

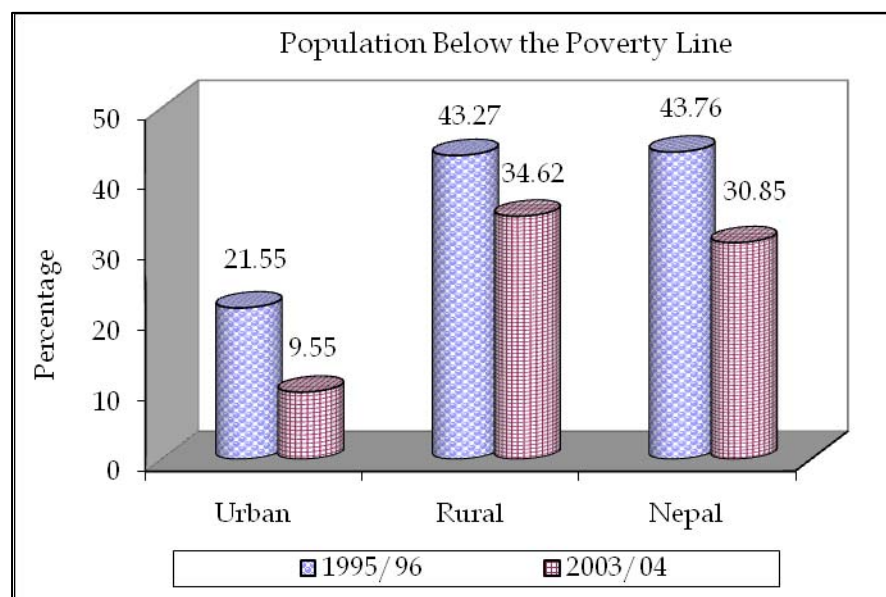
7. Poverty Alleviation and Employment

Poverty Alleviation

- 7.1 Poverty can be explained as a set of complex deprivation where potentials are curbed by scarcity, hunger, disease, unemployment, sufferings, powerlessness and negligence of human dignity. Poverty is studied from different dimensions such as, income, human, and social inclusion. Analyses of poverty incidence, poverty gap, and squared poverty gap are essential in the context of poverty alleviation. The poverty line is determined by whether purchasing power necessary for acquisition of basic goods and services is within or beyond the threshold of income. The poverty incidence refers to the number of people below the poverty line out of the total population, whereas poverty gap is a measure of population of the poor measured in terms of gap between the poverty line and the people below it. Likewise, indicator of the Squared Poverty Gap shows the intensity of different levels of poverty amongst the poor. Assuming an average of Rs.76,695 as the national poverty line according to Nepal Living Standard Survey (NLSS), 2003/04 around 30.85 percent of the population is still found to be below the poverty line. 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, the internationally adopted measurement standard of the by the World Bank, around 24.1 percent population is found to be living below the said poverty level.
- 7.2 The gap between urban and rural as well as various geographical regions and groups is still stunningly wide in Nepal. According to the Nepal Living Standard Survey (NLSS, 2003/4), during the review period of 1995/96 to 2003/04, urban poverty has decreased notably by 12 percent, whereas rural poverty has declined only by 8.65% and averaging a 10.91 percent reduction in poverty on the whole. Major reasons for this urban/rural difference are, income from remittance, fast growing urbanization, increase in average wage in the agriculture sector, and increase in the number of economically active population. However, the increased income gap in this period has widened the gap between rich and the poor. According to Gini coefficient, the indicator for income inequality, which was 0.34 in 1992/93 reached 0.41 in 2003/04 suggesting that income level of the rich has grown faster than that of the poor. Therefore, poor-oriented initiatives should be taken for policy-wide, structural and program-level reforms.
- 7.3 According to the Nepal Living Standard Survey (NLSS,2003/04), there is an unequal distribution of poverty in the dimensions of caste/ethnicity,

regional and occupational level. Among those under the poverty line, 67.0 percent are engaged in agro-based employment and 11 percent are agricultural labourers. This indicates that 78 percent of the total poor have made agriculture sector their prime means of employment. Among the various caste/ethnicity, the percentage of poor is 46 percent among *Dalits*, 44 percent among Hill ethnic groups, 41 percent among Muslims, 35 percent among Terai ethnic groups and 31 percent among other minority groups are below poverty line. Similarly, 40 percent of *Newars* 18 percent of Bramin/Chetri and 21 percent of the Middle class in the Terai population live below poverty line. Out of the total poor, 29.4 percent of population live in rural areas of Mid and Eastern hills. The percentage of Rural Poor is 23.6 percent in Western Hills, 23.5 percent in Eastern Tarai, 18.9 percent in Western Tarai, and 4.7 percent live in urban areas. Similarly, it is assumed that 7.5 percent live in High Mountainous Region, 47.1 percent in the Hills, and 45.4 percent in the Tarai out of the total poor.

