**Centre for Social Change**

**Summary of Key Poverty**

**Indicators and Issues in Nepal**

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Centre for Social Change

**Key National Poverty Indicators**

It was reported by the National Planning Commission in 2019 that **17.4 percent** of Nepali citizens (a total population of just **under 5 million people**) were multidimensionally poor with an Multidimensional Poverty Index of **0.0074**.5

The MPI is an aggregate indicator developed with the use of five sector level groups of indicators – including **nutrition**, **child mortality**, **years of schooling**, **housing**, and **wealth** **assets**. Across these groups, the highest number of people were found to be deprived in housing materials, clean coking fuel, formal education, and adequate nutrition.

The Asian Development Bank reported an unemployment rate of **4.4%** in 2020, with **4.3%** of the employed population earning under US$1.90 PPP per day (the international poverty line).

The national Under-5 mortality rate is
**31 per 1,000 live births**.6

**Political and Economic**

**Poverty Background**

The **Federal Democratic Republic of Nepal** is a landlocked South Asian country bordering China to the North, and India to the East, South, and West. The currently governing Constitution of Nepal was adopted in 2015, affirming Nepal as a secular federal democratic republic.

A unitary government for most of its history, the 2015 Constitution adopted a federal governance framework consisting of three tiers: a central level operating in the capital city of Kathmandu, seven provincial level governments, and 753 local governments.1

Nepal was considered to be one of the fastest growing economies in the world with a GDP growth rate of **6.6%** in the year 2019, and was projected to continue to grow at a similar scale before it faced the economic disruptions triggered by the ongoing Covid-19 pandemic around the world. Official estimates for 2021’s growth is at **2.89%.** Nepal’s Gross Domestic Product (GDP) for the year 2019 was **US$33.586 Billion.**2

Despite the recent growth, however, Nepal is still one of the poorest countries in the world. It stands at the **165th** position in global nominal GDP per capita ranks and **162nd** in global GDP per capita at PPP (Purchasing Power Parity) ranks.3

Nepal is a member of several international cooperation organizations and trade agreements, including the **World Trade Organization** (WTO), **South Asian Association for Regional Cooperation** (SAARC), **South Asian Free Trade Area** (SAFTA).4

Notably, Nepal’s foreign exchange remittance plays a significant role in the economy, with a total of **US$8.1 billion** in 2019, the 19th largest in the world, constituting of ~**28%** of its total GDP3.

**Economy and Poverty**

Nepal’s economy has historically been largely agrarian. The country opened to international trade with the national economic liberalization of the 1950’s and 1960’s7. In the decades that followed, there has been substantial progress made towards a more rapid and sustainable growth with the increasing availability of electric power, industry, communications, roads, schools, and hospitals, bringing a sharp increase in the living standards. However, persistent chronic poverty has continued to plague the country. The main challenges faced by Nepal in achieving higher and more stable economic development include political instability, frequent changes leadership, corruption, and difficulties arising from the country’s rugged geographical terrain.

Today, the economy of Nepal is largely dependent on agriculture (accounting for ~**31%** of total GDP)8, remittances (accounting for ~**28%** of total GDP)7, and tourism (accounting for ~**7%** of total GDP)3.

**Poverty Distribution and Measurement Challenges**
Despite Nepal’s overall poverty level seeing significant reduction in the past few decades, it is still estimated that around ~**21%** of the population live under the absolute poverty line,11 derived at an annual per capita earning of **US$225**.9 Since the validity of poverty lines reliably representing living standards is debated, it is also worth noting that the Human Poverty Index showed that ~**44%** of Nepalis are deprived of formal education, health, and access to basic resources.12

There are several challenges that make the accurate and representative measurement of poverty in Nepal difficult. Primarily, the distribution of poverty in the country is varied across several dimensions. While poverty rates can be severely high in rural or mountainous areas, and relatively lower in urban areas, the distribution is further impacted by social divisions of caste, ethnicity, gender, etc. Similarly, there is also widespread income and wealth inequality in the country, with a Gini coefficient of .**51,** higher than the bordering countries.13

**Poverty Impacts on Human Rights**

Poverty has been a persistent detriment to human and national socio-political rights in Nepal historically, and continues to be a strong force fueling social inequities. The United Nations used the Multidimensional Poverty Index (MPI) to estimate that **64.7%** of the country’s population was living in poverty through the analysis of various indicators reflecting quality of life and fulfillment of basic human rights.13

Many areas in the country lack sufficient nutrition access, particularly ones with challenging farmable terrains causing citizens to be malnourished, evidenced by the fact that over **30%** of the population suffer from stuntedness.14 Similarly, access to resources such as medical care and education is also lacking due to poverty and geographically difficulties, as are opportunities to participate in elections and other democratic processes. Poverty is also linked with ethnicity and caste. Studies have shown increasing equality between ethnic groups,15 but many minority and indigenous communities still experience disproportionate poverty, and thus have their socio-political rights compromised.

**Marginalized Communities**

In the past few decades, several constitutional and supplemental government endorsed laws, provisions, and policies have contributed to slowly narrow the inequality gaps between majority and marginalized groups across social dimensions in Nepal – including caste, ethnicity, gender, geographical location, etc.

Still, belonging to a historically marginalized community continues to be one of the strongest predictors of poverty in the country.16 Listed below are some of the main challenges Nepal faces addressing issues of poverty, inequality, and social inclusion in implementing and effectively enforcing constitutional guarantees of protection, equal rights, and targeted poverty alleviation.

