

Poverty Reduction in Nepal:
Issues, Findings, and Approaches

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FOREWORD

This report forms an integral part of the Asian Development Bank's (ADB's) continuing efforts to focus on poverty in Nepal. ADB has launched a series of initiatives to analyze the nature and causes of poverty in Nepal and to develop better approaches to reduce it, following adoption of poverty reduction as ADB's overarching goal in November 1999. Important among these initiatives is the preparation of a poverty assessment to better understand the nature of poverty in the country and to provide a set of strategic options for ADB in helping the Government reduce poverty.

The draft report was presented during the High-Level Forum on Poverty held in Kathmandu on 26 February 2001. Participants in the forum assessed the report and presented their views on the specific role of ADB in assisting the Government to operationalize its strategy. The key findings of the report and discussions during the High-Level Forum culminated in the signing of a poverty reduction partnership agreement between the Government of Nepal and ADB in Kathmandu on 21 October 2001. The agreement formalized a sustainable partnership setting out a long-term vision and agreed targets and strategies for reducing poverty.

The report benefited from comments by the National Planning Commission, the Ministry of Finance, other stakeholders in Nepal, and various ADB departments and the Nepal Resident Mission (NRM). Sungsup Ra, Economist, Operations Coordination Division, South Asia Department (SARD) and Brian Fawcett, Principal Project Economist, Agriculture, Environment and Natural Resources Division, SARD, coordinated and finalized the study with the assistance of Yuriko Uehara, Craig Steffensen, Bhuban B. Bajracharya, Suman K. Sharma, and Erik N. Scarsborough. Earlier work of the study was coordinated by Joseph E. Zveglich, Economist, Sri Lanka Resident Mission. Marshuk Ali Shah, Country Director, Pakistan Resident Mission, former Programs Manager, Division 1, Programs Department (West); Richard Vokes, Country Director, NRM; and Hafeez Rahman, Director, Operations Coordination Division, SARD, provided overall guidance. Vikki Victoriano typeset the draft report.

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ABBREVIATIONS

ADB	–	Asian Development Bank
APP	–	Agricultural Perspective Plan
CBS	–	Central Bureau of Statistics
CBO	–	community-based organization
COS	–	Country Operational Strategy
CSP	–	Country Strategy and Program
GDI	–	gender development index
GEM	–	gender empowerment measure
HDI	–	human development index
HDR	–	human development report
HMGN	–	His Majesty’s Government of Nepal
ICIMOD	–	International Center for Integrated Mountain Development
IFAD	–	International Fund for Agriculture Development
IPRS	–	Interim Poverty Reduction Strategy
MPHBS	–	Multi-Purpose Household Budget Survey
NESAC	–	Nepal South Asia Centre
NGO	–	nongovernment organization
NLSS	–	Nepal Living Standards Survey
NPC	–	National Planning Commission
NRs	–	Nepalese rupees
PAF	–	Poverty Alleviation Fund
PRPA	–	Poverty Reduction Partnership Agreement
PRS	–	Poverty Reduction Strategy
TA	–	technical assistance
UNDP	–	United Nations Development Programme

NOTES

- (i) The fiscal year (FY) of the Government ends on 15 July. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2001 ends on 15 July 2001.
- (ii) In this report, “\$” refers to US dollars.

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EXECUTIVE SUMMARY

This study seeks to build a better understanding of the nature of poverty in Nepal and to provide an affordable set of strategic options for ADB in helping the Government reduce poverty.

Despite significant improvements in economic and social indicators over the past 2 decades, the study shows that poverty is still widespread in Nepal. While Nepal was one of the countries in Asia that recorded a significant improvement in the human development index (HDI)¹ over the decade, the level of indicators is low, even by South Asian standards. The level of absolute poverty is among the highest in Asia: more than 9 million people, accounting for about 40% of the population, are estimated to live below the national poverty line, which is set at about NRs4,400 (\$77) per capita per annum and based on calorie intake, housing, and various nonfood standards.

The study shows that inequalities across geographic regions and ecological zones and the rural-urban divide remain wide as do those across gender, ethnic, and caste lines. Poverty in Nepal is much more prevalent, intense, and severe in rural areas where poverty incidence (44%) is almost double that of urban areas (23%). The incidence of poverty in the mid- and far-western development regions and in the mountain districts greatly exceeds the national average. The study indicates that poverty incidence has increased over the past 2 decades in Nepal—a period in which Nepal received substantial development assistance. The increase is for the most part a rural phenomenon, with the hill and mountain districts consistently showing the highest incidence among three ecological zones.² Income distribution seems to have worsened. The share in the national income of the bottom 40% of the population declined from 23% in 1985 to 11% in 1996, while the share in the national income of the wealthiest 10% of the population increased from 23% in 1985 to 52% in 1996.

In Nepal, social exclusion is primarily driven by institutions and processes that uphold or exacerbate income- and capacity-poverty on the basis of gender, ethnicity, and caste. Gender-based exclusion in Nepal is pervasive and deep-rooted, with discrimination against women reducing their physical survival, health and educational opportunities, ownership of assets, mobility, and overall status. Poverty incidence is higher among ethnic minorities such as the Limbus, Tamangs, Magars, Tharus, and Mushahars. Caste-based social exclusion manifests itself as disparities in both poverty incidence and human development indicators. Poverty incidence is significantly lower among Brahmins (the highest-caste group) than for the lower-caste groups. Disparities in human development indicators between lower- and upper-caste groups are widespread. The inequality driven by social exclusion shows that poverty in Nepal is intimately intertwined with lack of access to the very resources necessary for escaping it, as reflected in the low level of human development indicators.

The study identifies a number of causal factors underlying poverty in Nepal including (i) slow overall economic growth in the face of relatively rapid population growth, (ii) weak redistributive and institutional capacity overall on the part of the

¹ The HDI value for Nepal was 0.42, at the 152nd position in 1990. The value has significantly increased to 0.48, improving the ranking at the 129th position in 2000.

² Nepal is divided into three ecological zones: the terai, hills, and mountains.

Government, (iii) nonagricultural growth lacking any significant spillover effects on the rural poor, (iv) low productivity and slow growth of output in the agriculture sector, and (v) weak social and economic infrastructure (education, health, drinking water, transport, and energy) leading to inadequate access of the poor to the means for escaping poverty.

Based on the findings, the study suggests that any meaningful poverty reduction approach in Nepal must address the following key concerns. First, major emphasis should be placed on improving the poor's access to resources, and in particular, those resources most vital to escaping poverty. Second, the removal of institutional constraints that currently bar the poor from accessing these resources, and thus render them powerless to help themselves, is essential. Finally, strong economic growth that outpaces population growth is necessary. However, the growth process should be broad-based.

While poverty has always been an overriding concern in development planning in Nepal, only since the Sixth Plan (1981–1985) has it been explicitly stated as a development objective. The current Ninth Plan (1998–2002) adopted poverty alleviation as its sole objective and intends to reduce poverty via (i) sustained and broad-based growth, (ii) development of rural infrastructure and social priority sectors, and (iii) specific programs targeting the poor. The Plans recognizes accountable, democratic systems and market-oriented economic structures that avow social and ecological responsibility as being necessary for sustained growth. In addition to the Ninth Plan, the Government's commitment to poverty reduction was further manifested by its preparation of an interim poverty reduction strategy in 2001 that drew on the findings of this study as well as from public consultations and focus group discussions. A comprehensive poverty reduction strategy will be developed and fully integrated into the Tenth Plan (2003–2007).

As one of Nepal's major development partners, ADB formally adopted poverty reduction in 1992—although it has been a major concern since its lending operations began in 1969. ADB's primary focus in Nepal has always been on poverty reduction, consistent with the Government's goal. In 1999, the Country Operational Strategy (COS) was adopted to guide ADB's operations during the next 3–5 years. ADB to date has provided 97 loans totaling \$1.9 billion and 223 technical assistance grants for a total of \$101.3 million. Much of ADB's past lending was focused on agriculture (42% of the value of all loans), energy (21%), social infrastructure (16%), and transport and communications (14%).

Based on the findings of this study, priority setting for poverty reduction-oriented strategies and initiatives have been undertaken in full consultation with the Government, development partners, and nongovernment partners. In July 2001, the Country Strategy Program Update for 2002–2004 (2001 CSPU) updated the 1999 COS based on the poverty analysis and the views of the High-Level Forum that was held on 26 February 2001. The 2001 CSPU emphasizes poverty reduction as its sole objective. Sustainable poverty reduction will be achieved through (i) job generation and increased rural incomes resulting from faster and broad-based pro-poor economic growth, (ii) equitable improvements in basic social services to enhance human development, and (iii) good governance. ADB's future operational priorities will be focused to seven sectors: (i) agriculture and rural development; (ii) transport; (iii) energy; (iv) finance; (v) education; (vi) water supply, sanitation, and urban development; and (vii) environmental management. This sharpened sectoral focus will be in key core competence areas where ADB has a comparative advantage to maximize the poverty reduction impact of its assistance.

1. CURRENT SITUATION

A. Introduction

This report presents the poverty situation and recent trends in Nepal and outlines the responses of both the Government and the Asian Development Bank (ADB) to address poverty. The main findings of this report are that (i) there is widespread poverty with a 42% poverty incidence; (ii) large disparities exist across geographical regions, and between excluded and less excluded groups; and (iii) there has been no significant decline in poverty incidence from 1981 to 2001. ADB's approach to poverty reduction in Nepal needs to have a dual focus—to reduce poverty incidence and to narrow income disparities. Based on the findings of this report and discussions at the High-Level Forum on Poverty held on 26 February 2001 in Kathmandu, seven sectors were identified where ADB's poverty reduction efforts in Nepal could be more sharply focused: (i) agriculture and rural development; (ii) transport; (iii) energy; (iv) finance; (v) education; (vi) water supply, sanitation, and urban development; and (vii) environmental management.

B. Definition and Quantitative Measures of Poverty

The term poverty refers not only to material deprivation but also to low achievements in education and health, vulnerability and exposure to risk, and lack of voice and empowerment. All these elements combine to severely restrict the capability of an individual to escape poverty. This report attempts to address all of these dimensions.

Poverty is generally measured based on three indicators, each of which measures a specific aspect of poverty. These are (i) the head count index, which measures the incidence (or prevalence) of poverty; (ii) poverty gap index, which measures the intensity, and (iii) the squared poverty gap index, which measures the severity.

The head count index is the most commonly cited indicator of the prevalence of poverty. It measures the percentage of the total population with incomes falling below the officially-defined poverty line. The poverty line is usually calculated as the current market price of a basket of foods that satisfies minimum nutritional requirements, plus essential nonfood items. For Nepal, the poverty line is currently Nepalese rupees (NRs)4,404 per person per year.³

Since the head count index focuses solely on the percentage of the total population that falls below the officially defined poverty line, it gives no information whatsoever as to the intensity of poverty, which is the degree (i.e., by how much) household incomes would have to rise on average for the poor to reach or rise above the poverty line. This latter aspect of poverty is measured by the poverty gap index. For purposes of comparability, the poverty gap index is expressed as a percentage of the poverty-line money income. A larger value for the poverty gap index thus indicates more

³ This is based on a food consumption basket of 2,124 calories and an allowance for nonfood items of about two thirds of the cost of the basket (CBS 1996).

intense poverty than a lower value, since it means that household income would have to rise by a greater percentage of poverty-line income for the average household to no longer be considered poor.

Finally, the severity of poverty is measured by the squared poverty gap index. Since this measure weighs households that fall further below the absolute poverty line more heavily than households with incomes nearer to the poverty line, it takes into account the distribution of the varying poverty gaps of individual households, as reported in survey results. Again, a higher value indicates more severe poverty than a lower value.

C. Characteristics of Poverty

Until recently, calculating the head count, poverty gap, and squared poverty gap indexes for Nepal was difficult due to scarcity of data. However, recent initiatives by the Government have improved poverty-related data substantially. The most notable example of this is the Nepal Living Standards Survey (NLSS) conducted in 1995/96 by the Central Bureau of Statistics (CBS) of the National Planning Commission (NPC), which collected household consumption expenditure data in all of Nepal's geographic regions (CBS 1996 and 1997).⁴ Along with other data, the NLSS results have been used to generate statistical measures of poverty for Nepal disaggregated by geographic area, gender, and other variables (ICIMOD 1997). The results of these efforts empirically verify that poverty in Nepal is widespread.

Table 1.1 shows the head count, poverty gap, and squared poverty gap indexes for Nepal as a whole, for the country's three ecological zones, and for the urban vs. the rural sector. At the national level, poverty incidence is estimated at 42%, poverty intensity at 12%, and poverty severity at 0.05%. However, the values for rural areas are almost double those for urban areas, indicating that poverty is much more prevalent, intense, and severe in the rural setting. The results for the rural sector versus the urban sector are particularly striking, given that rural dwellers account for nearly 88% of Nepal's total population.

Comparing poverty incidence, intensity, and severity by ecological zone, poverty is found to be more prevalent, intense, and severe in the Mountain zone than elsewhere, although this mountain zone is more thinly populated than the other two zones. While poverty incidence is more or less the same in the Hills and the Terai, it is less intense and severe in the Terai than in the Hills.

⁴ Data collection for the survey took place between June 1995 and June 1996. The sample comprised 3,388 households.

