7.3	6.9	5.1	4.7
Import/GDP	25.4	25.4	26.6	26.8	27.2	28.8	31.4	28.9

Source: Economic Survey of Nepal, 2011/12

⁹ Note: The unit of Real GDP, Agriculture, Industry, Service and Consumer Price Index is annual percentage change, whereas Per Capita GDP is measured in US Dollar and the unit of remaining variables is percentage.

Table 7 shows the changes of various macroeconomic indicators in the first decade of 2000. The average economic growth rate is 4.2% during the period from 2002 to 2011. The average economic growth rate is 4.2% as depicted by the annual percentage change in real GDP. The average growth rate of the industrial sector is merely 2.65% and the agricultural sector is 3.3%. The sluggish growth rate of the industrial sector does not boost up the economic condition of the nation. The per capita GDP is US \$261 in 2002, whereas in 2010 it is US \$712. This figure is much lower than the per capita GDP of other South-Asian countries. The average increment in the CPI is 7.3% which is supposed to be much higher in comparison to the 4.2% GDP growth rate. This scenario does not help the government launch extensive socio economic development programs for the benefit of poor people.

3. Dimensions of Poverty

Poverty is a multidimensional concept and there are many approaches to define poverty. However, the fundamental question, "Why is a person poor?" is always a question that is incompletely answered. There are several reasons that might put a person into a state of poverty and destitution. The reasons are especially attached with the dimensions of poverty particularly education, health, infrastructure and employment. Deteriorating levels of all those factors push any individual into a level of poverty. Education is one of the important determinants of human capital and the increment of education level in any region reduces the level of poverty. Education is an important indicator for the improvement of human welfare. It has positive association with the reduction of poverty. Education improves the knowledge and accessibility to many things and helps generate income.

The latest study on a household survey conducted by CBS has found that the literacy rate of the population 6 years and above is just 61% in 2011. It has been increased by more than 22%

in a period of 15 years since 1996, however, it is still far behind for achieving a decent living standard. Table 8 below discusses many indicators of education and each indicator does not show the satisfying level of achievement in a period of 15 years since the first time of the living standards survey in 1996. There are differences between the literacy rate between males and females and the difference is significantly high, which is about 27% in 2011. It was 34% and 31% respectively in 1995/96 and 2003/04. However, while the difference has been reduced in 2010/11, the literacy overall has not reached the level it should be in terms of international standards.

Table 8: Education indicators

Category	Nepal Living Standard Survey		
	1995/96	2003/04	2010/11
Literacy rate of population 6 years and above	37.8	50.6	60.9
Adult literacy rate, both sexes (15 years and above)	35.6	48	56.5
Males	53.5	64.5	71.6
Females	19.4	33.8	44.5
School ever attended, both sexes (15 years and above)	33.9	45.8	54.6
Males	50.2	61.2	69.6
Females	19.1	32.6	42.9
Mean years of schooling	7	7.5	8.1
Net enrollment at primary school, both sexes	57	72	68.8
Males	67	77.9	67.2
Females	46	66.9	70.2

Source: CBS, 2011

Another important indicator that is associated with the schooling is mean year of schooling, which has increased by 1 year from 7 years to 8 years in a span of 15 years and shows the gloomy scenario in the education sector of Nepal. The analysis of the literacy rate for male and female in different regions, zones and areas are presented in Table 9. In every region, the female literacy rate is much more lower than the male. The literacy rate for the female

population aged 6 years and older is lowest in the Far Western Region among all regions and the same is true for the female population aged 15 years and older. In every region, the female

Table 9: Literacy rate by region, zone and rural/urban area

Category	Population 6 years and older			Population 15 years and older		
	Male	Female	Total	Male	Female	Total
Development Region						
Eastern	73.8	52.2	61.9	72.9	44.3	56.9
Central	68.8	47.3	57.3	69.5	42.7	54.9
Western	76.1	57.6	65.9	75.2	51.3	61.4
Mid Western	73.0	53.5	62.4	69.2	42.8	54.1
Far Western	72.2	48.6	59.0	73.8	40.0	54.1
Ecological Zone						
Mountains	70.7	45.8	57.2	66.4	32.4	47.5
Hills	78.8	59.9	68.5	76.7	52.1	62.9
Terai ¹⁰	66.4	44.3	54.4	67.6	39.1	51.6
Urban/Rural						
Urban	85.9	69.0	76.9	87.0	65.8	75.6
Rural	68.7	47.2	56.9	67.2	39.1	51.3

Source: CBS, 2011

literacy rate in both categories is less than the male rate by at least 22%, except the literacy rate in the Western region for population aged 6 years and older. It is easily figured out that females are less likely to obtain a formal education than men.

