

## 7. Poverty Alleviation and Employment

### Poverty Alleviation

- 7.1 The level of income, human development indicators and different aspects of social inclusion are considered as the basis for analysis of different poverty dimensions. The poverty line is determined in terms of the adequacy of income whether or not it is sufficient to purchase the goods and services of basic needs. The poor is identified after accumulating all of the goods and services of the basic needs, and subsequently identifying their prices. If the income does not meet the spotted price, the person is identified as poor.
- 7.2 Because the definition of poverty based on income and consumption is narrow, poverty analysis has been conducted based on social aspects such as; health, nutrition, average life expectancy, access to school, etc. Moreover, not only the socio-economic dimension but the social and political dimension as well has been adopted in poverty analysis. Since the denial to live a dignified life, social discrimination, existence of deprivation, and compulsion to live in destitute perpetually denote the absence of citizens' rights, poverty coming through these factors is naturally harrowing.
- 7.3 In the context of poverty reduction efforts, it is immensely necessary to analyze the overall poverty incidence, poverty gap, and squared poverty gap. The poverty incidence index shows the total number of population living below the poverty line, whereas poverty gap index is a measure of the intensity of poverty among the poor: the difference between the mean income among the poor and the poverty line. The indicators of squared poverty gap show the intensity of the different level of poverty amongst the poor.
- 7.4 Assuming an average annual income of Rs. 7696 as the national poverty line as recommended by the Nepal Living standard Survey (NLSS) 2003/04, around 30.85 percent population is still found to be below the poverty line. Likewise, according to the same survey, in terms of purchasing power parity (PPP) which is calculated on the basis of an income of one US dollar a day, around 24.1 percent population is found living below this income level.
- 7.5 The Tenth Plan, based on the long term goal of creating a prosperous and modern state by reducing the absolute poverty, has set poverty reduction as its overarching goal. It has disassociated itself with the practices of earlier plans, and formulated with application of more participatory approach the policies and strategies on a prioritized basis. In order to achieve the goal of poverty reduction, the Tenth Plan has laid out four pillars: (1) higher, sustainable and wider economic growth, (2) social sector and rural infrastructure development, (3) targeted programs, and (4) good governance.
- 7.6 In order to measure poverty incidence in Nepal, the Government had conducted Nepal Living Standard Surveys (NLSS) in FY 1995/96 and in FY 2003/04. According to those surveys, the number of population living below the poverty line in Nepal is reducing. The main reasons behind such reduction have been the increase in remittance income, increase in average wage rate in agriculture sector, and the lower growth in inflation. In FY 1995/96, the population below the poverty line was about 41.76 percent, whereas in FY 2003/04, this figure has been reduced by 11 percentage point, and that the population living below the poverty line has come to be 30.85 percent. Over the period, urban poverty has been reduced by 12.0 percentage point and rural poverty by 8.7 percentage points that resulted in poor people below the poverty line to be 9.55 percent and 34.62 percent, respectively. Moreover, it is estimated that in Nepal, the poverty gap, and squared poverty gap are 7.55 percent, and 2.7 percent, respectively.

**Table 7 (A): Poverty Measurement (FY 1995/96 And FY 2003/04)**

(percent)

Sector	Population below the Poverty Line		Poverty Gap		Squared Poverty Gap	
	1995/96	2003/04	1995/96	2003/04	1995/96	2003/04
<b>Urban</b>	21.55	9.55	6.54	2.18	2.65	0.71
<b>Rural</b>	43.27	34.62	12.14	8.50	4.83	3.05
<b>Nepal</b>	41.76	30.85	11.75	7.55	4.67	2.70

