

7. Poverty Alleviation and Employment

Poverty Alleviation

- 7.1 Assuming an average of Rs. 7,696 as the national poverty line according to Nepal Living Standard Survey (NLSS), 2003/04, 30.85 percent of the population is still estimated living below the poverty line. Such percentage was 41.76 percent in 1995/96. Based on the same survey, in terms of Purchasing Power Parity (PPP) calculated on the basis of an income of One US dollar a day, which is the internationally adopted measurement standard of adopted by the World Bank, around 24.1 percent population is still living below the poverty line. The World Bank, in 2005 has redefined US\$1.25 a day as the poverty line. It is evident that Nepal's poverty situation would seem weaker when compared on the basis of this formula. Nepal is still following the earlier parameter.

Box 7(a): Measuring Poverty

The incidence of poverty indicates the percentage of population living below the poverty line while the poverty gap is the population of the poor measured in terms of gap between the poverty line and the people below it. Besides, Indicator of the Squared Poverty Gap shows the intensity of different levels of poverty amongst the poor.

- 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 2003/04, on the whole poverty is reduced by 10.91 percentage points between 1995/96 and 2003/04. Main reasons for its; income from remittance, fast growing urbanization, increases in average wage in the agriculture sector, and growth in the number of economically active population. The increased income gap in this period, however, has widened the gap between the 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 the growth rate of income level of the rich has been higher than that of the poor. It has necessitated to take the poor oriented policy-wide, structural and program-level measures accompanied by the creation of short as well as long-term income oriented employment opportunities and effective implementation of economic transfer programs.

7.3 According to the Nepal Living Standard Survey (II), poverty is disproportionately distributed at caste/ethnicity, regional and occupational levels. Among those under the poverty line, 67.0 percent are found engaged in agro-based employment and 11 percent as agricultural labourers. This indicates that prime means of employment for 78 percent of the total poor is the agriculture sector. Among the various caste/ethnicity living below the poverty line, the 46 percent are Dalits, 44 percent are hill ethnic groups, 41 percent Muslims, 35 percent Terai ethnic (Tharu) groups and 31 percent other minority groups. Similarly, 14 percent of Newars, 18 percent of Bramin/Chetri and 21 percent of the Middle caste (Yadav) in the Terai population live below the poverty line. Out of the total poor, 29.4 percent of population lives 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 estimated that out of the total poor, 7.5 percent live in High Mountainous Region, 47.1 percent in the Hills, and 45.4 percent in the Tarai. Urban poverty is estimated to have increased in recent years due mainly to growing population pressure migrating to urban areas seeking amenities and security. According to a recent estimate, poverty between the years 2005 and 2008 has come down to 25.4 percent with a decrease of 6.0 percentage points during this period.

7.4 According to the NLSS conducted in 1995/96 and 2003/04 for measuring the poverty incidence, major reasons for the decline in poverty rate, as already mentioned in the foregoing paragraph, are remittance income, and increase in average wage in the agriculture sector. The estimated urban population living below the poverty line in FY 1995/96 was 21.55 percent, which fell to 9.55 percent by 2003/04. In the same period, the population below poverty line in rural areas decreased to 34.62 percent from 43.27 percent. Besides, poverty gap in Nepal is estimated to be 7.60 percent and squared poverty gap as 2.70 percent.

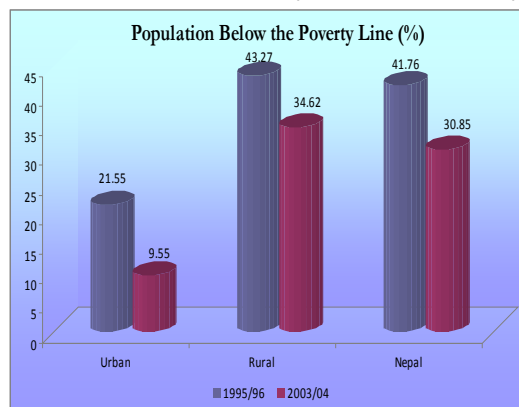


Table 7 (a): Poverty Measures (1995/96 - 2003/04)
(Percentage)

<i>Areas</i>	<i>Population below poverty</i>		<i>Poverty Gap</i>		<i>Squared Poverty Gap</i>	
	1995/96	2003/04	1995/96	2003/04	1995/96	2003/04
Urban	21.55	9.55	6.50	2.20	2.70	0.70
Rural	43.27	34.62	12.10	8.50	4.80	3.10
Nepal	41.76	30.85	11.80	7.60	4.70	2.70

