

POVERTY ALLEVIATION MEASURES IN NEPAL : COMMITMENTS AND REVIEW

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1. Introduction

It is increasingly accepted that poverty in the developing countries is predominantly a rural phenomenon. According to Ghai et al "the problem of mass poverty in the Third World is primarily one of the rural poverty: The majority of the population lives in the rural areas where average incomes are much lower than in urban areas and the incidence of poverty is much higher" (1979: 3). On the basis of a "poverty-line" of US \$ 75 per capita annual income, the World Bank estimate shows that 49 percent of the total population of the developing countries derive income below this level and 86 percent of them are rural inhabitants (1975: 79).

Nepal has an underdeveloped rural economy with per capita annual income of US \$ 180 (The World Bank, 1993: 81). Above 90 percent of the total population (19 million) live in the rural areas. Some of the main problems faced by the country for the last three decades are the rapid increase in population (at the rate of 2.5 percent per annum) and growing incidence of rural poverty. The rural economy of Nepal is excessively dependent on agriculture. Due to the shortage of alternative sources, almost entire population in the rural areas derives income and employment from agricultural sector. Despite this fact, particularly because of the geographical variations (mountain, hill, and plain) within the country, only 26.5 percent of the total physical area (147,181 sq.km.) is under cultivation and the per capita holding of agricultural land is as low as 0.12 ha. (CBS, 1993: 147). The shortage of cultivated land is marked in the hill and the mountain where almost 54 percent (Ibid) of the total population resides, with the per capita holding at 0.09 ha. (0.75 ha. of average farm size) and majority of the families being small and marginal farmers with relatively inferior quality of land. The Terai (plain) region, which occupies 23 percent of the total physical size and 46 percent of the population, contains major share of the country's agricultural area and offers per capita 16 ha. (1.3 ha. of average farm size) of fertile land (Ibid). However, the aggregate statistics reflects limited reality in this regard particularly because the agrarian society of Nepal is characterized by inequality in distribution of cultivated land, and this problem is much more serious in the Terai region. A small fraction of the total households owns major share of farming area¹ and majority are either landless or near-landless families. The concentration of land in few hands both in the hill and the Terai has manifested inequality in ownership of the principal productive asset and, in turn, inequality in income distribution. "Half of the total families of Nepalese rural areas receive less than 13 percent of the total rural income and the top nine percent receives 55 percent" (cited in Ghai et al, 1979: 1). The landless and near-landless households very often obtain access to land through tenancy and share-cropping arrangements. This type of "property relation" has not

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1/ The statistics published by the Ministry of Land Reform, Nepal in 1981, based on the survey of 17 Terai (plain) districts, indicated that 88 percent of the total rural families accounted for less than 15 percent of the total agricultural land whereas the top 3.4 percent owned nearly 47 percent.

only been a disincentive to increase agricultural production but it has also led to a situation in which marginal land is brought under cultivation. Over the years, Nepal's image as food-surplus country has turned out to be food-deficit one particularly after the mid-1980s (DFAMS, 1988: 52). The deficit of foodgrain is marked in hill and mountain regions where annual per capita edible grain availability is as low as 146 and 108 kg (1,469 and 1,182 calories) respectively, whereas in the Terai, it is 234 kg (2,276 calories) and is the food-surplus region of the country (Wallace, 1987: 9). However, the people from hill and mountain have least access to the surplus food mainly because the country seriously lacks intra-regional transportation facilities.

The Terai region is considered as a granary of Nepal because of its productive land, introduction of modern technology, and market access. However, when viewed from the point of marked inequality in distribution of productive resource like agricultural land, highest population growth rate (2.8 percent per annum) among the regions, and growing landlessness² and near landlessness, the problem faced here by the rural poor does not seem different from other regions. Except the access to foodgrain purchase in the Terai, the falling income level and shortage of employment opportunity outside agriculture is argued as the common problem of the entire Nepalese rural society at present (NRB, 1988: 41). One of the publications of the National Planning Commission of Nepal (NPC/N) has presented that "population below "poverty-line" comprises mostly of landless as well as small and very small farmers in the hill and the Terai" (1989: 9). There are evidences that the proportion of marginal farmers and landless households has remarkably increased during the last two and half decades. The high concentration of increasing size of rural labor force³ in agriculture has been seriously felt in the entire agricultural sector which has not only created the severe problem of underemployment but also it has reduced the real wage rate of agricultural laborers (Ghai et al, 1979: 34). The findings of a recent study conducted by the government of Nepal shows that "in the rural areas landless and very small farmers suffer most from disguised unemployment and they are the group of the population who mainly fall below the "poverty-line" (NPC/N, 1989: 9). The total unutilized labor accounting for unemployment and underemployment estimated by ARTEP was as high as 65.13 percent of the available time (1982: 51). This state of affair in the agrarian sector has contributed to continuous decline of income and shortfall in meeting minimum consumption need of majority of the rural population with the consequent problems of malnutrition, hunger, and also the survival (Hamal et al, 1987: 12).