Source: Central Bureau of Statistics

**Targeted Programs of Poverty Alleviation**

- 7.7 Social inclusion and targeted program has been included as one of the major strategies of the Tenth Plan targeting different social groups, communities and regions with the intention of emancipating those who are unable or untried to be incorporated in the mainstream of development due to economic, social and cultural reasons. Such targeted programs have included women, Dalit, indigeneous people, Madheshi, and deprived communities, people living in remote areas, ultra poor and small farmers. Out of the approximately 450 annual programs/projects, being implemented in the past five years, about 35 annual programs/projects are being implemented under targeted program.
- 7.8 Though while analyzing the tendency of the first four years of the Tenth Plan, the expenditure is found to be slightly increasing, the actual expenditure on appropriation, however, has been on an average only around 76 percent, per annum. The average annual expenditure was about 82 percent of the appropriation in FY 2002/03. However, the annual expenditure all of a sudden plummeted down to 66 percent in FY 2003/04. Nonetheless, a slight improvement is found in FY 2004/05 with about 79 percent expenditure against budget. FY 2005/06 recorded 77 percent expenditure against its total budget appropriation of Rs. 3,40,17,78 thousand. Thus, the expenditure has been reduced by 2 percentage point in the FY 2005/06 compared to the realized expenditure of FY 2004/05.

**Table 7 (B) Past Four Years' Position of Budget and Expenditures of Targeted Programmes**

(Rs. 10 millions)

S.N.	Description	FY 2002/03	FY 2003/04	FY 2004/05	FY 2005/06	FY 2006/07
1	Appropriated Budget	214	298	276	340	450
2	Actual Expenditure (Revised Estimate)	176	196	218	263	-
3	Expenditure Percentage	82.3	65.9	78.9	77.4	-

Source: National Planning Commission

- 7.9 Total 35 programs/projects have been operating in the current fiscal year. The annual allocation for those programs/projects is Rs. 4,50,21,27 thousand.

## Poverty Monitoring

- 7.10 The prevailing monitoring and evaluation system which concentrated only on financial and physical progress of the project and program has been significantly improved in the Tenth Plan. Following this, a poverty monitoring and analysis system is being developed and subsequently being institutionalized in the central level. Breaking the system of publishing only the mid-term evaluation of the periodic plan, a system of publishing also an annual report based on certain indicators of Poverty Reduction Strategy Paper (PRSP) has been started in the Tenth Plan.
- 7.11 In this connection, Poverty Monitoring and Analysis System-PMAS is being institutionalized. With the implementation of PMAS, earlier monitoring and evaluation system which concentrated only on financial and physical progress has been shifted to institutionalize the monitoring and evaluation of sector wise output, outcome and its impact. In addition, this system has also streamlined the household survey system. For such monitoring system, intermediate and final indicators have been developed. After the implementation of such system, 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> annual reports of the Tenth Plan, based on the PRSP, have also been published.
- 7.12 Two important surveys, namely Nepal Living Standard Survey (NLSS) and Nepal Demographic and Health Survey have been completed in this period. These surveys' findings have shown some positive improvements on income based as well as human- based poverty. A comparative statistics of Nepal Demographic and Health Survey, 2001 and 2006 are given below:

**Table 7 (c) :**  
**Comparative indicators of Nepal Demographic and Health Survey (NDHS)**

S.N	Demographic Indicators	2001	2006
1	Total Fertility Rate	4.1	3.1
2	Crude Birth Rate (per thousand)	33.5	28.4
3	Use of Contraceptive Rate (all method , Percentage)_	39.3	48.0
4	Use of Contraceptive Rate (modern method , Percentage)	35.44	44.2
5	Infant Mortality Rate (per thousand)	64	51
6	Child Mortality Rate (per thousand)	29	15
7	Mortality Rate of Children below 5 years (per thousand)	91	65

Source: National Planning Commission

- 7.13. To strengthen the existing monitoring and evaluation system at the district level, a draft of District Poverty Monitoring and Analysis System- DPMAS has been prepared and distributed to all the District Development Committees for the implementation and institutionalization of such system. Moreover, all DDCs are communicated regarding the introduction of such a system.

