
Workshop Report

National Policy Dialogue

**ECONOMIC GROWTH
AND
POVERTY REDUCTION IN NEPAL**

20 November 2007
Hotel Shankar, Kathmandu

Organisers

Forum for Protection of Public Interest (Pro Public)
South Asia Watch on Trade, Economics & Environment (SAWTEE)

National Policy Dialogue
Economic Growth and Poverty Reduction in Nepal

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Forum for Protection of Public Interest (Pro Public), in association with South Asia Watch on Trade, Economics & Environment (SAWTEE), organised a one day national policy dialogue on "Economic Growth and Poverty Reduction in Nepal" on 20 November 2007 in Kathmandu (*See annex I for programme schedule*). The programme is a part of project "Linkage between Trade, Development and Poverty Reduction" which is being implemented in Nepal in collaboration with Consumer Unity & Trust Society- Centre for International Trade, Economics & Environment, (CUTS – CITEE) Jaipur, India. The objective of the programme was to:

- Discuss linkages between economic growth and poverty reduction in Nepal and to contribute in national policy making,
- Assess past poverty reduction strategies and whether they can be replicated in the future
- Provide a forum to the different categories of stakeholders to discuss growth, poverty and other interrelated subjects.

Altogether sixty six participants including policy makers, planners, economists, statisticians, and other representatives from the Central Bank, Central Bureau of Statistics, Government Ministries, private and civil society sectors attended the programme (*See annex II for list of participants*).

Inaugural Session

Chair : Dr. Shree Krishna Shrestha, President, Pro Public
Chief Guest : Dr. Posh Raj Pandey, Honourable Member, NPC
Remarks : Dr. Dilli Raj Khanal, Honourable Member of Parliament and Former Member of NPC
Welcome : Mr. Ratnakar Adhikari, Executive Chairman, SAWTEE

Mr. Ratnakar Adhikari, Executive Chairman, SAWTEE, welcomed the guests and participants to the national policy dialogue co-organised by Pro Public and SAWTEE. Mr. Adhikari informed the participants that the event is part of a project called "Linkages between Trade, Development and Poverty Reduction" which has been simultaneously carried out for the last three years in 14 Asian and African countries. Pro Public and SAWTEE are involved in the project in Nepal.

Mr. Adhikari argued that economic growth and poverty reduction are related with each other; so complementary policies are required to ensure pro-poor economic growth. In the context of liberalisation and globalisation, Nepal is facing three important challenges for economic growth: hiking fuel prices, decreasing exports and inability to attract foreign direct investment (FDI) to the country even though it can capitalise some of potential sectors: hydro power, tourism and foreign employment to expedite its development process.

Dr. Dilli Raj Khanal, Honourable Member, Interim Parliament / Legislature, elaborated on the economic growth and poverty nexus. He opined that though many economists have raised the questions on growth-poverty nexus there have been several empirical evidences. Discussing Nepal's current economic growth-poverty phenomenon, Dr. Khanal said that only inclusive systems and easy access for poor people to the productive assets such as land and credit, ensure sustainable poverty reduction. This is done through broad based growth and equitable distribution of benefits that arise from such growth.

Dr. Posh Raj Pandey, Honourable Member of National Planning Commission (NPC) discussed the multi-dimensional nature of poverty that goes beyond income poverty. He argued that all growth enhancing policies are not pro-poor; so an optimal sequencing of policy is required for poverty reduction and sustainability. Though the contribution of remittances has been high, economic growth has also been important in reducing poverty in the last decade because the average economic growth was four percent during 1995/96 – 2003/04. "Equity-ignored growth produces disparities that will yield frustration and conflict", Dr. Pandey added, "in order to neutralise such negative outcomes NPC is planning to launch policies to raise broad based sustainable economic growth, access to basic social services, social and economic inclusion, employment opportunities in the private sector and good governance for efficient public service delivery".

