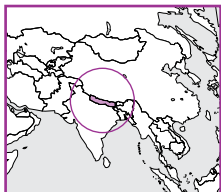


The need for a new development program



After years of political turmoil and armed conflict, Nepal urgently requires good governance. The recent progress in health, education and other sectors does not diminish the need for a social agreement that would place primary responsibility for overall development in the hands of the citizenry. Donors and the Government must agree that donors commit to a specified level of aid for at least a decade. Microfinancing should be strengthened to channel the growing flow of remittances into productive investments.

Rural Reconstruction Nepal (RRN)
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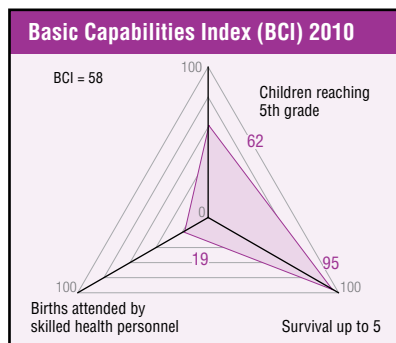
Nepal, one of the poorest countries in the world, is in the throes of a tumultuous socio-political transition. One of the most inclusive Constituent Assemblies the country has ever seen is writing a new Constitution that will dismantle a historical legacy of exclusionary and centralized development policies. The country's political instability is readily apparent: in the last 20 years, 19 governments have held office.

Despite the turmoil, Nepal has made remarkable strides in areas such as health, education and gender equality, primarily due to the foreign aid that provides financing for all of the country's development programs. Overall, progress has been uneven. Beset by political instability and economic depression, the country is unlikely to achieve the goals envisioned in the Millennium Declaration. Achieving the minimal Millennium Development Goals (MDGs) and ensuring dignity and justice for all will require adequate and predictable financing from development partners, as well as good governance and respect for human rights.

The Monterrey Consensus that came out of the 2002 UN International Conference on Financing for Development gives precedence to mobilizing domestic financial resources for development and increasing Foreign Direct Investment (FDI) and other private flows, rather than emphasizing international financial and technical cooperation for development. However in Nepal, as in other least developed countries, domestic resources and private capital flows are extremely limited, and the Government invariably regards human rights and dignity for all as less important than economic growth. Official Development Assistance (ODA) is typically channeled into a limited range of projects and programs, often those in which progress can be judged by measurable results. Human rights are never on top of the agenda in discussions of development financing.

Diminishing poverty, growing inequality

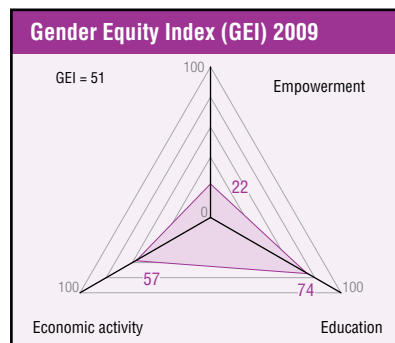
Despite the unstable political situation and a decade of armed conflict, Nepal has made significant progress towards the MDGs. With the necessary focus and determination, along with matching support from development partners, the country could be a global leader in the effort to achieve these goals by



2015. At its current rate of progress, Nepal is likely to cut extreme poverty in half by 2015. Between 1995-1996 and 2003-2004, the percentage of the population living on less than USD 1 per day plunged from 34% to 24% and the poverty rate dropped from 42% to 31%.¹ However, during this same period the Gini coefficient of inequality increased from 34 to 41; the Human Development Report 2009 put it at 47.3.² This means, paradoxically, that Nepal halved its poverty rate while doubling its income inequality.

Cutting the incidence of extreme poverty in half is only one of the targets under MDG 1. Target 1B, full and productive employment for all, including women and young people, is unlikely to be achieved, and domestic discourse will probably ignore this failure. Rather than create an environment in which businesses and industries can take root, flourish and employ the country's wasted human resources, the Government is devoting its energies to persuading foreign countries to open more doors for Nepalese workers. In the short term, this has an economic logic: remittances from workers abroad already pour in at a level three times ODA receipts, and are perceived to be the glue that holds the country (barely) together. In the long run, however, this strategy will leave the country devoid of a skilled, technical human resource base. The consequences would be disastrous should a day come when Nepalese workers are no longer needed in foreign countries.

