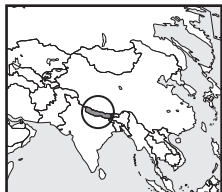


# Crises, challenges and perspectives



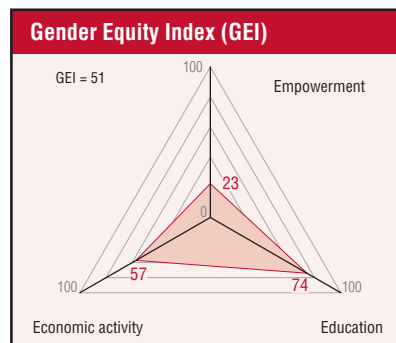
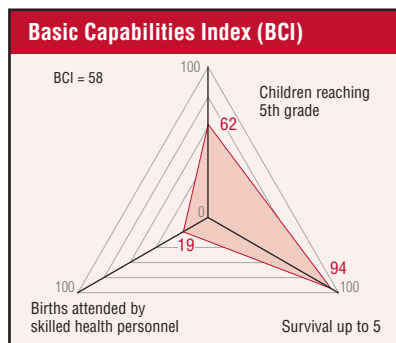
According to experts, Nepal will feel the effects of the global financial crisis on several fronts. Other crises, related to the environment, food, energy, finance and politics have been buffeting the society for a long time. It is imperative to see this reality from a gender perspective, and to analyse the role of civil society in promoting initiatives and programmes to help alleviate the situation of the vulnerable populations disproportionately affected by the downturn.

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Nepal, which ranks 145 out of 179 countries in the 2008 Human Development Index, faces multiple inter-related crises – including food, energy, climate and politics – as well as continuing, though currently sporadic, civil unrest.<sup>1</sup> So far, no significant impacts of the global financial crisis have been reported; however experts warn that the country is likely to be affected in various ways.

For example, remittances, which currently account for 19% of GDP, have been extending a lifeline to the economy for almost a decade.<sup>2</sup> It is chiefly due to them that the balance of payments is still in surplus despite a huge trade deficit. Furthermore, they helped decrease the poverty rate from 42% in 1995/96 to 31% in 2003/04. More than 1.2 million people are working overseas.<sup>3</sup> A slow-down of the construction and service sectors in the Middle East, a major source of remittances, and in countries such as South Korea, Malaysia and Japan, will reduce demand for Nepali labour abroad. Since over 34% of households receive remittances, an increase of over 80% since 1994/95, their decline could affect progress in poverty alleviation and potentially lower domestic demand, as households will be more hesitant to spend money due to declining income. The balance of payments surplus will go down.

The global slow-down and recession in developed economies will also affect exports, foreign investment and overseas development assistance as well as the service industry, which contributed 50.9% of GDP in 2007. In terms of merchandise trade, about 80% of Nepal's readymade garments are exported to the United States. Germany is the largest market for its carpets. Delayed financial recovery in these countries is likely to have a negative



impact on the country's export trade.<sup>4</sup> The Confederation of Nepalese Industries recently estimated that the manufacturing sector would incur a loss of USD 256.16 million.<sup>5</sup> A further downward spiral in demand in the already distressed garment and textile industry, combined with the continued decline in global prices of key exported commodities, could result in the total loss being much higher.

The crisis will also have a significant impact on the tourism sector. Europe accounts for 25.7% and the US for 5.9% of the total tourist arrivals. As the Western financial crisis steadily worsens, potential tourists are likely to postpone or cancel travel plans. By working with the Government and launching promotional packages, the Hotel Association of Nepal is hoping to entice about a million tourists in 2010; however if the global economic slow-down continues, this dream seems unachievable.<sup>6</sup>