Table 1.1: Quantitative Indicators of Poverty
(poverty line = NRs4,404)
(%)

Area	Head Count Index	Poverty Gap Index	Squared Poverty Gap Index
Ecological Zone			
Mountains	56 (0.059)	18.5 (0.027)	0.082 (0.015)
Hills	41 (0.031)	13.6 (0.014)	0.061 (0.008)
Terai	42 (0.025)	9.9 (0.009)	0.034 (0.004)
Sector			
Urban	23 (0.058)	7.0 (0.025)	0.028 (0.012)
Rural	44 (0.020)	12.5 (0.008)	0.051 (0.004)
National Average	42 (0.019)	12.1 (0.008)	0.050 (0.004)

Note: Figures in parentheses are standard errors adjusted for stratification and clustering in the sample.
Source: NPC 1998. *The Ninth Plan (1997-2002)*. Kathmandu.

Although not reflected in Table 1.1, the results of the NLSS survey indicate that poverty incidence also varies widely across the five development regions, with the remote western regions showing the highest proportion of the population living in poverty, and the eastern and central development regions showing the lowest proportion.

As with most large-scale surveys in Nepal, the NLSS survey collected information at the household level rather than at the individual level. This makes quantification of gender disparities in poverty incidence difficult. However, using the NLSS data, it is possible to analyze the size distribution of males and females in poor households, and the poverty incidence of female-headed households. While the NLSS survey results do not indicate that there are more females than males in poor households, they indicate that female-headed households in general, and widow-headed households in particular, are much more likely to be poor if there is no adult male present.

It is important to recall that the above results are based on the current official poverty line of NRs4,404 per year. The question thus naturally arises as to how sensitive these results are to changes in the poverty line used as the base for calculating the estimates. While no formal sensitivity analysis in this regard has been performed, setting the poverty line at US\$1 per day per person, a level often used for making international comparisons, yields a poverty incidence figure of 53.1% for Nepal (UNDP 1999). Thus at least in order-of-magnitude terms, irrespective of the definition used, roughly half of Nepal's population could be considered to live in poverty at present.

D. Human Development Indexes

While the estimates presented thus far provide an initial glimpse into the prevalence, intensity, and severity of poverty in Nepal, these data simply circumscribe the overall parameters of the problem. To fulfill its goal of poverty reduction, the Government's program must translate such descriptions of shortfalls in the ability of households to meet their basic consumption needs into policy prescriptions that assist poor households in lifting their incomes beyond present levels. This will ultimately require, by one means or another, increasing these households' access to resources in

the broadest sense, which in this context includes economic resources (such as land and capital), human development resources (such as education and health), and social resources (such as political influence).

The human development index (HDI) of the United Nations Development Programme (UNDP) provides a starting point for understanding what must be done to increase the access of poor households to resources in the sense referred to above, since it implicitly defines poverty in terms of deprivation in the level of access to these resources. Nepal's current overall HDI ranking (based on 1999 data) is 129, a ranking lower than all its South Asian neighbors except Bangladesh. This level is consistent with other socioeconomic indicators for Nepal.⁵ For example, almost two thirds of the adult population cannot read or write, only 71% of the total population has access to safe drinking water, the country has the highest infant mortality rate (75 per thousand) in South Asia, and about half of all children below 5 years of age are underweight.

As in the case of income poverty, large disparities appear in social indicators when comparing the various geographic regions and socioeconomic groups (IFAD 1999). For example, rural dwellers are twice as likely to be illiterate than urban dwellers, and illiteracy rates are the highest among the lower caste and disadvantaged groups. Other indicators such as access to health, education, and safe drinking water tend to be significantly lower in rural areas, with the levels of these indicators being lowest in the remote areas (mainly the western, mid-western and far-western Hill and Mountain districts), and for the disadvantaged groups (NESAC 1998). Analysis of the correlation between district-level HDIs (NESAC 1998) and other social indicators at the district level (ICIMOD 1997) indicates that access to land and physical accessibility are the most powerful variables in explaining differences in district-level HDIs.

As one would expect, low levels for the human development indicators correlate closely with low levels of income. The data in Table 1.2 confirm empirically that the lowest-income quintiles score the lowest in literacy, health, and access to health care. A natural consequence of this is higher fertility rates for the lowest-income quintiles—no doubt due to the lower level of awareness of family planning options—which exacerbates their poverty in terms of income, education, and health.

**Table 1.2: Literacy and Selected Health-Related Indicators
by Income Quintile
(%)**

Quintile Group (percentile)	Literacy Rates for 6 Years and Older	Population Reporting Chronic Illness	Households Not Seeking Health Care for Health Problems	Mean Number of Children Ever Born Per Woman	Awareness and Use of Family Planning Methods	
					Know Any Method	Currently Using
Bottom 20	19.95	4.88	50.43	3.12	47.22	8.33
20–40	27.80	6.31	38.46	2.88	47.67	10.31
40–60	32.95	6.15	32.83	2.75	58.21	14.96

⁵ Various socioeconomic indicators for Nepal have improved since they were first calculated roughly 4 decades ago. However, as the values for these indicators were initially very low, this growth occurred from a small base. In most cases, Nepal's current situation is characterized by low levels of socioeconomic indicators, even by South Asian standards.

60–80	46.16	6.83	29.61	2.36	65.15	16.38
Top 20	59.26	8.11	25.45	2.07	79.50	23.53
Average	37.82	6.45	34.38	2.61	59.66	14.78

Source: CBS. 1996. *Nepal Living Standards Survey Report 1996*. Kathmandu.

In sum, two conclusions can be drawn from the data presented thus far. First, the high incidence of income-poverty in Nepal is accompanied by capability-poverty, which may be defined as lack of access to the resources necessary for raising one's own income. Second, in relative terms, people become more capability-poor the lower on the income scale one descends (NESAC 1998). The implication of these conclusions for poverty reduction is obvious: the centerpiece of any poverty reduction program must be that of improving the access of poor households to resources.

E. Social Exclusion

Because available data indicate that disadvantaged groups figure prominently in the incidence of both income- and capability-poverty, it is appropriate that the Government's poverty reduction program address the factors that drive such inequalities. A useful tool for analyzing these factors is social exclusion analysis.

Social exclusion is said to occur when a group is excluded "from rights or entitlements as a citizen, where rights include the social right to a certain standard of living and to participation in society" (HDR 1997). In the context of this report, social exclusion analysis entails examining the factors responsible for the exclusion of certain groups from access to the resources necessary for full participation in the economic development process. This constitutes a starting point for building into the Government's poverty reduction program the lessening of inequalities in the access to such resources, particularly for those groups for which lack thereof is the most severe. Appendix 1 contains a brief description of the current status of groups affected by social exclusion in Nepal on the basis of caste or ethnicity.

In Nepal, social exclusion is primarily driven by institutions and processes that uphold or exacerbate income- and capability-poverty on the basis of gender, ethnicity, and caste. Gender-based exclusion in Nepal has been quantitatively measured via two indexes: the gender development index (GDI) and the gender empowerment measure (GEM), the values for both indicating that gender-based exclusion in the country is pervasive and deep (NESAC 1998). In Nepal, exclusion-led discrimination against women occurs on numerous fronts, including physical survival, health and educational opportunities, ownership of assets, mobility, and overall cultural status.

Social exclusion on the basis of ethnicity is most apparent in the form of poverty incidence, which is higher among ethnic minorities such as the Limbus, Tamangs, Magars, Tharus, Mushahars, and indigenous groups such as the Chepangs and Raute, than for the population as a whole (NESAC 1998). In contrast, poverty incidence is lowest among the Newars (who mainly inhabit the Kathmandu valley and other urban areas).

Caste-based social exclusion manifests itself as disparities in both poverty incidence and human development indicators. Poverty incidence is significantly lower among Brahmins (the highest-caste group) than for the lower-caste groups, the latter being deprived of opportunities in all dimensions of life (cultural, social, political, and economic). Disparities in human development indicators between lower- and upper-caste

groups are widespread. Examples include literacy rates (18% for the lowest caste compared with 47% for the upper caste groups), life expectancy (51 years compared to 57 years), infant mortality rates per thousand live births (118 compared to 85), and rates of absolute poverty (nearly 15 times higher for lower-caste groups than the national average). For women belonging to the lowest-caste groups the situation is even more disturbing; for example, a literacy rate of only 7%, and equally low scores on other social indicators.

Finally, though they make up as much as 14% of the total population (CBS 1996), the entire Dalit community, which comprises lower occupational castes such as Kami (blacksmiths), Damai (tailors), and Sarki (shoemakers), is discriminated against due to their being branded as “untouchables”, with Dalit women being even more disadvantaged because of their low status within their own community.⁶ For example, nearly the entire population of Dalit women is estimated to live below the official poverty line. For such individuals, access to resources necessary for escaping poverty is limited indeed.

F. Changes in Poverty Incidence and Income Distribution Over Time

Several large-scale surveys of poverty incidence in Nepal have been conducted over the past 25 years. These include

- (i) a household-level survey on employment, income distribution, and consumption patterns conducted by NPC during 1976/77 (NPC 1983);
- (ii) a multi-purpose household budget survey conducted by Nepal Rastra Bank during 1984/85 (NRB 1988);
- (iii) the Nepal Rural Credit Survey, which covered only rural areas, conducted during calendar year 1991; and
- (iv) the NLSS survey referred earlier in this chapter, conducted in 1995/96.

The results of the above surveys broadly reflect the disparities in poverty incidence and human development indicators among geographic areas, ecological zones, and rural vs. urban sectors described earlier in this chapter.

Because the methodologies, welfare criteria, and poverty-line incomes used to calculate the estimates from the above surveys differ widely, directly comparing the estimated levels of poverty incidence that resulted from them is fraught with difficulties. In order to gain some perspective on how poverty incidence has changed over time in Nepal, the World Bank (1999) applied the definitions of poverty line, income, and consumption used in the earlier surveys to the NLSS data. The results of this exercise are summarized in Table 1.3, which compares the estimates of poverty incidence from both the 1976/77 and 1984/85 surveys with those of the NLSS survey performed in 1995/96. This provides at least an order-of-magnitude estimate of how poverty incidence in Nepal has changed over the past 25 years.

⁶ “Dalit” literally means people immersed in a swamp.

Table 1.3: Changes in Poverty Incidence Over Time

	Percent of Population Below Poverty Line		
	Rural	Urban	Nepal
Comparing 1976/77 and 1995/96^a			
1976/77 survey	33.0	22.0	33.0
1995/96 survey	44.0	23.0	42.0
Comparing 1984/85 and 1995/96			
1984/85 survey			
Terai	35.4	24.1	34.5
Hills	52.7	14.5	50.0
Mountains	44.1	-	44.1
Total Nepal	43.1	19.2	41.4
1995/96 survey			
Terai	37.3	28.1	36.7
Hills	52.7	14.5	50.0
Mountains	62.4	-	62.4
Total Nepal	46.6	17.8	44.6

^a The results shown for the 1995/96 survey reflect the definitions originally used when the 1995/96 survey was performed, not the definitions used for the 1976/77 survey, as per the adjustments referred to in the text. This results in a more conservative estimate of the growth in the percentage of the population below the poverty line. As a result, the comparison shown for 1976/77 with 1995/96 should be considered the lower-bound estimates for growth in poverty incidence.

Source: World Bank. 1999. *Poverty in Nepal at the Turn of Twenty-First Century*, Vols. I and II. Washington, D.C.

Comparing poverty incidence in 1976/77 and 1995/96, the most striking result is that nationally, poverty incidence appears to have increased substantially from 33% in 1977 to 42% in 1995/96. Comparing the results of the 1995/96 and 1984/85 surveys, poverty incidence appears to have risen, but at a slower pace relative to that for the 1976/1977 and 1995/96 comparison.

Even when any remaining concerns over comparability of the above results are taken into account, there is little doubt that (i) poverty incidence has increased over the past 25 years in Nepal, and that (ii) this increase is for the most part a rural phenomenon, with the Hills and Mountains consistently showing the highest incidence of poverty among the three ecological zones. In addition, the results of the 1984/85, 1991/92, and 1995/96 surveys indicate that poverty incidence was consistently highest in the mid- and far-western development regions.

Finally, a worsening trend in Nepal's income distribution is discernible when the results of the 1984/85 and 1995/96 surveys are compared. As Table 1.4 shows, the share in total income of the bottom 40% of the population decreased for both rural and urban dwellers in all ecological zones, while the share in total income of the wealthiest 10% of the population increased, indicating that income distribution in Nepal became more skewed over the period between the 1984/85 and the 1995/96 surveys. The changes that occurred in the estimated household and per capita Gini coefficients for Nepal's rural and urban sectors, as well as for the country as a whole, are consistent with the worsening trend in income distribution that appears in the results shown in Table 1.4.

Table 1.4: Share of Income by Income Percentage Group and Ecological Zone

Income Group	All Nepal	Rural			Urban	
		Terai	Hills	Mountains	Terai	Hills
MPHBS 1984/85						
Bottom 40	23	24	23	33	27	24
Middle 50	54	53	56	54	52	56
Top 10	23	23	21	13	21	20
NLSS 1995/96						
Bottom 40	11	15	7	-	18	2
Middle 50	37	48	37	-	53	27
Top 10	52	37	56	-	29	71

Source: Nepal South Asia Centre. 1998. *Nepal: Human Development Report*. Kathmandu.