Source: Central Bureau of Statistics

- 7.5 Analysis has shown that men and women above 15 years of age spend 5.7 hours, and 23.2 hours respectively in household or non-economic activities (considered as outside the productive sector as per the System of National Accounts - SNA 1993). This proportion is higher by 9.0 percent than observed in the earlier survey. It shows attitudinal change emerging among male household members. The current rate of migration is 33.0 percent. Out of the total population migrating in their lifetime, 44 percent are women while 21 percent are men. Percentage of households with at least a member visiting foreign country is 29.1, remittance recipient households is 30.0, and the highest remittance (21.3 percent) is received from Qatar. Similarly, per capita remittance is Rs. 4,042; percentage of Households living in their own homes is 89.2 percent; families using fire wood as a major source of fuel is 68.4 percent; families with access to electricity and tap water is 56.0 and 45.0 percent respectively. Also, 78 percent of households own agricultural land; and 63.2 percent are literate. In the meantime, there has been improvement in the child labour situation with decline in the proportion of children (between 5 - 14 years) engaged in economic activities from 40.9 percent in 1998/99 to 33.7 percent in 2008. Another positive indication is the increased engagement of women in the external sector with their improved employment situation in the non-agricultural sector. It has been possible with increase in the proportion of salaried women employees (15+) from 15.1 percent (NLFS 1) to 19.1 percent.
- 7.6 The Three-year Interim Plan aims at making people feel actual change by bringing down the current situation of unemployment, poverty and inequality, and support for stabilization of sustainable peace in the country. The Tenth plan as well as ongoing Interim Plan has adopted targets set by the 189 nations committed Millennium Development Goals in its respective

plans, policies and programs. Updating of the status of progress on SAARC Development goals (SDGs) is ongoing with positive and encouraging preliminary results. This Plan is prepared in a different way by following the maximum public participation procedure and focusing on the main objective of poverty reduction. The Plan has accorded top priorities to reconstruction, rehabilitation, and social re-integration. Major strategies adopted to achieve these objectives will be through emphasis given to relief, reconstruction, and re-integration; achieve employment oriented, poor targeted broader economic growth; promote good governance and bring effectiveness in service delivery; invest more on physical infrastructure; give emphasis to social development; and implementation of inclusive development and targeted programs.

- 7.7 The Interim Plan has given priority to augment the level of investment in infrastructures like electricity development, roads, irrigation, and communications that support reconstruction and rehabilitation, inclusiveness. Similarly, the Plan aims to invest more on health, education, drinking water and sanitation for development of Human Resource. The plan has set a target of reducing the population below poverty line to 24.0 percent from the present level of 31 percent.
- 7.8 Out of the total 408 development projects under implementation in the fiscal year 2009/10 through various Ministries, Secretariats, Departments, Offices and Agencies, 204 are Top Priority (P1) Projects, 170 Second Priority (P2) Projects, and 34 Priority Three (P3) Projects. Number of Projects that emphasize on Relief, Reconstruction, and Reintegration as a Strategic Pillar of the Interim Plan total 18; projects that focus on employment and poverty for broad-based economic growth are 115. Similarly, 89 projects are on good governance and effective service delivery; 129 projects for enhancing investment on physical infrastructure development; and 57 projects are for social development and targeted programs. Efforts are underway for distribution of grants assistance to local bodies based on the Poverty Index and for extensive devolution of authority. Allocation In the process 46.18 percent of capital budget is allocated to projects directly related to poverty alleviation in line with the objective of directing the flow of investment towards poverty reduction in the fiscal year 2009/10.
- 7.9 The concept of gender budget is put into practice subsequent to its internalization. Effort is underway to make the budget 'women oriented' to the extent possible by scrutinizing the budget from gender perspective

