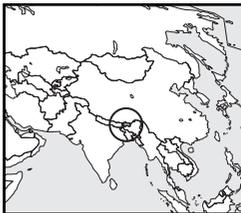


The myth that never came true

NEERAJ N JOSHI

SARBA RAJ KHADKA¹



Nepal is the ninth poorest country in the world, with a per capita income of USD 210 per annum. Nearly half the population lives below the poverty line (World Bank, 2000). The 2000 HDI ranks Nepal 144 of 174 countries, indicating low educational attainment, low life expectancy at birth and low income. Much of the backwardness of the country can be attributed to centuries of political and economic isolation, a land-locked mountainous terrain, and a late start in development. Agriculture is the mainstay economic activity, employing over 80% of the total labour force.

Globalisation and liberalisation

Nepal is in the process of joining the World Trade Organisation (WTO). The concept of economic globalisation is new to Nepal, with its small domestic market and limited technological know-how. Most of Nepal's poor people living in thousands of scattered villages throughout the country know little about trade liberalisation, foreign investment and new trade policy.

Reform has succeeded in promoting economic growth, but the positive effects of growth, such as more job opportunities at higher wages, are yet to be felt by rural people. One study shows that small-scale industry suffered during the liberalisation phase—of 70,000 small-scale industries, 30,000 have shutdown. Unemployment and consequently, poverty, are growing in Nepal.

Debt and development: a myth that never came true

Nepal's increasing dependence on external economic assistance and its growing debt service payments have had a negative impact on overall development of the country. Although Nepal's external debt was contracted on highly concessional terms—mainly from multilateral lenders at 0.75–1% interest with 30-40 year repayment periods—the amount to be repaid every year is high. According to World Bank estimates, the present value of Nepal's external debt service is about 118% of its exports and 31% of its GDP.

After an economic crisis in the mid 1980s, Nepal approached the IMF, World Bank and other international agencies for help. The Structural Adjustment Program (SAP) introduced by these agencies failed to improve the condition of poor people. The SAP led to substantial rise in debt, higher prices on essential goods, massive increase in poverty, curtailment of workers' facilities, and rise in unemployment. The reforms prioritised capital-intensive production processes. Import-substitution industries disappeared as a result of competition with multilateral companies. Workers were retrenched, and foreign workers were given equal employment opportunities.

These factors led to political instability and affected social harmony in the country. The many conditionalities the World Bank and the IMF are imposing on Nepal may entail human rights violations and even endanger democracy and sovereignty in the country.

Government initiatives to reduce poverty

The target of the Ninth Five Year Plan (1997-2002) is to reduce poverty from an estimated 42% to 32% of the population by 2002 and to 10% by 2017. Some programs have been initiated on paper and a Poverty Alleviation Fund has been

established to direct and coordinate donor efforts. The poverty target will probably not be achieved, however, because of the slow pace of economic growth relative to population growth.

The percentage of people living in absolute poverty has actually increased in the last three years, from the estimated 42% to 51%, according to a recently published World Bank report. Hence a new government policy on poverty was introduced that encompasses accelerating economic growth, bringing rural population into the development mainstream, reducing economic disparities, and decentralising programs. Past experience teaches, however, that none of these strategies will be implemented because the government lacks political will and commitment.

Envisioning the role of education in development

Primary gross enrolment rose significantly between 1961 and 1997. Adult literacy increased from 8% to over 45% in the same period. This indicates that the government has accorded high priority to education and believes in the linkages between universal primary education, poverty and national development (World Bank, 2000). Of the targeted 90% net enrolment for 6-10 year-olds, however, only 69.4% was achieved (UNDP, 1998).

The current distribution of education expenditures benefits the poor and lower income groups less than it potentially could. There are two main reasons for this: a significant part of the benefits accrue to the upper income groups and the poor depend on the public education system. The low quality of public education (as compared with private education) effectively penalises the poor. Privatisation of the education system is widening the gap between the rich and the poor.

Healthcare policy

Nepal has recorded significant achievements in improving the health status of its population, particularly in infant and maternal mortality. More than 3,000 sub-health posts with trained health workers were established in the last five years. Primary healthcare programs involving traditional birth attendants and female community health volunteers were also established. Inequity exists, however, in resource allocations, which increasingly favour urban areas over rural, hospitals over primary health care, and curative over preventive interventions.

Although increasing amounts of public money are being spent on health services, the common conception is that the quality and coverage of services are poor and that expenditures are having a limited impact on health indicators. Quality health services are in the hands of private companies and out-of-reach for most Nepalis.

¹ The views presented in this document are those of the authors and do not necessarily reflect the views of any organisation or group.

Public health expenditures are low in absolute terms but increasing—from 3.6% of total government spending in 1991/92 to 6.5% percent in 1997/98. The budgeted share fell to 5.6% in 1998/99. The share of total health expenditures allocated to primary health care fell by almost 20%, from 76.8% in 1991/92 to 57.2% in 1997/98, but rose again to 68.9% in 1999/2000.

Women and Dalits, second-class citizens

Women and Dalits² are still thought as second-class citizens even though the constitution rules out all discrimination. Women's representation in political and administrative decision-making is minimal. Conditions have improved significantly at the grass-roots level, where all parties contesting elections are required to list at least one woman candidate. Women hold only about 5% of officer-level positions.

The government's Ninth Five-Year Plan (1997-2002) identifies gender mainstreaming, elimination of gender discrimination and empowerment of women as core strategies for poverty alleviation. The Ministry of Women, Children and Social Welfare has developed a national work plan for implementing the Beijing Platform for Action. As usual, actual implementation is lacking. An ambiguous bill said to ensure equal property rights for men and women is still pending in parliament. There are no established mechanisms for dealing with domestic violence.

Political instability

Nepal completed a decade of democracy in 2000, but political instability has slackened the momentum of development. Until the elections in May 1999, no single party won an overall majority. Prior to 1999, several coalition governments were formed, none of which lasted longer than 18 months. Consequently, key development-related decisions were delayed.

Rampant corruption hampers Nepal's efforts toward economic development. Structural weaknesses and persistent weakness in planning and budgeting also help to explain unsatisfactory financial management. Progress toward economic liberalisation has been sporadic.

Because the government has failed to deliver satisfactory services to the people, conflicts have arisen. Although the government established the National Human Rights Commission, there are increased cases of human rights violations including illegal killings and disappearance of citizens.

Pressured by NGOs and other civil society organisations, the government recently abolished the *Kamaiya* System (a bonded labour system). But the lives of the liberated *Kamaiya* have become more vulnerable and miserable because the government failed to devise and implement suitable social and economic rehabilitation programs.

Conclusion

Although the new majority government inherited a reasonably strong macroeconomic situation, the economy appears to be stuck on a low-growth path. Improvement in living standards of the rural poor continues to be elusive. Under-employment and unemployment have increased. Internal resources are ineffectively mobilised and resource utilisation continues to be weak.

In the new century, Nepal will continue to face the challenge of reducing absolute poverty and promoting human development. To alleviate poverty, the country will need genuine and sound macroeconomic policies, well-developed social and physical infrastructures, strengthened institutions, and equitable distribution of resources and basic social services.

The basic human needs of the most vulnerable and unreachable segment of people in remote and distant places must be met. Social welfare must be provided to proactively address poverty issues and eliminate constraints to socio-economic development. ■

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Rural Reconstruction Nepal (RRN)
<sarba@rrn.org.np>