

# Poverty Reduction Efforts in Nepal

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**Abstract:** *Poverty is like curse everyone wants to get rid of. Everyone wants to get rid of the poverty-stricken condition; and countries across the world have individually and collaboratively fighting against the evils of poverty. Based on secondary data, the article has attempted to study the poverty alleviation efforts that Nepal has put up during the period of 1992 to 2013 vis-a-vis the progress Nepal has achieved during the study period for which the study assessed the effort-progress by Nepal's periodic development plans. Based on the study, the article offers policy recommendation to formulate anti-poverty programmes benefitting dalit and indigenous communities and narrowing down gaps between the rich and the poor.*

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## I. INTRODUCTION AND LITERATURE REVIEW

The curse of poverty is something everyone wants to get rid of. Everyone wants to get rid of the poverty-stricken condition; and countries across the world have individually and collaboratively fighting against the evils of poverty. Based on secondary data, the article has attempted to study the poverty alleviation efforts that Nepal has put up during the period of 1992 to 2013 vis-a-vis the progress Nepal has achieved during the study period for which the study assessed the effort-progress by Nepal's periodic development plans. Nepal's periodic plans include 5-year plans and 3-year plans from the Eighth 5-year Plan to Twelfth 3-year Plan. Poverty, the individual's inability to attain a minimum standard of living, i.e., to fulfil basic needs, is an economic ill hitting the national economies across the world, and Nepal is not an exception to it.

Nepal ranks as the least developed country of Asia with a per capita GDP of US \$717 (CBS, 2013). Although economic development has been primary objective since the beginning of planned development in Nepal in 1956, poverty reduction received priority only after the political change of 1990 (MoF, 2013).

Based on the Government's official data, the study observed that the number of Nepalis living below the national poverty line decreased from 42 percent in 1996 to 30.8 percent in 2003, to 25.4 percent in 2009 (CBS, 2009), and to 23.08 percent in

2012/13 (MoF, 2013). Despite the achievement, there still are structural problems such as economic disparities and inequitable access to productive resources and means, distributional conflicts, and shortfalls in good governance. Similarly, there is a huge disparity in the rural and urban poverty levels, even though the decline in rural poverty is encouraging (urban poverty dropped by eight percentage points and rural poverty dropped by 12 percentage points between 1995 and 2004), poverty across different communities remains unequal (UNDP, 2009).

Going by the past literatures and reports, it becomes clear that poverty alleviation has been the main focus of development in Nepal since 1956 when the country began planned development. While the Ninth Plan (1997–2002) developed a 20-year framework for reducing poverty and the Tenth Plan (2002–2007), formulated a Poverty Reduction Strategy Paper (PRSP) targeting poverty reduction. These efforts contributed to bringing the poverty level down to 25.4 percent by 2009 (Nepal Status Paper, 2011). The Approach Paper for the Three Year Plan (TYP) of 2010/11-2012/13 has the objective of reducing inequality and poverty through dignified and profitable employment opportunities by expanding inclusive, productive and targeted programmes.

## II. STUDY OBJECTIVES

Based on the discussions above, it is clear that Nepal has taken up numerous efforts geared towards poverty alleviation through its periodic plans particularly after the Ninth Plan and its subsequent plans that have set poverty reduction as the only objective. It is relevant to examine the periodic plan-wise progress achieved in Nepal's poverty alleviation drive. Therefore, the study has the following objectives:

- To assess the poverty situation in Nepal

- To analyse the improvements in poverty incidents by Nepal's periodic plans

## III. METHODOLOGY

This study is descriptive one and is based on secondary data collected from printed and online reports of the Ministry of Finance, Nepal Rastra Bank, Central Bureau of Statistics, and other international organisations. The study also qualitatively assessed the efforts to alleviate poverty in Nepal in the plan periods from 1992/93 to 2013/14.

## IV. DATA AND ANALYSIS

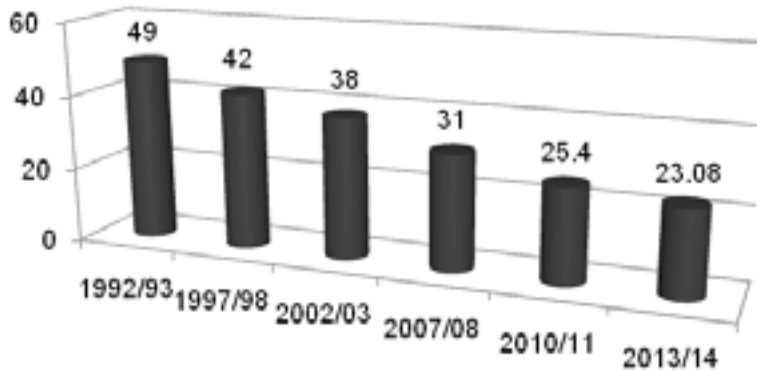
The following subsections discuss current poverty situation in Nepal and Nepal's progress achieved in reducing poverty by periodic national development plans.

### *4.1 Poverty Situation in Nepal*

The poverty incidence stood at 24.4 percent in the fiscal year 2011/2012, and at 23.8 percent in the fiscal year 2012/2013 (MOF, 2013). However, another study team

(Oxford university/UNDP Research team) employing Multidimensional Poverty Index revealed that the population below absolute poverty is estimated to be as high as 65 percent of the total population in Nepal (Dahal, 2011)

**Fig. 1: Absolute Poverty Rates (%) in Nepal by Periodic Plans**



#### *4.2 Plan-wise Progress in Poverty Reduction*

To alleviate poverty incidents, Nepal's periodic development plans have over the decades set targeted programmes which may be attributed to the progress achieved by the country in its half a century long poverty-reduction drive. Table 1 presents the progress made by Nepal in poverty reduction by its periodic development plans.

