



Graduate School of Development Studies

From Poverty to Livelihood Vulnerability:  
**Towards an Agenda for Universalising  
Socio-economic Security in Nepal**

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## **LIST OF ACRONYMS/GLOSSARY**

CBN	Cost-of-Basic-Needs
CBS	Central Bureau of Statistics
GoN	Government of Nepal
ILO	International Labour Office
IMF	International Monetary Fund
KGTED	Keynesian General Theory of Effective Demand
LIIPA	Listian Infant Industry Protection Argument
MDGs	Millennium Development Goals
NPC	National Planning Commission
PAF	Poverty Alleviation Fund
PRSP	Poverty Reduction Strategy Papers
SLA	Sustainable Livelihoods Approach
The Bank	The World Bank
UNDP	United Nation's Development Program
UNICEF	United Nation's International Children's Fund
USES	Universal Socio-economic Security
WTO	World Trade Organization

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All knowledge is historically determined. I humbly acknowledge those people, be they academics or professionals, on whose ideas I have developed

my conceptual, theoretical and methodological frameworks, and provided empirical cases in developing my arguments. Indeed, “without Pigou there would not be Keynes; without Keynes no Friedman; without Friedman no Lucas; without Lucas no .... (Blaug, 1991a: x-xi, cited in Snowdon and Vane, 2008: 1). Also, without Hegel there would not be Marx .....I do understand that existence of a diverse range of views induce both confusions and enlightenments; the most desired state is to become enlightened, of course not to be confused.

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The major problem I faced during this work is to maintain the 17,500 words limit. Actually, my first write-up ended up with nearly double the limit. Being a writer and a columnist, it was not a surprise to me, but it posed me an extra mental exercise: what to love and what to hate, and virtually to be more and more focused. As an academic exercise, being focused is considered to be an advantage and provides a yardstick for judgement. However, limiting words also means limiting a number of alternative angles. I do understand that one

study cannot and should not cover all, but I also think that a very focused study has the chances of being biased while it provides the researcher with deeper understanding. I don't know whether having a deeper knowledge in a particular area is equal to having perfect knowledge. Amidst these controversies, the delete command of my PC got overtime job - I cut down many ideas, paragraphs and even some sections altogether to arrive at the threshold. Indeed, I managed to publish these deleted ideas in the form of newspaper articles in the Nepalese press: nothing good is wasted.

I feel undisturbed in the sense that I could contribute something for change in Nepal, in whatever my little way, even before my thesis was officially complete. I was excited to learn that officials at the Nepalese Ministry of Finance were impressed with my proposal, at a time they were preparing annual budget in which the amount of social security allowance was increased to Rs. 500 per month. This is the exact amount I had proposed.

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## ABSTRACT

This contribution aims to examine the problems inherent in the dominant money-metric approach to poverty measurement, as a deliberate attempt to distorting and downsizing the level of human deprivation and the subsequent neo-liberal policy prescriptions of targeting. Then, under the livelihoods approach, it broadens the definition of poverty by including vulnerability and identifies the Common People of Nepal and their socio-economic profiles as an alternative analysis of human deprivation. In today's complex society virtually everyone is prone to various socio-economic shocks which undermines livelihoods and raises vulnerability to further collapse of livelihoods, and thus aggravates poverty. This situation is most serious to the Common People, defined as a combination of the conventionally defined poor and the vulnerable who do not possess sufficient livelihood capitals. Hence, coupled with its computational problems, the intention and utilization of poverty line appears to be quite controversial and largely a meaningless exercise.

Building upon the Keynesian Effective Demand and Listian Infant Industry Protection arguments, the policy implication of this study is to provide arguments in favour of universalizing socio-economic security in Nepal, rather than the narrow targeting based on the conventional poverty line approach. We argue that universal provisioning promotes livelihoods and thus help reduce both poverty and vulnerability in a sustainable manner. Indeed, such a universal approach is likely to bring about significant improvements in a number of socio-economic indicators, including political stability and social cohesion. This paper documents this process through the presentation of results of the analysis of the two Household Survey data, other latest available socio-economic indicators and state policies that bear on poverty and vulnerability in the context of Nepal. The results show that, despite its official goal of poverty alleviation, the Nepalese government seems to be too much preoccupied with neo-liberal ideology, and thus targeting the poor has been the business-as-usual of anti-poverty interventions. These findings do not augur well for poverty prevention, as an essential component of poverty alleviation. Hence, in the face of majority of the population being either poor or vulnerable, looking at poverty from the livelihood lens, universalizing socio-economic security to all appears to be the right way towards poverty alleviation in Nepal.