Taking the base of consumption and income criterion, the official sources in Nepal have come up with the scenario of growing incidence of rural poverty during the last decade. Assessed in terms of minimum per capita calorie requirement⁴ per day and the size of income needed to meet it (popularly termed as "poverty-line"), a growing number of people have been found falling below the standard. Based on the minimum calorie requirement criterion, in 1977, 30.4 percent of the rural population was identified as below the "poverty-line" which went up as high as 42.7 percent in

2/ A landless family is defined as one which may have homestead but not the agricultural land.

3/ In 1988, the Nepal Rastra Bank (Central Bank of Nepal) has identified 55 percent of the existing population in the rural areas (in the age group of 10 and above) as the labor force.

4/ The amount of calorie requirement for a working adult per day is 2,250 in Nepalese condition which is based on the recommendation of Food and Agricultural Organization of the United Nations (FAO), 1975.

1988. This ratio is now estimated at 49 percent. While assessed in terms of income criterion, the rural people below the "poverty-line" increased to 47.1 percent in 1988 from 34.2 percent in 1977. Further, the picture as to the average daily calorie intake of these people and its rate of decrease over the time shows an alarming situation. In 1977, the average calorie deficit of the population below "poverty-line" was 33.24 percent which increased to 46.35 percent in 1988. If the income level required to maintain the minimum human standard estimated⁵ for the Basic Need Program is taken into account as a "poverty-line", this will show an extremely high incidence of poverty in the rural Nepal.

Poverty is not a new phenomenon in Nepalese rural society. However, its rapid expansion over the years has been a matter of growing concern to the domestic planners and the donor community. For the last four decades the country has implemented a range of policies related some way or another to alleviate rural poverty. However, many of the policies initiated during 1950s to 1970s have ended up with insignificant positive impact. The policies are blamed on the ground that they very often carried questionable objectives and impractical assumptions which mostly worked in favor of the affluent members of the rural society, while the poor people, who were the intended beneficiaries, remained untouched. Policies brought out during 1980s also have been subject to criticism on their practicality and effectiveness in benefitting the poor. Past policies, therefore, need to be analyzed critically to identify the associated lacunas and their effectiveness for the purpose for which they were implemented.

Based on secondary sources of information, the present paper aims to critically comment on the policies introduced to alleviate rural poverty in the country, with particular attention given to their objectives and assumptions, the interlinkages between them, and their effectiveness. Specifically, policies related to land reform, integrated rural development, and credit for the rural poor will be taken into account for analysis.

The paper in the next section deals with the concept of poverty. The section then following contains a brief introduction of the range of the poverty alleviation policies experienced by the country in the past. Section four critically discusses on selected anti-poverty policies. Finally, section five offers concluding remarks based on the findings of the paper.

2. Conceptualization

Poverty in underdeveloped countries is conceived as an absolute phenomenon present in the rural society (Ghai et al, 1979: 3). The low level of income of the rural people in the developing world which manifests their inability to fulfill the minimum consumption requirement is conceptualized as a state of impoverishment by the various thinkers and the international organizations involved in this field. Ghose and Griffin (1980: 545) have defined poverty as persistence of hunger, malnutrition, and question of survival of the rural poor in the Third World because of their insufficient income to meet the subsistence need. The group of people whose income cannot meet their minimum consumption requirement and suffer from undernutrition, starvation and diseases, and live in the border of survival is conceptualized as a situation of poverty

5/ In 1988, the National Planning Commission of Nepal (NPC/N) estimated per capita annual income of NRs 1,971 required to meet the basic need for a productive adult (to fulfill the minimum need of food, clothes, housing, education, health, and security).

by the World Bank (1971: 17) and ILO (1977: 7). Also there are literatures that look upon poverty from the social point of view, like education, health, and other welfare indicators of the people. However, in most of the cases, it is observed that poverty is conceptualized taking into account peoples' income, food intake, and its distribution over the population (Rodgers, 1976: 262). This may be the reason that minimum income required for survival in the dire situation commonly prevailing in the rural areas of the Third World is more important than fulfilling other requirements.