Increased social spending in the health and education sectors over the last 15 years has spurred remarkable progress in both. The ratio of girls to boys in primary schools is almost one to one, and a



record high 92% of all children attend.³ However, Nepal's rugged terrain and resource constraints make reaching the last 10% a significant challenge. Similar barriers have hobbled efforts to achieve universal access to reproductive health. A woman in Nepal is still 100 times more likely to die from her pregnancy and related complications than a woman in the UK. The "Aama" (Mother) Program, co-funded by the UK Department for International Development (DfID) and the Nepalese Government, offers financial incentives of up to 1,500 Nepalese rupees (USD 20) to women who give birth in a medical facility.⁴ Although many women and families have taken advantage of this welcome incentive, the program has not significantly lowered the number of women dying in childbirth. A high rate of structural poverty, the low level of education, the small number of health centers, the poor state of the roads, and, most importantly, the inferior status of women in rural societies all combine to deter women from obtaining maternal care from skilled health professionals.

ODA and development

The lack of predictability in development aid has made it difficult for the Government to develop effective long run plans. Eliminating poverty, malnutrition and other social problems takes a long time. Donors and the Government must agree on a long term aid memorandum that commits donors to a specified level of aid for at least 10 years. That would make it possible for the Government to develop programs and strategies based on precisely

1 Central Bureau of Statistics, Government of Nepal, 2004.
2 Human Development Report 2009. Available from: <hdr.undp.org/en/reports/global/hdr2009/>.

3 Ministry of Education, *Statistics of Nepal*, Kathmandu 2008.

4 Alison Buckler, "Dying for children," *The Guardian*, 21 November 2009. Available from: <www.guardian.co.uk/journalismcompetition/amateur-dying-for-children>.

what the aid component will be and where it is to be spent. The effectiveness of this approach is evident in the significant improvements in primary education and maternal health, both sectors in which long term commitments on the part of developing partners have been complemented by positive initiatives by state actors. The share of the National Budget devoted to social sectors has jumped from 21% in 1991 to about 40% today.⁵

Although the decade-long armed conflict has ended, the political environment remains volatile. Better security is essential to promoting foreign investment and reducing the widespread violations of human rights that occur daily at the grassroots level. Although Nepal boasts one of the most liberalized economies in South Asia, security concerns and rampant corruption at almost all levels of Government have prevented a flow of FDI sufficient to generate a level of growth in jobs and technical knowhow that would improve livelihoods, stimulate construction of critical infrastructure, and provide employment for thousands of young people who currently go abroad in search of work. Most of the people who emigrate come from poor socio-economic backgrounds and have low education levels and skills. They typically end up in what are sometimes called 3D jobs – dirty, dangerous and demeaning—in places with weak or no laws protecting work. Serious violations of human rights have occurred in places where workers have been trafficked across borders, abused or even enslaved. The bodies of a staggering number of Nepali migrant workers are stranded at various morgues in the Middle East. In 2009 alone, at least 600 Nepalese died in the Gulf States and Malaysia.⁶

The National Human Rights Action Plan

The Universal Declaration of Human Rights has not only enshrined the right to life, but the right to food, education, information, employment, and social security. Sectors of society have been deprived of these basic rights; the State has not taken serious action to address violations. Historically marginalized and oppressed groups, including women as well as low-caste *dalits* and indigenous nationalities, or *janajatis*, still yearn for the basic rights necessary for a dignified life.

Following a participatory process that included consultations at the district, regional and national levels with representatives from governmental organizations, NGOs, human rights and civil society organizations, legal practitioners, media people, experts and professionals,⁷ the Government presented a National Human Rights Action Plan (NHRAP) in April 2004. Like most such declarations and documents in Nepal, the plan has not been effectively implemented due to sheer negligence on the part of successive governments.