- 7.14 In the process of annual and trimester monitoring of program and projects on the basis of stipulated performance based indicators, the program and progress monitoring format has been revised to initiate the performance based monitoring system. Similarly, initiation has been made to institutionalize performance based budget release system to tie up the budget release with performance.
- 7.15 The support and feedback from local people towards the result of development and implementation of program/project is essential. Hence, to manage the process of public participation, an outline of Participatory Poverty Monitoring System has been prepared. On the basis of this System, a Citizen's Report Card has also been tested in this period.
- 7.16 ADB assisted Operationalization of Managing for Development Results (MfDR) TA project is in operation in the central level to prepare result based framework and result based management guidelines for National Planning Commission, Ministry of Physical Planning and Works and Ministry of Local Development. With the aid of this project, a study has been under going to introduce Poverty Monitoring and Analysis System-PMAS in four districts (Jumla, Dhang, Dhanusha, Jhapa). The initial works for different trainings for capacity enhancement have been driven forward through this project.

### **Economic Reforms Program**

- 7.17 With the objectives of utilizing technical assistances provided by the various donors according to our needs and priorities, and also bringing all the technical assistances into one umbrella and managing such assistances as per existing budgetary, expenditure release, and accounting system, an economic reform program has been started since FY 2005/06.
- 7.18 This program has started a new practice in Nepalese public sector management. To execute a reform agenda from an Opportunity Fund (OF) as established under this program, any interested Government entity should submit a project proposal. The project will be executed only after signing of a Memorandum of Understanding (MoU) with the Project Manager of the selected project in which the Project Manager should ensure the delivery of pre-determined output. In order to implement the pre selected project under this program, the signing ceremony of Memorandum of Understanding (MoU) will be organized only after the approval of the projects. Under this program, pre selected 14 projects and Opportunity Fund funded 3 projects have been in operation at present.

### **Poverty Alleviation Fund**

- 7.19 Poverty Alleviation Fund, as an independent institution established by the Poverty Alleviation Fund Ordinance, B.S. 2060, is operating under Poverty Alleviation Fund Act, B.S. 2063 with the objectives of providing help to carry out programs targeting lower segment of the population under the absolute poverty line as per Poverty Reduction Strategy Paper of the Government of Nepal.
- 7.20 Poverty Alleviation Fund has started the programs based on local demands with active participation of poor and disadvantaged groups of the society. The programs have been operating by organizing and institutionalizing community organizations – COs with the representation of the same poor communities to implement the community projects. To provide necessary help in this endeavor, a collaborated effort has been continuing involving the non-governmental organizations, community organizations, private organizations and local institutions as the partner organizations Pos.