through the introduction of a separate gender budget code. Such practice has raised gender awareness and sensitivity requiring its extension to estimate sources of public finance, receipts, budgetary allocation, expenditure and its effect, and outcomes. Budgetary allocation to development projects that are assumed to make direct contribution to gender equality total Rs. 49.45 billion (17.3 percent) while 36.43 percent is allocated to projects supposed to make indirect contribution to the cause. In the process, a number of programs targeted at gender equality are ongoing including emphasis on female literacy; priority to scholarship; construction of toilets in schools for girl students; implementation of special program for women empowerment; 25 percent exemption on ownership deed/registration fee. Similarly, 10 percent exemption on income tax on remuneration; priority in micro-finance program; 24 hour service in public hospitals; arrangement for regular health check up and maternity allowance service are some other gender equality targeted programs/activities. Additional programs and activities in this area are establishment of women health volunteer fund; Rs. 3,000 allowance honouring the services of women health volunteers; arrangement of Rs. 500 monthly allowance to widows above 60 years of age; and operation of campaign against sexual and household violence. Besides, some other special programs in this area are providing shelter to victims of violence in camps with the provision of hotline; realization of the necessity for implementing of women development program covering all VDCs of the country; provision of housing facilities for Badis; and programs targeted to conflict victims and single women.

- 7.10 National Volunteer Development Service (NDVS) is implemented in 72 districts with the objective of reducing poverty among the ultra poor and backward class people, and for mobilization of youths. About 1,750 volunteers are made available as facilitators for carrying education, health, infrastructure development, and social mobilization activities among Dalits, poor, indigenous and socially excluded communities. Programs for income generation and poverty reduction are being carried out in participation of local bodies and communities. In addition to Model VDC Program, this service program is conducting activities like group formation, seed capital and savings mobilization, construction of common (Sulav) toilets and water taps, skill oriented training, literacy classes etc. Volunteers to work actively in remote districts could not be selected for long time. Facilitation of community development in local bodies and implementation of poverty reduction program is expected with the selection of new volunteers in this fiscal year.

- 7.11 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. Food and nutrition security in Nepal is clearly evident due to factors like continuous increase in population; nominal rate of agricultural production and productivity; livelihood issues; lack of nutritious food items; natural disasters; climatic adversity; poverty; illiteracy; very weak level of awareness; weaknesses in supplies, and services and support system.
- 7.12 Programs at the local levels are being carried out by Ministries of local development, agriculture, supplies, health, and education, and international and national (I/NGOs), and social organizations to address food security related issues.

Inclusive Development and Targeted programs

- 7.13 Social inclusiveness oriented targeted programs are being carried out with objectives of freeing the people from poverty and backwardness, who are unable to get mainstreamed into the development process due to socio and cultural, geographical, and economic reasons. These programs have encapsulated women, Dalits, ethnic groups, minorities, Madheshi, people with different physical capacities and backward class, together with the rural people living in remote areas of the country, small farmers, and ultra poor.

Poverty Monitoring

- 7.14 The earlier practice of monitoring and evaluation, limited to financial and physical progress monitoring arrangement was reformed during the Tenth Plan. In this context, establishment of a separate Poverty Monitoring Analysis System (PMAS) at the central level and its institutionalized is complete. Against the previous practice of publishing only the mid-term progress reports, a practice has been initiated right from the beginning of the Tenth Plan of preparing reports based on definite PMAS Indicators and publishing it annually.
- 7.15 The Policy and Outcome Table is incorporated in the refined form as a built-in content of the Plan right from the preparation process of Three-year Interim Plan. Accordingly, continuity is provided to the publication of PMAS by improvising it.

- 7.16 The Draft District Poverty Monitoring and Analysis System - DPMAS was prepared and institutionalization process was initiated during the Tenth Plan period. Commitment was made for institutionalization of the system with support for capacity building from the centre during the Three-year Interim Plan period. Accordingly, it has been updated in this fiscal year with improvisation and incorporation of additional indicators. Internalization process is underway with installation of software and training on a pilot basis in 15 districts.
- 7.17 Result-based Framework and Guidelines are prepared at the central level for National Planning Commission; and Ministries of Physical Planning and Works, Local Development, and Education under the Asian Development Bank (ADB) assisted Managing for Development Results (MfDR) Project. Similarly, four districts namely Jumla, Dang, Dhanusha and Jhapa were selected, necessary DPMAS software developed, and training was imparted for using the software in the process of institutionalization of DPMAS at the district level in the previous year. In the process, implementation and strengthening of MfDR approaches in 7 agencies is ongoing under the MfDR Project in implementation from this fiscal year. Out of 7 agencies planned for MfDR, necessary preparations are underway for adoption of Result Based Budget in the Transport Management Department and Metropolitan Traffic Police Division.
- 7.18 Manuals are being prepared with preparations underway by updating of PPIS for its re-implementation in the spirit of commitments made through the ongoing Interim Plan to institutionalize the Participatory Monitoring Mechanism as a medium for service recipients' participation in monitoring and analysis, and putting across their perceptions. The National Committee on Resolving Development Issues and Ministry level such Committees have been rejuvenated and meetings conducted. Beginning the coming fiscal year, Result Based Monitoring and Evaluation Manual will be adopted and enforced to ensure effectiveness in Monitoring and Evaluations carried out by various agencies and levels.
- 7.19 Two consecutive surveys, namely Nepal Living Standard Survey - NLSS and Nepal Demographic and Health Survey - NDHS, have been completed. Results of these surveys have shown some improvement on both economic and human poverty situation in Nepal. Some results of NDMS conducted in 2001 and 2006 are given below:

Table 7(b): Comparative Indicators of Nepal Demographic Survey 2001 and 2003

S.N.	Demographic Indicators	2001	2006
1.	Gross Birth Rate	4.1	3.1
2.	Crude Birth Rate (per thousand)	33.5	28.4
3.	Contraceptive Prevalence Rate (all types, percent)	39.3	48.0
4.	Contraceptive Prevalence Rate (modern means, percent)	35.4	44.2
5.	Infant Mortality Rate (per thousand)	64.0	51.0
6.	Child Mortality Rate (per thousand)	29.0	15.0
7.	Children under 5 Mortality Rate (per thousand)	91.0	65.0

Source: National Planning Commission, CBS.

Poverty Alleviation Fund

- 7.20 Poverty Alleviation Fund established under the Poverty Alleviation Fund Act, 2063 is operational as an autonomous organization. The Fund's objective is extend direct support to inclusive development and targeted programs as stipulated in PRSP and Three-Year Interim Plan of the Government of Nepal. In addition, the Fund provides support to programs targeted to the people below the poverty line. The Fund has been able to support the demand-based community-level beneficiary-participated poverty reduction activities.
- 7.21 The Fund, guided by five Principles; Poor targetated program (Antodaya), Social inclusiveness, Transparency, Demand-driven Program, and Direct fund flow to the community, is carrying out the poverty-focused program in active participation of the ultra poor and backward class of the people. The program helps formation and institutionalization of Community Organizations (COs) involving the targeted poor communities for preparation of their programs and implementation in their full participation.
- 7.22 The Fund is engaged in poverty reduction efforts through implementation of various projects/activities like social mobilization; income-generating program; community infrastructure development program; capacity development program; and innovative, creative, and community concept micro projects. Even during the conflict period, the Fund continued its positive effort on serving the people with the objective of transforming the vicious circle of poverty into the virtuous circle of poverty. The Fund has a number of show case like examples supporting those who have led local efforts and those engaged in mainstreaming the remote areas.

- 7.23 The Fund has been working jointly with local entities, NGOs, COs, and Private Organizations as its Partner Organization (PO) to facilitate and support communities towards achieving its objective (of poverty reduction). Programs under the The Poverty Alleviation Fund II are being carried out with grants of USD 100 million from the International Development Association -IDA (World Bank), 5 million from the International Fund for Agricultural Development (IFAD), and matching fund from the Government of Nepal.
- 7.24 Facilitation works are ongoing for implementation of social mobilization, institutional development of communities, preparation of community projects subsequent to signing of agreements with 392 POs. Programs including social mobilization are initiated after selection of POs, participating VDC and communities in 15 additional districts selected for program extension. These POs, in addition to social mobilization, capacity development and skill development training, institutional development community organizations, availing technical support and facilitation in preparation and implementation of community projects, also assist for maintaining contact and communication between Communities and the Fund.
- 7.25 During the fiscal year 2008/09, the Fund channelled Rs. 1 billion, 260 million 896 thousand for income generation and community infrastructure projects upon signing agreements with Community Organizations for implementation of 3,322 projects against the target of channelling Rs. 1 billion, 977 million 490 thousand to 4,048 community-based projects. Likewise, POs have been provided with Rs 268 million 367 thousand for project operations. As per the result obtained from the base line and effectiveness survey on the Fund's program conducted by Tribhuvan University has showed per capita increase of 23 percent in household consumption and put together income and consumption of those communities has increased by 19.0 percent within a period of two years.
- 7.26 Of the target of providing Rs. 1 billion 861 million 46 thousand grants to, 3,923 community projects in the current fiscal year 2009/10, Agreements have been signed for implementation of 2,515 income generation and community infrastructure development projects during the first eight months of the current fiscal year.
- 7.27 Between the period from beginning of the project to mid-March 2010, programs are being carried out by 12,613 COs in 830 VDCs of 49 districts,