From Table 1, it is clear that Nepal has been able to achieve noticeable progress in reducing poverty from 49 percent (at the beginning of the 8<sup>th</sup> Plan, 1992/93-1996/97) down to 23.08 percent at the end of the three-year 12<sup>th</sup> Plan (2010/11-2012/13). Whereas almost half of the Nepalese were reeling under the absolute poverty line in 1992/93, Nepal has been able to almost halve its poverty incidents in a period of 20 years, by slashing the poverty rate from 49 percent to 23.08 percent. Yet there are many critical issues beyond the figures.

Specifically speaking, during the Tenth Plan, Nepal had been able to reduce absolute poverty from 38 to 31 percent. However, during the same period, the Gini-coefficient which shows the inequality of income distribution had increased from 0.34 to 0.41; it indicates that the gap between the rich and the poor has increased further.

Another important aspect to Nepal's poverty is related to social inclusion, as poverty pressure in the country is particularly high among the Dalits and Janajatis (indigenous nationalities). Below the poverty line are some 46 percent of the Dalits, 44 percent of the hill Janajatis (particularly, Magar, Tamang, Gurung, Rai, and Limbu) and 41 percent of the Muslim community (NPC, 2012). In comparison with the national average of 31 percent, the figures are formidably high. This shows that these communities have limited access to productive resources and development investments, as well as outcomes.

Table 1: Result of Poverty Reduction Efforts by Development Plans

Plan periods	Programmes	Absolute Poverty in percentage	
		At the beginning of the plan period	At the end of the plan period
8 <sup>th</sup> Plan (1992/93-1996/97)	The plan, along with the policies for removing poverty, formulated the poverty alleviation programme. First, it had a programme to identify the people who were below the poverty line. The village development programme in the past had failed due to the failure in the identification of these poverty stricken people. Keeping this in mind, special programme were run by the government in the Eighth Plan for poverty alleviation, as it was one among three objectives of the eighth plan. Under this programme were health, education, planning, other programmes related to increasing employment and production at the government and local levels. Industrial loans were given for women and regional programmes were conducted for the uplift-ment of women (Ghimire, 2004)	49	42
9 <sup>th</sup> Plan (1997/98-2001/02)	The Ninth plan also concentrated all the development activities for the removal of poverty. The Ninth Plan focused on providing employment by concentrating the development activities for poverty alleviation.  The Ninth Plan prepared a 20-year master plan on poverty alleviation with the objective of reducing the poverty level from 42 percent to 32 percent. However, the Ninth plan was able to decrease poverty by 38 percent (Pradhan, 2013). The objective of the Ninth Plan was to alleviate poverty by making all the people participate in the mainstream of development.	42	38
10 <sup>th</sup> Plan (2002/03-2006/07)	The Tenth Plan prepared the poverty reduction strategy paper. The main objective of the Tenth Plan was also for alleviating poverty. The plan had an objective to do this by improving economic, human and social indicators through the expansion of economic and employment opportunities and optimum mobilisation of available resources. The Tenth plan had set the target to reduce the figure to below 30 percent poverty by the end of the plan period.  According to Nepal Living Standard Survey (NLSS) 2003/2004, during the last eight years, the people below the absolute poverty line had fallen to 31 percent from 42 percent. The reasons behind the reduction were increased wage rate in both the agricultural and non agricultural sectors, increasing urbanisation, increased proportion of active human resources of population, inflow of huge amount of remittances.	38	31
11 <sup>th</sup> Plan (2007/08-2009/10)	The main objective of Eleventh Plan was to realise changes in the life of the people by reducing poverty and unemployment and establishing sustainable peace. The Eleventh Plan had fixed the target to reduce the poverty level from 31 percent to 24 percent.	31	25.4
12 <sup>th</sup> Plan (2010/11-2012/13)	The Twelfth Plan fixed the target to reduce poverty from 25 percent to 21 percent. In the fiscal year 2013/14, the budget made the plan to provide 22,000 youths with skill-based training and 50,000 persons with business oriented skills (MoF, 2013)	25.4	23.08

Source: Economic Survey, 2012/13

Therefore, the policy implication of the result is that despite reduction in poverty, social evils of poverty will continue to stay; and future policies on poverty reduction should also pay adequate attention to make the programmes more socially inclusive so that downtrodden dalits and indigenous communities can be taken out from the clutches of poverty.

## V. CONCLUSION AND RECOMMENDATIONS

Nepal has achieved satisfactory progress in its poverty alleviation drive that took noticeable speed after the Ninth Plan and PRSP of the Tenth Plan. Despite reduction in poverty figures at the overall national levels, the gap between the rich and poor is not being narrowed down as indicated by the Gini Coefficients of the country in the past years. Likewise, the progress in poverty reduction has not significantly benefitted socially backward and underprivileged social groups including indigenous nationalities or *janajatis* and *dalits*, majority of them are still reeling under poverty evils. Therefore, future policies on poverty reduction should not only narrow down gap between the rich and the poor but also pay adequate attention to make the programmes more socially inclusive so that downtrodden dalits and indigenous communities can be taken out from the clutches of poverty.

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