- 7.21 While the Fund has initiated the program since FY 2004/05 as a leading Pilot in 6 districts – Darchula, Mugu, Pyuthan, Kapilbastu, Ramechhap and Siraha under the World Bank's Grant assistance of US\$ 15 million and grant assistance of Government of Nepal, the program has been extended to additional 19 districts on the basis of successful results from the Pilot from FY 2005/06. The programs also have been implementing by selecting innovative proposals of other 20 districts apart from these districts.
- 7.22 The implementation facilitation work including social mobilization, community institutional development, and community projects preparation is being carried out by selecting and making agreements with 225 partner organizations. These partner organizations provide help in connecting and communicating between communities and the Fund in addition to providing technical assistance and facilitation in social mobilization, capacity building and skills development training, community institutions building, community projects preparation and implementation.
- 7.23 The World Bank is providing additional grant assistance of US\$ 25 million concurrently with the extension of the Fund's programs. The agreement to this grant assistance has already been signed on 9 March 2007 between the Government of Nepal and The World Bank.
- 7.24 A grant assistance of Rs. 383.883 million has been provided by signing the agreements with community organizations for implementation of 1765 income generating and community infrastructure development related projects of targeted communities against the target of providing grant assistance of Rs. 334.399 million for 1648 community projects demanded by such communities during FY 2005/06. The amount of Rs. 65. 877 million has been provided to partner organizations for operation of the programs.
- 7.25 During the first eight months of FY 2006/07, the Fund has provided amount of Rs. 640.118 million to community organizations by signing agreements for 1765 income generating and community infrastructure development related projects of targeted communities against the target of providing grant assistance of Rs.1064. 809 million for 2,898 community projects during FY 2006/07. The amount of Rs.92. 809 million has been provided to partner organizations for program operation and the target is expected to meet at the end of fiscal year.
- 7.26 From the beginning of the program to date, 4615 community organizations have been established in 591 Village Development Committees of 25 districts. Among the members who are affiliated with community organizations, 44% are Dalits, 27 % Ethnic groups and 29% others. The participation of women members is 65%. To date, 4082 community organizations have prepared income generating and community infrastructure projects for implementation having agreements with the Fund, for which the Fund has provided assistance amounting Rs. 223.654 million.
- 7.27 Total 3,941 projects under income generating scheme such as livestock, vegetable farming, floriculture, juice processing, wool carpet woven, poultry, bamboo products, pork, fish, retail shops, motorcycle repair, providing rickshaw have been operating.
- 7.28 Under the scheme of community infrastructure development, 1019 projects such as drinking water, small irrigation, small hydro, rural roads, bridges and culverts, school/ health post building are under operation. From these projects, 1, 38,447 households have been benefited. Out of benefited households, 66% are ultra-poor, 21% medium poor, 10% poor and 3% are marginal poor. To facilitate targeted groups in program implementations, Rs. 185.681 million has been provided to partner organizations.

## Employment

- 7.29 Due to the lack of reliable employment survey and forecast in Nepal, the estimation of the actual status of employment has been complex. According to the Population Census 2002, the economically active population was estimated to be 10.482 million. The Tenth Plan forecasted 1.53 million additional employment creations during the plan period. The forecast was based on the effects of production increase in the various sectors of the economy, and the inter-sectoral linkages. Thus, it was estimated that the employment will reach to be 1,10,12 thousand at the end of Tenth Plan. According to the Tenth Plan, the number of economically active population was estimated to reach to 1,15,80 thousand towards the end of the Plan period (FY07/08), and out of which only 4.1 percent were estimated to remain unemployed, and the disguised employment was estimated to be reduced to 22.3 percent. However, since an extensive review of the performance of the Tenth Plan has not been done yet, the progresses made during the Plan period could not be established exactly.
- 7.30 Because the main objective of the Tenth Plan was poverty reduction, and having realized that this objective can be achieved only after increasing the employment, various policies have been in operation toward this end. Setting the target of reducing poverty from 42 percent during the Tenth Plan formulation period to 32 percent at the end of the Plan, activities have been under operation putting at the center the four pillars of the Plan: high, sustainable and broad based economic growth, social sector and rural infrastructure building, targeted program, and good governance. Policies such as , increasing employment opportunities through extending economic and social development activities, promotion of labour oriented businesses to increase the accessibility of poor in employment opportunities, conducting income generating and targeted employment programs for deprived class and regions, promoting the aspects of business efficiency, and fundamental right of laborer in a balanced way, producing skillful manpower and optimal utilization of foreign employment opportunities, are in operation at present. However, at a time when the assessment of the Tenth Plan is pending, the extensive and updated information on the extent of the employment generation during the Tenth Plan, through such policies and programs, is not available.
- 7.31 The number of the unemployed has not been reduced even though the number of Nepalese going for foreign employment is increasing. According to the population census 2002, unemployment rate was 5.1 percent on population above the age of 10 years old. However, according to the Nepal living Standard Survey 2003/04, among the population of the age of 15 or above, 2.9 percent were unemployed, 74.3 percent were employed and, remaining 22.8 percent were economically inactive. Among the employed, 3.1 percent were male and 2.7 percent were female, and the youth unemployment was found to be 15 percent. The decade long internal conflict in the country created negative effects to the industries. Due to which, some industries were completely closed down, some were partially closed down, and those which were in operation also could not operate in the full swing. As a result, many of the labours working in those industries were forced to be deprived of being employed. On the other hand, because of government's effort for making small and smooth government, new employment opportunities could not be opened and hence the number of unemployment increased further.