Absolute poverty, mainly centered in the rural areas of developing world has been argued as the result of various factors. One of the main reasons commonly stated in poverty literatures, particularly relating to South Asia, is the shortage of cultivated land for the agricultural population. Land as a principal productive asset in the agrarian economies is the main source of livelihood to majority of the rural inhabitants and land provides major share of their income and employment opportunities. "Shortage of access to land may cause insecurity of income and shortfall in meeting minimum consumption need leading to a situation of absolute impoverishment" (Ghai et al, 1979: 35). Sanyal (1988: 122) by comparing the cases among the selected states of India observed that the incidence of poverty was higher in those states where inequality in distribution of agricultural land was wider. Various literatures in this field also state that the rapid growth of population and low scope of alternative source of income and employment have deprived the inhabitants in the rural society. However, there are other arguments for the cause of poverty as linked with the development strategies followed by the countries and the existing "mode of production". Saith is one of those who argue that the rural poverty is the outcome of the inappropriate development strategies followed by the agrarian economies (1989: iii). "The surplus extraction from agriculture with stalled industrialization continue to be the root cause of rural poverty. Therefore, those economies should follow "Agriculture-first" development strategy which may be necessary to reduce the rural poverty" (Ibid), Griffin and Ghose believe the "capitalist mode of production" followed by the developing agricultural countries as one of the main causes of rural poverty (1979: 261). They argue that, although the underdeveloped economies have achieved a satisfactory growth rate in the past, the pattern of growth benefitted those who hold productive assets which did not "trickle-down" to the poor. In their own words, "the causes of growing hunger and impoverishment in the rural areas of developing world have more to do with the pattern of growth than with its rate" (Ibid).

It is agreed that the poverty of the underdeveloped countries has a multi-dimension. However, to assess it taking into account the entire facets is not only difficult but also impossible in many cases (Scot, 1981: 7). This may be one of the main reasons that poverty is commonly found to have been measured based on income and consumption indices of the people. It is assessed by establishing a "poverty-line" on the basis of minimum income required to purchase the pre-determined subsistence calorie need (based on the constant market price) on "head-count" basis. Although the minimum calorie requirement per day per person has been found different from one country to another, based on the poverty literature on the Third World, it ranges from 1,900 to 2,300. To identify the incidence of poverty in a country, the data collected from income or expenditure survey of household or individual entity is mostly taken as the base.

The "head-count" method of measuring poverty based on the pre-determined "poverty-line" is very often criticized as unrealistic. At first, the minimum consumption requirement not only varies from region to region within a country but also differs between persons within a household. A pre-determined "poverty-line", therefore, does not hold good in all circumstances and may provide unrealistic picture. Practitioners in this field like Scott argue that "poverty need not always be

measured: it needs to be prevented and abolished. When it is massive and stark, measurement in precise number may be unnecessary rather than taking action against it" (1981: 1). On the other hand, the incidence of poverty identified from different sources varies according to the methodology applied for it. Scott has further stated that the influencing factors to identify the actual incidence of poverty are: "how poverty is defined (choice of poverty-line), whether income or expenditure figures are used and how they are computed, whether relative or absolute figures are used, choice of base and terminal years of studies, and whether household or individual is used as unit of measurement" (Ibid). The argument of White also supports the unrealistic nature of the pre-determined "poverty-line" that "poverty and income distribution are politically important questions in any country and we may expect that political consideration affects the choice of measures applied to them and thereby reflect the actual incidence of poverty" (1979: 93). "If the nutritional criterion of measuring poverty is replaced by a basic needs approach, Saith argues that the incidence of poverty in many developing countries would show extremely higher level" (1989: 2). The above discussion brings out that there are complexities involved to identify the real incidence of rural poverty. However, almost all the literature in this field is in full agreement that, in the underdeveloped countries, the incidence of rural poverty is high and growing fast as contributed by several socio-economic factors.

Rural poverty in the developing world is not the recent problem. But the recent problem has more to do with its growing incidence and severe nature. In course of time, there have been various types of policies implemented against the rural poverty. Community development program has been considered as the first effort toward this which appeared in India in 1951 during her First Five Year Plan (Lee, 1980: 99). Afterward, it was replicated in many of the Asian developing countries. The subsequent anti-poverty effort was directed toward increasing the agricultural output through its modernization (Ibid: 101). In the following years, a wide range of agricultural economies adopted redistributive land reform policies with an aim to ensure the access of productive resources to the rural poor and enhance their income through the increased agricultural production, thereby reducing the rural poverty (Lamba et al, 1986: 1).

The anti-poverty policies took a turning point from early 1970s. Started from the basic needs approach, the integrated rural development policy was brought into force through the initiation of the international organizations like the World Bank. Hence during the same decade, along with the agriculture development through the modernization, "expansion of non-farm income and employment opportunities was being felt as a pre-condition for the egalitarian rural development" (Islam, 1984: 322). From mid-1970s, poverty alleviation policies became more target-oriented in line with the argument of Michael Lipton (1983: 1), intending to benefit the poorest of the poor (who do not have asset to increase their production) through the specialized programs and enhance their living standard through non-farm income. Small Farmers Development Programs in many developing countries and programs like Greameen Banking, Intensive Banking Program, Banking for the Rural Poor, etc., appeared as state intervention against rural poverty in the Third World. The review of past anti-poverty policies shows that, over the time, the changes in the policy instruments to overcome the problem was associated with changes in the understanding of poverty and its dimension. However, despite the introduction of a range of anti-poverty policies, except in the limited number of countries like South Korea and Taiwan, the policies in the developing world mostly carried unsuccessful stories.