- 7.4 Going back again to the NLSS 2003/04, the main reasons for the decline in poverty rate, as already mention in the foregoing paragraph, are remittance income, fast growing urbanization, increase in average wage in the agriculture sector, and increase in the number of economically active population. During FY 1995/96, percentage of urban population below poverty line was 21.6 percent which fell relatively sharply to 9.6 percent by 2003/04, but in the same period the population below poverty line in rural areas decreased to 34.4 percent from 43.3 percent. In addition, poverty gap in Nepal is estimated to be 7.6 percent and squared poverty gap as 2.7 percent.



**Table 7 (a) : Poverty Measures (1995/96 - 2003/04)
(Percentage)**

Areas	Population below poverty		Poverty Gap		Squared Poverty Gap	
	1995/96	2003/04	1995/96	2003/04	1995/96	2003/04
Urban	21.6	9.6	6.5	2.2	2.7	0.7
Rural	43.3	34.6	12.1	8.5	4.8	3.1
Nepal	41.8	30.9	11.8	7.6	4.7	2.7

- 7.5 The present 3-year Interim Plan aims at making people realize actual change by minimizing the current situation of unemployment, poverty and inequality, and assist in stabilizing sustainable peace in the country. Focussing on the main target, this present Plan, which has been formulated differently from the previous plans with more participatory processes, has given top priority to reconstruction, rehabilitation and social reintegration. In order to achieve these goals, this plan has envisioned 6 strategies, and they are: (1) Special Emphasis on Relief, Reconstruction and Reintegration (2) Employment and Poverty-oriented Broader Economic Growth (3) Promotion of Good-governance and Effective Service Delivery (4) Increased Investment on Physical Infrastructure Development (5) Emphasis on Social Development, and (6) Implementation of Targeted Programs and Inclusiveness.
- 7.6 The Three-year Plan has given high priority to increase the level of investment in infrastructures like power development, roads, irrigation, and communications that support reconstruction and rehabilitation, inclusiveness, tourism, and industry. Similarly, invest more on health, education, drinking water, and sanitation for Human Resource Development. The plan has a target of reducing the population below poverty line to 24 percent from the present level of 31 percent. Accordingly, the over all focus of the Plan is on poverty alleviation.
- 7.7 Out of the total 451 development projects implemented during FY2008/09 through various Ministries, Secretariats, Departments and agencies, 318 are Top Priority (P1) Projects, 115 Second Priority (P2) Projects, and 18 categorized as Priority Three (P3) Projects. Number of Projects that emphasize on Relief, Reconstruction, and Reintegration as a Strategic Pillar of the Interim Plan total 19; projects that focus on employment and poverty for broad-based economic growth are 112. Similarly, 99 projects are on good governance and effective service delivery; 154 projects for increasing investment on physical infrastructure development; and 67 projects are for

social development and implementation of targeted programs. Efforts are underway for distribution of grants assistance to local bodies based on the Poverty Index and go for extensive devolution of authority. In this way, Rs71.165 billion or 57.30 percent of the total developmental budget has been allocated towards poverty alleviation in FY2008/09. The whole national efforts are geared for "Build New Nepal" based on equality/equity, inclusiveness with gradual improvisation. Special 49 projects are placed under "Build New Nepal" Campaign, for which arrangements have been made for special monitoring from Hon'ble Prime Minister's level. It is expected that these attempts will ultimately be helpful in raising living standard of the people by reducing employment-related, human social poverty. Likewise, a large part of technical assistance, and investment of NGOs is also are also centred on poverty alleviation.