Health is considered as important as education and is a part of human capital. The burden of ill-health is reflected on work and the welfare level of any individual. Table 10 depicts the health related indicators in years 1996, 2004 and 2011. The percent of people suffering from chronic illness has increased by 5 percentage points in a span of 15 years from 6.5% to 11.7%. The percent of the population reporting acute illness has increased from 9% to 20%. This suggests that the general health condition of the people has deteriorated over the period of 15 years. This has a negative effect on the welfare level of any individual; it will reduce the working

¹⁰ Terai is plain area in Nepalese language.

time and the total productivity of labor efficiency. Regarding child health welfare, the total number of children fully immunized is 64% in 2011, which is an increase of 28% from 1996 and apart from this, 3% of 21st century children do not get any kind of vaccination.

Table 10: Health

Category	1996	2004	2011
Percent of population reporting chronic illness	6.5	5.4	11.7
Percent of population reporting acute illness	9	13	20
Immunization status			
Percent fully immunized	36	59	64
Percent partially immunized	43	33	23
Percent not immunized	21	7	3
Total fertility rate	5.1	3.6	3.4

Source: CBS, 2011

The linkage of infrastructure and poverty has been studied in a few research articles. Poverty in hilly and mountainous areas is much more severe than the poverty in plain areas particularly in developing countries. Infrastructure development makes important contributions to economic growth in a country. With the economic growth, the well-being of society flourishes and it affects the living standard of an individual and ultimately overall poverty decreases. Ahmed and Donovan (1992) analyzed the impact of infrastructure at the composite and village levels. In connection to this, Binswanger et al. (1987) pointed out that infrastructures such as road and irrigation facilities had significant effect on the development of rural areas.¹¹ Their results suggested that a ten percent increment in the total area of paved roads increases nine percent in total output. They used road as the proxy for the quality of infrastructure. They also found that the same level in the increment of output if there would be the ten percent increment in the irrigated area. In Nepal, infrastructure development is always a prioritized issue in every

¹¹ Binswanger et al. carried out this research for 58 countries.

periodic plan, however, the development of infrastructure is not that suitable to lift people out of poverty.

4. Development plans and program for the reduction of poverty

Given the political and economic circumstances of Nepal since the early 1950s to the first decade of the twenty first century, poverty reduction is supposed to be one of the important objectives of many development plans initiated by the government because without the reduction of poverty, it is difficult to improve the socio-economic condition of the people living in different parts of Nepal. Poverty alleviation is the most challenging task of Nepal and accordingly poverty alleviation is the government's fundamental objective for many of its development plans.¹² However, emphasis was given to infrastructure development and resource mobilizations during the plans implemented in the 1950s, 60s and late 70s. Poverty alleviation was accepted as a development objective after 1990. Since then poverty alleviation is taken explicitly as a development objective in every plan in one form or another. Apart from periodic development plans, the government has been carrying out different development programs with the involvement of civil societies, non-government organizations, together with international non-government organizations and donor agencies. There were no appropriate plans or policies in Nepal when it was under the Rana regime until 1951.¹³ In connection to this, there were no appropriate policies for the people to lift them out of the poverty. The oligarchy system that was

¹² Nepal has implemented twelve periodic plans starting with the First Plan (1956-61) and currently in the Twelfth Plan (2010-2012). Out of twelve periodic plans, nine are five-year plans and three are three-year plans. The development expenditure allocated for the First Plan was merely NRs 576 million and the top priority sectors were transportation and communication occupying almost 36 % of the total budget. The Second Plan was designed for three years (1962-65) and transport, communication and power were given the highest precedence. For the information of all plans, see National Planning Commission reports on all periodic plans.