The findings of the above survey of the poverty literature related to the Third World, though limited in number, resemble most of the characteristics prevailing in the Nepalese rural

society. In the predominantly agricultural society like that of Nepal where the alternative source of income and employment is almost non-existent in the rural areas, the falling access of cultivated land adversely affects the income and, in turn, the living standard of the people. The traditional thinking that the agricultural sector of the Terai can offer employment has drastically changed not only because of the growing size of the labor force but also due to the introduction of labor displacing technology by the big farmers. The majority of the rural population in the so-called prosperous Terai region has then started experiencing the decline in income and employment opportunities similar to that of small and marginal farmers of the hill who dominate the region. This must be the reason that over the years the country has been adding the number as well as the proportion of the total rural population below the "poverty-line". The government came up with a program for the fulfillment of basic needs in 1985 and took initiative to re-strengthen it (NPC/N, 1989: 5) at a time when this move had proved as least effective to remove the poverty in other parts of the developing world.

3. A Review of Poverty Alleviation Policies in Nepal

Nepal has completed seven economic development plans and the eighth is underway. "Despite the widespread realization of growing incidence of poverty in rural areas a limited place has been occupied by specific poverty-related targets in the development plans" (Baskota, 1982: 160-161). However, there are some policies implemented in the past which are in some way or another related to the alleviation of rural poverty. The efforts termed as anti-poverty policies in the Nepalese development literature are taken into account here.

The first policy against the rural poverty appeared in Nepal in early 1950s after the country achieved the independence. In 1952, a "multi-sectoral" approach, called Village Development Program (VDP), was initiated which was later incorporated into the First Five Year Plan "intending to prosper the nation with rapid improvement in economic conditions of the rural poor population" (cited in Pradhan, 1982: 3). It had an aim to fulfill wide perspective of rural needs. To achieve the broad objective the program was divided into three stages: the lowest level focusing on local infrastructure, the middle level focusing on increasing production and other socio-economic activities, and finally the intensive level focusing on the propagation of improved technology, extension, and cooperative" (Baskota, 1982: 161). The program covered 3,800 Village Panchayats and 2.25 million population (cited in Ibid).

The subsequent policy introduced to benefit the rural poor and uplift their socio-economy was the Remote Area Development Program (RADP) implemented together with Second Economic Development Plan in late 1950s. This policy intended to give priority to the development of remote and backward areas of the country where the incidence of poverty was high. The "packages" of the program for the development of the selected remote areas were similar to VDP in many respects but geographically it covered relatively smaller part of the rural Nepal (Hamal, 1987: 5).

Land Reform Program is one of the major anti-poverty policies introduced in 1963. "The population expansion and wide inequality in distribution of cultivated land was considered as a main reason of impoverishment of rural inhabitants" (KC, 1986: 5). With objective to achieve equitable income distribution and reduce the incidence of poverty in the rural society, a redistributive land reform policy was implemented in three phases during the Third Five Year Plan.

Redistribution of land appropriating from the landlords was not thought enough to fulfill the need of the growing number of landless families. Therefore, subsequently, a Resettlement Program was implemented with an objective to settle the landless and near-landless people on the public land available in the Terai region (Paudel, 1986: 76).

The anti-poverty policies in Nepal took first turning point from early 1970s. During the period of the Fourth Five Year Plan (1970-75), a move toward the regional development appeared in the Nepalese planning documents with objective to improve the standard of living of the people living in the poorer region of the country (HMG/Nepal, 1970: 6). To support this policy and for its effective implementation, Small Area Development Program (SADP) was designed and implemented subsequently in the selected groups of the homogeneous villages covering a wide range of aspects of rural lives (Hamal, 1986: 14).

The Integrated Rural Development Program (IRDP) implemented as it is from 1970s is an extended form of SADP. IRDP is accounted as one of the main anti-poverty policies introduced in the country. The program, although general in nature, aimed to expand the income and employment of the rural poor through stimulating agricultural activities as well as providing basic social services. "Given the wide scope of the program, it received central level commitment with added funds, manpower, and institutions" (Pradhan, 1985: 15). So far, 13 IRD projects covering most of the backward areas and 44 percent of the total population have been implemented in the country. Of the 13 projects, four have already been phased-out.