Collectively, the major features of Nepal's current situation with respect to poverty may be summarized as follows. First, while the country's current overall level of poverty incidence is 42%, this aggregate statistic hides wide disparities in poverty incidence, intensity, and severity that appear when comparisons are made on the basis of virtually all relevant parameters, such as geographic region, ecological zone, rural vs. urban divide, gender, caste, or ethnicity. Second, relative to the overall population, women, lower-caste groups, marginalized ethnic minorities, and some groups of landless persons face poverty that is particularly resistant to "traditional" poverty reduction interventions, since it is driven by social exclusion reinforced by long-standing customs. Third, poverty in Nepal is intimately intertwined with lack of access to the very resources necessary for escaping it. This is reflected in Nepal's current low ranking with regard to human development indicators, even when other South Asian countries are used as comparators. Fourth, poverty in Nepal is on the rise. This is borne out by even order-of-magnitude comparisons of data and information currently available on changes in poverty incidence over time. Finally, in combination with other factors, the country's relatively rapid annual population growth rate of 2.27% has increased the absolute number of persons falling below the official poverty line by a factor of 2 over the past 2 decades. Lowering the population growth rate will thus be important in combating poverty in Nepal. All of these findings indicate that unless these trends are reversed, the poverty situation will worsen, with the absolute number of poor households increasing substantially over the coming 25 years.

2. CONCEPTUAL FRAMEWORK FOR POVERTY REDUCTION STRATEGY

A. Introduction

The most important findings to emerge from the data presented in the previous chapter are (i) that there are relatively wide variations in poverty incidence across the rural-urban divide, ecological zones, development regions, and gender, ethnic, and caste groups in Nepal; and (ii) that poverty incidence overall has in all likelihood worsened, and may have worsened substantially. Further, these findings are expressed in relative terms. Economic and social indicators have improved in Nepal from 1961 to 2000. However, due to relatively rapid population growth, the absolute number of people living in poverty in Nepal has doubled over the period 1981–2000. This substantially increases the magnitude of the overall task of poverty reduction, and thus the amount of resources that will be required to reduce poverty incidence.

In light of the fact that the Government has prepared an Interim Poverty Reduction Strategy (IPRS), and that its refinement is intended to be an ongoing exercise, it is appropriate to revisit the poverty situation in Nepal and evaluate why there has been a lack of progress in reducing poverty incidence, despite the considerable resources devoted to achieving this goal. A convincing explanation as to why poverty incidence has not fallen would be very useful in supporting the Government in refining its strategy to reduce poverty, and to the funding agencies as well, since they may wish to adjust their poverty reduction programs to complement the Government's approach.

B. Conceptual Framework for a Poverty Reduction Strategy

Figure 2.1 presents a conceptual framework for considering the constraints on peoples' productive activities, and within that context, the potential effectiveness of investment and foreign development assistance in reducing poverty.⁵ It is thus a useful framework for prioritizing poverty reduction interventions, and for formulating or assessing a strategy for reducing poverty. Going from the top of the figure to the bottom is, in a sense, like peeling away the layers of covering to find out what is at the core. So the figure is designed to be read from the bottom up. The central goal of the strategy is poverty reduction, and the objective of the exercise is to identify where, along the path from civil and social order to poverty reduction, the constraints to effective participation of people in the growth process lie. The assumption is that constraints have to be removed from the bottom up.

To the immediate left of the central boxes or goals are listed the institutions that have to be in place and work effectively for the particular goal to be achieved. To the immediate right are the policies that can be carried out effectively when that central goal has been achieved or the policies that influence how well the goal is achieved. To the far right of the figure is noted the length of time needed to achieve those goals (short term, medium term, or long term). To the far left of the figure is shown whether generally rising incomes can be expected or not. Economies not generating "quality" growth, i.e., growth in which most in society participate, are likely to have constraints at the bottom of the figure.

⁵ The contents of this section, as well as Figure 2.1, is drawn from Duncan and Pollard (2000).

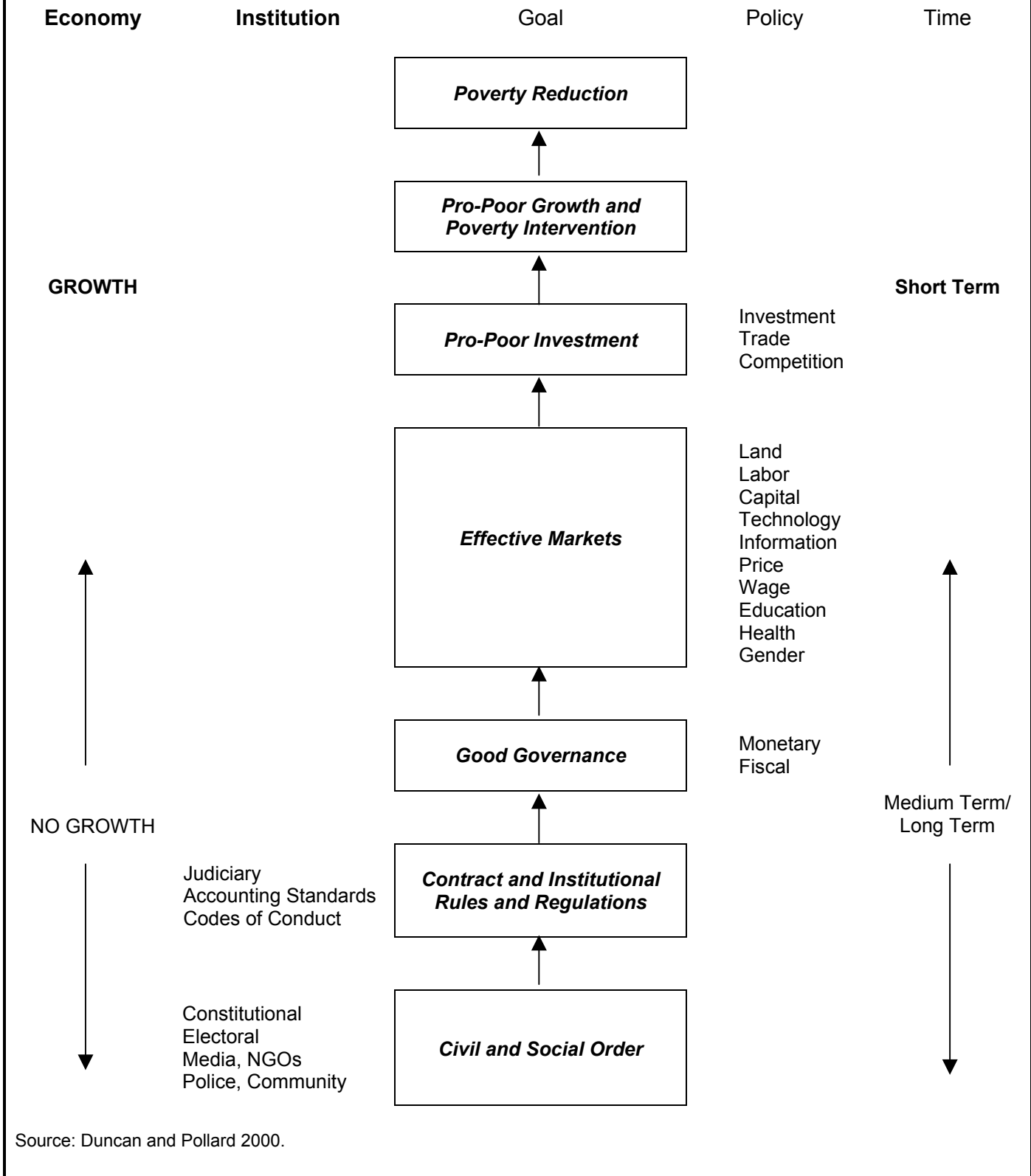
Working from the bottom of the figure to the top we see that without civil order there can be no economic development. Where civil and social order has not been established, it is likely that only intervention in the form of humanitarian aid can be helpful. Efforts to implement infrastructure or other investment projects in countries where a stable environment of civil order has not been established—as in several sub-Saharan Africa countries over recent years—has yielded a frustrating history of stop-start development assistance, with the total failure of the assistance the usual outcome. The institutions that have to be in place for maintaining civil and social order are the police and the judiciary. As well, self-policing by the community—in the sense that there needs to be a degree of trust and concern for others—is also important in maintaining civil order. A constitution and a body of common law or custom will also be necessary to codify the rights of the members of the society.

The next building block that has to be put into place comprises the institutions that form the basis for a market economy, i.e., property rights and impartial enforcement of contracts, as well as informal institutions such as codes of conduct and accounting practices. For these to be effective, the judicial system will have to be working effectively, in particular without intervention by politicians or the bureaucracy. Trust within the society is an important ingredient in the effective workings of property law and contracts. If there is no substantial degree of trust between parties involved in contracts, the load on the judiciary in resolving contract disputes will make the system unworkable, i.e., the transaction costs will be too high for the institution to function.

The next building block is good governance. If the broader definition of governance is adopted, i.e., to include institutions and organizations as well as “good government” matters, there would be a single governance block. As we said earlier, we believe that it is a good idea to separate institutions and governance as it forces a focus on the basic institutions necessary for a market economy to function well. To have good governance, there needs to be political stability. This will depend on the effectiveness of the electoral system and the constitution, as well as the checks and balances that operate through the media and community groups, and perhaps supra-government or supra-parliamentary bodies that have the power to monitor government behavior (such as administrative tribunals and an ombudsman). The main policies that will be affected by the state of governance are fiscal and monetary policy. These in turn will determine exchange rate policy and the inflation rate.

If they are not already in place, establishing civil and social order, effective market institutions, and good governance will usually take a considerable length of time, and without these building blocks in place there will be no, or very limited, widespread growth in incomes. Therefore, a poverty reduction strategy will have to give prior attention to what may be done in the short to medium run that may assist in bringing about desirable changes. To gain an understanding of any shortcomings in these areas, it will likely be necessary to undertake detailed cultural, social, and political economy studies to gain the required information about the society before recommending any action. One issue that will be important in bringing about change will be to find ways to promote widespread “ownership” of desirable reforms.

Figure 2.1: Conceptual Framework for Assessing a Poverty Reduction Strategy



Source: Duncan and Pollard 2000.

The next building block for effective development assistance is effective factor and output markets. Secure property rights and contract enforcement are the basis for effective factor and output markets; however, for effective markets there has to be effective regulation to ensure freedom of entry and thereby avoid anticompetitive pricing, and ensure provision of quality goods and services and health and safety standards. The development of factor markets that are open to participation by all, and do not discriminate in terms of gender, ethnicity, religion, etc., is fundamental to the exploitation of a country's comparative advantages and having inclusive economic growth.

Secure individual title to land (whether through long-term lease or freehold) appears to be a prerequisite for the rapid growth of poor countries and their development into modern economic systems. Secure title to land is necessary for people to have confidence in making the fixed investments that lead to increased productivity. Without such security, private investments are likely to be confined to those having a government guarantee of some kind (such as a joint venture with government), or to "footloose" industries that will exit when there is a contract dispute, or to be exploitative (such as "high grading" in mining or logging). As has been dramatically demonstrated in the People's Republic of China and Viet Nam in recent years, providing farmers with secure, long-term tenure to land leads to remarkable agricultural growth. The absence of such rights in many other countries provides clear counter examples.

Secure, individual title to land is also a basic requirement for developing a financial sector, as without land as security for loans, creditworthiness is difficult to establish. The result will be the locking-up of assets and savings that de Soto (2000) highlights in poor countries.

As populations grow, secure access to land for agricultural purposes becomes a less likely avenue for people to participate in income growth. Good health and education (human capital) have become the main income-generating assets for most people in today's knowledge-driven world. Moreover, while land redistribution and secure rights to land may be able to play some role in increasing the poor's access to income-earning assets, land redistribution is extremely difficult to achieve, while education can be a much more easily achieved and even more productive route to higher incomes. However, there will need to be secure title to land as the base for any productive agricultural, industrial, and services activities.

Provision of the opportunity for all to be educated and to be free of debilitating infections and disease will allow all in society to participate to the full in the labor market. For the labor market to be fully effective in mobilizing labor, there should be no discrimination on the basis of gender, ethnicity, religion, etc. Moreover, care should be taken to see that the public sector does not become a wage leader to the detriment of the private sector, which often happens when the economy is heavily dependent on aid and/or natural resource rents. Minimum wage legislation may be seen as an essential social safety net; however, if the minimum wage exceeds the productivity level of unskilled labor, it will become an impediment to the employment of the poor.

With these building blocks in place, investment should be effective in promoting economic growth, particularly growth in which all can share, providing that policies directly affecting investment are not restrictive. Experience has shown that policies that place few restrictions on domestic and foreign investors and on trade within and between countries are favorable to growth. Moreover, openness to trade and investment

will serve as an effective means of preventing monopolistic behavior by firms. However, there may still need to be legislation outlawing anticompetitive behavior. Competition policy should also provide for competitive access to natural monopolies in essential services such as power, water, and transport.

The above framework can now be used to assess the poverty reduction strategies of both the Government and ADB, and ultimately to make suggestions on how these strategies might be improved. This is the topic to which the discussion now turns in the following two chapters.

3. THE GOVERNMENT'S POVERTY REDUCTION PROGRAM

A. Historical Perspective

While poverty has always been an overriding concern in development planning in Nepal, only since the Sixth Plan (1981–1985) has it been explicitly stated as a development objective. During the Seventh Plan period (1986–1990), the Government formulated its Program for the Fulfillment of Basic Needs, the first separate plan for reducing poverty. Incorporating the Seventh Plan as one of its integral components, this ambitious long-term program envisaged elimination of poverty in Nepal over a 15-year period. However, it was later abandoned during the period of political upheaval.

