

## A Note On: REDUCING POVERTY IN NEPAL

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### 1. Introduction

Before 1970's, economists generally believed that it was quite impossible to ride the horse of social justice and the horse of economic development simultaneously <sup>1/</sup> and so the basic thrust was to center round growth, rather than round distribution. This led to channelising some portion of world resources to accelerate growth in the developing countries. The emphasis on growth was believed to have the trickle down effect. Hence growth was aimed at without any concern to equal distribution of wealth and income. In January 1949, Harry S. Truman brought to the front the problem of poverty: 'More than half of the people of the world are living in condition approaching misery. Their food is inadequate, they are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap, and a threat both to them and to more prosperous areas. <sup>2/</sup> In 1973, Robert S. McNamara, the then president of the World Bank, in his address to the meetings of World Bank and IMF, spoke of absolute poverty as "a condition of life so degraded by disease, illiteracy, malnutrition and squalor as to deny its victims basic human necessities. Absolute poverty was the lot of 40 percent of the people of the developing countries. <sup>3/</sup> This address along with the worldwide recognition that growth has not reaching the poor majority in many developing societies, the World Bank placed special emphasis on direct measures to alleviate poverty. <sup>4/</sup> The policies were framed so as to raise the productivity and living standard of the people by

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1. Arthur Lewis The Theory of Economic ?

2. Quoted in Newsweek; Oct. 26, 1981-A Survival Summit.

3. Quoted in Finance and development, March, 1979.

4. Michael Lipton and Alexander Shakow-The World Bank and poverty-Finance and Development, June 1982.

directing the Bank loan and the IDA (soft loan window of the Bank) credits towards improving the condition of the poorest of the poor residing world over.

In a recent speech, (1982) in Nigeria, the present World Bank president, A. W. Clausen, emphasized that a key and central aim of the world Bank is the alleviation of poverty. 5/ This new strategy for 1980s does not preclude growth but the strategy is what is often referred to as the 'growth with equity'. In line with the policies of the Bank the developing world is trying to accelerate the economic growth and at the same time to reduce the level of poverty and raise the living standards of the people by making the poor more productive. Such programmes related to rural development, primary education, small-scale industry, water supply and waste management and population, health, nutrition, are being implemented. The provision of minimum basic needs for the overwhelming majority of the poor also contributes towards reducing the poverty of the people. This strategy is rapidly gaining popularity in the less developed countries. This strategy calls for the provision of more and better food, safe drinking water security, of livelihood, health, sanitation, education, decent shelter, adequate transport and nonmaterial needs. 6/

The World Bank has considered the integrated rural development projects as the best solution for providing minimum basic needs to the rural poor. Accordingly, it has oriented its lending policy towards integrated rural development projects. 7/ The integrated rural development projects aim at simultaneous development of the numerous sectors like agriculture, (feedgrain, livestock, etc) horticulture, forestry, education, (health, drinking water, small and cottage industry, rural transportation, institutional arrangements for marketing credit and storage facilities, etc. 8/

## 2. The Requirements:

The development strategy for the 80s has clearly been laid down. But without effective implementation, the strategy may collapse like a house of cards, [for meeting basic needs the basic requirements are. 9/

5. Address to the Board of Governors by A. W. Clausen, the World Bank; Washington, D. C.

6. Paul Streeten—Development ideas in Historical Perspective Economic Impact, 19:2/4

7. Bettina S. Hurni—The Lending Policy of the World Bank in the 1970.

8. Shyam Joshi—Integrated Approach in Rural Development—Ram Jham, 29 Dec. 1977.

9. Paul Streeten—Op. Cit.

- (a) Changing in income distribution, structure of production (including distribution and foreign trade), increase in basic goods, and purchasing power to by them;
- (b) Restructuring of public services to ensure that these actually reach the poor, greater participation of the people at the local level: better access to these services: and an appropriate delivery system.
- (c) Giving priority to growing food for domestic consumption since the majority of the poor live and will continue to live for some time by agriculture.
- (d) Meeting needs of the rural population, credit, extension services, fertilizer, water, power and seeds must be made available so that these reach the small farmers. Also essential is the granting of tenure security;
- (e) Providing the small farmer with the access to markets through feeder roads and marketing facilities;
- (f) Developing efficient labour-intensive technologies that economise the use of capital and sophisticated skills and management and are appropriate for the social, cultural and climatic conditions of developing countries;
- (g) Providing the rural towns with middle-level social services, such as health and family clinics, secondary schools and technical colleges.