Prospects for microfinance

Microfinance is a promising strategy that has not been fully utilized. Remittance income has been an inclusive development: Many migrant workers come from the so-called lower castes and lesser educated population, which received little help or attention from the Government. Their remittances are reaching even the most marginalized groups in the remotest areas. However, the country has no channels for funneling that income towards productive investment.⁸ Banks are usually located in big cities. Cooperatives have sprung up in districts around them and in some rural areas, but microfinance programs are lagging far behind. To date, rights to inclusive financial services such as savings and investment and easy access to loans seem to have been neglected.

Energy security and climate change

Energy security is another area essential to development and human rights that has not garnered the attention it deserves. Although Nepal has huge hydroelectric potential, estimated at about 83,000 megawatts annually,⁹ a majority of the population lacks energy security. This is a major barrier to development in these communities. Affordable energy is essential to each of the MDGs, so investing in energy is a way of promoting all of them at the same time.

Insufficient energy production touches every aspect of rural lives. Access to electricity could encourage children to read, make it possible for people to communicate easily and provide access to all of the resources available through modern technology, including hospitals with safe reliable equipment. It could even reduce deforestation. Investment in alternative energy sources would provide abundant energy in eco-friendly ways,

create thousands of “green jobs” and develop the human resources required to construct a Green Economy. By realizing its hydroelectric potential, Nepal would supply the energy needs of its population and provide the region with a dependable source of clean energy.

Nepal is highly vulnerable to devastation from climate change. Despite its narrow width from north to south, the country spans a remarkably wide altitude range, from slightly above sea level to the peaks of the Himalayan range. Despite its negligible contribution to greenhouse gases (GHG), Nepal's economy and the livelihood of its people could suffer greatly from climate change. The agricultural system is heavily dependent on rainfall; any variations in the hydrological cycle could deal a severe blow to the nation's economy and individual livelihoods. Should one of the country's 2,000 glacial lakes burst its banks, the resulting floods could cause havoc downstream.¹⁰ To avoid cutbacks in other development programs, donors must provide additional support for new programs that help the country mitigate and adapt to climate change. Environmental sustainability is linked to all of the other MDGs. A climate fund would ensure progress toward all of the goals while reducing near-term risks stemming from climate change.

Lack of good governance

As long as rampant corruption permeates all aspects of society the country has little hope of achieving long-term sustainable development, no matter what model of development it pursues. At present, Nepal does not have any elected local government bodies that can act as intermediaries between the grassroots, the National Government and international development partners. Frustration with the State's ineffectiveness and the weak security apparatus has led to the emergence of several violent criminal groups that commit murder and armed robbery, extort money and generate a climate of fear in many areas. The State has so far been unable to suppress them, or to calm the fears of ethnic violence that seem to be brewing in some parts of the country. Whether political parties are in the Government or the opposition, they seem preoccupied with benefiting themselves rather than delivering the kind of governance that the people of Nepal expect and need. ■

7 Government of Nepal, *National Human Rights Action Plan 2004*. Available from: <www2.ohchr.org/english/issues/plan_actions/docs/Nepal_NHRAP.pdf>.

8 “Remittance has not been channelised into productive sectors,” *The Kathmandu Post*, 18 June 2010. Available from: <www.ekantipur.com/2010/06/18/business/remittance-has-not-been-channelised-into-productive-sectors/316632/>.

9 Dilli Prasad Bhattarai, *Nepal at the First and Second Crossroads: Opportunities for a Win/Win in the New Development Context*. Available from: <www.ifa.org.np/pdf/new1.pdf>.

10 Madan Koirala, Ranjana Bhatta, *Communities Challenging Climate Change*, CRSC / NEFEJ, 2010. Available from: <www.nefej.org/pdf/climate_change_book_final.pdf>.

5 National Planning Commission, Government of Nepal, *National Development Strategy Paper 2009*.

6 Deepak Adhikari, “A Casket of Dreams,” *The Kathmandu Post*, 20 February 2010. Available from: <www.ekantipur.com/2010/02/20/most-popular/A-casket-of-dreams/308742/>.