Poverty alleviation was one of the major objectives of the Eighth Plan (1993–1997), the first national plan formulated after restoration of multi-party democracy in 1991. The Ninth Plan (1998–2002) adopted poverty alleviation as its sole objective, and unlike previous plans, established long-term goals for improving development indicators in all sectors, based on the potential of each for reducing poverty. While the Government has also endorsed and implemented master plans and perspective plans for reducing poverty that relate to individual sectors and subsectors, thus far these sectoral-level plans have not been integrated well with the national plan.

One of the goals of the Ninth Plan is to lower poverty incidence from 42% to 32% by the end of the Plan period in 2002, with a long-term goal of reducing this to 10% within the coming 2 decades. In addition to these targets, several other variables relating to “human poverty” (literacy, infant mortality, maternal mortality, and average life expectancy at birth) as opposed to “income poverty” have been identified, and target levels for each of these have been set.

The Ninth Plan intends to reduce poverty via

- (i) sustained and broad-based growth,
- (ii) development of rural infrastructure and social priority sectors, and
- (iii) specific programs targeting the poor.

The Ninth Plan is to employ a two-pronged strategy in using the above vehicles to reduce poverty incidence. First, the “moderately” poor, which constitute roughly 60% of the poor population, are to be integrated into the mainstream of economic development. Second, specific programs will deliver targeted assistance to the other 40% of the poor population, which comprises the “extremely poor” who face serious obstacles such as lack of assets that prevent them from participating in the mainstream of economic development due to geography, ethnicity, or cultural factors.

In addition to separately targeting these two groups of low-income households, the Ninth Plan includes other components that will benefit the poor, the two most important being maintaining macroeconomic stability and restructuring government finances to increase the flow of resources to the social sectors. Macroeconomic stability is essential for stimulating investment, without which growth and poverty reduction are not possible, and for keeping inflation rates low. A low inflation rate is an essential component of any poverty reduction effort in Nepal, since the nominal incomes of the poor generally fail to keep pace with price increases during periods of rapid inflation. On

the other hand, increasing the flow of resources to the social sectors directly increases the magnitude of the poverty reduction effort.

The Ninth Plan visualizes the annual population growth rate falling from its current level of 2.37% to 1.5% over the coming 2 decades. Complementing this will be changes in the nature of growth brought about by the Ninth Plan that will make growth “pro-poor”, meaning that growth will be of a type that integrates the poor into the mainstream of economic development. Since employment forms a major link between economic growth and poverty reduction, during the Ninth Plan period, the unemployment and underemployment rates of 4% and 35%, respectively, reported by the NLSS are to be reduced substantially via sectoral programs and employment-creation programs. Since 83% of poor households derive their livelihood from agriculture, highest priority will be given to employment creation in that sector.

The strategy for accelerating growth in agricultural output and productivity during the Ninth Plan period derives from the Agriculture Perspective Plan (APP), which was formulated in 1995. A long-term plan covering a 20-year time horizon, the objective of the APP is to raise the annual rate of growth of agricultural output from less than 3%, which prevailed during the previous 2 decades, up to 4% during the Ninth Plan period, and ultimately to 5% by the end of the 20-year planning period. This growth, which is to be achieved in a regionally balanced manner, will be driven by improved productivity overall, and specialization in regional comparative advantage, with the Terai producing basic food staples, and the Hills and Mountains specializing in high-value commercial crops and livestock products.

The Ninth Plan recognizes that not only must growth be made “pro-poor”, but that it must be made sustainable if the Government’s long-range poverty reduction goals are to be achieved. It thus sees the simultaneous achievement of economic growth, social justice, and ecological sustainability as being key to poverty reduction in the long term. Thus, the Plan sees accountable, democratic systems and market-oriented economic structures that avow social and ecological responsibility as being necessary for sustained growth. A capable state administering an appropriate regulatory framework is a precondition for the new development paradigm for Nepal envisaged in the Ninth Plan.

B. Poverty Reduction Strategy

In addition to the Ninth Plan, the Government’s commitment to poverty reduction was further reinforced by its presentations at the Nepal Development Forum meeting in Paris in April 2000. In order to further clarify the manner in which these broad statements are to be translated into concrete progress in poverty reduction via explicit programs and policy measures, and also to provide a general framework for poverty reduction within which all stakeholders can act in a coordinated way, the Government mandated NPC to prepare a poverty reduction strategy (PRS).

Given the significant number of stakeholders involved in the poverty reduction process in Nepal, the PRS is to be evolved through an extended participatory process, which will include consultations with both the public and aid community, as well as coordination among a significant number of government agencies. It will thus take some time to formulate the full-fledged version of the PRS. As a first step, NPC has prepared an interim PRS (IPRS). This chapter summarizes the salient aspects of the IPRS, and

uses the conceptual framework presented in Chapter 2 to suggest how the IPRS may be further refined within the context of gradual evolution of the IPRS into a full-fledged PRS.

1. Objective and Approach of the Government's IPRS

The major objective of the IPRS is to formulate a 3-year, time-bound action plan for poverty reduction in Nepal. It consists of two components: (i) a macroeconomic framework, and (ii) a policy matrix comprising specific actions for accelerating economic growth and reducing poverty. Policy commitments and targets relating to years beyond the 3-year time horizon are tentative, in that they may be revised as the IPRS evolves into a full-fledged PRS.

The approach used in developing the IPRS was to formulate a workable poverty reduction strategy on the basis of the results of the poverty situation analysis (summarized in Chapter 1), as well as public consultations and focus group discussions. The rationale for this approach was that the PRS should have as its foundation not only the economic analysis of poverty, but the cultural, ethnic, socioeconomic, institutional, and even political factors that relate to poverty as well. Thus, in addition to the perspective of central government institutions and aid agencies, the views of local government institutions, nongovernment organizations (NGOs), community-based organizations (CBOs), political parties, social leaders, and the poor themselves were taken into account in formulating the IPRS.

In formulating the IPRS, NPC constituted an Experts' Group under the coordination of NPC's Vice Chairman, the membership of which comprised representatives of various government agencies, NGOs, CBOs, the private sector, academia, and the members of the National Poverty Alleviation Advisory Committee.

The IPRS identified the following proximate causes of poverty:

- (i) slow overall economic growth in the face of relatively rapid population growth;
- (ii) weak redistributive capacity and institutional capacity overall on the part of the Government;
- (iii) lack of significant spillover effects of nonagricultural growth on the rural poor;
- (iv) low productivity and slow growth of output in the agriculture sector; and
- (v) weak social and economic infrastructure (health, education, drinking water, transport, energy, problems relating to landownership and land quality), leading to inadequate access of poor households to the means for escaping poverty.

2. Major Features of the IPRS

Employment Creation. In an attempt to achieve broad-based growth through employment promotion and improved productivity, the agriculture sector is given top priority in the Ninth Plan and IPRS. Employment creation necessary for lowering the rates of unemployment and underemployment of 4% and 35%, respectively, estimated by the NLSS is to be achieved via sectoral programs in both the agriculture and nonagriculture sectors. In the nonagriculture sector, expansion of tourism and labor-intensive manufacturing (e.g., garments and carpets) will be particularly emphasized. In the agriculture sector, employment creation is to be achieved via implementation of the APP, which focuses on increasing productivity and specialization in activities that accord with regional comparative advantage.

Macroeconomic Policies for Supporting Poverty Reduction. Nepal began its move toward an open, market-oriented economy in the mid-1980s with the partial deregulation of interest rates and lowering of barriers to entry for joint-venture banks. Since then, the momentum of economic reform has increased substantially. The Government has introduced numerous reforms that have lowered the fiscal deficit, thereby reducing borrowing costs and allowing a redirecting of public expenditure into priority social sectors. Key reforms accomplished thus far include a foreign exchange rate increasingly determined by market forces, full convertibility in the current account, a trade policy that has increasingly abandoned import substitution in favor of export promotion, a credit policy that specifically targets rural areas, and a shift in the focus of revenue mobilization from customs duties to a value-added tax and other sources.

As a means of providing an overall economic environment that can support acceleration of poverty reduction, the national economy will move further yet toward openness and market orientation. This will allow continued emphasis on priority social sectors, as well as specific interventions to counterbalance any adverse impact on the poor arising from economic reform. The IPRS sees maintaining macroeconomic stability within the above context as being the key to the Government's poverty reduction efforts.

Priority in Public Expenditure to Social Sectors. Following the World Summit on Social Development in 1995, Nepal adopted a policy of investing in the social sectors as per the 20/20 Compact. To fulfill this commitment, 20% of government expenditure as well as 20% of foreign development assistance must go to designated "social priority sectors". These include subsectors likely to benefit the poor most, such as providing primary health care facilities for all, reducing malnutrition and adult illiteracy, and establishing or upgrading facilities for primary education and rural drinking water. While actual achievement has fallen well short of the 20/20 goal, the share of expenditure going to the social sectors overall has increased from 22% in 1992 to 36% in 2000, although the rate of growth in expenditure going to the agriculture sector has declined.

This increase in the share of the social sectors in the public expenditure is reflected in expenditure per capita on social sectors as well, which rose by nearly 33% within a span of 4 years from \$9.09 in 1992/93 to \$11.90 in 1997/98. However, per capita expenditure on the social priority sectors increased only marginally from \$5.20 in 1994/95 to \$5.46 in 1998/99.

The positive developments in spending on the social sectors described above notwithstanding, that portion of expenditure on social sectors that is most likely to

benefit the poor is not rising in relative terms. This problem is further compounded by the fact that the budget allocations for the various sectors do not always result in disbursements, and that the ratio of allocations to disbursements is not the same for all sectors.

As for foreign assistance, the broad trend is similar to that discussed above for overall public expenditure. The share of foreign assistance going to the social priority sectors has declined in recent years, recovering only in 1999/2000. The major share of total aid disbursement has gone to infrastructure, followed closely by agriculture. Although quite recently the second largest share of foreign assistance has gone to the social sectors, the share of the social priority sectors remains well below the level stipulated in the 20/20 Compact.

Further, despite the improving trend in spending on the social sectors overall described earlier, in absolute terms, inadequate funding remains a major barrier to providing and delivering quality social services that would facilitate poverty reduction. Per capita public expenditures on social sectors are low in absolute terms, and have remained so due to rapid population growth. This impacts the quality of what services are provided. For example, educational institutions exhaust nearly all of their budgets on salaries and administrative costs, and health posts lacking adequate medical supplies are unable to provide quality services, particularly in remote, rural areas where these are essential to poverty reduction.

Overall, the share of the social sectors in public expenditure of approximately 28% is well below the international norm of 40%. However, the problem is not only a level of expenditure that is insufficient in absolute terms, but also inefficiency in utilizing the amounts that are allocated to the social sectors. Weak absorptive capacity on the part of the government institutions responsible for translating these expenditures into reduction in poverty incidence likewise forms a significant constraint to the efficient use of these funds.

Transfer Programs and Subsidies in Support of Poverty Reduction. Though several transfer and subsidy schemes are used to finance universities, hospitals, and some public enterprises, only a few directly impact the poor. These are a transport subsidy for chemical fertilizer administered via a direct grant to district development committees in selected remote areas where fertilizer transport costs are inordinately high, a transport subsidy for food distribution in remote and food-deficit districts, an interest subsidy for credit, and a capital subsidy for small-scale irrigation, mini-micro hydroelectric schemes, and biogas plants used for generating electricity.

Poverty Alleviation Fund. Since the early 1990s, various targeted and sectoral poverty alleviation programs have been implemented by the Government. However, the majority of these programs, which were centrally planned and implemented, ignored community preferences. This, together with weak program coordination and lack of monitoring and evaluation mechanisms, caused the impact of these programs to fall well short of that envisioned. To correct these problems, the Government has established a Poverty Alleviation Fund (PAF) for the purpose of initiating and implementing various sectoral as well as targeted poverty reduction programs that will be implemented via a coordinated and integrated approach that are envisioned to correct the problems described above. The PAF will especially focus on safety nets for the vast majority of the poor.

The PAF is to be an umbrella fund, not an implementing agency itself, which will mobilize both government and aid community resources for integrating poverty reduction programs. It is to be established under a special act, thus ensuring its autonomy and allowing it to function independently. A system for monitoring, reporting, and overall accountability relating to the use of funds will also be established at the central level. The PAF will be exclusively responsive to the needs of the poor, and will acquire the support of local agencies, NGOs, and CBOs. It will operate as a body for mobilizing resources—both internal and external—that concentrate on prioritized poverty reduction efforts and vulnerable groups.

Program Management and Monitoring and Evaluation. **In the past, implementation of some of the Government's poverty reduction programs have suffered from lack of coordination between the various line ministries, which are responsible for all sectoral programs, and the Ministry of Local Development, which is responsible for managing and implementing target-oriented programs. For example, construction of roads for improving access to rural agriculture (as stipulated in the APP) have experienced coordination problems in the nexus between the Roads Department and the Ministry of Local Development, both of which have some degree of responsibility for rural road construction.**

In light of the above, the Government's putting into place at the central level an effective mechanism for monitoring and evaluating poverty reduction programs, with a view to correcting any implementation problems encountered, will be the key factor in achieving the objectives of such programs. To be effective, this mechanism must involve the local level in the monitoring and evaluation process.