- 7.8 The Interim Constitution, 2007 has established the right to food-sovereignty as a fundamental right. The Interim Plan has addressed food security policy, strategy and programme as interrelated issues by accepting food production, availability, access, and stability as dimensions of food-sovereignty. There is a target of investing about Rs. 1.3 billion in a new project under a campaign for resolving the food shortage and provide immediate relief to the people vulnerable to starvation. The Project is expected to help towards reducing the food-crisis related poverty and bring improvement nutrition situation of such vulnerable people.
- 7.9 National Development Volunteer Service Program is launched in 42 districts with the objective of "Poverty Alleviation Amongst the Poor and Backwards". Volunteers have been availed as facilitators in communities of, *Dalits*, poor, and socially excluded groups in the areas of health, education, infrastructure development and social mobilization. The Program has speeded with the local bodies' participation in income-generation and poverty alleviation.
- 7.10 Processing of the result on labour force survey conducted under the household survey activity for managing the poverty reduction data is being carried out. Activities like-preparations for the National Population Census, questionnaire-setting and pre-testing, deciding on the census areas, stakeholder consultations, mapping, discussions and trainings, pilot counting preparations, and other technical as well as administrative works have been completed. Preparations are ongoing for conducting Nepal Living Standard Survey (NLSS). Some other activities carried out are, updating of the Nepal Info CD, publication of Nepal MDGs Indicators, Nepal in Figures 2008 and statistics on industrial census completed. In addition, processes are heading forwards to publish Statistical Pocket Book 2008. Attempts are being made for amending present legal structure for the

implementation of the National Aggregate Statistical System as well as conducting the National Agriculture Census 2008.

Inclusive Development and Targeted programs

- 7.11 Social Inclusiveness and Targeted Programs are ongoing with objectives of freeing the people from poverty and backwardness, who are unable to get mainstreamed into the development process due to socio-economic and cultural factors. These programs have encapsulated women, *Dalits*, ethnic groups, *Madheshi*, ultra poor and small farmers, and other minority groups together with the rural people living in remote areas of the country.
- 7.12 Out of the average 450 programs/projects implemented annually in the Tenth Plan period, on an average 35 projects implemented belonged to this strategy. Likewise, the Three-year Interim Plan has further prioritised and taken the Social Inclusiveness and Targeted Program as one of the strategic pillar. The number of projects under the strategic pillar increased 60 in FY2007/08, the number further grew to 67 in FY2008/09 with the forecast of spending Rs. 23 billion 690 million 837 thousand to be spent.
- 7.13 The Current Three Years Interim Plan has emphasized in establishing a just society by reducing the gap between the affluent and the excluded groups of society through the elimination of existing regional, caste/ethnic and other forms of deprivations and discriminations. That is why the Interim Plan has stressed in the implementation of inclusive and targeted projects. To mention some of the notable achievements, the Interim Constitution of Nepal 2007, the structure of Constitution Assembly, provisions for appointments in civil service as well as other public organizations can be viewed as steps towards inclusiveness.
- 7.14 The present challenge is the effective implementation of programs while giving logical conclusion to the proclaimed Peace Process by strengthening and effectively managing the conflict. Besides, ensuring access of the targeted groups to poverty reduction oriented programs, implementation of more poverty reduction programs, and directing the coordinated and intensive efforts of all the stakeholders of development towards poverty reduction are other challenges. With combined efforts of all stakeholders and well-wishers, success in achieving the target of poverty alleviation can be fairly expected as a Peace Dividend.

Poverty Monitoring

- 7.15 The earlier practice of monitoring and evaluation, limited to financial and physical progress monitoring arrangements were substantially reformed during the Tenth Plan. In this context, a separate Poverty Monitoring Analysis System (PMAS) was not only developed, but also institutionalized

at the central level The practice of publishing only the mid-term progress reports prior to the Tenth Plan has been rectified by the publication of annual progress report based on the definite Indices of PMAS. In the current fiscal year, PMAS is undergoing the time-relevant revision process.

- 7.16 The process of improvising the Poverty Monitoring Analyses System (PMAS) is going on as planned in the Interim Plan. It is an ongoing effort towards institutionalization of annual monitoring of the level of outcome and impact of programme and project implementation through improvement in the earlier system of monitoring limited to physical and financial progresses. Since then, the PMAS Index based first, second, third, and fourth annual progress reports of the Tenth Plan, which is considered as a Strategy Paper on Poverty Reduction, have been published with preparation of the fifth and final progress report underway. Analysis of the first annual progress report of the current periodic plan, based on this very system, is ongoing for publication.
- 7.17 A Draft District Poverty Monitoring Analyses System (DPMAS) was prepared and distributed to all DDCs during the implementation phase of the Tenth Plan for improvisation of the existing Monitoring and Evaluation arrangement at the district-level for it into a well-managed and robust Monitoring system through the implementation and institutionalisation of PMAS. The Interim Three-Year Plan has made commitment to institutionalise this system by extending the support from the centre necessary for capacity enhancement at the local level. Timely improvisation of this system is targeted in the current fiscal year.
- 7.18 Result-based Framework and Guidelines for the National Planning Commission, Ministry of Physical Planning and Works, and Ministry of Local Development have been prepared at the central level with the support of Operationalisation of Managing for Development Results (MfDR) Project. Four districts namely Jumla, Dang, Dhanusha and Jhapa have been studied and selected, necessary DPMAS software developed, and training imparted for using the software in the process of institutionalization at the district level. Program to strengthen and expand DPMAS is continued in the current fiscal year.
- 7.19 People's perception and feedback on outcomes and implementation of projects and programmes is very much necessary. Considering this reality, sample Citizens' Report Card based on the Framework of Community-based Poverty Monitoring System, has already been prepared and tested during the Tenth Plan Period for making the process systematic. Likewise, work on institutionalization of Participatory Monitoring Mechanism as a medium for beneficiary participation in monitoring and analysis, and