There will also be downward pressure on the total foreign exchange reserve held by the Central Bank. It will try to tame the inflation rate, currently over 13%, by raising interest rates. Even the banking system may be in trouble if the vibrant real estate market slows down.<sup>7</sup> Meanwhile, the aid industry will not be spared from the crisis. NGOs in Nepal receive funding from corporate donors, governments and large foundations in the West. Reduced funding will force these organizations to

scale back development initiatives. This will have a negative impact on the fight against poverty and other development challenges.<sup>8</sup>

## Environmental crisis

Global warming resulting from climate change, to which Nepal is a minimal contributor, also threatens to melt Himalayan snow and glaciers, thus rendering the glacial environment unsafe for humans. A recent analysis from the Department of Hydrology and Meteorology shows that the country faces an annual average temperature rise of 0.06°C. Continued warming has affected the Himalayan ecology, including snowfall patterns and ice melting – most substantially in terms of glacier retreat and significant increases in the size and volume of glacial lakes, making them more prone to Glacial Lake Outburst Flooding (GLOF). There are at least 20 lakes in the mountainous region at risk, and there is growing concern that an earthquake or excessive precipitation could prompt GLOF, washing away settlements and destroying infrastructure such as hydroelectric plants, roads and bridges along river basins.<sup>9</sup> More worryingly, melting Himalayan glaciers could have a huge impact on water resources and fluvial ecological systems across South Asia.<sup>10</sup>

In addition, rainfall patterns seem to have changed quite dramatically over the last few years. It is no longer easy to predict when the monsoon rains

1 The end of the Communist Party of Nepal (Maoist)-led rebellion in November 2006, followed by the institution of a new Government in May 2008, has not brought violence to a complete end yet.  
 2 Sapkota, C. "Impact of Global Financial Crisis on the Nepali Economy." *Republica*, 2 December 2008. Available at: <www.myrepublica.com/portal/index.php?action=news\_details&news\_id=99>.  
 3 Parajuli, K. "Nepal Fears Global Financial Crisis, Looks to China." Available from: <www.asianews.it/index.php?l=en&art=13574&size=A>.

4 Pyakuryal, B. "A Matter of Life and Debt", 2008. Available from: <www.kantipuronline.com/columns.php?&nid=165540>.  
 5 "Impact of Global Financial Crisis on the Nepali Economy."  
 6 Singh, M. "Global Financial Crisis: Its Impact." *The Rising Nepal*, 2008.  
 7 Adhikari, S. (2009). "Global Economic Crisis and Nepal." *The Rising Nepal*, 2009.

8 Sapkota, C. "Constraints to Industrial Sector Growth in Nepal." Available from: <www.sapkotac.blogspot.com/2009/01/constraints-to-industrial-sector-growth.html>.  
 9 ICIMOD. "The Melting Himalayas: Regional Challenges and Local Impacts of Climate Change on Mountain Ecosystems and Livelihoods." Technical Paper. Kathmandu: International Centre for Integrated Mountain Development (ICIMOD). 2007.  
 10 *Ibid*.

will come and how long they will last, and crop yields are being reduced. In 2006, farmers had to replant their rice crop as the rains stopped abruptly. And this second sowing ended badly as heavy rains fell during the harvest, damaging the crops. The monsoon floods of 2008, which can also be attributed to global warming since flooding was due to melting snow from the mountaintops, displaced over 180,000 people.

### Energy crisis

Nepal is the second richest country of the world after Brazil in terms of fresh water resources. It has the potential to produce 82,000MW of hydroelectricity, and the production of half this quantity is technically feasible. However, so far only about 1% of Nepal's hydroelectric potential is being tapped and in 2008 and 2009 the country experienced the worst electricity crisis in years. A chronic imbalance between energy consumption and energy resource endowment has been created. Every year, demand for electricity increases by 10% whereas production remains constant. The mismatch between the demand and supply forced the Government to declare a national power crisis in December 2008.