C. Constraints to Poverty Reduction

1. Weak Legal and Regulatory Functions

The Government's decision to move from a more centrally-directed economy to one that is more open and market-oriented does not necessarily imply a shift toward absence of—or even an overall reduction in—legal and regulatory functions. Indeed, the open, market-oriented economies that have enjoyed high rates of economic growth are often those that have made extensive use of legal and regulatory functions to ensure a stable, predictable environment in order to maximize the contribution to economic growth of private sector initiatives. In the context of Nepal's current position, it is these very legal and regulatory functions that need to be strengthened the most for the impact of poverty-reducing reforms, policies, and programs to achieve the goals intended. An important distinction between strengthening *functions* as opposed to strengthening the government agencies responsible for carrying them out needs to be drawn. This is so because upgrading the abilities of staff via training programs or improving the physical facilities of government agencies does not necessarily result in strengthening the legal or regulatory functions that a particular agency is responsible for carrying out.

The legal and regulatory functions that need to be strengthened the most in Nepal are those that support operation of competitive market forces rather than rent-seeking behavior. The efficient operation of these functions has yet to take full form.

Such legal lacuna relate particularly to enforcement of contracts, systems, and procedures that allow assets to be collateralized (e.g., clear title to land) and seized in the case of bankruptcy proceedings, and labor law. In the case of land use, legal provisions that restrict

the productive uses to which land may be put, and a land tax structure that encourages keeping land idle and unproductive need to be revised in a way that will allow the land resource to make maximum contribution to economic growth. Overall, there is concern that enforcement agencies are inadequate and poorly equipped, both in terms of authority and facilities.

2. Weak Overall Institutional Capacity

Institutional capacity encompasses an entire gamut of development activities—from planning to implementation to monitoring and evaluation. Ensuring competition, enforcing decisions, and coordinating different agencies both vertically and horizontally involves a host of legal and institutional frameworks. In view of the change in the Government's role from implementing authoritative norms to facilitating transparent systems and procedures, there is an immediate need for a change in mindset as well. But, instead, weak and unmotivated administration at all levels, and overcentralization of development activities with little delegation have incapacitated Nepal's government agencies. Increased politicization has further eroded the institutional strength of the Government. Obviously, all of these factors impede efficient operation of government agencies, whose role it is to provide an enabling environment in which the private sector can expand productive activities and employment opportunities.

In all sectors, the Government is limited in its ability to conceptualize, operationalize, monitor, and evaluate its own programs, and in learning from its experience. All of these attributes negatively impact the quality of services delivered. A compounding factor is that government administrative and management capacity decreases exponentially with distance from urban centers, further lowering the quality of service delivery in rural areas where it is critical to poverty reduction.

3. Weak Redistributive Capacity

The Government's capacity for redistributing either new or existing assets is extremely limited. In the case of existing assets (mainly land), the Government is handicapped by lack of any vision of land reform, as evidenced by its lack of follow-up action following the 1964 Land Reform Act. As for new assets, the Government is limited first by its inability to raise sufficient internal funds (Nepal has one of the lowest ratios of internal revenue generation to GDP at about 12%), and second, by its inability to allocate the internal funds that it does raise to priority social sectors such as primary and adult education, and basic health.

4. Weak Implementation of APP

While the APP provides a strong basis for planning and implementing agricultural development programs, there remain concerns with respect to its implementation. First, despite the fact that agriculture is taken as the lead sector in the Ninth Plan, it is not clear to what extent the plans for the nonagriculture sectors will produce a sectoral development pattern that supports and complement agriculture as the lead sector. Since no analytical framework was used to establish the nature of intersectoral linkages, the sectoral plans were formulated more or less independently of one another. It is therefore not unlikely that other sectors may not able to extend the necessary support to agriculture for it to function as the lead sector.

4. OVERVIEW OF ADB'S ASSISTANCE PROGRAM FOR NEPAL

A. Trends in Overall Development Assistance to Nepal

Nepal's limited domestic resource mobilization is liberally supplemented by foreign assistance, both bilateral and multilateral. While the country has emerged as the largest per capita development assistance recipient in South Asia, it has yet to experience sustained economic growth, reduction in poverty incidence, or improvement in human development indicators relative to its South Asian neighbors. This outcome has led both the Government and aid community to raise questions about the effectiveness of foreign assistance in Nepal. In the case of ADB, this outcome has led to a shift in the focus of the overall assistance program. But in order to understand how this shift in focus is to lead to more rapid progress in reducing poverty incidence in Nepal, it is first necessary to place ADB's poverty reduction assistance program into the wider context of overall development assistance to the country.

Total development assistance disbursement has increased at an annual average growth rate of about 15% in nominal rupee terms over the past 2 decades, rising from NRs1,340 million in 1980 to NRs17,524 million in 2000 (Table 4.1). While the largest share of assistance has gone to infrastructure (transport, electric power, and communication), the share of the social services sector has increased significantly over time, rising from less than 10% in 1980 to more than 33% in 2000. Currently, social services ranks second only to infrastructure—a position formerly occupied by agriculture, the latter declining in both relative and absolute importance. Within the social sector, the shares of education and health have increased considerably from 1980 to 2000. However, the social priority sectors have yet to receive the share of foreign assistance designated in the 20/20 Compact.

Table 4.1: Disbursement by Sector of Foreign Development Assistance
(NRs million, percentage shares in parentheses)

Sector	1980	1985	1990	1995	2000
Agriculture, Irrigation and Forestry	220.6 (16.5)	1,053.1 (39.3)	1,489.7 (23.2)	3,462.4 (30.8)	3,209.8 (18.3)
Transport, Power and Communication	908.8 (67.8)	969.7 (36.2)	2,679.1 (41.7)	4,574.7 (40.7)	8,159.3 (46.6)
Industry and Commerce	76.6 (5.7)	191.8 (7.2)	656.6 (10.2)	480.3 (4.3)	298.5 (1.7)
Social Services	1,24.0 (9.3)	435.3 (16.3)	1,555.8 (24.2)	2,680.1 (23.8)	5,794.0 (33.1)
Education	22.2 (1.7)	101.9 (3.8)	184.6 (2.9)	1,318.8 (11.7)	1,960.1 (11.2)
Health	29.6 (2.2)	1,41.5 (5.3)	109.6 (1.7)	416.3 (3.7)	1,050.3 (6.0)
Drinking Water	38.5 (2.9)	56.1 (2.1)	240.6 (3.7)	374.2 (3.3)	1,372.1 (7.8)
Others ^a	33.7 (2.5)	1,35.8 (5.1)	1,021.0 (15.9)	570.8 (5.1)	1,411.8 (8.1)
Others ^b	10.5 (0.8)	26.6 (1.0)	45.9 (0.7)	51.7 (0.5)	62.3 (0.4)
Total	1,340.5 (100.0)	2,676.5 (100.0)	6,427.1 (100.0)	11,249.4 (100.0)	17,523.9 (100.0)

^a Local development, other social services, tourism, labor, hydrology, meteorology, and others.

^b Statistics, administrative reforms, planning, and contingencies.
Source: Ministry of Finance 2001. *Economic Survey*.

The increase in the percentage share of social services relative to agriculture in part reflects the emphasis on social sectors stipulated in the 20/20 Compact, but may also have resulted from increasing disenchantment with large-scale assistance to agriculture, given lack of any significant increase in productivity or decrease in agriculture's dependence on monsoon rainfall. In any case, in the absence of analysis of the relative contributions of the various sectors to economic growth, it is difficult to deduce the extent to which the various sectors have contributed to achieving national growth objectives.

From a technical point of view, the sectoral composition of foreign development assistance does not quite reflect the priorities of the Ninth Plan. However, from a broader perspective, the bulk of development assistance has in one way or another gone to poverty reduction, if the ultimate purpose of infrastructure development is seen as that of increasing agricultural productivity and rural incomes.

B. ADB Assistance to Nepal

Since it began lending operations in Nepal in 1969, ADB has been one of Nepal's major development partners, and its primary focus has always been poverty reduction. As of December 2001, Nepal had received 97 loans totaling \$1.9 billion (excluding 5 for the private sector), and 223 technical assistance (TA) grants for a total of \$101.3 million. While ADB has been active in seven different sectors, agriculture has claimed 42% of all loans and 50% of TA grant funding (Table 4.2). The energy sector ranks second in total loan funding, followed by transport and communications.

Table 4.2: Sectoral Distribution of ADB Loans and Technical Assistance Grants

Sector	Loans			Technical Assistance Grants		
	No.	\$ million	(%)	No.	\$ million	(%)
Agriculture and agro-industry	51	788.5	41.5	112	50.9	50.3
Energy	12	395.9	20.8	20	10.2	10.1
Industry and nonfuel minerals	3	70.1	3.7	6	1.5	1.5
Transport and communications	13	270.7	14.2	13	4.8	4.7
Social infrastructure (i.e., education, and water supply and sanitation)	14	327.3	16.4	30	8.8	11.1
Finance	1	7.3	0.4	8	5.2	5.1
Others (Tourism)	3	57.3	3.0	34	17.5	17.2
Total	97	1,917.14	100.0	223	101.3	100.0

Source: Staff estimates (as of end-December 2001).

As for social infrastructure, education, and water supply and sanitation have received the bulk of both loan and TA funding. Together, these 2 subsectors have accounted for \$327.3 million in loans and \$8.8 million in TA grants. In the agriculture sector, agriculture support services, and irrigation and rural development have accounted for \$615.9 million in loans. Thus, in terms of sectoral distribution, ADB assistance overall has been devoted to poverty reduction.

C. Shifts in Focus of ADB's Country Operational Approach for Nepal Over Time⁹

In 1992, ADB formally adopted poverty reduction—a major concern since its lending operations began in 1969—as one of its strategic development objectives. The following year, ADB approved a Country Operational Strategy (COS) for Nepal, the goal of which was poverty reduction. This was to be achieved through

- (i) broad-based economic growth,
- (ii) support to basic social services and environmental protection, and
- (iii) private sector development.

The experience gained in implementing the 1993 COS showed that while past ADB assistance had created assets, sustainability and development impact had been limited. In particular, the progress achieved appeared to be not commensurate with investment levels, since poverty incidence remained high, progress in improving human development indicators had been slow, and the strengthening of institutions and policy improvements fell well below the achievements that had been anticipated. Overall, implementation of the 1993 COS led to five lessons learned as follows:

- (i) ADB would need to consult more widely with stakeholders in order to develop partnerships;
- (ii) Institutional strengthening efforts needed to reflect longer-term sector development needs;
- (iii) loan covenants relating to policy, institutional, and financial issues were seen as being essential for effective project implementation;
- (iv) ADB interventions would not be sustainable in the absence of an appropriate institutional environment; and
- (v) good governance and elimination of corruption would be critical to delivery of public services, and needed to be explicitly considered in designing all ADB interventions.

The above experience led to a new COS being adopted in 1999 that was to guide ADB's operations during the next 3–5 years.¹⁰ The overall objective of the 1999 COS was that of achieving sustainable reduction in poverty via

- (i) generation of productive employment opportunities and increased rural incomes resulting from faster and broad-based economic growth;
- (ii) equitable improvements in basic social services to enhance human development resulting in a slowing of population growth; and
- (iii) protection and improvement of the environment in order to sustain the gains achieved.

A major difficulty in achieving these objectives was the lack of efficiency, predictability, transparency, and accountability in key development and market institutions. Thus, the building of effective institutions needed for implementing socioeconomic development in a market economy was the strategic approach of the 1999 COS.

⁹ This section is condensed from the discussion of the Country Operational Approach for Nepal contained in ADB's *Country Assistance Plan: Nepal, 2000-2002*, pp. 10-11.

⁸ *Building Effective Institutions: Country Operational Approach for Nepal*, Asian Development Bank, July 1999.

Five of the approaches' key elements were to be emphasized in achieving ADB's operational objectives and in the building of effective institutions in Nepal. The first of these was good governance. This was seen as requiring policy and institutional reforms that would strengthen key institutions as they moved toward facilitating greater participation by the private sector. The second key element was that of implementing the Government's decentralization initiative, including support for local administrations. The third, fourth, and fifth elements were private sector development, gender equity, and subregional cooperation.

5. ADB'S APPROACH TO POVERTY REDUCTION IN NEPAL

Given that the purpose of the conceptual framework presented in Chapter 2 is to provide a structure for formulating and assessing poverty reduction strategies, it is useful to briefly assess its relevance to, and usefulness in, the Nepal setting. The framework with appropriate modifications may also be used to describe, and in future to evolve, ADB's approach to poverty reduction for Nepal.

A. Relevance of the Conceptual Framework to the Nepal Context

To facilitate the discussion that follows, the reader may refer to Figure 2.1, which provides a diagrammatic summary of the conceptual framework presented in Chapter 2.

Among the basic institutions or rules that govern behavior in society, well-specified property rights and impartial enforcement of contracts are two vital factors in determining how smoothly and efficiently market-based economies operate. The implication for poverty reduction strategies is that if these two vital institutions are weak or absent, the impact of poverty reduction interventions will be reduced in like measure.

The implication of all of this is that the extent to which the above applies to the Nepal context will determine which interventions for strengthening these basic societal institutions should form a part of, or be emphasized in, poverty reduction strategies for Nepal. It is therefore necessary to briefly consider the degree to which the conceptual framework presented in Chapter 2 is useful in formulating an approach to poverty reduction for Nepal, and in prioritizing the interventions that comprise such an approach. This has clear implications for ADB's approach to poverty reduction in Nepal.