The policies against rural poverty took next turning point since the beginning of the Fifth Five Year Plan (1975). After the increasing realization of the least impact of the past policies on the rural poor, particularly the failure of redistributive land reform, target-oriented policies were put forward in the economy (Regmi, 1976: 18). The first move toward this direction was made through the introduction of Small Farmers Development Program (SFDP) which was initiated in 1975 with an aim to increase the income and employment opportunities of the rural poor by providing them access to credit to undertake agricultural as well as non-farm activities. The program was implemented through Agricultural Development Bank (ADB/N) splitting it into several projects covering three to four Village Panchayats⁶ each in the selected poor areas with a provision of cheap credit against asset or group guarantee. The successful pilot implementation of the program justified its replication in other rural areas of the country (ADB/Nepal, 1986: 27). The program also gained success during its initial phase of implementation. Following the similar philosophy, in 1981, Intensive Banking Program (IBP) was introduced through the commercial banks⁷ scattering it in different parts of the country and covering selected wards of one to two Village Panchayats per project (APROSC, 1989: 3).

The next anti-poverty policy appeared during early 1980s in the form of Food For Works Program and was launched under the auspices of the World Food Program. The Program had an aim to reduce the food shortage in the rural areas through the increased supply of wheat to the

6 A Village Panchayat (under the Panchayat System which is now abolished) was the lowest political unit at the local level composed of 9 wards covering 5 to 6 hundred households.

7 Intensive Banking Program has been implemented by HMG/N and NRB through the commercial banks.

needy people, and in response, to build and maintain rural infrastructure through local participation (Baskota, 1982: 163).

A review of anti-poverty policies introduced in the country thus shows that mainly there are three policies which aim to approach the rural poverty differently. Those are the policies related to land reform, integrated rural development, and credit for the rural poor. The following section of the paper, therefore, takes into account the above policies for their critical analysis.

4. Critical Comments on Selected Anti-Poverty Policies

4.1 Land Reform Policy

"Widening inequality in the cultivated land holding and increasing income gap between the rich and poor in the rural society was the main reason that land reform policy of 1963 was initiated in Nepal" (MOL/N, 1964: 27). The rural society is perceived as synonymous with agricultural society. The declining access or inaccess of cultivated land to the growing number of the rural population has been argued as a major cause of falling income, declining consumption level, and their increasing deprivation (Regmi, 1976: 7). With an aim to overcome this problem land reform program was brought into effect as a principal policy against the rural poverty.

The main objective of land reform policy was to increase the income of the rural poor (tenants and landless) through the equitable distribution of cultivated land and reduce the rural impoverishment (Hamal et al, 1986: 3). To achieve this objective the range of provisions enforced were: to fix a ceiling on land ownership and distribute the excess land among the tenants and landless families, to provide securities to tenants, to fix the rent to be paid to the landlords by the tenants, and establish a cooperative approach for mobilizing rural savings to be used for the benefits of the tenants and poor farmers as an alternative to borrowing from the private money lenders (cited in Ghai et al, 1979: 5). It shows that to achieve the principal objective the provisions had to be met at first. But, as a matter of fact, these provisions have been very much interlinked with the prevailing social institutions in the rural society. In Nepal, land is not only a source of income but also it determines social prestige and political power of the people, and politics determines the commitment of implementing any policy. Radical change in distribution of principal productive asset in favor of poor by meeting a range of pre-conditions means a breakthrough in the prevailing institutions of the agrarian societies. The objective of the policy, therefore, is found to be very ambitious in a sense that it aimed to bring reform in a wide spectrum of the rural lives taking least account of institutional viability. Nepalese politics is predominated by landed elites and so is in the case of bureaucracy. The policy may adversely affect the interest of the landed class. So its effective implementation cannot be ensured from the people representing the same class. On the other hand, the objective of redistributing land by appropriating from the landlords who own land above the ceiling appears very inconsistent with the provision set for it. In a land-shortage country like Nepal, the ceiling of 18.6 ha. of cultivated land per family manifests limited scope to appropriate from the landlords and shows no strong commitment toward benefitting rural poor. The nations that have implemented land reform policy successfully and have been able to remove the rural poverty to higher extent have set far lower ceiling. Japan and Taiwan have fixed 3 ha. for owner-operator and South Korea and the Philippines have fixed 7 ha. per family (KC, 1986: 15).

The land reform program as a principal policy against the rural poverty has been excessively dependent on the assumption that the access to land ensures greater income and employment opportunities to the rural poor (Regmi, 1976: 7). This assumption can be questioned from some grounds. The first can be that redistributive land reform has achieved success in a very limited countries in the developing world outside the socialist economies. This has been a political propaganda in many cases rather than the practice. Even if land is redistributed, in a country like Nepal where growing number of families are becoming landless, a tiny piece of land may not ensure their income to live a subsistence life. In a situation of increasing need of interacting with the market by poor peasants for cash income, the rural poor must have to get into the labor market for their subsistence. "The excessive family labor input in a small piece of land undermines the real productive capacity of the laborers" (Lamba et al, 1983: 1). The income from the farm falls short far behind the actual income a family could derive from agricultural labor (Sharma, 1987: 4).