Development is often compared to the mobilisation and use of resources on war-footing and Nepal's efforts also reflect this. Since the dawn of democracy in 1950, until now, different programmes have been launched in Nepal to alleviate rural poverty. This short article gives a cursory note of efforts made to meet the basic needs of people in Nepal.

### 3. Concern for Rural Poverty in Nepal

Nepal is a least developed country where 94.2 percent people live in the rural areas. The per capita income is about \$ 120 and more than 40 percent of the population live below the absolute poverty line. Agriculture is the mainstay of the economy contributing 66 percent to GDP, giving employment to 90 percent of the population and producing 80 percent of the export. The substantial portion of raw materials for industrial development is also availed by this sector. 10/ of the total working days available, 66 % has been underutilized in the rural areas. The small and marginal size farm families constitute 64 percent of the total farm families. The smaller size farm families possess only 34 percent of the total culti-

vated land of the country. Land holding of almost 31 percent farm families (marginal size group) is even less than one hectre. 11/

### Provision for basic needs

| Countries  | Life expectancy at birth (1980) (years) | Infant mortality (1980 aged 0-i) | Population per physician (1977) | Percentage of population with access to safe water (1975) | Daily per capita calories supply (1977) | Adult literacy rate (1977) (%) | Number enrolled in primary school as a percentage of age group (1979) |
|------------|-----------------------------------------|----------------------------------|---------------------------------|-----------------------------------------------------------|-----------------------------------------|--------------------------------|-----------------------------------------------------------------------|
| Nepal      | 44                                      | 136                              | 35,900                          | 9                                                         | 2002                                    | 19                             | 88                                                                    |
| Bangladesh | 46                                      | 150                              | 12,690                          | 53                                                        | -                                       | 26                             | 65                                                                    |
| India      | 52                                      | 123                              | 3,630                           | 33                                                        | 2021                                    | 36                             | 78                                                                    |
| China      | 64                                      | 56                               | 1,100                           | -                                                         | 2444                                    | 66                             | 118                                                                   |
| Pakistan   | 50                                      | 126                              | 3,780                           | 29                                                        | 2281                                    | 24                             | 56                                                                    |

Source: IDA In Retrospect, World Bank, 1982.

The above table indicates that the facilities available in Nepal to meet the basic needs are quite low as compared to other developing countries. However, Nepal is becoming alarmingly concerned with the problem of poverty. Nepal also has shown her serious concern on the global problem of poverty. Indeed the presence of the poor and hungry among us is a challenge to all value systems, all our religions, all our moral principles or political theories. /12

### 5. Efforts Fowards Reducing Rural Poverty

Though Nepal has been taking up steps to reduce rural poverty since mid-50's, it has been all the more concerned from mid-70's.

One of the objectives of the Sixth Plan (1980-85) is to avail the minimum basic needs to Nepal's teeming millions food, firewood for domestic fuel, drinking water, basic health

II. Agriculture Credit Review Survey, Nepal Rastra Bank, 1980, Vol-1.

1.2. Nepal's life expectancy, literacy rate have improved recently.



facility and sanitation, primary and skill-oriented adult education, mule tracks and suspension bridges are come under basic needs. The plan has clearly stated the objective of the plan is not to distribute poverty but to raise the living standards of the majority of the poor people. This objective will be achieved through the process of employment-generating development by increasing production and income. /13 The efforts for reducing the level of poverty of raising the standard of living is not however, a new concept in the annals of planning in Nepal. It was there in the earlier plans of Nepal fore in different garbs such as making food and cloth, medicine and education, and entertainment during the first plan, just distribution of production during Second Plan, land reform measures in the Third Plan balanced regional development in the Fourth plan. /14

