



CENTRE ON INTEGRATED RURAL DEVELOPMENT FOR ASIA AND THE PACIFIC

RURAL DEVELOPMENT AND POVERTY ALLEVIATION POLICY BRIEF

NEPAL

Agriculture is the back bone of Nepal's economy with a contribution of about 40 per cent to gross domestic products. Nepal's agriculture is now at the crossroads because there is a need to produce more food with less land, less water, little input and without much visible impact on the environment. About 60 per cent of the household income is spent in buying rice, maize and wheat whereas investment on land is very meagre. With the increasing population and farmers' tireless efforts for meeting their food requirements, the available natural resources have been excessively used and abused in recent years. Infrastructure development is considered to be the top most priority to boost the balanced development in Nepal.

The Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) was established in 1979 to assist national action and promote regional cooperation relating to integrated rural development in the region, and to act as a catalyst for related activities among its member countries.

In the Sixteenth Governing Council Meeting in Manila in 2007, there was a discussion on the changing context of rural development (RD) initiatives and the need to review past policies and to identify policy-level issues and concerns. Accordingly, the CIRDAP Governing Council decided to commission a series of country studies for reviewing past policies and identifying policy issues and concerns with which CIRDAP can engage itself further through strengthening several actors at national and regional level for information generation, policy development and regional cooperation. The country studies as suggested should examine the role of the CIRDAP link institutions and also the need and scope for other linkages. Subsequently, each of the member countries nominated a researcher to work on the country studies. The researchers decided that each country would examine the RD initiatives from the point of future opportunities for CIRDAP.

Twelve countries have submitted the reports out of 14 countries. The country reports vary substantially in nature. Southeast Asian countries, especially Malaysia, Thailand and Vietnam, adopted market based reform policies much earlier than the South Asian countries. The focus in Malaysia and Thailand and now across all the Southeast Asian countries, was on the development of infrastructure, encouragement to foreign capital investment in manufacturing, and providing employment in organised enterprises as well as services catering to the market economy, tourism, restaurants and the like. The focus of development in the first four decades after independence in South Asia was quite different. It focused on the preservation of the rural economy, and attempted to increase employment opportunities in rural areas through public expenditure programmes, and essentially tried to maintain the rural character of these economies. The approach to poverty alleviation has thus been very different in the two regions. While South Asia focused on gains in agriculture and rural employment, Southeast Asia turned to commercialisation of agriculture and more market-oriented growth.

CIRDAP has published all the findings in a separate volume for each country. In this brief note, some of the important findings and policy issues for Nepal are highlighted.

Major Findings

Agriculture is the back bone of Nepal's economy with a contribution of about 40 per cent to gross domestic products (GDP). Source indicates that in the last decade, the rate of growth in agricultural production was 2.6 per cent per annum, which is slightly above the population growth (2.24%). The average crop yield in Nepal declined from 157 per cent to 61 per cent compared to the South Asian average food availability during the period of 1991-2001. At present, about 60 per cent of the household income is spent in buying rice, maize and wheat whereas investment on land is very meagre. With the increasing population and farmers' tireless efforts for meeting their food requirements, the available natural resources have been excessively used and abused in recent years. Nepal's agriculture is now at the crossroads because there is a need to produce more food with less land, less water, little input and without much visible impact on the environment. Government of Nepal in course of time has made and is making various policies, programmes and development efforts to uplift the living standard of rural people in the country. Nevertheless, overall efforts made by the GOs NGOs and INGOs have not been able to meet

even the minimum requirements of the country. Hence, living standard of people is still miserable. The efforts made by various organisation to uplift the living standard of Nepalese people and their failure to obtain the desired result have been a big issue in Nepalese economy today.

With overwhelming majority of population (about 84%) residing in rural areas and only 54 per cent of the total population being literate, Nepal is still categorised as a poor developing country. It is the high illiteracy that has resulted in alarming population growth rate (2.24%). More than two-thirds of the total population (68%) are engaged in agriculture; thus agricultural activities stand as the pillars of the economy. As Nepal is a landlocked and mountainous country, overall physical facilities such as transportation, irrigation, sanitation, electricity, drinking water, communication, health facility and services, etc. are very costly, although, some physical infrastructure has been developed under the initiation of foreign loan and grant.

Road being the only reliable means of transport, and having only about 18000 km length of road network spread throughout the country, it seems that the density of road is only 170 metres per square kilometre which is lower than other CIRDAP member countries. So far as the irrigation facility available in the country is concerned, merely 19 per cent of the total cultivable land has got irrigation. Vast majority of the cultivable land depends on monsoon rain. In spite of being rich in water resources, only 40 per cent of the total population is enjoying with electricity as a main source of lighting fuels, and that is not regular either as the power supply undergoes at least 48-hour load-shedding a week. Health sanitation and drinking water facilities are meagre. The country depends on agrarian economy where agriculture contributes around 40 per cent to the national economy, and other sectors contribute 60 per cent to the national GDP. Other sectors such as trade, commerce and industries occupy a measurable role in the economy. Nowadays, remittance stands as an important source of the national economy. The volume of trade deficit is conspicuously increased over successive time period. The price index in the country as assumed by 1995/6 base year has increased at accelerating rate. The volume of national budget has been increasing heavily on the one hand, and the proportion of foreign loans and grants have been increasing in the same proportion. Various developmental efforts have been pursued by the government and donor agencies to meet the basic requirement. However, their endeavours remain beyond the satisfaction. Poverty has remained constant and burning in spite of various development plan projects implemented in the country.

Policy Priorities

- It is advisable that the roads, railways, and ropeways and other possible transportation network should be developed in latticed pattern throughout the country to reduce the regional disparity;
- There should be proper and rational exploitation and use of the various natural resources namely animal husbandry, human resources, herbal plants, forest and water;
- All the development plans, projects and efforts have to be made, addressing the grass root level;
- Crop suitability and specialisation should be categorized according to the altitude, topography, climate and soil in the country; and
- Large-scale industries have to be established to reduce foreign loans and grants on the national economy.