**Table 7(d): Employment Status in Nepal FY 2003/04**  
(In 15 years or above population)

Region	Employed (%)	Unemployed (%)	Economically inactive (%)	Total
<b>Gender wise</b>				
Male	73.3	3.1	19.6	100
Female	71.7	2.7	25.6	100
<b>Development region wise</b>				
Eastern	74.9	2.9	22.2	100
Central	72.4	3.3	24.3	100
Western	73.2	2.7	24.1	100
Med western	77.0	2.8	20.2	100
Far western	80.4	1.4	18.2	100
<b>Geographical region wise</b>				
Himal	86.7	1.3	12.0	100
Hills	76.0	2.1	21.9	100
Tarai	71.1	3.8	25.1	100
Nepal	74.3	2.9	22.8	100

Source: Nepal living standard survey 2003/04, Central Bureau Statistics

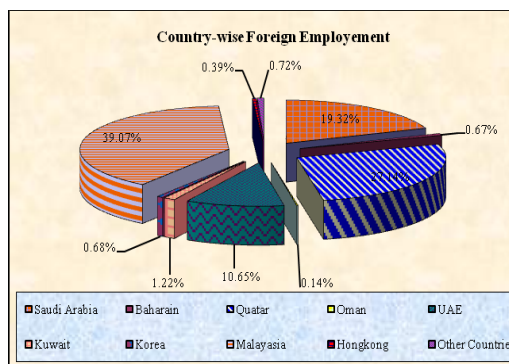
- 7.32 Because of the lack of employment opportunities in the country, the number of foreign employment seeking Nepalese has been rising every year. Beside Malaysia and Korea, most of the workers are going to the Arabian countries to avail jobs. By the end of FY 2004/05, the number of job seekers going for foreign employment with holding official permission had reached to 5,91,400. Including the additional foreign employment seekers 1,82,192 of FY FY 2005/06 and 1,67,232 until April (Baisakh) 2006/ 07, the total number of officially permitted foreign employment seekers up to the date has reached to 9,70,824.
- 7.33 Among 1,389 foreign employment seekers going to other countries in FY 2005/06, 592 have gone to Israel, and out of which 568 were women. As a result, Israel has been emerging as a new destination for foreign employment compared with the trend of traditional destinations.

**Table 7(e) Country-wise Foreign Employment**

S.N.	Country	Total number up to FY2004/05	Total number in FY2005/06	Total number until Baisakh of FY 2006/07	Grand Total
1	Saudi Arabia	131683	19507	30608	181798
2	Qatar	148152	58233	48937	255322
3	UAE	63585	17184	19442	100211
4	Bahrain	4853	530	955	6338
5	Kuwait	8760	738	1956	11454
6	Oman	758	77	465	1300
7	Hong Kong	3167	176	307	3650
8	Malaysia	220505	84162	62948	367615
9	South Korea	5480	196	683	6359
10	Other Countries	4457	1389	931	6777
	Total	591400	182192	167232	940824

Source: Department of Labor and Employment Promotion

7.34 The tendency of the Nepalese seeking foreign employment shows that the highest number of Nepalese i.e. 3,67,615 (39.07 percent of the total) have gone to Malaysia. Likewise, Qatar with 2,55,322 (27.14 percent), and Saudi Arabia with 1,81,798(19.32) are the second and third largest destinations of the Nepali foreign employment seekers, respectively. Similarly, the other major destinations of Nepali workers have been; United Arab Emirates 1,00,211(10.65 percent), Kuwait 11,454 (1.22 percent), Bahrain 6,338 (0.67 percent), Oman 1,300 (0.14 percent), Hong Kong 3,650(0.39 percent), South Korea 6,359(0.68 percent), and other countries 6777(0.72 percent).