## Relevance to Development Studies

Replacing poverty with prosperity is the crux of development studies. Poverty Alleviation is a global development policy, and thus a crucial aspect of Development Studies. Taking the empirical case of Nepal, we not only argued for the need for a holistic approach to poverty measurement, we also challenged the dominant narrow targeting approach as a basis for anti-poverty policy. We also alluded for a broader and inclusive approach to Universal Socio-economic Security as an alternative way-out of deprivation, taking stock

of livelihood vulnerabilities, Keynesian Effective Demand and Listian Infant Industry Protection Arguments. We are confident that these critical aspects are quite relevant to any meaningful study of Development Studies.

## **Key Words**

Poverty Measurement, Livelihoods, Vulnerabilities, Targeting, Universal Socio-economic Security, Keynes, List

# CHAPTER 1

## INTRODUCTION

### 1.1 Research Problem

Poverty elimination has been articulated by the international and national communities, as enshrined in the Millennium Development Goals (MDGs) and the periodic national plan documents such as the Poverty Reduction Strategy Papers (PRSPs). The first step towards poverty reduction is to identify the poor. However, consensus is lacking on what poverty is, how it should be measured, and thus who really are the poor (Atkinson, 1987, and Ladershi and et. al., 2003:223). The most commonly used poverty indicator is household monetary apparatus. However, this measure has turned into an unremitting bone of contention, as it tends to ignore the multidimensional character of human deprivation, and thus excludes many of the “Common People<sup>1</sup>” (Sengupta and et. al, 2008:49; Hirway, 2003; Chambers, 1995; and Douglas, 2008) from their rightful entitlements as its policy outcome of targeting<sup>2</sup> (Saith, 2005, 2007 and 2007a; and ILO, 2008). The reliance on targeting predominantly grounded on the logics of “financial constraints” and “market fundamentalism”, faces fevelent controversies. In this light, this paper investigates the extent of poverty and livelihood vulnerability in Nepal from a sustainable livelihood perspective, and argues for selective liberalization and universalization of socio-economic security (USES), as genuine alternatives to poverty measurement and anti-poverty policy intervention.

The World Bank calculates such money-metric poverty (Ravallion, 1994 and Kanbur, 2007:186) and prescribes targeting the poor. The poverty line obtained in this way is equal to \$1.08<sup>3</sup>. Following the Bank, the Government of Nepal (GoN) calculates poverty based on the Cost-of-Basic-Needs (CBN) method. According to the 2003/04 household survey, the national level CBN per person per year was NRs. 7,695<sup>4</sup> (Rs. 4966 and 2729 for food and non-food items, respectively). Then, the actual expenditures derived from household survey are compared with the CBN to derive the national poverty figure which turned up to be 31 percent<sup>5</sup> (CBS, 2006:117-24). However, given the political sensitivity of poverty

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<sup>1</sup> In their empirical study, the authors use this term to indicate “Aam Aadmi” in Hindi, meaning, people having low level of consumptions, capabilities and assets at their disposal. For this paper, they are both “poor” and “vulnerable” people of Nepal, having deficit in any of the six forms of livelihood capital.

<sup>2</sup> “In the targeting discourse, the poor are more often regarded as a problem (in need of benefits) rather than as a resource for the country’s development” (Dutrey, 2007: 16).

<sup>3</sup> “\$1.08 in 1993 was worth about \$1.45 in 2005 money” (The Economist: 2008).

<sup>4</sup> US\$1 = NRs.70 approximately. So, it is \$110 annually or \$0.033 a day.

<sup>5</sup> The international dollar a day poverty rate is 24 percent.

data, this is an ostensibly distorted picture<sup>6</sup> (Bhusal, 2008) – “unofficial estimates place this figure much higher, comprising some two-thirds of households” (Shah, 2008).

Although such official measurements over the years (Table 1) could provide some information about the extent of human deprivation at the time of assessment, it cannot truly reflect multiple dimensions of impoverishment. For instance, it largely fails to articulate the possibility of sliding into poverty, given the fact that livelihood assets face several vulnerabilities. Also, it cannot tell us about the inadequacy or absence of various livelihood capitals with different section of the population; lower caste people and women may lack their social and other livelihood capitals due to the presence of caste and gender-based discriminations, and thus deprived.

Then, anti-poverty policies that target the monetary poor may not address multiple deprivations due to the lack or inadequacy of various livelihood capitals – the Common People. In Nepal, human deprivation has its multiple faces; majority of her people are either poor or vulnerable to succumbing into poverty due to lack/inadequacy of various livelihood assets. Although the government reports show a continuous decline in absolute poverty, it has been frequently reported that Nepal could not make significant dent in its poverty due to a deeply ingrained alliance between narrow measurement and the neo-liberal targeting.

## 1.2 Relevance and Justification

This research is relevant and justified in two explicit ways: assessing Nepal’s human deprivation from a livelihood perspective and advancing arguments in favour of USES, as an alternative policy framework to promote livelihoods, and thus reduce and prevent poverty and vulnerability at a time the country has been facing dismal economic performance (Table 2), and undergoing a political transition.