With regard to Nepal's nascent urban-based, nonagriculture sectors (manufacturing and services), the conceptual framework is generally applicable. These are the sectors that one would expect (or at least hope) to have the long-term capacity to efficiently absorb and use the potential labor force engaged in low-income subsistence farming. Since these sectors use capital and technology (the supply of which is ultimately limitless) to complement labor instead of land (which is both in fixed supply, and indispensable to agriculture), these sectors should be encouraged to expand in an efficient way, so as to increase their uptake of labor over the long term, as well as their contribution to overall GDP growth. Such efficient expansion requires both well-specified property rights and impartial enforcement of contracts, since both of the latter reduce the perceived level of risk of doing business in Nepal. Such a reduction would be helpful in that it would promote investment, both domestic and foreign, in these sectors.

However, when the conceptual framework is applied to Nepal's rural agriculture sector, the importance of societal institutions such as well-specified property rights and impartial enforcement of contracts pales considerably. Particularly with regard to rural subsistence agriculture such as that prevalent in the remote hill and mountain districts, the binding constraint on increasing both productivity and the rate of growth of agricultural output is far more likely the provision of physical and social infrastructure (e.g., basic health services, educational facilities, safe drinking water, irrigation facilities, microcredit, and transport infrastructure). This suggests that in the Nepal context, poverty reduction interventions that increase the level of access to basic services necessary for increasing agricultural productivity, or programs directly targeting the rural poor, are more likely to be the interventions most efficient in reducing poverty incidence. Two possible exceptions to this are (i) interventions that strengthen societal

institutions recently put into place by the Government for eradicating discrimination on the basis of gender, caste, ethnicity, or religion; and (ii) societal institutions for specifying property rights or the impartial enforcement of contracts within portions of the Terai (or elsewhere) where agricultural production is more of a commercial than subsistence nature.

The latter exceptions notwithstanding, the fact that nearly 88% of Nepal's population is rural and that 83% of the population derives its principal income from agriculture suggests that at least in the medium term, ADB's poverty reduction approach in Nepal would best complement and remain consistent with the Government's poverty reduction strategy if it included all the categories of interventions depicted in the boxes in Figure 2.1. At the same time, emphasis should be placed on interventions that will build and strengthen the institutions that promote pro-poor growth. Such interventions include support for legal, regulatory, and policy reforms that ensure equitable access to resources for the poor and disadvantaged, as well as their participation in decision making at all levels.

B. Strategic Concerns

In implementing ADB's country poverty reduction approach in Nepal, several concerns are key in ensuring a dual focus on reducing poverty incidence and narrowing income disparities. First, major emphasis in implementing the approach must be placed on improving the poor's access to resources, and in particular, those resources most vital to escaping poverty. Second, the removal of institutional constraints that currently bar the poor from accessing these resources, and thus render them powerless to help themselves, is essential. Third, strong economic growth is necessary. However, the growth process should be broad-based to improve equity. Institutions capable of distributing (and redistributing) resources not only in an efficient manner, but more importantly, on an equitable basis, will be essential in achieving equity-improving growth.

Formulating and implementing policies that lead to positive changes in both growth and income distribution simultaneously will be the key to achieving the above recommendations. This particularly relates to policies designed to specifically target the poor. In cases where this is not possible, at the very least, any policy that leads to inequality-generating growth should include mitigating pro-poor measures.

C. ADB's Approach to Poverty Reduction in Nepal

With effect from 1 January 2001, a country strategy and program (CSP) has been prepared for all developing member countries (DMCs) of ADB. The CSP reflects ADB's operational strategy. It is mandatory for the CSP preparation process to be initiated through a poverty analysis of each DMC. The poverty analysis is then discussed at a high-level forum comprising government, aid agency, private sector, academic, and civil society participants. The poverty analysis is revised based on discussions at the high-level forum, and forms the basis for preparing the CSP. The next CSP for Nepal will be due in 2003. However, a CSP update due annually has been prepared for Nepal and is based on this poverty analysis. ADB's approach to poverty reduction suggested by this poverty analysis derives from the Government's poverty reduction strategy. ADB's analysis and the Government's poverty reduction strategy provided the basis for the Poverty Reduction Partnership Agreement that was signed between the Government and ADB on 21 October 2001. ADB's CSP for Nepal for 2002–2004 includes three long-term goals:

- (i) reduction of poverty incidence (i.e., head count index),

- (ii) reduction in degree of social exclusion facing women and disadvantaged groups, and
- (iii) reduction in income disparities.

Within the context of the above goals, poverty reduction is to be achieved via the CSP's three pillars:

- (i) pro-poor economic growth (inclusive of the poor),
- (ii) human development, and
- (iii) good governance.

Cutting across all of these pillars is the theme of improving Nepal's institutions, which is necessary to support (i)-(iii) above.

Finally, based on comments received at the High-Level Forum (Appendix 2), ADB's 2001 CSP Update has identified the following sectors:

- (i) agriculture and rural development;
- (ii) transport;
- (iii) energy;
- (iv) finance;
- (v) education;
- (vi) water supply, sanitation and urban development; and
- (vii) environmental management.

These sectors were chosen to maximize the impact of ADB-assisted interventions and are the most vital in supporting the CSP's three pillars. Focusing on these sectors, as well as improvement in access to resources to increase agricultural productivity, will maximize the efficiency with which ADB's resources are used to reduce poverty in Nepal, and hence support the Government's poverty reduction strategy.

DALITS, JANAJATIS, SUKUMBASIS, AND KAMAIYAS

In Nepal, there are certain groups of people who for historical, social, or cultural reasons have become, or remained poor. This appendix provides a brief description of the identity, background, and current status of the four disadvantaged groups referred to above.

Dalits

The word “dalit”, which mean oppressed, is of relatively recent origin. It refers to the lowest caste group, the Shudra, in the Hindu caste hierarchy. Traditionally, the Dalits have been relegated to doing dirty, menial work, and as a result, have been considered unclean, and therefore “untouchable” by the higher-caste groups who have reserved for themselves the right to do business, run the government, and educate themselves. Throughout their history, Dalits have been deprived, both economically and socially, by longstanding traditions, and during some periods, by law (Civil Code 1853). Recent laws (New Civil Code 1963, Constitution of Nepal 1990) have banned untouchability, abolished discriminatory legal provisions, and enshrined in the Constitution statements ensuring equality for all citizens irrespective of caste, creed, or gender. However, discrimination based on caste is still a fact of life in Nepal.

While according to the Population Census of 1991, nearly 14% of the population belongs to the Dalit community, only recently has their strength in numbers been translated into a united force for advancing their interests. Long marginalized by the rest of the society, even today they are expected to earn their living by performing tasks the rest of society considers to be unclean, and therefore performed only by Dalits.

Throughout their history the Dalits have been denied access to education. Even today, their access to education and other resources for escaping poverty is limited, as evidenced by their low literacy rate of less than 15% (for Dalit women, 3.2%). The Dalits have historically engaged in nonfarming occupations, with farm income representing only a small portion of their total income. They therefore have had little to fall back on when demand for their services diminishes. A recent survey (Save the Children US 1996) shows that only 21% of Dalits produce food grains sufficient for 90 days, 19.5% for 4–6 months, and 15.4 percent sufficient for one year. Only 5.1% of the Dalit population produces food grains in excess of what is required for family consumption. Given their limited income-earning opportunities and access to public resources, it is not surprising that approximately two thirds of Dalits currently live below the poverty line (Sharma 2000), living lives not only economically deprived, but stripped of self-respect and dignity as well.

The Constitution declares the practicing of untouchability punishable by law, and includes a provision for uplifting Nepal’s socially and economically backward communities. In 1997, the Government established for the first time a Neglected, Oppressed and Dalit Upliftment Development Committee, the objective of which was to uplift the Dalit community. The Ninth Plan commits the Government to uplift the social and economic status of Dalits through elimination of all forms of discrimination (NPC 1998). The Government has plans for a national committee to be formed for Dalits, including a three-tiered structure (central, district, and village) for the upliftment of Dalits in partnership with nongovernment organizations (NGOs) at the local level. In addition, the Ninth Plan includes a mandatory requirement that a certain (unspecified) percentage of government grants will be allocated specifically to the improvement of Dalits.

In recent years, several NGOs have been actively involved in addressing problems relating to Dalits. These include nonpolitical, nonreligious, and nonprofit organizations such as the Dalit NGO Federation (DNF), the Academy for Public Upliftment (Jana Utthan Pratisthan), the Dalit Welfare Organization (Dalit Sewa Sangh), and the Feminist Dalit Organization (FEDO). However, the success and effectiveness of the programs undertaken by these various agencies is not without question. It is disturbing to note that the budget of NRs136 million allotted for the Dalit Upliftment Program over 5 previous years (1995–2000) has been diverted to non-Dalits.

Janajatis

Janajatis are defined as persons who have their own language and traditional culture, and who are not included under the conventional Hindu hierarchical caste structure (NESAC 1998). The Janajatis are thus for the most part indigenous people. Given their isolation, which results from the mountainous terrain in the north of the country and the (till the 1960s) malaria-infested forests in the south, they lived what seemed to be lives separate from the rest of the country. While the number of members of each Janajati community tends to be small, Janajatis are spread out nearly all over Nepal, constituting 35.6% of the total population (CBS 1993). Thus far, the Government has recognized 61 communities as being Janajatis, but the count may not be totally complete, and in the case of certain communities there is controversy as to whether these people are to be counted as Janajatis or not (Himal 2000).

The situation of the Janajatis, economically and otherwise, varies widely from one community to another, and depends on many factors such as physical isolation, whether or not they are nomads, the role relegated to them historically by the ruling elite, and loss of their traditional community-owned lands as a result of actions by the Government or other groups within society. The Janajatis that appear to be the worst off are those living in the Terai and the midhill regions.

Programs targeting Janajatis were initiated in the late 1980s, and with the coming of democracy there is more awareness of their situation. The Government established the National Committee for Development of Janajatis (NCDJ) in 1997, for the purpose of coordinating its programs for the upliftment and development of indigenous people, but thus far, its activities appear for the most part to be limited to distribution of funds to various Janajati organizations. For example, during fiscal year 1999/2000, of its total budget of NRs10 million, slightly more than half was distributed to several Janajatis organizations. The other government program is the Praja Development Program (PDP), which is primarily active in the upliftment of Chepangs of Chitwan, Dhading, Gorkha and Makwanpur, which are the largest Janajati group, and the most backward of all Janajatis.

Since the coming of democracy in 1990 there has been a substantial growth in the number of organizations of Janajatis officially registered with the Government. At the national level, these organizations have formed a federation, the Nepal Federation of Nationalities (NEFEN), and relative to the Dalits, the Janajatis are more organized and visible. However, unlike the Dalits, Janajati groups have varying agendas, which makes it difficult for the Janajati community as a whole to agree on a common set of goals. At times the Government has made various declarations about uplifting the Janajatis, and to its credit, it has carried out various programs, but as in the case of the Dalits, significant results are yet to be realized.

In the case of the Janajatis the Government faces an even more difficult task, since unlike the Dalits who face more or less the same issues regardless of where they live, the Janajatis comprise different groups of people at various stages of development, who live in

varying degrees of isolation. One of the objectives of the Ninth Plan is to eradicate social imbalance by uplifting indigenous people and ethnic groups economically and socially. A related goal is to uplift the overall status of cultural development of the nation via exploration and preservation of the unique cultural heritage of indigenous peoples and ethnic groups.

Sukumbasis

Sukumbasis are defined as landless settlers who reside in areas such as open fields, banks of rivers, and forest areas in the absence of official governmental approval or physical infrastructure. The Sukumbasis are generally in-migrants (typically from the Hills to the Terai), victims of natural disasters or manmade conflicts, or indigenous people who have lost their traditional land. They thus possess little or no land other than that they are currently occupying, which is land they have not been given official permission to use. However, not all people who occupy lands without government permits are Sukumbasis, since some fall under the category of unplanned settlers, who have commandeered public land for commercial purposes. Sukumbasis, together with landless peasants, are people targeted by the Government for assistance, usually in the form of resettlement programs. In order to study issues relating to Sukumbasis and landless persons, the Government has formed various commissions which on some occasions has distributed land to these groups. A brief description of some of the Government's resettlement programs is given below.

Kamaiyas

The term "kamaiya" refers to agricultural indentured laborers lacking land or property who are required to serve the single *kisan* (landlord) to whom they are financially indebted until the debt is repaid. Typically, the Kamaiya and other family members work for a single kisan and in return get payments in kind, or in-kind payments plus a wage. But in most cases, the earnings are so small that the Kamaiya is unable to pay back the loan and ends up serving their kisan for a lifetime, and in some cases, from one generation to another. According to a survey conducted in 1995 by the NGO Backward Society Education, there were about 40,000 Kamaiya families scattered around Nepal. The Kamaiya problem is most prevalent among the Tharu (a Janajati) community that inhabits the mid- and far-western Terai where landlessness, low levels of human capital development, and lack of employment opportunities have contributed to this exploitative form of employment.

Programs designed specially for Kamaiyas are the Kamaiya Debt Relief Program and the Kamaiya Skill Training Program, which address the issues of debt (source/accentuator of bondedness), and low levels of human resource development. However, because both of these programs concentrate on narrow aspects of the Kamaiya problem, they are unable to offer a comprehensive program enabling Kamaiyas to earn a respectable wage, or to make a living via some alternative form of employment.