The fragile nature of provisions set to achieve the main objective and the least practicable assumptions have also been argued as the main reasons that the land reform policy could not have visible impact on the rural poor (Singh, 1983: 33). It is evident that after more than two decades of experience of land reform policy in the country, the Gini coefficient of cultivated land distribution is as high as 0.76 and incidence of rural poverty is galloping over the years. Besides, the official sources indicate that the landlessness in the rural areas has increased several-folds now as compared with just one percent in 1961. Most importantly, "the policy has failed to address itself to the main question of land redistribution" (cited in Baskota, 1982: 162). Only 3 percent of the estimated surplus land was appropriated from the landlords and redistributed to 10 thousand tenant and landless families.⁸ There are a good number of the families in the rural sector who, on average, own above 20 ha. of land, well above the ceiling fixed by the land reform policy. "Agriculture is still predominantly carried out by tenants and share-croppers and usury is the common feature of the present agrarian society in rural Nepal" (KC, 1986: 14). Besides, land reform policy has ignored to conceive the idea that if the redistribution of land is not coupled with the "production reorganization", agricultural development effort may have least impact on its output increase and reducing the problem of hunger in the rural areas. This may be the reason that the foodgrain production during the last two decades remained stagnated and even went negative occasionally. The above cited statistics and discussions apparently show the unsuccess of the policy to bring about any meaningful impact either on increasing access to land of the landless people or on enhancing the agricultural production and reducing the rural poverty in the country.

4.2 Integrated Rural Development Policy

Integrated Rural Development (IRD) policy covers a wide range of areas of the rural lives. The principal thrust of the policy, therefore, has been "to integrate and develop the entire socio-economy of the people living in the backward rural sector" (Pradhan, 1985: 6). In Nepal, overwhelming part of the country is rural, composed of people with bare subsistence income and social backwardness. With an aim to overcome the entire problems by incorporating them into IRD framework, the policy of integrated rural development was introduced in Nepal from the beginning of the Fifth Five Year Plan (1975). This policy has been implemented in the form of IRD Projects

⁸ KC, R.B., 1986, shows in his paper titled "Land Reform: Progress and Prospects in Nepal", that an area of 600 thousand ha. was estimated as land above the ceiling before the land reform. But, afterward, only 66.33 thousand ha. was identified as excess land out of which 33.82 thousand ha. was appropriated but only 23.59 thousand ha. was distributed to 10 thousand tenant and landless families.

mainly concentrating on the hill areas of the country where the incidence of poverty is considered higher. The attractive scope of the policy and external financial commitment gave impetus to replicate it in other backward rural areas of the country. So far IRD programs have covered 35 of the 75 districts.

Nepal has thus been experiencing IRD policy for about two decades. The policy has not only been criticized on the ground of its insignificant positive impact on rural poor but also on general nature of the objectives and questionable assumptions. A survey on Nepalese development literature shows that the main objective of the policy is to develop agriculture and expand employment opportunities in the same sector to uplift the lives of rural poor. Since the IRD program is concentrated on the hills, these areas are characterized by small and subsistence farmers as well as landless families with high population density. The population pressure has not only reduced the average size of agricultural land holding but also the marginal lands are under operation. In this situation, there is least possibility of enhancing the income of the rural poor through the agricultural development. This objective also appears superficial in a sense that the rural development policy has least emphasized on infrastructure building like road and transportation, effective input and output marketing, and subsidized credit. Increasing income through agricultural production development might become a nightmare if such facilities are lacking.

Another objective of IRD policy is to enhance the employment opportunity in the rural areas. This objective seems good but carries limited significance in the IRD framework and the prevailing situation of the Nepalese rural sector. As discussed earlier, the agricultural sector in the country is receiving excessive labor input with almost zero marginal productivity. There is very limited scope of enhancing employment opportunities in the agricultural sector. Besides, various studies show that poverty is centered on those households which are either marginal farmers or the landless. To enhance their income, the only alternative source would be to build up a sound labor-absorbing non-farm sector. But the contrast is that IRD policy lays least emphasis on non-farm sector development. This objective seems abstract from the point of its least familiarity with the nature of the problem existing in the rural areas.

IRD policy includes wide range of components of the rural socio-economy. The objective, therefore, seems very general in nature. It is evident from the studies that the general type of development efforts have always by-passed the rural poor (Lipton, 1983: 1). This holds good even in case of Nepal. The scope of the policy is so wide that it includes agriculture development to the development of forestry, trail and tracks, family planning etc. (Paudel, 1986: 17). This shows that there is no specific target to benefit the rural population who are below the "poverty-line". Even if the objective is met to a certain extent, there is little chance that it will benefit the people who live in absolute impoverishment, at least in the short-run.

