

## State of Poverty in Nepal and its Alleviating Measures

### Poverty

In general, poverty can be defined as a situation when people are unable to satisfy the basic needs of life. Poverty in absolute sense may be defined as a situation whereby an individual or family is unable to meet a minimal level of income or resources for survival.

It is lack of basic survival needs like food, cloth and shelter; and other basic amenities like safe drinking water, primary health care and basic education.

Poverty is the syndrome of assetlessness, landlessness, joblessness, deprivation and helplessness. It is not a pure economic phenomenon. It has social, cultural, political, historical, and geographical dimensions. As poverty has many dimensions, it has to be looked at through a variety of indicators such as levels of income and consumption, social indicators, and now, increasingly, indicators of vulnerability to risks, and of socio/political access. It has many non income and non quantifiable dimensions.

- World summit Social Development, 1995: a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information
- Rowntree (1898) 'Families whose total earnings are insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency are poor'
- Robert Chambers, 'Poverty is multiple deprivation trap: powerlessness, isolation, physical weakness and vulnerability'
- Sen, 'poverty is lack of capability to convert resources into functioning's'.
- World Bank, 'Poverty is a multifaceted conditions like malnutrition, inadequate shelter, unsanitary living conditions, lack of clean water, low educational achievement and the absence of quality schooling.'

Poverty is one of the major topics to discuss in Nepal. The country has been facing poverty since a long time. Although there are different measures taken to improve the situation of people and reduce poverty; however, a successful outcome is not achieved yet. Around two third of the population of Nepal is still dependent on agriculture (MOF 2077/78). Since agriculture is seasonal, it depends on monsoon resulting in less production. So, modernizing the agricultural sector is necessary in order to benefit the people of rural community and observe an increase in country's economy. Due to the outbreak of the Covid-19 (corona virus pandemic) in 2020, the economy was heavily affected. The world economy decreased by 3.3 percent (MOF 2077/78). Nepal's economy decreased by 2.1 percent in 2076/77 (MOF 2076/77). The economic deterioration caused by this outbreak is expected to be 4.0 percent in the fiscal year 2077/78 (MOF 2077/78).

Improvements in household consumption, political and administrative changes, as well as the aspiration towards becoming a middle-income country require that Nepal raises the bar and introduces a new line for measuring poverty in 2022-23. According to the 2022-23 official poverty line, an individual in Nepal is classified as poor if their annual per capita total consumption expenditure is less than NRs. 72,908.

20.27 percent of the population in Nepal lives below the new poverty line (Table 9). The incidence of poverty is higher in rural areas (24.66 percent) than in urban areas (18.34 percent).

Two complementary measures to understand the incidence of poverty include the poverty gap and the squared poverty gap. The poverty gap index measures the extent to which the mean income of individuals on average fall below the poverty line as a proportion of the poverty line. It ranges between 0 and 100. A Poverty Gap index of 0 indicates no one is below the poverty line, and a value of 100 indicates zero income for all individuals. Nepal has a Poverty Gap index of 4.52 percent, implying that a total of NRs. 94.71 billion is needed to bring the poor up to the minimum welfare threshold defined by the new poverty line in 2022-23 assuming perfect targeting and zero leakage. The average shortfall of mean income is higher in rural areas at 5.64 percent compared to 4.03 percent in urban areas.

The headcount index and the poverty gap do not measure the inequalities among poor individuals. The Squared Poverty Gap, a weighted sum of the poverty gaps, measures poverty severity among the poor. With weights proportional to the poverty gap, it puts more weight on the individuals whose observed consumption is farther away from the poverty line. Table shows that the relative deprivation for the poor individuals is more severe in rural areas (1.91 percent) than in urban areas (1.29 percent).

The Gini index is a measure of statistical dispersion and captures the extent of consumption inequality in Nepal. The Gini index is based on inequality in the per capita consumption expenditures, adjusted to account for spatial and seasonal price differences. The Gini measures the amount by which any two households differ in terms of per capita spending, relative to the average. The Gini index ranges between 0 to 1, where a value of 0.0 represents perfect equality, while a Gini of 1.0 reflects perfect inequality. The Gini index for Nepal in 2023 stands at 0.30. The value for urban domains (0.303) is higher than rural (0.287) indicating larger inequalities in per capita consumption spending in urban areas.

### Poverty profile of Nepal in 2022-23

Region	Poverty Incidence			Distribution		
	Headcount rate	Poverty gap (percent)	Poverty gap squared (percent)	Gini Index	of the poor	of the population
<b>Nepal</b>	20.27	4.52	1.48	0.300		
<b>Urban</b>	18.34	4.03	1.29	0.303	62.86	69.48

<b>Rural</b>	24.66	5.64	1.91	0.287	37.14	30.52
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Nepal has made significant progress in reducing MPI. In terms of poverty trends, the incidence of multidimensional poverty nationally fell from 30.1 percent in 2014 to 17.4 percent in 2019. In 2019, the MPI was 0.074. This means that 3.1 million people left poverty in five years. The intensity of multidimensional poverty also significantly decreased from 44.2 percent to 42.5 percent. Across indicators, the highest number of people are deprived in housing materials, clean cooking fuel, years of schooling, assets and nutrition. Considering the indicator weights, years of schooling and nutritional deprivations contribute most to ongoing multidimensional poverty in Nepal.