putting across their impressions (on the implementation and outcome) of projects and programs is ongoing as commitment made through the Three-year Interim Plan.

Poverty Alleviation Fund

- 7.20 Poverty Alleviation Fund was established in 2060 B.S. (2003) with the objective of supporting the demand driven Poverty Alleviation activities based on demand and participation of beneficiaries at the community level. This Fund is in operation as an autonomous entity under the Poverty Alleviation Fund Act, 2063 (2006) established with the objective of supporting the program targeted to the people in the lowest rung among the ultra poor targeted for inclusive development, and as outlined in PRSP and the ongoing Three-year Interim Plan. This independent organization has been carrying out its programs in 55 districts. The Fund is doing its best to reducing poverty through the means of social mobilization, income generating and community infrastructure development activities, and capacity enhancement through the nearly 4,000 community-based micro projects.
- 7.21 The Fund, guided by five Principles - (*Antodya*) i.e. Social inclusiveness, Transparency, Demand-driven Program, and Direct fund flow to the community, is carrying out the poverty-focused program in participation of the ultra poor and backward class of the people. The program is being operated by organizing and institutionalising Community Organizations (COs) with representation of the same poor communities to implement projects. In order to provide necessary assistance to this venture, a collaborative effort has been continuing with the involvements of NGOs, CBOs, Private organizations and local institutions as partner organizations (POs).
- 7.22 The Program was initiated in FY2005/06 in 6 districts with the initial US\$15.0 million Grant support of IDA (World Bank), and later topped up by another USD25.0 million By FY2008/09, the program was already in operation in were in operation in 25 districts, with another 15 more districts added. Out of the remaining 35 districts, 15 more districts will be covered by the FY2009/10. In case of the remaining 20 districts, programs will be started through the 'Pocket Approach', thus to have covered all 75 districts by FY2009/10.
- 7.23 Based on satisfactory results the program has yielded in terms of poverty reduction, it has been given continuity with the conclusion of US\$100 million additional grant from IDA (WB) to carry on poverty alleviation activities. In addition, an Agreement was signed with the International Fund for Agricultural Development (IFAD) on May 9, 2008 for a grant

assistance of US Dollar 4 million for agricultural development and the programs are under implementation. Agreements have been signed with 221 Partner Organizations (POs) to assist the Community Development Program. These POs have been facilitating in the implementation of the program through providing support to activities like social mobilization, institutional development of the communities and preparation of projects for the communities. The process of selecting POs for 15 districts added in this fiscal year is in its final phase. These POs, in addition to facilitating social mobilization; provide capacity development and skill development training; and help in the institutional development of Community Organizations, preparation of community projects, and facilitate implementation of projects through technical support, they also function as a link between communities and the fund and as a communication bridge.

- 7.24 During FY2007/08, the Fund has channelled Rs.1 billion, 551 million 674 thousand for income generation and community infrastructure projects upon signing agreements with Community Organizations against the target of channelling Rs. 1 billion, 422 million 945 thousand to 3,812 community-based projects. Likewise, POs have been provided with Rs 246.77 million for project operations.