Dr. Shree Krishna Shrestha, President, Forum for Protection of Public Interest (Pro Public), extending his thanks to the guests and participants, and stressed that it is not just the state's responsibility but also the responsibility of the private sector and the civil society to contribute to poverty reduction. He asked policy makers to restructure the economic policies considering rural, poor and unprivileged people.

Technical Session

Session I

Economic Growth and Poverty Reduction in Nepal in the Last Decade

Chair : Dr. Dilli Raj Khanal, Honourable Member of Parliament
Presenter : Dr. Shiva Sharma, General Secretary, National Labour Academy
Discussants : Dr. Raghav Dhoj Panta, Executive Director, IfDS
Mr. Sri Ram Pande, Assistant Country Representative, UNDP - Nepal

Dr. Shiva Sharma, General Secretary, National Labour Academy and prominent labour economist, made a presentation on the topic 'Economic Growth and Poverty Reduction in Nepal in the Last Decade'. Dr. Sharma shared with participants that economic growth, income of households, employment rate, remittances inflow and consumption of households have increased in the last decade but inequality in terms of income distribution, consumption and remittance in receipt form has widened. According to Dr. Sharma, growth in Nepal has been urban centred; rate of poverty reduction is extremely low among agriculture labour households, small land holding households, and Muslim and Dalit communities; youth from poorer sections of society are still far from foreign employment opportunities and real beneficiaries of remittances are lower middle class. Therefore it is difficult to reach a conclusion that remittances have really benefited hard core poor in the country. He argued that had income distribution remained neutral, poverty would have declined by 24

percent versus the 11 percent decline between 1996 and 2004. "Government investment needs to be focused on the area where ultra poor people live and where they work", Dr. Sharma said.

Dr. Raghav Dhoj Panta, Executive Director of Institute for Development Studies (IfDS) and Former Acting Vice Chairman of NPC, highlighted that the low rate of economic growth, especially during the 9th and 10th plan, is one of the main causes responsible for the slow poverty reduction rate in Nepal. In his view, per capita income could not increase because of low economic growth, high rate of population growth and wide spread inequality which were ignored in the past. Dr. Panta further explained the detrimental effect of remittance economy and argued that urgent steps need to be taken so that Nepal can retain its productive labour force.

Mr. Sri Ram Pande, Assistant Country Representative, UNDP – Nepal, argued that Nepal needs to invest its remittances in productive sectors for sustainable growth and channel investment into those sectors where the poor are dependent for their livelihood. "Economic growth is a must for poverty reduction", he added, "but it was not pro-poor in the past. Therefore, it is essential to restructure Nepal's economic policies to ensure a pro poor growth pattern".

Dr. Dilli Raj Khanal, Honourable Member of Parliament and Former Member of NPC, wrapped up the session by arguing that rural and farm labourers are to be considered primarily while formulating economic policies. He said that land reform in Nepal combined with land redistribution is necessary to expedite the growth and ensure equitable distribution of benefits arising from growth. He suggested that compensatory policies are to be launched, combined with economic reform, in order to protect vulnerable masses from economic reform.

Session II

Measurement of Poverty in Nepal

- Chair** : Dr. Bhuwan Bajra Bajracharya, Professor, Tribhuvan University
Presenter : Dr. Devendra Chhetry, Professor and Head, Central Department of Statistics, Tribhuvan University
Discussants : Dr. Bishwa Nath Tiwari, Associate Professor, Tribhuvan University
Mr. Uttam Narayan Malla, Deputy Director General, Central Bureau of Statistics

Dr. Devendra Chhetry, Professor and Head, Central Department of Statistics at Tribhuvan University, presented a paper on 'Measurement and Analysis of Poverty: Some Concepts and Applications'. According to Dr. Chhetry, development in Nepal has taken a new course since 1990. It has been able to achieve remarkable progress in reducing poverty, narrowing down gender disparity and improving other important demographic indicators since 1990.

In his presentation, Dr. Chhetry explained the different indicators that have been used for poverty measurement and the methodology of constructing poverty indices. He basically focused his presentation on monetary poverty. According to him, it is difficult to set a standardised poverty line and to stick to the line because of variation in food basket prices for food and non-food baskets in different times and in different geographies, communities and age-groups. According to him, the problem is that measurement of poverty alone does not explain the causes of poverty, which is crucial in formulating poverty reduction strategies.