The IRD policy implemented in Nepal excessively depends on the questionable assumptions. The main assumption which is consistent with the objective is that "the development need of the rural people is a static phenomenon" (Pradhan, 1985: 41). The policy always gave priority to agriculture in all the projects assuming that it solves the problem of the rural poor. Besides, it is unrealistic to assume that the green revolution packages could be easily reached to the people residing in the remote areas ignoring the state of extreme transportation shortage in the rural sector. This assumption is also questionable from the viewpoint of cost effectiveness of modern technology to the poor. The IRD policy on the other hand assumes easy accessibility of peoples'

participation in all activities that come to its scope. Voluntary participation in general type of activities in the dire situation prevailing in the rural society cannot be always practicable. This assumption is not only against the poverty eradication in the rural areas but it may also squeeze the poor people. It can be argued that such questionable assumption may have been one of the main barriers to implement the IRD policy effectively.

The inappropriate objectives and questionable assumptions can be seen from the angle that they lack interlinkages with the past policies resulting in the poor performance of IRD to hit the poverty. The lack of linkage can be seen in the main objective of the policy which emphasizes the agricultural extension in the hill. The question had long been proved not feasible without ensuring equitable distribution of land in the rural society. Although, due to the shortage of data, it is difficult to show the impact of the policy on the rural poor with concrete indicators, it can be seen that with an experience of IRD policy for around two decades, not only the production of major cereals have stagnated but also the rural population below "poverty-line" has remarkably increased. If the policy would have been of practical significance, at least some positive impact should have been felt on the agriculture production, employment generation, and on the rural poverty. This may be the reason that an evaluation study of IRD in Nepal has presented in its conclusion that "the policy had paid excessive attention to the administrative aspect for implementation ignoring to solve the problems prevailing in the rural society for which purpose the policy was brought into force" (Pradhan, 1985: 18).

4.3 Rural Credit Policy

"More than two decades of subsidized credit to the Nepalese rural areas witnessed a gross by-passing of the poor, who were the intended beneficiaries, and worked in favor of the landed elites and affluent members of the society" (FAO and DFAMS, 1983: 75). The past credit policy being excessively biased on collateral, it is argued that it transferred income from the state toward rich people who already have had enough productive assets. Nepal Rastra Bank, through a study in 1977, brought out that in a country where the proportion of small and marginal farmers is overwhelming, only below 15 percent of the total loan requirement of the farmers was fulfilled by institutional sources whereas the same source met 67 percent of the total credit need of large farmers. A realization also emerged at the government level that general type of credit policy, even with subsidized rate, cannot benefit the real credit seeking rural poor.

The anti-poverty policy took special dimension in Nepal from mid-1970s. A target-oriented policy had been thought more appropriate to reduce rural poverty. Identifying the poor taking into account their household income level⁹ and targeting them for development is the crux of this policy. Based on this principle, Small Farmers Development Program (SFDP) appeared in 1975 as a part of reformulated credit policy for the rural poor implemented through ADB/N. The program was new of its kind because it contained provision of subsidized credit targeting the rural poor against the land of homogeneous group as collateral to undertake agricultural or non-farm income

⁹ A family with annual per capita net income equal to or less than NRs 950 based on constant price of 1978 is considered as small family under SFDP and net income equal to or less than NRs 2,500 per annum per family at constant price of 1984 is considered as small farmers under IBP.

generating activities (NRB, 1977: 72). It is considered a landmark in this front that for the first time the marginal population was included into the net of rural credit. The program was initiated through external financial sources which gained success in its pilot implementation and also stimulated the introduction of other programs. Intensive Banking Program (IBP), carrying the similar nature and objective, was initiated in 1981 through the commercial banks with a view to complement the thrust of the rural credit policy.

The main objective of the rural credit policy implemented in Nepal has been to enhance income and productive employment opportunities to the rural poor through cheap credit supply enabling them to undertake small scale agricultural, cottage industry, and services schemes (ADB/N 1986: 3 and APROSC, 1989: 7). The objective seems problem-focused as it aims to overcome rural poverty emphasizing the non-farm sector development. However, this objective has also been subject to criticism on some grounds. The first is that the policy covers small pockets which can hardly be a means of reducing the rural poverty in the national context. In addition to this, the programs are criticized on the ground that they provide very limited amount of credit which, in most of the cases, cannot cover the cost to operate a small scale non-farm scheme even in a household level. The petty size of resource available may not ensure the increased income and generate employment potential even for the family members. "Searching employment in the agricultural labor market has been a continuing phenomenon even for those families who have undertaken schemes through institutional sources" (APPROSC, 1985: 20). Besides, the methodological errors and ambiguity in the provision of credit has again by-passed the poor in many instances (Ibid). One of the main barriers to achieve the targeted objectives has been the implementing institutions as such. These institutions are profit makers in nature and show their commercial behavior. The intermediaries prefer to provide credit to those borrowers who can produce assets for loan guarantee. This may be the reason that, time and again, the keen observers of rural credit policy point out the poor performance of the program to address the problem of the deprived rural population (Singh, 1983: 14).