The Progress Report for first eight months of FY2008/09

- 7.25 Of the target of providing Rs. 2 billion 137 million 489 thousand to 4,048 community projects of the Community Organizations in FY2008/09, Agreements for a total sum of Rs 685.71 million have been signed and disbursed accordingly for 1,816 income generation and community infrastructure development projects of targeted communities during the first eight months of this fiscal year. In the same period, Rs. 163.378 million has been disbursed to POs as well. The target is expected to be fully met by the end of the fiscal year. Concerning the issuance of Identity Cards to the poor household members within the program area of the Fund, the process of identification of those implementing the Fund supported program, or those registered with the Fund in affiliation with other target groups, and their registration for phase-wise issuance Cards has been initiated. In addition, a draft sample of such Identity Card is being prepared in coordination with the Ministry of Local Development and District Administration office.
- 7.26 So far, 9,954 Community Organizations have already been formed in 722 VDCs of 46 Districts since initiation of the program. Among the affiliated members in such organizations, 31,895 are *Dalits*, 28,575 belong to ethnic groups, and 395,545 come from other communities. Women participation is 70,155 in total. The 9,322 Community Organizations have concluded

Agreements with the Fund upon preparation and submission of income generating and community development projects. Subsequently, the Fund has so far provided Rs 4 billion 511 million 281 thousand Community Organizations. A total of 9,150 projects are in implementation under income generating program like animal husbandry, vegetable farming, horticulture, fruit processing, woollen carpet weaving, goat raising, poultry, bamboo products, pig framing, fish ponds, groceries, motor cycle repair workshop and Rickshaw operations. On community infrastructure activities, 1,776 project have been already implemented including drinking water, small irrigation, small hydro power, rural roads, bridges schools and health posts. These projects have benefited 342,854 households. Among the beneficiaries, 67.7 percent belong to extremely poor group, 24.8 percent are middle-poor, 8.3 percent poor and 0.2 percent marginally poor.

Employment

- 7.27 According to the population Census 2001, economically active population in the labour market was estimated at 10.482 million. The Tenth Plan made a forecast for generation of additional 1.53 million employment opportunities during the plan period. The Forecast was based on the potential effects of production increase in various sectors of the economy, and inter-sectoral linkages. Thus, it was estimated that the total employment would reach to 11.012 million at the end of the Tenth Plan. According to the Tenth Plan, the number of economically active population was estimated to reach to 11.580 million toward the end of the plan period, out of which only 4.1 percent were estimated to remain unemployed. The number of semi-employed was estimated to decline by 22.3 percent by the end of the Plan period. Since an extensive performance review of the Tenth Plan is yet due, exact status of the progress could not be established.
- 7.28 The main objective of the Tenth Plan was poverty reduction, and realising this objective could be possible only through raising employment opportunities. As such, various policy measures have been in operation toward this end. With a target of reducing poverty to 32 percent from the 42 percent by the end of the Plan period, various programmes were implemented with the major focus on the Plan strategy i.e. high, sustainable and broad-based economic development, Social sector and Rural Infrastructure Development, Targeted programs and Good Governance.
- 7.29 At present, a number of policies are in operation including, enhancement of employment opportunities through the expansion of economic and social development activities; promotion of labour intensive businesses for increasing access of the poor to employment opportunities; implementation

of income generation and employment programmes targeting the backward class of the people and geographical regions; Carry along the aspects of the professional efficiency and basic rights of labourers in a balanced way; and maximize the foreign employment opportunities by producing the skilled human resources. Information as how much employment was created as a result of implementation of these policies during the Plan period is not available as progress review of the Plan is not complete yet.

- 7.30 Despite the growing number of Nepalese going on foreign employment, the number of unemployed persons does not seem to have come down. According to the population Census 2001, the unemployment rate was 5.1 percent of the population above the age 10 years old. However, the Nepal Living Standard Survey (NLSS) 2003/04 indicates 2.9 percent unemployed among the people of 15 or above age group; 74.3 percent were employed; and remaining 22.8 percent were economically inactive. Among the unemployed 3.1 persons were male and 2.7 percent female.

Table 7 (b): Employment Situation in Nepal, 2003/04

(Population of 15 years of age or above)

Region	Employed	Unemployed	Inactive	Total
By Gender				
Male	73.3	3.1	19.6	100
Female	71.7	2.7	25.6	100
By Development Region				
Eastern	74.9	2.9	22.2	100
Central	72.4	3.3	24.3	100
Western	73.2	2.7	24.1	100
Mid-Western	77.0	2.8	20.2	100
Urban	80.4	1.4	18.2	100
By Geographical Region				
Mountain	86.7	1.3	12.0	100
Hills	76.0	2.1	21.9	100
Terai	71.1	3.8	25.1	100
Nepal	74.3	2.9	22.8	100