Dr. Chhetry further added that poor households in Nepal are characterised by a large household size with a large number of children. In the last decade, the average household size and number of children in a household have decreased, and the average education level in a household has increased. These changes have also contributed to poverty reduction. However, a large part of the population suffers from low income and are unable to invest in health and education adequately, which perpetuates poverty for the forthcoming generation. He mentioned that per capita expenditure has increased over the period of 1995/96 – 2003/04, and economic activities in market centres and urban areas have increased due to rapid migration, shift of remittance recipients, and expansion of the service sector into the market centres and urban area. He cautioned that the conventional national accounting system in Nepal may be unable to capture all the activities that explore the evidences of growth – poverty linkage.

Dr. Bishwa Nath Tiwari, Associate Professor, Tribhuvan University, said that the measurement of poverty is important to devise a better growth strategy, public spending policy and promote a targeted program for effective poverty reduction. He discussed indicators such as the poverty line, Human Development Index (HDI), Human Poverty Index (HPI), and Gender Development Index (GDI) that are in use to estimate poverty in Nepal. He shared with participants that various underdeveloped countries, including Nepal, have started to incorporate variables related to the quality of life such as education, health, vulnerability, relative deprivation in poverty indices; so it has become multi dimensional nowadays. Presently, it is not only complicated to calculate but also complex to address by growth-centred government policies. He highlighted that public investment in social sector was higher than the economic sector in the past, and that has produced positive impact on human development in Nepal.

Mr. Uttam Narayan Malla, Deputy Director General, Central Bureau of Statistics, shared his experiences in the process of measuring poverty with participants. The Nepal Living Standard Survey (NLSS) has measured poverty from a consumption perspective because income data is not as reliable as it should be. He informed the participants that six poverty lines were developed for the six different areas separated for the survey. The poverty lines were merged together to arrive at a national average. Mr. Malla mentioned several difficulties experienced while conducting such a national survey. Despite such difficulties, he claimed that results of the NLSS are robust. He noted that three indices (income, life expectancy and adult education) are basic variables in poverty measurement. Other subjective and objective variables were also used to cross check its reliability.

Prof Dr. Bhuwan Bajra Bajracharya, Tribhuvan University, wrapped up the session by urging stakeholders to look at poverty from an ethnicity perspective as well. He requested policy makers and government officials to emphasise investment in non-land based skills to reduce pressure on land. He finally made suggestions to check the cross-border invisible movement of the population across the poverty line per period and to find the causes responsible for the movement. Such a study would give more opportunities to ensure the sustainability of poverty reduction.

ANNEX: I

National Policy Dialogue
Economic Growth and Poverty Reduction in Nepal
20 November 2007
Hotel Shankar, Kathmandu

Organisers

Forum for Protection of Public Interest (Pro Public)
South Asia Watch on Trade, Economics & Environment (SAWTEE)