The policy depends on the assumption that the cheap credit stimulates the rural poor to undertake income generating activities. This assumption has also carried limited significance in terms of the prevailing reality in the rural society. Indeed, capital is one of the main factors of production. But it cannot generate income in isolation. Availability of cheap credit, in many cases, has been argued as the main element of attraction to the rich people deviating the noble objective of the credit policy and also the mis-utilization of the loan by the poor particularly for household consumption purposes. One of the main sources of rural poverty in Nepal is the exploitative interest rates charged by the local money lenders on consumption loans. Failure to repay in time has mostly resulted in loss of their land, and the borrowers ultimately turn out to be landless laborers (ADB/N, 1986: 18). But this policy has completely ignored the dimension of problem linked with the rural poverty of the country.

Institutional credit is supposed to be made available also in those areas where other rural development activities are in operation because it is one of the main inputs for the implementation of any of the rural development efforts. But there is no commitment that this policy should be implemented in the areas where the previous programs exist. It is evident from the evaluation studies that the rural credit program is lacking cooperation from the line agencies on which assumption it has been implemented. The main reason stated in the literature for such situation has been the unclear interlinkages with past policies and lack of coordination between the line agencies and the financial intermediaries.

Like the past general credit program, the present policy has also been blamed on the ground that it mostly benefitted those who own the resources. As the institutions responsible to implement the policy have been showing legacy of past credit program, the collateral bias has been always at work. An evaluation study carried out by the Asian Development Bank of Manila (ADB/M) in the areas where the programs were implemented from the beginning shows that the amount of credit on group guarantee had occupied limited place (1989: 152). It indicates that assetless population is not receiving priority in the program. The expansion of employment opportunities in the rural sector which was very much highlighted in the policy has not been met in real sense. The fast growing rural labor force could not be absorbed in the patchy program of rural credit. Public undertakings based on labor-intensive schemes in the rural areas may be more appropriate to create employment and increase the income. Besides, one of the mistakes that the rural credit policy followed from the previous policies is that it encourages labor-displacing technology in the rural sector financed by the program particularly in the agricultural schemes (ADB/M, 1988: 151).

The discussion above elucidates that the rural credit has not only been a patchy program but it has also not served the interest of the rural poor meaningfully. Even within the credit borrowers, the program has not proved to be successful to enhance their income and employment opportunities. In an evaluation study of selected projects undertaken by NRB shows that "the huge amount of investment on SFDP and IBP has not changed the economy of small, marginal, and landless farmers in the rural areas" (cited in Hamal et al, 1987: 6). The study found that a number of the farmers both in the program and control group were facing extreme shortage of food to run their families. Out of the total members selected from the program for study, 11 percent were facing starvation. Among them six percent used to have half a meal twice a day for one to three months in a year. Another nine percent survived on only one meal a day for two to four months in a year and the next 11 percent survived for one to two months in a year with the help of forest products (Ibid).

5. Conclusion

The experience of wide range of policies focused against rural poverty in the country for the last four decades shows no visible impact on the lives of the poor in the rural society. Instead, over the years, the rural sector is adding the total number as well as proportion of the total population who is below the "poverty-line". The redistributive land reform as a first important policy against the rural poverty ended up with its very insignificant impact on the rural population, with no sign of betterment in agricultural production as well as creation of new employment opportunities. The reasons behind the lack of success have been that the objectives and assumptions of the policy took least account of the institutional viability and could not recognize the reality of the rural problem. Integrated rural development policy also proved to be far from success to act against the rural poverty mainly because it carried unrealistic objective like agricultural development in the hill areas and enhancement of the employment opportunities through the development of this sector based on the assumption that the rural development is a static phenomenon. The credit policy for the rural poor also could not reach the majority of the loan-seeking rural population mainly due to its patchy nature, petty size of credit, ambiguity involved in the action of financial institutions, shortage of interlinkages with other programs, and inadequacy of coordination between implementing institutions and line agencies.

To conclude, the insignificant impact of the policies on the lives of the rural poor has been due to the fact that they could not address the real nature of the problem existing in the rural society. The shortage of agricultural land coupled with fast growing size of rural labor force means that no alternative policy would be appropriate other than expanding the labor-absorbing non-farm sector. The recent problem of poverty in Nepal is very much linked with the unemployment and underemployment of the widening size of the population. But the past policies, particularly land reform and integrated rural development, either completely ignored or least accounted this side of the reality. Despite the introduction of the target-oriented pocket area development approach in the rural credit policy, only few efforts have been made to address the problem rightly and they also accounted below nominal place in the national context. Therefore, it can be argued that, given the nature of the problems of rural Nepal, if the incidence of rural poverty is to be reduced, the policies should be driven toward creating new job opportunities in the non-farm sector even through public undertakings. Of the existing anti-poverty measures, rural credit policy seems to be more problem-focused. Therefore, it should be given macro status with added resources, provision of greater size of credit, and implemented with strong political commitment.

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