On 17 July 2000, the Government made the landmark decision to outlaw bonded labor. Thus, forcing another person to work under the Kamaiya system is now punishable by law. While this is a positive development, in order to actually terminate the Kamaiya system, the authorities must be prepared for difficult battles, both on the legal and political fronts (*Kathmandu Post*, 1 August 2000).

Concluding Remarks

Most of the poverty reduction programs run by the Government that focus on disadvantaged groups are for the most part centrally conceived, designed, and implemented, and are therefore characterized by low local participation rates. Typically, these centrally-driven programs suffer from high levels of political interference, few (if any) consultations with the intended beneficiaries, a tendency for quick fixes rather than long-term solutions addressing underlying issues, inadequate supervision and monitoring, and lack of transparency. As a result, many of these programs fail to address the multifaceted problems faced by the targeted groups.

The programs for Janajatis and Dalits seem to have had minimal impact, due to scant funds, problems associated with targeting and misappropriation, an emphasis on distribution of funds to organizations (without any follow-ups) as a measure of success, and an inability to address the underlying causes that lead to deprivation of the target groups. Targeted programs for Sukumbasis are generally also mired in politics. As for the Kamaiyas, the situation might appear a bit brighter following the 17 July 2000 declaration by the Government, but this must now be backed by enforcement of wage-based employment, or provision of alternative employment for the Kamaiyas who have now at least technically been freed.

PROCEEDINGS OF THE HIGH-LEVEL FORUM ON POVERTY ANALYSIS

A. Highlights of the Program

The High-Level Forum to discuss ADB's Poverty Analysis was held on 26 February 2001 at Hotel Himalaya in Kathmandu. The National Planning Commission's (NPC's) Secretariat and Asian Development Bank (ADB) jointly organized the Forum. It was attended by approximately 90 participants from the Government, the diplomatic corps, aid agencies, nongovernment organizations (NGOs), community-based organizations (CBOs), academia, and members of the press. The Forum was chaired by Prithvi Raj Ligal, honorable Vice-Chairman of the NPC.

The Forum began with the delivery of welcoming remarks by Richard Vokes, Resident Representative, Nepal Resident Mission, ADB. Thereafter, Bhuban B. Bajracharya, Poverty Consultant, made a presentation on the poverty situation and its trend in Nepal. It was followed by a presentation of Tirtha Dhakal of NPC on the outcome of public consultations conducted while developing the Interim Poverty Reduction Strategy (IPRS) prepared by NPC. Brian Fawcett, ADB, presented ADB's approach to poverty reduction in Nepal. Speaking from the chair, Prithvi Raj Ligal gave a keynote address to the Forum. At the end of the inaugural plenary session, Mahendra R. Pandey, Joint Secretary, NPC Secretariat, gave a vote of thanks.

The different components of the Poverty Analysis were presented during plenary session. Afterwards, the participants were divided into five theme groups—each chaired by individuals having prominent and extensive experience in their respective areas as follows:

- **Institutions and Good Governance**
Mohan Man Sainju
- **Growth and Macro Policy Environment**
Satyendra Pyara Shrestha
- **Social Sectors**

- **Durgesh Man Singh**
- **Agriculture and Rural Development**
Ram Prakash Yadav
- **Rural Infrastructure**

Ravindra Kumar Shakya

The groups reported on their assigned topics in the second half of the plenary session. The Forum concluded with a vote of thanks by Richard Vokes.

1. Welcome Remarks

Welcoming the participants, Mr. Vokes indicated that the objective of the Forum was to discuss the draft Poverty Analysis. He reiterated the emphasis ADB has placed upon poverty

reduction, particularly so, after President Tadao Chino took office. Poverty reduction is now ADB's overarching goal.

Mr. Vokes explained ADB's new Poverty Reduction Strategy under which a poverty reduction partnership agreement (PRPA) will be signed with each developing member country. The PRPA will be developed based upon ADB's Poverty Analysis and the Government's priorities as enunciated in its IPRS, and in ADB's Country Strategy and Program (CSP) for Nepal. The PRPA is to be prepared in partnership with the Government and also in consultation with other key stakeholders. He thus clarified the critical importance of the High-Level Forum in implementing ADB's poverty reduction policy.

Since the Government's decision to revise and strengthen its poverty reduction strategy can be seen in its commitment to prepare a full PRS, Mr. Vokes was of the opinion that the PRS should ideally be merged with the Tenth Plan. Both the Government's IPRS and ADB's Poverty Analysis have largely benefited from the direction provided by the Experts Group formed by NPC and the outcome of public consultations. He thanked NPC particularly its Vice Chairman Prithvi Raj Lital, and his colleagues and other government officials for their active support.

2. Poverty Situation in Nepal

Presenting the first and third chapters of the Poverty Analysis, Mr. Bajracharya dwelled upon the poverty situation and its trend in Nepal, and the Government's development thrusts in poverty reduction. He observed that understanding of poverty is not as clear as we want it to be though it can easily be observed. There is still debate on the nature and extent of poverty. However, based on his review of existing work, he described the current state of poverty and its trend. These characteristics of poverty, human poverty, social exclusion aspects, and the proximate causes of poverty were discussed. Almost 67% of the adult population cannot read or write, and only less than half the population has access to safe drinking water. Nepal has high infant mortality rates and about half the children below 5 years of age are underweight. He highlighted the following features of poverty in Nepal:

- roughly half the population are poor
- poverty—more severe in rural than urban areas
 - rural poverty : 44%
 - urban poverty: 23%
- poverty—highest in remote, backward hills and mountain districts
- varying across ethnic groups—severe with occupational caste, ethnic minorities, and indigenous people
- more prevalent with women

Mr. Bajracharya indicated that the proximate causes of poverty include slow economic growth, weak redistributive capacity, nonagriculture growth having limited spillover effects, low productivity and slow growth of agriculture, and weak social and economic infrastructure.

The Government has taken poverty reduction as the single major objective of development. Poverty reduction is to be achieved through sustained broad-based growth, rural infrastructure and social priority sectors, and targeted programs. The recent initiative in this respect is the completion of the draft IPRS. He cited weak legal and regulatory functions, weak overall institutional capacity on the part of the Government, weak redistributive capacity, and

weak implementation of the Agricultural Perspective Plan, among the constraints to the Government's PRS.

3. Public Consultations

Tirtha Dhakal, Under Secretary of NPC, presented the outcome of public consultations held in connection with the preparation of the Government's PRS. Altogether five consultations were held—three at the district level covering all the districts, and another two for women participants. These public consultations covered participants from ethnic minorities and remote districts.

Mr. Dhakal indicated that these public consultations involved detailed deliberations on the nature and features of poverty, causes of poverty, participants' evaluation of different major stakeholders in poverty reduction efforts, and their own suggestions on the strategy. The public consultations contributed significantly to the understanding of poverty and in delineating and prioritizing poverty reduction measures.

4. ADB's Approach to Poverty Reduction

Brian Fawcett presented Chapters 2 and 5 of the Poverty Analysis. He described the conceptual framework for poverty reduction strategies and ADB's approach to poverty reduction in Nepal. ADB will support sustainable poverty reduction through broad-based economic growth, improvements in basic social services, and natural resource management. Effective institutions are essential to promote pro-poor growth. At the moment, institutions lack efficiency, predictability, transparency, and accountability. Inadequate physical and social infrastructure is another major constraint, particularly in rural areas and the agriculture sector.

Explaining the conceptual framework for assessing poverty reduction strategies, he stressed the need for making ADB's approach consistent with the Government's IPRS. Improving the poor's access to resources, removing institutional constraints, and promoting equity-improving growth are the strategic concerns for reducing the incidence of poverty, reducing the degree of social exclusion, and improving equity. Pro-poor economic growth, social development, and good governance are regarded as the three main pillars of ADB's CSP for Nepal.

The meeting discussed the proposed sectoral priorities for Nepal. Basically, the sectoral focus of ADB's 1999 Country Operational Strategy was felt to be appropriate, and did not require revision. Based on comments at the High-Level Forum, the proposed ADB CSP has identified the following sectors for future ADB assistance in Nepal:

- (i) agriculture and rural development;
- (ii) transport;
- (iii) energy;
- (iv) finance;
- (v) education;
- (vi) water supply, sanitation, and urban development; and
- (vii) environmental management.

B. Highlights of the Group Reports

The detailed discussion on the Poverty Analysis took place in different groups. The group reports were then presented in the plenary session. Following are the highlights of the reports:

1. Institutions and Good Governance

Presenting the report on behalf of this group, Mohan Man Sainju, former Vice-Chairman of NPC and former Nepalese Ambassador to the United States, emphasized the need for institutional capacity building of local government bodies. Since the Local Self-Governance Act and Regulations are now in place, there is an immediate need to strengthen them. Toward mobilizing local efforts, social mobilization and group approach need to be emphasized, given the problem of social exclusion.

In improving the delivery of public services, polycentric models have been found effective, and need to be further promoted, using public-private partnerships. Other aspects that need to be emphasized are improved good governance at all levels for which social auditing is necessary. Increased public investment in education to improve empowerment and human development is also essential.

2. Growth and Macro Policy Environment

Presenting the report on Growth and Macro Policy Environment, Satyendra Pyara Shrestha, former Governor of Nepal Rastra Bank, suggested that a separate section on macroeconomic policy should be included in the Poverty Analysis. This section would deal with fiscal measures for promoting growth and stability, exchange rate policy, inflation management, and interest rate policy. Some analysis is needed on effects of public investment on employment and growth, and there is a need to emphasize the need for a well-functioning labor market for proactive employment policy, which is missing or at best not well covered in the Poverty Analysis.

There is a need for demand-driven vocational training and a labor market information system. He also highlighted the need for proper agriculture land use and crop diversification for promoting pro-poor growth. Existing tenancy rights do not encourage any investment in land improvements and do not allow the tenants to obtain loans from credit agencies, thus in the process limiting their access to credit.

On poverty indicators, the group felt that the database on the absolute poverty index is very weak and unreliable. A comparison of changes in poverty over time based on surveys undertaken with different methodologies and objectives should be made with caution. Human development indicators are more relevant and appropriate indicators. On the indicators of income disparity, the group felt that inequality needs to be measured in terms of assets, landownership, and economic and social capital. The Poverty Analysis should focus on social aspects, the participation of excluded groups in decision making, and decentralization.

3. Social Sectors

Durgesh Man Singh, former Member of NPC and former country representative to the European Commission, presented the report on behalf of this group. The group felt no clear linkage was established between the public consultations and recommended strategies. Intersectoral linkages have not

received much focus. For example, education and agriculture development could be closely related and their programs need to proceed simultaneously. Primary education should be compulsory. ADB's approach has not touched important issues of health and population. Public health and family planning services need to be taken to the local level.

To reduce social exclusion, the group felt that social mobilization and awareness-raising programs are necessary. Socially excluded groups should be provided with skills, and targeted in government programs. The group also saw a need for gender sensitization and mobilizing the poor to organize themselves.

4. Agriculture and Rural Development

Ram Prakash Yadav, former Member of NPC, requested Hari Upadhyaya to present the group report. The group felt that the strategies are too general and can be made more specific. They were of the opinion that the strategies do not address all categories of poor. The Poverty Analysis is silent on the process part and institutional arrangements. It seems to have relied upon traditional service delivery mechanisms, which have been proven ineffective. In this respect, much could have been learned from the lessons of different success and failure stories, which are missing from the Poverty Analysis.

The Poverty Analysis mentioned four major constraints. However, the strategies do not seem to address them. The document has to be careful in using inconsistent data in analyzing poverty trends. The poverty situation analysis is not properly linked up with the proposed strategies. Though ADB's past assistance is described, an analysis of the effectiveness of the lending is not made to learn from the past lessons.

5. Rural Infrastructure

On behalf of this group, Ravindra Kumar Shakya, former Member Secretary of NPC, observed some missing linkages in the document. In view of globalization, somewhere the globalization process has to be linked up with poverty reduction efforts. The Poverty Analysis seems to address rural poverty in isolation of urban development. In this context, there is a need to look at rural-urban dynamics and see prospects for poverty reduction.

The group felt that the road item in the sectoral foci is too limiting and does not cover such other important rural infrastructures as suspension bridges, tunnels, trails, ropeways, etc., which are quite important in poverty reduction efforts. A suggestion was made to change it to the "transport" sector. Similarly, the term "power" should be replaced by "energy" so that there will be prospects for incorporating many other energy sources, e.g., solar energy, biogas, etc.

6. Chairman's Remarks

The presentation of group reports was followed by the chairman's remarks from the Vice Chairman of NPC. He responded to some of the issues brought out in the group reports. With regard to data gap and inconsistent data, he announced that the next Nepal Living Standards Survey will be undertaken in 2002, which will help in further understanding poverty. There is definitely a need for strengthening local bodies and the Government is thinking of giving some functions to local government bodies that have so far been done by the central Government. As a first step, districts and even village development committees can be asked to operate

government schools. He felt that access to opportunity is more important and in this respect the low literacy rate particularly of girls is of great concern. Their access to education needs to be greatly enhanced.

7. Vote of Thanks by ADB

Mr. Vokes delivered the vote of thanks at the conclusion of the Forum. He clarified some of the points raised during the presentation of group reports. On the health sector not being covered by the proposed ADB program, he clarified that this sector is covered by other aid agencies having better comparative advantage.