The Nepal Electricity Authority then imposed 12-hour daily power cuts. As the dry season approached in early 2009, power cuts increased to up to 16 hours per day. As a consequence, productivity in the industrial sector has declined by at least 50%. The lack of power is putting several small and medium-sized enterprises (SMEs) out of business. These SMEs not only produce final goods and provide employment but also supply intermediate goods to larger firms. The shortage of power has also seriously affected other businesses, with several domestic jute mills, local FM radio stations, cyber businesses, paper factories, hotels and tourist spots going under. People are increasingly using diesel fuel, the supply of which is erratic as it is imported.<sup>11</sup> In the rural areas there has also been pressure on the forests, due to the lack of alternative sources of energy.

### Food crisis

Nepal is listed among 16 "hunger hotspot" countries with the world's most serious problems of food insecurity.<sup>12</sup> The years of conflict have deterred investment in agriculture. Some 69% of the population depends on agriculture, many of them subsistence farmers on small plots of land, but the "green revolution" has not achieved substantial results among the peasantry. Falling productivity has removed the status of self-sufficiency in food that the country once enjoyed.

The World Food Programme is currently providing food assistance to 2.7 million people. The situation was greatly aggravated during 2008, not only by rising prices but also by India's decision to suspend exports of rice on which Nepal depends. Conflict and frequent natural disasters have added to the problem. UNICEF calls malnutrition the cause of 60% of child mortality,<sup>13</sup> and the World Food Programme estimates 41% of the population is undernourished.<sup>14</sup>

The widespread dependence on subsistence agriculture underlies many problems of environmental degradation, in particular the depletion of forest resources, which in turn leads to loss of biodiversity and desertification. Survival strategies, the knowledge of the poor and sustainable livelihood options need to be linked.

### Political and social crisis

The current coalition Government faces several challenges. It is tasked with establishing a lasting peace, institutionalizing democracy by drafting a Constitution for the Federal Democratic Republic of Nepal, and setting up a federal system of government acceptable to most, if not all, sectors of society. However, delayed action on these tasks has left room for multiple problems. Several splinter armed groups have emerged in different parts of the country and more are in the offing. Their daily abductions, extortions, killings, lootings, thefts, strikes and skirmishes have further destabilized the country and are a big threat to the newly established democracy.

### Gender impacts of the crises and the role of civil society

The impacts of the diverse crises will affect both women's and men's livelihoods. With changes in climate, traditional food sources become more unpredictable and scarce. Women's livelihoods are more dependent on the natural resources threatened by climate change, which can cause loss of harvests, often their sole source of food and income. When the land is inundated, roads and houses are damaged. Much of the burden of caring for people migrating from the flooded areas falls on women. The exacerbation of existing water shortages affects women in particular as they are traditionally responsible for water collection in their communities.

Large sections of the population continue to be exposed to civil unrest, limiting access to food and social and economic services. This means increased hardship, especially for women, whose property rights are not guaranteed and who lack equal access to resources and employment.

Civil society organizations operating at local and international levels can play a significant role in helping to disseminate the message of the gendered effects of the crises through advocacy, lobbying and campaigns. In particular, they can advocate for the integration of a gender perspective in the Government's development plans, and in the negotiation of adaptation and mitigation strategies in order to reduce the vulnerability of Nepalese women and men. ■

11 Hassan, M. "Nepal Heading Towards a Dark Future: Needs More Electricity." Available from: <[www.southasiabiz.com/2008/02/nepal\\_heading\\_towards\\_a\\_dark\\_f.html](http://www.southasiabiz.com/2008/02/nepal_heading_towards_a_dark_f.html)>.

12 Shamsuddoha, M. et al. "Revamping Policies for Attaining Food Security in the LDCs." Geneva: INSouth Centre. Available from: <[www.insouth.org/](http://www.insouth.org/)>.

13 See <[www.unicef.org/infobycountry/nepal\\_nepal\\_background.html](http://www.unicef.org/infobycountry/nepal_nepal_background.html)>.

14 See <[www.wfp.org/countries/nepal](http://www.wfp.org/countries/nepal)>.