Source: Nepal Living Standard Survey. 2003/04, Central Bureau of Statistics

- 7.31 The decade-long conflict in the country had negative impact on industries and factories, by which some factories were fully closed, some were partially closed, and many of the functioning factories also could not operate in their full capacities. Consequently, many of the factory workers were compulsorily deprived of employment opportunities. On the other

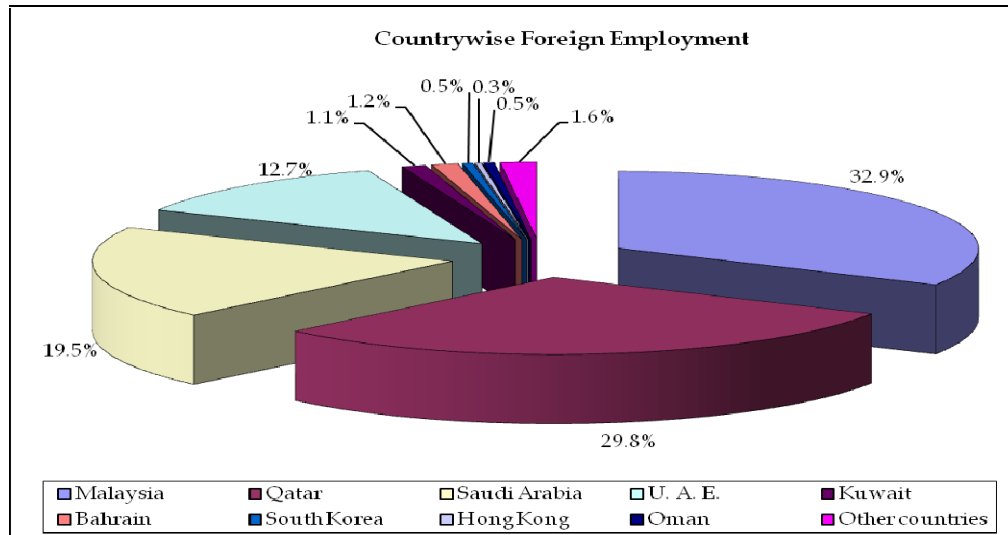
hand, the government's inability to create new employment opportunities as a result of its campaign of making a small and efficient government is also reflected in the rise in unemployment.

- 7.32 Because of the insufficient employment opportunities, the number of Nepalese going abroad for employment is growing year by year. The number of people going abroad for employment to Arabian countries except Malaysia and South Korea is high. By the end of FY2006/07, the total number of people going abroad with institutional approval is 978,125. Likewise 229,373 people receive approval during FY2006/07 and by Mid April of 2008/09. In addition 86,783 persons received approval making the total approved number for foreign employment to 1,394,281

Table 7 (c): Destinations for Foreign Employment

S.N.	Country/ Area	Total Number by FY 2006/07	Target for FY2007/08	The number by mid-May FY2008/09	Total Number
1	Malaysia	3,78,696	49,445	30,036	4,58,177
2	Qatar	2,66,094	83,896	66,031	4,16,021
3	Saudi Arabia	1,90,469	42,214	39,406	2,72,089
4	U. A. E.	1,05,941	43,828	26,890	1,76,659
5	Kuwait	11,939	1,461	1,608	15,008
6	Bahrain	6,583	4,335	5,691	16,609
7	South Korea	6,441	0	56	6,497
8	Hong Kong	3,704	189	56	3,949
9	Oman	1,344	2,205	3,143	6,692
10	Other countries	6,914	1,800	13,866	22,580
	Total	9,78,125	2,29,373	1,86,783	13,94,281

- 7.33 Observation of the trend of Nepalese seeking jobs abroad, the majority of them, i.e. 458,177 persons (32.9 percent) have gone to Malaysia followed by 416,021 (29.8 percent) to Qatar. The third destination is Saudi Arabia 272,089 (19.5 percent). Similarly, 176,659 (12.7 percent) to U.A.E., 15,008 (1.1 percent) to Kuwait, 16,609 (1.2 percent) to Bahrain 6,457 (0.5 Percent) to South Korea 6,692 (0.5 percent) to Oman, 3,949 (0.3 percent) to Honkong, and 22,580 (1.6 percent)Nepalese have gone in other countries for employment.



7.34 By mid April of the current fiscal year 2008/09, the total number of people going abroad for foreign employment was 186,783, out of which 30,036 to Malaysia, 66,031 to Qatar, 39,406 to Saudi Arabia, and 26,892 to UAE. Of the people gone abroad for employment during the same period, 5,691 are in Bahrain, 3143 in Oman.