¹³ The Rana regime, an oligarchy system, ruled Nepal for 104 years from 1846 to 1951 dwindling the power of the Shah King. This regime was successful in making prime minister a hereditary position. Other crucial posts of the government were occupied by their relatives and close allies and they were appointed by Rana prime minister through direct authority and were successful in developing a wealthy family clan. The presence of the King was almost functionless. The Rana regime did not provide any social welfare program to the Nepalese citizens for over one century and pushed Nepal into a black era.

run by a handful of Rana was dethroned in 1951 and the power shifted to Shah kings and partly to the Nepalese people in 1951. The task of delivering services to poor people began at that time. However, it was not appropriately distributed throughout the country.

The Village Development Program initiated in 1952 is the first official program designed for curbing the level of poverty (Banskota and Lohani, 1982). This program was classified into three categories, namely, development of local infrastructure, increment of production and socio-economic condition, and finally enhancing the existing technology elsewhere in the nation and the extension of cooperatives. Because of this program, chemical fertilizers, improved seeds and composed manures used in agriculture became popular, and as a result people living in different parts of the country adopted improved farming technology. Improvement was also seen in education, health and sanitation and a welfare program launched for youth and cooperatives.

In 1958, an elected and democratic government ruled the nation before the royal family took over in 1960. Because of this political problem, the Village Development Program did not operate in full swing and was eventually discontinued. The major bottleneck associated with the program was that it did not incorporate any program that would significantly reduce poverty and inequality that the way it should. Another development program that was designed to address extreme poverty was the Remote Area Development Program. This program was designed to identify the areas of extreme poverty in different parts of the country and to provide basic facilities and programs. But this program did not function well. In order to increase agricultural productivity, reduce poverty and inequality in land holding, Land Reform Program 1963 was launched. However, this program was unable to reduce the land ownership inequality and still

the percentage of people living in poverty was very high. The sole concept of poverty reduction became the highest precedence in the early 1990s.

The development plans after 1990 took poverty reduction as the primary goal. However, in the name of other goals and objectives before 1990, such as infrastructure development, socio-economic development, poverty reduction was not the primary goal before 1990. The nationalization of privately owned forests in the 1950s was unable to include any programs that were associated with the poverty reduction. Even though the programs that were launched in the 1950s and 1960s were not particularly focused on poverty reduction, the indirect link was there for the poverty reduction campaign. The highway construction projects and land reform program were important programs as a measure for poverty reduction in the 1960s. The purpose of land reform was to put ceilings on the amount of land people could own and was to provide land for the landless in order to increase agriculture productivity.¹⁴ Another purpose was to provide land ownership certificates for tenants who were working on the land without ownership.

In the 1970s a new education plan was launched and the objective of this program was to increase the literacy level and number of students going to school along with the regional development plan. Poverty reduction was considered as an important agenda in development activities but the Sixth Plan (1981-1985) clearly incorporated a 'Basic Needs Approach' through which poverty could be reduced.¹⁵ The Seventh Plan (1986-1990) was fundamentally oriented to poverty reduction. In order to reduce poverty a considerable extent, this plan designed many programs to provide basic needs to the people living especially in remote, underprivileged and

¹⁴ The first nationwide land reform was conducted in 1963. For intensive insight on land reform, see Wily et al. (2009).

¹⁵ Among three principle objectives of the Sixth Plan, 'To Meet the Minimum Needs of the People' was objective number three which was to deal with the existing poverty situation in the country.

backward areas. The Eighth Plan (1993-1997) also incorporated poverty reduction as its major objective. The Ninth Plan (1998-2002) took poverty reduction as the single objective. The Eighth Plan incorporated mainly poverty alleviation, attaining sustainable economic growth and reducing regional disparity as the objectives. In order to achieve the objectives listed in the Eighth Plan, resources mainly human, economic and institutional were provided to the sector in a prioritized order: agricultural development, energy development, rural infrastructure development, employment generation and human resource development, control in population growth, industrial development and tourism promotion, export promotion and diversification, macroeconomic stabilization, reform in development administration; and monitoring and evaluation (NPC, 1998, p.1). The Ninth Plan considered poverty reduction and other development goals. The main target of this plan was to reduce the headcount poverty in the headcount poverty index from as high as 42% to 32%, 23%, 15%, and 10% by 2002, 2007, 2012 and 2017 respectively. However, it could not be realized as the poverty rate in 2011 is 25 % (CBS, 2011).