Programme Schedule

Registration: 01:30 – 02:00

02:00-02:40 Inaugural Session		
02:00-02:10	Welcome Address	Mr. Ratnakar Adhikari, Executive Chairman, SAWTEE
02:10-02:20	Remarks	Dr. Dilli Raj Khanal, Honourable Member, Interim Parliament / Legislature
02:20-02:30	Remarks from Chief Guest	Dr. Posh Raj Pandey, Honourable Member, National Planning Commission
02:30-02:40	Remarks and Vote of Thanks	Chair, Dr. Shree Krishna Shrestha, President, Pro Public
02:40-03:00 Tea/coffee break		
03:00-06:45 Technical Session		
Session I: <i>Economic Growth and Poverty Reduction in Nepal in the Last Decade</i>		
Chair: Dr. Dilli Raj Khanal, Honourable Member, Interim Parliament / Legislature		
03:00-03:30	Paper presentation	Dr. Shiva Sharma, General Secretary, National Labour Academy
03:30-04:00	Discussants	1. Dr. Raghav Dhoj Panta, Executive Director, IfDS 2. Mr. Sri Ram Pande, Assistant Country Representative, UNDP - Nepal
04:00-04:45	Floor Discussion and wrap up of session I	
04:45-05:00 Tea/Coffee break		
Session II: <i>Measurement of Poverty in Nepal</i>		
Chair: Dr. Bhuwan Bajra Bajracharya, Professor, Tribhuvan University		
05:00-05:30	Paper presentation	Dr. Devendra Chhetri, Professor and Head, Central Department of Statistics, Tribhuvan University
05:30-06:00	Discussants	1. Dr. Bishwa Nath Tiwari, Associate Professor, Central Dept. of Economics, Tribhuvan University 2. Mr. Uttam Narayan Malla, Deputy Director General, Central Bureau of Statistics
06:00-06:45	Floor discussion and wrap up of session II	
06:45-08:00 Reception / Dinner		

ANNEX: II

List of Participants

NGO/INGO/Private Sector		
01	Dr Bhola Pokhrel	Forum for the Protection of Consumer Rights
02	Dr Binod Karmacharya	Asian Development Bank
03	Dr Gopi K Shedain	Integrated Resource Management Centre
04	Dr Shree Krishna Shrestha	Pro Public
05	Mr Arjun Bhattarai	NGO Federation of Nepal
06	Mr Arun Khadka	Youth Action Nepal
07	Mr Bijaya Raj Poudel	Association of Youth Organisation, Nepal
08	Mr Dhiraj Pokhrel	LEADERS Nepal
09	Mr Dinesh Tripathi	Advocate
10	Mr Jagat Basnet	Community Self-Reliance Centre
11	Mr Kamalesh Adhikari	SAWTEE
12	Mr Khim Sharma	Institute for Integrated Development Studies
13	Mr Madan Prasad Rimal	Social Welfare Council
14	Mr Manogya Sharma	Youth Initiative
15	Manoj Thapa	Pro Public
16	Mr Navin Dahal	SAWTEE
17	Mr Prakash Ghimire	Pro Public
18	Mr Ratnakar Adhikari	SAWTEE
19	Mr Shankar Man Singh	Nepal Chamber of Commerce
20	Mr Sri Ram Pande	UNDP - Nepal
21	Ms Manisha Pradhananga	SAWTEE
22	Ms Sarojini Shrestha	Women Entrepreneurs' Association of Nepal
Policy Makers and Government Officials		
23	Dr Devendra Gauchan	Socio-economic division, National Agriculture Research Council
24	Dr Dilli Raj Khanal	Member of Parliament
25	Dr Posh Raj Pandey	Member of National Planning Commission
26	Dr Rudra Suwal	Central Bureau of Statistics
27	Mr Biggyan Raj Subedi	Nepal Rastra Bank
28	Mr Buddha Gurung	National Planning Commission
29	Mr Kailash Kumar Bajimaya	Department of Commerce
30	Mr Krishna Raut	National Planning Commission
31	Mr Mukti Sapkota	Nepal Rastra Bank
32	Mr Nabin Pokhrel	Poverty Alleviation Fund
33	Mr Nebin Shrestha	Central Bureau of Statistics
34	Mr Rabi Kayastha	Central Bureau of Statistics
35	Mr Rajan Krishna Panta	Nepal Rastra Bank
36	Mr Ramesh Ratna Sthapit	Department of Industry
37	Mr Roshan Sigdel	Nepal Rastra Bank
38	Mr Shiv Raj Bhatt	ENRec Project, UNDP/MOICS
39	Mr Uttam Narayan Malla	Central Bureau of Statistics
Academia		
40	Dr Bishwa N Tiwari	Central Dept of Economics, Tribhuvan University
41	Dr Raghav D Panta	Institute for Development Studies
42	Dr Shiva Sharama	National Labour Academy
43	Mr Baburam Karki	Central Dept Economics, Tribhuvan University