**Political Participation and Representation**

Although the promulgation of the 2015 Constitution afforded many political rights and avenues for involvement for historically marginalized groups, most notably following the Madhes Movement, political participation is still very low in several key communities. One strong predictor of this phenomenon, especially among ethnic and gender minorities, is the lack of formal education.16 Socially overlooked groups characterized by issues of chronic poverty, including several indigenous communities, are less likely to continue their education, leading to less awareness and social encouragement regarding political participation. Another group whose voices are lacking are migrant workers. It is estimated that there are over 4 million active labour approvals representing the number of Nepalis working abroad and contributing to the economy through remittance flows.18 The number becomes even higher when considering the millions of undocumented informal-sector workers active in countries such as India, Bangladesh and the Gulf Cooperation Council, many of whom also come from historically marginalized groups. Thus, political representation remains a key concern for poverty alleviation among socially overlooked communities.

**Introduction of Targeted Programs**

Although the currently governing Constitution is progressive in outlining rights and provisions aiming to protect the rights of several marginalized groups, there is a lack of awareness of such legal support.17 There is thus a significant scope for the introduction of programs aiming to inform specific communities about their distinct rights. Examples include indigenous groups re: land rights, informal settlement dwellers re: public medical care, and youth groups re: political provisions such as right to information laws.

**Recordkeeping and Database Management**

There is an urgent need for improved recordkeeping practices and the introduction of accurate and up-to-date monitoring mechanisms for policymakers to gain a better understanding of key poverty alleviation concerns and their respective scales and magnitudes. Having an accurate picture of the scale of participation needed in a service can help the government to plan interventions proper with the required scale of intervention, such as rehabilitation plans to reintegrate former migrant workers into the economy, or disaster relief preparations in rural areas.

**Social and Economic Impacts of Covid-19**

Like most countries around the world, Nepal has not been immune to the sudden and drastic economic, socio-political, and public health shocks brought upon by the ongoing Covid-19 pandemic. As of this writing, a total Covid-19 case count of **810,298** has been confirmed, with **11,372** deaths attributed to the virus.19 A timelapse snapshot of daily recorded new cases of Covid-19 is shown in the graph below, where the observed peaks at Oct/Nov 2020 and May/June 2021 represent the first and second respective waves of accelerated infection rates.20

The harshest impacts of the disruptions triggered by the Covid-19 pandemic were felt by the poor. Its health outcomes contributed to the further exacerbation of already existing healthcare access and affordability inequities, whereas the economic downturn it brought caused increases in large-scale financial instability.16 Informal sector workers, undocumented citizens, and migrants living in Covid-19 hotspots during periods of rapid infections similarly faced the harsher brunt of the pandemic. Long-term effects are yet unknown as the pandemic is ongoing.

**Public Spending, Financial Management, and Poverty**

Nepal has historically used a series of ambitious centrally enforced five-year plans attempting to address economic development and poverty alleviation. Over the last three decades, its economy has opened up to world trading markets, its currency has been made convertible in almost all countries, and over 15 state enterprises, ranging from industries to areas of historical significance, have been privatized.12

Due to a large focus placed on poverty alleviation, infrastructure, and economic growth, there has been significant reductions made across indicators of poverty. However, there is still significant room for improvement in the financial and monetary sectors. In the first four months of the fiscal year, merely **8.34%** of the capital budget was spent.23 Last year, the government was only able to spend **46.34%** of the allotted annual capital budget.22

Foreign aid also plays a major role in Nepal’s poverty alleviation efforts, as it accounts for more than half of the government’s development budget. As per the 2021 national budget announcement (described in detail in page 5), the government plans to finance its national spending by collecting **Rs. 63.7 billion** (~**US$54 million**) through foreign grants.

On 2021, the government of Nepal unveiled the nation budget for fiscal year 2021/22 with a total budget size that was increased by more than **11%** compared to the previous year.25 This sharp increase was attributed to address the control and treatment of Covid-19 with a strong emphasis on vaccine procurement, necessary medical equipment purchase, and restocking of supplies such as oxygen cylinders. The budget, following the previous period which was widely criticized for failing to effectively address the impacts of the pandemic, also focuses on relief measures for Covid-19 affected businesses in the form of expanded tax exemptions, relief fund delineation (especially targeting the tourism sector) and the expansion of financial tools allowing private citizens and businesses to take competitive loans.

Corruption has remained Nepal’s most persistent challenge within the monetary sector since many decades. Due to the undocumented nature of most financial corruption cases, it is difficult to gauge its magnitude at the national scale. Still, estimates made by using several aggregate indicator analyses, such as the Corruption Perceptions Index (CPI) have ranked Nepal between 113-125th in the world in the past few years in perceived prevalence of corruption.24

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**About**

**Centre for Social Change**

Centre for Social Change (CSC) is a non-profit making social think-tank based in Kathmandu, Nepal.

Since its establishment in 2015, CSC has been actively working to bring positive transformation in the socio-political dynamics of Nepali society through involvements in the fields of research, development practice, education, advocacy, and community mobilization. CSC’s current works are focused on issues surround conflict transformation, peacebuilding, democracy and governance, migration, labor and employment, civic space, civil society development, public policy, climate change, and social development.



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