The Tenth Plan (2002-2007) is considered as a comprehensive plan designed for the reduction of poverty to a desired level. Designed as the Poverty Reduction Strategy Paper (PRSP), the Tenth Plan incorporated the involvement of the private sector in the market economy with the facilitation from the government side (NPC, 2002). Because of the bad political situation and existing conflicts inside the country, reduction of poverty was a daunting task and this was reflected in the level of poverty that the country was facing at the end of this plan. According to this plan:

the main objective is to alleviate poverty by mobilizing optimally the means and resources on the mutual participation of the government, local agencies, non-

governmental sectors, private sectors and civil society to extend economic opportunities and open new ones enlarging employment opportunities and widen the access to means and economic achievements for women, Dalits, people of remote areas and poor and backward groups through program like empowerment, human development, security and targeted projects thereby improve the status of overall economic, human and social indicator (NPC, 2002, p.38).

Nepal did not come up with the Eleventh Plan; instead, an interim plan for three years was launched from 2007/08 to 2009/10. "The main objective of this Plan was to generate an experience of a direct feeling of change in the lives of the general public by supporting in the establishment of peace and reducing the existing unemployment, poverty and inequality in the country" (NPC, 2007, p.36). Unlike previous plans, the fundamental objective of this plan was a little different in a sense of approaching poverty reduction. This plan was designed in a critical state of transition where the country was formulating a new constitution to restore peace and reconstruction and reintegration among people suffering from the conflict.

The current three-year plan (2010/11-2012/13) has kept poverty alleviation as its major agenda and inclusive employment generation and equitable economic growth are considered as two important pillars for realizing poverty alleviation. The purpose of this plan is to incorporate every community from all around the country to make sure that every underprivileged and marginalized group is included. This plan has mobilized volunteers through National Development Volunteer Services (NDVS).¹⁶ NDVS has been implemented by district development committees. The purpose of this program is to mobilize volunteers as a moderator in disadvantaged communities such as poor, ethnic, Dalit communities so that they will help them as a facilitator in education, health, infrastructure, social mobilization and other areas (NPC,2011).

¹⁶ The NDVS programme launched by NPC came into existence on March 6, 2000 and the purpose of this program was to mobilize the volunteers all over the country for backstopping the poverty reduction initiative taken by the Ninth Plan.

5. Status of Millennium Development Goals in Nepal

The Millennium Development Goals (hereafter MDGs), ratified at the United Nations Millennium Summit in 2000, are very important particularly for developing countries and these goals are interconnected with each other. Poverty is a fundamental issue and it is overwhelmingly accepted that without its reduction it is impossible to realize other goals. These are particularly associated with education, gender equality, women's empowerment, child and maternal health.

The MDGs¹⁷ consist mainly of the socio economic indicators and by meeting all targets, poverty can be considerably reduced. As poverty is fundamentally linked with all the indicators listed below, it is a really daunting task for developing nations to meet the target by the stipulated deadline. Nepal is no more the exception in this regard. Table 11 below shows the progress until 2010 and targets that have to be made in Nepal by 2015. The population living on less than US \$1 per day (PPP 1%) is 19.7 % in 2010 and the target set is 17 % which seems to be easily realized. The proportion of the population below the national poverty line is 25.4% in 2010 as compared to the target of 21%. The other indicators associated with education are mostly likely to meet their targets by 2015. The literacy rate for 15-24 years old is 86.5% in 2010 with the target of 100%. This seems to be difficult to meet by the expected deadline as the net enrolment

¹⁷ The Millennium Summit of the United Nations was organized in 2000 and this was able to develop international development goals in the name of Millennium Development Goals (MDGs). This involves the social, economic and environmental aspects of all human beings and the total number of goals formulated were eight. According to the Millennium Development Goals Report 2012, the eight goals are "eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability and develop a global partnership for development " (United Nations, 2012).