C. Outcome of the Discussions

The involvement and participation of different stakeholders in refining and finalizing ADB's Poverty Analysis and eventual PRPA was very much appreciated. These proceedings incorporate comments made by participants of the High-Level Forum particularly on ADB's future program in Nepal. These proceedings will serve as a supplement to and form an essential element of the Poverty Analysis paper discussed in the Forum. The comments were considered in finalizing ADB's Country Strategy and Program (CSP) for Nepal for 2002–2004 and the PRPA between the Government and ADB.

GROUP DISCUSSIONS: IMPORTANT COMMENTS AND OBSERVATIONS

During the High-Level Forum held on 26 February 2001 in Kathmandu to discuss ADB's Poverty Analysis, the participants were divided into five groups to discuss the following components of the analysis:

- **Institutions and Good Governance**
Mohan Man Sainju
- **Growth and Macro Policy Environment**
Satyendra Pyara Shrestha
- **Social Sectors**

- **Durgesh Man Singh**
- **Agriculture and Rural Development**
Ram Prakash Yadav
- **Rural Infrastructure**

Ravindra Kumar Shakya

The following are the detailed comments and observations presented at the plenary session by each group.

Group A: Institutions and Good Governance

Chairperson:
Man Sainju

Dr. Mohan

1. In building the strategies most of the time the focus is placed on the central Government. However, those people who are totally unreached including the local government are left untouched. We have to think about an inclusive approach so that people at grassroots as well as local institutions can be included. This suggests a more targeted approach. A target-oriented approach is valid when dealing with the socially and otherwise excluded strata of the population.
2. As far as building the pillars of the strategic components of this report, they are OK. But the difficulty lies in translating those strategies into actions while connecting to the realities of the country at the same time.
3. The proposed concept is more center-based as well as urban-based and not visible to local people. Local institutions have to be made more efficient and effective.
4. I was very struck by the strong comments made by the participants at the Public Consultations and thus should be well accounted for. It is not clear to me how those comments are backed up with sectoral investment and/or targeted programs of the proposed strategy.
5. While talking about institutions, educational as well as financial institutions must be given due consideration. The importance of investment and education is a valid point in reducing poverty.
6. Poverty reduction programs will not be implemented properly until and unless the institutions are strengthened. A group-based approach would be a probable solution so that any poverty reduction intervention could go through intervening those groups. This way isolation of some communities can be minimized. As for group forming, it would be better to build separate groups for males and females.

7. Poverty reduction interventions can be made through central, district, and local levels. Therefore, it should be clearly specified at what level action is to be implemented. For example, which programs are implemented at what level, must be specified in advance. Actions should follow through all three levels, as they cannot be acted upon in isolation.
8. Enforce decentralization in a sincere manner. In Nepal, at the moment, there is only what might be called a controlled decentralization. Thus there is an immediate need to implement the Local Self-Governance Act with all sincerity. Also, we have to take into account of certain idiosyncrasies before trying to solve the institutional problems.
9. An efficient service delivery mechanism is essential. A polycentric model is suggested where there should be partnership among government, private sector, NGOs, civil societies, and community organizations.
10. Governance is essential in relation to the accountability, transparency, and decision-making process. As for achieving good governance, actions at local levels are not sufficient so they must be complemented and supplemented through actions both at middle and central levels.
11. As for the shortcomings of APP, we need to be clear. Are we questioning the sincerity and/or commitment on the part of ADB? Are we serious about APP or not as some new reform measures are being introduced as regards to proper implementation of APP, e.g., an enhanced focus on women empowerment?
12. An effective poverty reduction strategy should also involve modernizing our administrative and accounting systems as both these are very traditional at the moment.
13. Women have to be brought into decision-making level. Even though there are a total of 36,000 elected women at the local levels, most of the time they are there just for the sake of putting names and decision-making power is usually not granted to them in practice. The issue here is how to effectively utilize them and their voice.
14. At present, at least the central Government is now beginning to realize that the local bodies have to be strengthened. The only issue is how to go about it.
15. Politicization should be avoided by encouraging transparency and sometimes even public auditing.

Group B: Growth and Macro Policy Environment

Chairperson: Mr. Satyandra Pyara Shrestha

1. In the report, a separate section on how macro-economic policy work for or against poverty reduction should have been included. For example, with a reduction in unemployment, its impact on poverty reduction should have been discussed. Fiscal management issues should have been adequately highlighted. If such issues are misaligned how can it hurt farmers? Also, the interest rate policy and its importance/cost to the poor population should have been clearly highlighted.
2. In the case of labor, employment promotion activities are not properly highlighted. Also missing are discussions on the NPC policies that are not properly coordinated with other factors. For example, how to address the issue of the increasing number of educated people unemployed in urban areas, how to make ongoing skill enhancement programs more demand-driven, etc. Discussions should have been made on similar other issues as well.
3. Land use and crop diversification programs should have been taken care of adequately.
4. As for poverty indicators, the absolute poverty index is good for immediate purposes. However, for more far-reaching objectives, it would be more appropriate to rely on human development indicators.

5. Inequalities of economic and social capital should be taken as reliable measures for income disparity. Social aspects should be highlighted more while analyzing the poverty situation. As for comparison of poverty incidence, it is not proper to agree on comparison with data that involve different methodologies.
6. The present state of tenancy right is in itself counterproductive for production purpose. On the one hand, landowners are discouraged as they have no incentive to invest more on land and on the other, tenants are also incapable of investing properly in land unless they are provided concessional loans. Issues like these should have been discussed and analyzed in the report so that an effective poverty reduction strategy can be built.
7. Voices of the Poor is a very good report, however, the paper does not seem to have taken account of these observations.
8. The role of NGOs is very important in various poverty reduction interventions like provision of microcredit to poor, efficient uses of resources which also should be a part of PRSP, employment creation programs, power sector projects like rural electrification, building rural-urban partnership, and so forth. All these aspects should be adequately highlighted to build an effective poverty reduction strategy.

Group C: Social Sector
Chairperson: Dr. Durgesh Man Singh

Dr. Singh presented the crux of the social sector and explained the linkages with the macroeconomic environment. He emphasized the need for increasing the economic growth rate so that the distributive measures could be enhanced for the cause of poverty reduction. He further linked this with the need for building the capability of the people so that growth could be made sustainable and social exclusion could be minimized. He also emphasized the role of different sectors in reducing poverty, and on the need to follow international commitments.

Following are the other comments of the group members:

1. The paper is not explicitly clear on how to reduce poverty through the social sector.
 - No link exists between public consultation and the strategy.
 - Capability of the poor should be defined and the strategy and actions should be explained clearly.
2. The health and population sector is excluded in the paper. The reason is not given.
(Note: ADB staff in the group explained the reason.)
3. The program does not address gender equity vividly. There is a need to focus on employment-oriented programs. Access to resources for the poor in general and poor women in particular should be emphasized.
4. Dalits are suffering from social exclusion, even though equality is guaranteed in the Constitution. Resources for Dalits should be emphasized through targeted programs to narrow the gap between them and other groups.
5. Most of the Dalits are landless and illiterate. A clear strategy is needed to address the needs of this group (e.g., allocation of public land). Reservation for Dalits in public sector jobs, scholarships, etc. should be provided.
6. The minimum wage rate should be fixed in support of the income of the poor and women.
7. The Government should give emphasis on reducing caste discrimination and inferiority among the poor. Awareness campaign and capacity building of the poor is important.

Mechanisms for a vigil group to control such discrimination should be introduced. Free legal services should be provided.

8. Regional imbalance is the main cause of different magnitudes of poverty in different ecological zones. Emphasis should be given on building infrastructure especially motorable roads. Also, emphasis should be given on international commitments. The Government and the aid community should follow the 20/20 Compact for resource allocation.
9. In the health sector delivery mechanisms at the grassroots level should be emphasized.

Group D: Agriculture and Rural Development
Chairperson: Dr. Ram Prakash Yadav

1. The report is too general as the priority sectors for poverty reduction are not specified. There are misleading (wrong) information on foreign aid flow in Nepal, e.g., real growth rate is only 3% per annum.
2. Apart from the report being too general there are inconsistencies in data. For example, in 1976/77 the poverty incidence was more than 40%, not 33% as mentioned in Table 1.3. Rather than sectoral issues, direct relevant issues like rural income and employment based programs are not given due focus while building the strategy.
3. The report is too general as separate sets of programs/strategies for poor are missing. Instead of this, more focus should have been give to target-oriented programs.
4. With reference to the Terai and Hills options study, as the Government is mostly inefficient, the service delivery management should be entrusted with NGOs and similar other organizations. The report does not seem to take account of this and also, policy changes are not mentioned.
5. More specific and objective strategies are missing in the paper. Policy is not a problem, only the implementation arrangements. Also, the impact of an advisory committee is not reflected in the paper.
6. The paper should also take account of the lessons learned by FAO, DFID, and other organizations. More prominent focus on income and employment-generating issues with regard to different categories of poor should have been identified in the paper. As the report is too general, a subsectoral focus is missing. There should have been separate sets of programs for, say, landlords and landless poor and for rural and urban poor.
7. The strategy does not indicate the process part and it relies more on the traditional government approach to service delivery that has been proven inefficient. Also, the strategy does not respond to the constraints identified. Further, specific strategies for Dalits and other disadvantaged groups are missing. Also missing is the analysis of how the ADB assistance was used in the past to address the poverty issue.
8. We all know what has to be done but the only problem is to identify how they are to be done. The report has not solved this problem either.
9. The report is only a draft for comments. The answers to “how” part are missing.
10. Most of the poorest of poor in the rural areas do not own any land. What are the proposed strategies for those groups?
11. This paper is based on the NLSS data, which is based on a calorie requirement of 2,124, and this is wrong. Where are the strategies for the urban poor?
12. If the same delivery system is proposed, then how to improve it should have been discussed.
13. Policies for improving rural employment should have been discussed. Where are the policies for market-correcting mechanisms?

Group E:

structure

**Chairperson:
Kumar Shakya**

Infr

Dr. Ravindra

1. The paper should have included important issues such as the impact of globalization on poverty reduction in Nepal. Also, the paper should have given due consideration to the existing rural-urban dynamism in the country. To be specific, given the sort of rural-urban linkages, we would not like to reduce rural poverty at the cost of urban poverty.
2. In the paper, the specific mention of the term “roads” could be misleading as infrastructure among other factors includes various forms of transport means. Therefore, the term “roads” should be replaced by “transport”.
3. As the development of rural roads alone does not answer all aspects of the poverty reduction issue, the significance of other transport means including their technological aspects should be reiterated.
4. In this context, further use of communication networks, specifically information technology, must be adequately highlighted.
5. The term power in the strategy paper should preferably be replaced by energy. Also, the two aspects of energy—renewable and nonrenewable—must be taken into account and sources of energy like bio-gas should be included.
6. The linkages as well as the significance of operation and management (O&M) issues with an effective utilization of the energy resources should be adequately highlighted.
7. It is obvious that the economy has not been able to make adequate uses of available energy sources. Therefore, clear action plans are essential in this regard.

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KATHMANDU, 26 FEBRUARY 2001**

No.	Name	Designation and Office
His Majesty's Government of Nepal		
1.	Mr. Prithvi Raj Ligal	Hon. Vice Chairman, National Planning Commission (NPC)
2.	Dr. Jagadish C. Pokharel	Hon. Member, NPC
3.	Dr. Rameshananda Vaidya	Hon. Member, NPC
4.	Dr. Nirmal Pandey	Hon. Member, NPC
5.	Mr. Hari Shanker Tripathi	Hon. Member, NPC
6.	Mr. Mahendra R. Pandey	Joint Secretary, NPC
7.	Ms. Padma Mathema	Under Secretary, NPC
8.	Mr. Tirtha Dhakal	Under Secretary, NPC
9.	Dr. Pradeep Upadhyaya	Section Officer, NPC
10.	Mr. Chakra Shrestha	NPC
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14.	Dr. Tanka N. Sharma	Director, Centre for Technical and Vocational Training
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17.	Dr. Hari Upadhyaya	CEAPRED
18.	Dr. Ram Prakash Yadav	Winrock International
19.	Mr. Ram S Simkhada	NGO Federation
20.	Dr. Tika Pokharel	Social Welfare Council
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22.	Dr. Sumitra Manandhar-Gurung	Lumanti
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30.	Mr. Tirtha Bama	Feminist Dalit Organization
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32.	Dr. Tika Man Vaidya	NFCC
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38.	Dr. Shyam Bhurtel	Association of District Development Committees, Nepal
39.	Dr. Champak Pokhrel	Freelance
40.	Dr. Durgesh Man Singh	Former Member, NPC
41.	Dr. Rabinda K. Shakya	Former Secretary, HMGN
42.	Dr. Jagadish C. Gautam	Freelancer
43.	Mr. Satyendra Pyara Shrestha	Former Governor, Nepal Rastra Bank

Politicians and political organizations

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| 45. | Dr. Dilli R. Khanal | Member of Parliament |
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Private sector

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- | | | |
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| 52. | Mr. Sri Ram Pandey | Program Officer, UNDP |
| 53. | Mr. Shiva Poudyal | Danish Embassy |
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| 55. | Mr. George Like | USAID |
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| 62. | Ms Sarah Loughton | World Food Programme |
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