and already benefiting 484,213 targeted households. Among the beneficiaries, 28.1 percent are Dalits, and 27.0 percent ethnic groups. Similarly, a greater percentage of woman (72.7 percent) among the CO members proves the Fund's commitment towards the excluded segment of the population. In addition, it is making a meaningful effort to reach directly to the poor and backward communities as targeted by the Three-year Interim Plan. Detail of the disbursement of Fund grants to communities from the beginning of the Fund program by the first eight months of the current fiscal year is given in the following Table:

Table 7(c): Grants Disbursements of Poverty Alleviation Fund

S. N.	Fiscal Year	Disbursed Amount (Rs. '000)					
		Income Generation Program	Small Infrastructure Program	Innovative Program	Total		
					Total	IDA Grant	GoN Grant
1.	2004/05	132,612	64,110	3,395	200,117	183,638	16,479
2.	2005/06	155,084	90,730	138,070	383,883	317,597	66,286
3.	2006/07	404,331	76,445	499,114	979,889	979,889	0
4.	2007/08	1,274,572	230,651	46,452	1,551,674	1,551,674	0
5.	2008/09	971,458	261,799	27,639	1,260,896	1,260,896	0
	Total	2,938,057	723,734	714,669	4,376,460	4,293,695	82,765
6.	2009/10*	657,737	201,423	11,779	870,938	870,938	0
	Grand Total	3,595,794	925,156	726,448	5,247,398	5,164,633	82,765

* First Eight Month

Source: Poverty Alleviation Fund

Employment

7.28 The Foreign Employment Act, 2064 (2008) is enacted and enforced for promoting the business of foreign employment while safeguarding the rights and interests of workers and foreign employment entrepreneurs by making it a safe, well managed, and dignified profession. As per the provision of the Act, a separate Foreign Employment Department is established on 31 December 2008 under the Ministry of Labour and Transport Management to look after foreign employment related activities. After its establishment, the Department has adopted a number of policies like rigorously curbing foreign employment related frauds in collaboration with the private sector; ensure that conditions of contracts are enforced through effective monitoring in coordination with diplomatic missions abroad and see whether employees get the job and wages as stipulated in the contract. In addition, it is also

responsible to make the employment agencies pay compensation to the persons made to return being stranded in foreign countries; strictly enforce the system of imparting orientation training before leaving for foreign employment; and arranging necessary facilitation to the outgoing and returning workers at the International Airport. A separate Employment Permit System (EPS), Korea Section is established in the Department and work is being carried out accordingly to send Nepalese workers to Korea under such (EPS) system. Beginning the fiscal year 2009/10, a separate Japan International Trading Corporation Organization (JITCO) unit is formed for sending industrial trainees and Interns to Japan.

- 7.29 As per the details available from the Foreign Employment Department, 1,227,166 people had gone to different countries for foreign employment by the end of fiscal year 2007/08. By the first eight months of fiscal year 2009/10 such number reached 1,620,370 with addition of 219,965 and 173,239 in FY 2008/09 and 2009/10 respectively. Although statistics on the number of people visiting abroad through unauthorized means taking undue advantage of open border with India is unavailable, such number is assumed to be significant. It is however, estimated that the number of overseas employment seekers travelling without labour authorization is estimated to be equal to those authorized.
- 7.30 Findings of Nepal Labour Force Survey 2008 (NLFS) conducted to study employment and poverty alleviation is out. The survey was conducted by picking 16,000 household samples country wide with a person working at least an hour a week assumed as employed, and 15 years and above as a labour force. According to the Survey findings, labour force participation rate is 83.0 percent; rate of employment is 97.9 percent or 83 percent economically active with 17 percent remaining inactive; 2.1 percent unemployed, and annual employment growth rate is 2.45 percent. As compared to the NLFS I (1999/2000) decline in labour participation ratio is observed meaning the dependent population is in rise with obligations and liabilities of economically active population is increasing. Likewise, out of the employed total, 16.9 percent are engaged in formal salaried/wage earning activities, while the remaining 83.1 percent are dependent on self-employment. Of the total employed in the age category of 15 years of age and above, 73.9 percent are employed in the agriculture sector, with the remaining 26.1 percent in the non-agriculture sector. The number of full-employment is 66.8 percent. Under-used employment rate is 30.0 percent, and wage discrepancy between

male and female workers persists. The Survey findings are given in the following Table:

Table 7(d): Findings of Nepal Labour Force Survey, 2008

S.N.	Description	Percent
1.	Labour force participation rate	83.4
2.	Economically Active Population Rate	83.0
3.	Inactive Population Rate	17.0
4.	Employment Rate	97.9
5.	Unemployment Rate	2.1
6.	Employment Growth Rate	2.45
7.	Population Employed in the formal sector	16.9
8.	Self Employed Population	83.1
9.	Population Engaged in Agriculture Sector	73.9
10.	Population Engaged in non-Agriculture Sector	26.1
11.	Fully Employed Population	66.8
12.	Under-used Labour Rate	30.0

Source: Nepal Labour Force Survey, 2008; CBS

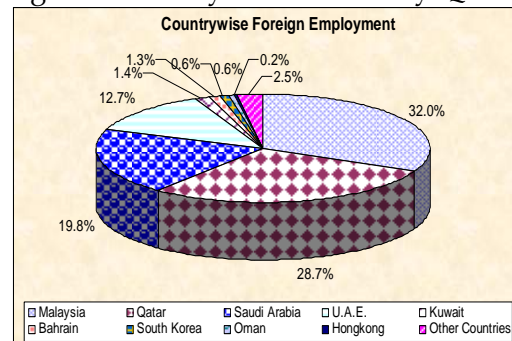
7.31 A total of 173,239 workers have gone for foreign employment during the first eight months of the current fiscal year against the target 254,100 set for FY2009/10. Total number and country-wise description of workers gone abroad for employment is given in the following Table:

Table 7 (e): Country-wise employment situation

S.N.	Country/Area	Total Number by FY 2007/08	Total Number in FY2008/09	The number by first eight months	Total
1	Malaysia	429,240	35,070	44,835	519,145
2	Qatar	351,536	76,175	37,578	465,289
3	Saudi Arabia	232,863	48,749	39,451	321,063
4	U. A. E.	151,283	31,688	22,566	205,537
5	Kuwait	13,906	2,291	6,179	22,376
6	Bahrain	11,682	6,360	2,892	20,934
7	South Korea	6,587	2,888	986	10,461
8	Oman	3,970	4,247	2,239	10,456
9	Hong Kong	3,903	65	82	4,050
10	Other countries	22,196	12,432	6,431	41,059
	Total	1,227,166	219,965	173,239	1,620,370

Source: Foreign Employment Department

7.32 Observations of the trend of Nepalese seeking jobs abroad, the majority of them, i.e. 519,145 (32.04 percent) have gone to Malaysia followed by Qatar with 465,289 (28.71 percent). The third destination is Saudi Arabia with 321,063 (19.81 percent). Similarly, 205,537 (12.68 percent) to U.A.E., 22,376 (1.38 percent) to Kuwait, 20,934 (1.29 percent) to Bahrain, 10,461 (0.65 percent) including EPS to South Korea, 10,456 (0.65) to Oman, 4,450 (0.25 percent) to Hong Kong, and 41,059 (2.53 percent) Nepalese have gone to other countries for employment.



Real Wage Rate Index

7.33 Consumer inflation being lower than the wage rate index, real wages remained positive than inflation rate. Consumer inflation rate in fiscal years 2008/09 and in the first eight months of the current fiscal year rose by 13.1 percent and 11.2 percent respectively while wage rate index rose by 20.1 percent and 13.6 percent during the same period. Despite the fact that real wage tends to shrink with rising inflation, positive real wages has raised the workers' income level thereby helping reduce their poverty. Besides, the wage rate index with 73.0 percent share in the overall national salary and wages index, and agricultural labours occupying 40 percent share with higher real wage rate, especially the income level of agricultural labours has increased helping reduce their poverty.

Employment Information

7.34 By mid-March of the current fiscal year 2009/10, ten labour offices and fourteen employment information centres have collected descriptions of more than 18,000 unemployed people.