Table 11: Millennium Development Goals

Goal ¹⁸	Indicator	Achievement 2010	Target 2015
Goal 1	Proportion of population living on less than US \$1 per day (PPP 1%)	19.7	17
	Proportion of population below national poverty line (%)	25.4	21
	Proportion of employed people living on less than US \$1 per day (PPP) %	22	17
	Proportion of population below minimum level of dietary energy consumption (%)	36.1	25
	Proportion of underweight children aged 6-59 months > -2 SD (%)	36.4	29
	Proportion of stunted children aged 6-59 months > -2 SD (%)	46.8	30
Goal 2	Net enrolment rate in primary education (%)	93.7	100
	Survival rate to grade 5 (%)	77.9	100
	Literacy rate for 15-24 years old (%)	86.5	100
Goal 3	Ratio of girls to boys at primary level	1	1
	Ratio of girls to boys at secondary level	0.93	1
	Ratio of women to men at tertiary level	0.63	1
	Ratio of literate women to men aged 15-24 years	0.83	1
Goal 4	Proportion of one-year-old children immunized against measles (%)	85.6	>90
	Under five mortality rate (per 1,000 live births)	50	54
	Infant mortality rate (per 1,000 live births)	41	34
Goal 5	Maternal mortality ratio (per 100,000 live births)	229	213
	Proportion of births attended by skilled birth attendant (%)	29	60
Goal 6	HIV prevalence among population aged 15-49 years (%)	6.49	0.35
	Clinical malaria incidence (per 1000 population)	5.7	3.8
	Prevalence rate associated with TB (per 100,000 population)	244	210
	Death rate associated with TB (per 100,000 population)	22	20
Goal 7	Commercial energy use per unit GDP (toe/mRs)	3.7	
	Area under forest coverage (%)	39.6	40
	Proportion of population using improved drinking water source (%)	80.4	73
	Proportion of population using improved sanitation facility (%)	43.0	53

Source: MILLENNIUM DEVELOPMENT GOALS NEEDS ASSESSMENT FOR NEPAL 2010, P.3
toe = ton oil equivalent, mRs= million Rupees

in primary education is merely 93.7%. The target for the ratio of girls to boys at the primary level is already met, however when we move up to higher education, the ratio of female to male is decreasing. This suggests that the number of highly skilled female laborers is lower than that of male. For this, the government should provide opportunity and other access for females so that

¹⁸ For different goals of MDGs, see the table A in the appendix.

they can easily come to the front line of tertiary education. The information for other indicators are given in the table.

6. Conclusion

This paper descriptively analyzes the situation of poverty in Nepal. Nepalese history on collecting household survey data is not old enough to collect the information on the situation of poverty over a long time. The Household Budget Survey and Nepal Living Standards Survey are the main surveys that deal with poverty. The latest NLSS shows that around 25% of Nepalese people live in absolute poverty. The connection of macroeconomic growth of the country is directly associated with the welfare level of any citizen in the country and ultimately reflects the situation of poverty. Six decades have already been completed for the implementation of the systematic fiscal budget, but Nepal still suffers from poverty coupled with low economic growth, unemployment, inequality and political instability.

Many development programs incorporate poverty reduction as the fundamental goal, however the reduction of poverty in Nepal does not seem to be very effective. Different policy interventions by the government have been done to date, however it is not reflected on the living standards of the people. Although many indicators assigned for MDGs are set to be met by the year 2015, it will be a very difficult task to transform the country to the next level of development with the current socio-economic situation in Nepal.

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Appendix

Table A: List of Millennium Development Goals

Goal 1: Eradicate extreme poverty and hunger

Goal 2: Eradicate extreme poverty and hunger

Goal 3: Promote gender equality and empower women

Goal 4: Reduce child mortality

Goal 5: Improve maternal health

Goal 6: Combat HIV/AIDS, malaria and other diseases

Goal 7: Ensure environmental sustainability

Goal 8: Develop a global partnership for development