- Rural areas poorer than urban: The report highlights that 28 percent of rural dwellers are MPI poor as compared with 12.3 percent in urban areas. Over half of Nepal's poor population live in rural areas. Moreover, across provinces, Karnali Province has the highest MPI poor (39.5 percent of people) and followed by 25.3 percent in Sudoorpashchim Province, and 24.2 percent in Province 2. In Gandaki Province 9.6 percent of people are multidimensionally poor, while the lowest level and incidence of poverty are found in Bagmati Province, with an incidence of nearly (7.0 percent) one sixth of the incidence in Karnali Province.
- Children are disproportionality poor: MPI are disaggregated by two age groups as shown in Figure 1: children (0-17), and adult population (18+). In 2014, nearly 36 percent of children were multidimensionally poor. By 2019, 22 percent of all the children remained in poverty which implies a strong and positive reduction of 14 percentage points. However, over one in five children is still poor (2.2 million), and children are still the poorest age group.

## Poverty Reduction Strategies in Nepal

### Constitutional Provision

The constitution of Nepal addresses the roots of poverty and deprivation by guaranteeing the right to food security, right to shelter, right to basic health services, education and employment and the right to social security for the economically and socially vulnerable.

### Plans and Policies

Nepal's recent national plans have been implemented with poverty alleviation as the core development agenda. Explicit attention was given to poverty alleviation in the Eighth Periodic Development Plan (1992–1997). Considering overcoming poverty as one of the major challenges, the Ninth Plan (1997-2002) continued the emphasis on poverty reduction, and with the help of specific policy and programme interventions poverty reduced it by 11 percentage points. It also realized the need to reduce the rates of unemployment. However, only with the introduction of the Poverty Reduction Strategy Paper (PRSP) in the Tenth Plan (2002–2007), did the government prioritize poverty alleviation as a separate development goal through employment generation, skill development and rural development. The PRSP was based on Amratya Sen's capabilities approach (an individual's actual ability be or do something) with the principle that to alleviate poverty in the long run, policies and

programmes need to provide the poor with social, environmental and economic opportunities. Key to this is giving the poor the opportunities to participate in making decisions that affect them and giving them an enhanced sense of security and confidence that their futures will be better than the past. The four strategic engines of the PRSP in Nepal were broad-based growth, social sector and rural infrastructure development, targeted and inclusive programme interventions and good governance. Social sector developments such as education, health and safe drinking water were accorded special priority.

The early 2000s saw growing demands for more inclusive participation and gender mainstreaming in development interventions. Therefore, the Three Year Interim Plan (TYIP, 2007/08–2009/10) was formulated with the goal of building a just and equitable society. This plan witnessed a shift in strategic emphasis from growth first and equality second to a rights based approach that focused on the elimination of structural inequalities to enable inclusive growth. The Three Year Interim Plan and the subsequent Three Year Plan (Twelfth Plan) (2010–2013) committed to bringing about a large change in people's living standards by reducing economic and human poverty to create a "Prosperous, Peaceful and Just Nepal".

The Thirteenth Plan (2013/14–2015/16) set the target for Nepal's graduation from LDC status to becoming a developing country by 2022. These plans have been major instruments for mainstreaming the concept of inclusive development and addressing poverty in the national development agenda.

Agriculture Perspective Plan (1995–2015) to improve food security by promoting agricultural production. The plan was strengthened in the Three Year Interim Plan. Major objectives of the TYIP were to enhance the contribution of the agriculture sector to food and nutritional security, employment generation and poverty reduction, and to improve the economic status of rural people by increasing the production and productivity of agriculture and livestock.

14<sup>th</sup> Five Year Plan focused on reducing poverty to 17% and had following objective related to poverty:

- Enhancement of productive employment and opportunities.
- Equitable distribution of all opportunities, including employment, which will be created due to economic growth
- Poverty reduction by strengthening effective coordination and cooperation among institutions
- Mobilizing resources for prosperity in various areas related to poverty alleviation and economic prosperity
- Study the feasibility of projects and projects and target projects based on demand
- Restructuring and prioritizing policies and programs related to poverty reduction

15<sup>th</sup> Five Year Plan focused on reducing poverty to 9.5% and had following objectives related to poverty reduction:

- 1) To identify the poor and to conduct programs aimed at the poor.

- 2) Developing skills and creating jobs for the poor.
- 3) To establish easy access of the poor to resources.

### **Programmes and Institutions**

A bundle of programmes and projects have contributed to poverty reduction in Nepal including the Agricultural Support Programme (ASP), the PAF, the Bishweshwar Poverty Alleviation Programme (BPAP), the Integrated Rural Development Programme (IRDP), the Karnali Employment Programme, the Rural Community Infrastructure Development Programme, the Food Crisis Response Programme and the Microenterprise Development Programme (MEDEP)

In 2012/13 the government established the Ministry of Cooperatives and Poverty Alleviation. In September 2012 it launched a “poor identification and distribution of poverty identity card”. The poor were identified on the basis of their incomes. The newly formed Ministry of Cooperatives and Poverty Alleviation has been lauded for its effort and is working to identify the poverty situation across Nepal to guide future interventions.

All line ministries have poverty eradication, employment generation and hunger reduction as a central focus of their programmes and projects. The Ministry of Women, Children and Social Welfare, the Ministry of Youth and Sports, the Ministry of Labour and Employment, the Ministry of Urban Development and the Ministry of Cooperatives and Poverty Alleviation are key sectoral ministries. In July 2008, the Ministry of Federal Affairs and Local Development (MoFALD) launched the Local Governance and Community Development Programme (LGCDP). The Government of Nepal and 13 development partners financed the programme with technical support from UNDP Nepal. The programme had the goal of reducing poverty through inclusive, responsible and accountable local governance and participatory community-led development. The programme in its first phase promoted inclusive and participatory development and built government partnerships.