7.35 Among the total 1,67,232 workers that are gone for foreign employment until the Baisakh of current FY 2006/07, 62,948 have gone to Malaysia, 48,937 to Qatar, 30,608 to Saudi Arabia, and 19,442 to UAE. Similarly, 955 workers have gone to Bahrain, 465 to Oman, 307 to Hong Kong, 683 to South Korea, and 931 to other countries, during the same period.

7.36 Until the end of Baisakh of FY 2006/07, the total number of foreigners issued with work permission to work in Nepal has reached to 97. The total number of complaints and settled case on foreign employment issues is as below:

**Table 7(f): Labor related Complaints and Settlement**  
(up to Baisakh of FY 2006/07)

S.N.	Description	Personal (Complains against non license holders)	Institutional (Complains against license holder companies)
1	Number of Complains	320	306
2	Claimed amount	33,49,26,610.00	3,58,35,613.00
3	Settlements	1,28,54,500.00	1,49,24,775.00
4	Case filing	83	0

Source: Department of Labor and Employment Promotion

7.37 Until Baisakh of FY 2006\07, various 62 companies have been issued licenses to run foreign employment business. Likewise, one orientation training institute has been registered to conduct orientation trainings for foreign employment.

**Challenges**

7.38 Since poverty alleviation is a multifaceted and multidimensional concern, it is imperative to empower the competitive capacity through emphasizing the capacity development and empowerment of poorer community to increase the access in employment opportunity for the purpose of creating sustainable and wide economic growth.

7.39 Employment is the main instrument of transforming economic development as an opportunity for poverty alleviation. Therefore, it is necessary to conduct targeted programs to relieve women, various social classes, communities and areas, Dalits, indigenous peoples, Madhesi and deprived communities, people living in the remote areas, ultra poor and small farmer, who

have been unable to be included in the mainstream of development, due to the socio-economic, and cultural reasons, from poverty and destitution.

- 7.40 Because of not being able to develop agriculture, which possesses the larger part of gross domestic production, as a sustainable profession, under employment and disguised employment is still common. As a result, agriculture stay as subsistent farming and due to which it became less productive and less income generating profession. Thus, the challenge of developing agriculture sector and its sub-sectors as a strategy of poverty alleviation still exists.
- 7.41 Due to the concentration of non-agriculture sector in the cities and other developed areas, the geographical disparity in poverty is distinctly visible. Thus, the job of lessening geographical disparity in poverty is challenging.
- 7.42 The indicators of poverty mapping, human development, and human empowerment show that poverty alleviation is not being achieved as targeted. Because the definition of poverty includes economic, social, and political dimensions, it is necessary to steer all such dimensions in a balanced way, with emphasizing on inclusive socio-economic activities.
- 7.43 In relation to poverty alleviation, it is necessary to execute poverty centric policies and programs addressing the needs of targeted groups.
- 7.44 Foreign employment has been emerging as a major source of employment and income generation for last few years. For the optimum utilization of this source, there is a vital need of providing skill based training as required by foreign employment.
- 7.45 The challenge is existing in formulating suitable policies for systematizing and making foreign employment more secure as well as simplifying foreign employment processes, and addressing the overall problems arising while in abroad.
- 7.46 Remittance, which is one of the major source of income of the country, can be further increased if new potential destinations of foreign employment like Korea apart from the traditional employment destinations, such as the Arab countries, could be explored and utilized.
- 7.47 In the present context of increasing demand for foreign employment, it is challenging to ensure supply management, establishing a mechanism for country-wise data collection and analysis as well as data forecasting for the future so as to meet the country-wise demands through providing education and orientation trainings.