Since agriculture is pivot of the rural Nepal, its development has been accorded top priority since the Fifth Plan. As already stated since the integrated rural development is one of the most potential means to meet basic minimum needs, it has been vigorously implemented at present. The rural development efforts in Nepal launched so far have taken different names, viz, Small Area Development Project, Remote Area Development scheme, Local Development, Small Farmer Development Project, Integrated Hill Development Project, Hill Area Rural Development Project, Integrated Rural Development Project, etc. The effort for rural development dates back to 1952 when HMG launched village development scheme. The village development scheme was given a special place in the First Plan. After the introduction of Panchayat as the political system of the country, village development scheme has been carried out in the name of Panchayat Development programme. After 1961 the emphasis on rural development has remarkably increased. At present, the Local Development Ministry has been given the task of carrying out the rural development programmes. The Local development officers have been given the responsibility of executing and supervising the district level development programmes. The district and village panchayats have been given the right of formulating and implementing the programmes through effective local participation. This strategy also aims at reducing the level of leakages which has been the main cause of failure of such programmes in the past. The Decentralisation Act, 2039, (1982-83) has also

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13. Key note address from H. M. Birendra Bir Bikram Shah Dev to the UN conference on the least developed countries held in Paris, Sept. 3 1981.

14. Basic Principles of The sixth Plan (Revised), NPC.

14: Shyam Joshi—The Basic needs strategy and the sixth plan, Nepal Bank Patrika, April—May 1981.

laid down the social welfare and the balanced distribution on the benefits of development. The small and Cottage Industry Department assists rural industries throughout the kingdom. The World Bank is now financing many kinds of rural industries having income and employment generating potentials. The present industrial development strategy has also been directed towards meeting the basic minimum needs. Our industrial strategy focuses basically on five areas food, clothes, shelter, health and education. /15

H.M.G.'s Ministry of Agriculture is entrusted with the task of distributing seed, saplings, manures, and implements and imparting training to the model farmers in the rural areas through its district offices. Realising that the main bottleneck in making the poor more productive is the lack or inadequacy of resources, many credit outlets have been opened up. Agriculture Development Bank (A.D.B.N) is the specialised bank to offer various kinds of loans for rural development. Besides, the ADB/N has put into operation has schemes of small Farmers Development Programme. The commercial bank have been directed to invest 10 percent of their deposits in the priority sectors such as agriculture, small and cottage industry and service sector. The commercial bank have also launched the integrated banking development programmes to provide production as well as consumption credit to the rural people. Co-operative as the basic institutional set up for rural development was launched at first in 1954 and the new Sajha (new concept given to co-operative, in Nepal) programme has been launched for raising the living standards of the poorest of the poor. The land reform programme was implemented in 1964 for granting the tenancy right to the farmers and to assure them that their hard work is for themselves. Since the alleviation of poverty is closely related to reduction in population growth, efforts have been made to reduce the growth of population. Illiteracy, which has been a major stumbling block in the way of rural development, has been attacked at by offering the opportunity of free primary education since 2031 B. S. (1974).

It is obvious that over the years, several measures against poverty have been taken up in Nepal. But the main defect of such programmes have been that the poorer producers with small holdings have seldom become the beneficiaries of programmes. Milton Friedman speaks more boldly in this regard much money spent on such programmes (to lift poor) never trickles down to the poor. It is diverted from its way to the pockets of the well-paid civil servants who administer the programmes, the programmes. that take the advantage of them. /16 The service

15. H. M. King's address to Solidarity Ministerial meeting for co-operation in the industrial development of Nepal, *The Rising Nepal*, 15. Nov. 1982.

16. Milton Friedman—newsweek on poverty, *newsweek*, April 19; 1982.

of the intermediate agencies, such as ABD/N designed to serve the rural poor, has been enjoyed most by the well-to do farmers. The Nepal Rastra Bank study reveals that Bigger the size of the farm higher was the borrowing from the institutional credit agencies while smaller the size of the farm, higher was the borrowing from the private credit agencies<sup>17</sup>. These facts reflect that the situation prevailing in our country is as grave as it was before a decade. This means the policy-makers and planners should give a serious thought on why the earlier programmes failed to achieve the stated goals and what should be the future course of action.

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17. Agriculture Credit Review Survey; Op. Cit.