First, it challenges the uni-dimensional approach to poverty measurement which has been deliberatively distorting and downsizing (Saith, 2007:248 and 2005:4601) the actual extent of ill-being in the lives of the Common People, such as the likelihoods of sliding into poverty. Such assessment has several ideological, methodological and practical problems. It relies on the neo-liberal approach, and the practicality of using it as a poverty indicator is limited by its reliability, cost effectiveness, timeliness, and comparability across countries (Setboonsarng, 2005:2). Indeed, as the poverty line is used as a basis for resource allocation, an inaccurate identification of the poor has

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<sup>6</sup> Saith (2007:248) calls such a tendency as the use of “box of tricks to downsize the dimensions of poverty.”

serious implications for poverty reduction strategies. Instead, this study provides a new perspective to measuring poverty – we broadly concentrate on the livelihood capitals as the highways to and byways from poverty and livelihood vulnerability.

Secondly, this research would be relevant to informing the Nepalese policy makers at a time their single aim has been to reduce poverty (NPC, 2007). In doing so, we offer alternative policy options for effectively tackling poverty and vulnerability persistent in Common People's livelihoods. Instead of narrowly targeting the piece-meal development interventions to the narrowly identified monetary poor, we argue for USES as an alternative way towards tackling multiple human deprivations. Our new policy measures are consistent with the Universal Declaration of Human Rights, which guarantees “the fulfilment of basic rights as the obligation on the part of donors, lenders and states and also an effective tool in the formation of policy” (ILO, 2008b:vii) of which the Nepalese government is a party.

However, the rights to USES have not been invoked in the heydays of neo-liberal capitalism after the late 1970s. As a consequence, focus has been placed on “targeting and short-term means-tested safety nets rather than on the long-term minimal living standards for all” (Townsend, 2002: 16) or “the Basic Social Floor” (ILO, 2008: 2), giving rise to a global unholy trinity, namely poverty, inequality and vulnerability, and thus collapse of livelihoods. Our critical interrogation of Nepal's policy documents suggests that the underlying philosophy of all development interventions has been targeting (NPC: 2008). However, targeting targets the poor, and not poverty - it can reduce the number of poor, but does not prevent them sliding down into poverty (Whaites, 2000: 22; ILO, 2008b: vii; UNICEF, 2008; Saith, 2007:272; Potter and Subrahmanian, 2007: 43; IDS, 2008; and Townsend, 2002:5). Hence, they have argued for USES to promote livelihoods and abolish poverty.

In this light, it is imperative to tracking the socio-economic profiles of the Nepalese Common People, and the highways to and byways from poverty and vulnerability applying livelihoods promotion strategies. Also, such an investigation would provide subtle arguments to challenge the presupposition that poor are those who lack certain income, and to inform the policymakers of Nepal for universalization, as a more plausible alternative<sup>7</sup> to poverty alleviation.

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<sup>7</sup> We follow the constructivist research paradigm which “aims at the production of reconstructed understandings” (Wisker, 2001:123).

### 1.3 Research Objectives and Questions

This study intends to present evidence for a more holistic approach to poverty measurement and argues for the policy of USES, instead of targeting in Nepal. Essentially, the study is intended to contribute to the achievement of Nepal's poverty alleviation goals by updating and enriching the current understanding of how different livelihood capitals work, individually and in relation to each other, in Common People's livelihood. Also, this study would argue for selective liberalization, and the creation of effective demand so as to sustain the universal provisioning to promote livelihoods.

#### Main Research Question

Why universalizing socio-economic security is crucial to effectively tackling poverty and vulnerability in Nepal?

#### Sub-questions<sup>8</sup>:

- Who are the Common People of Nepal, and how is their socio-economic status?
- Why and how the income based poverty line approach excludes the legitimate poor people?
- Why is it necessary and desirable to include the vulnerable people under the broader definition of poverty?
- What are the existing policies of the government of Nepal that affect the Common People's livelihoods?
- Are the existing government policies sufficient to effectively addressing the problem of poverty and vulnerability in Nepal?
- Why narrow targeting based on the conventional poverty line approach is inadequate for effectively tackling poverty and livelihood vulnerabilities of the Nepalese Common People?

### 1.4 Methodology and Data

This study utilizes a q-squared methodology<sup>9</sup>, and document review and textual analysis methods to analyze the available secondary information for tracking the extent of human deprivation and associated livelihood implications in Nepal, ongoing policy responses and their adequacy. Information sources include the World Bank and UNDP publications about poverty measurement and Central Bureau of Statistics' (CBS) Nepal Living Standard Surveys. Besides, we have carried out a comprehensive review of government's national plans and policy documents to assess whether the government relies on

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<sup>8</sup> Since we ask both "what" and "why" questions, our research is exploratory (ibid: 119).

<sup>9</sup> Following the constructivist research paradigm, we cannot solely rely on the "collections of statistics and number crunching", as they are often "not the answers to understanding meanings, beliefs and experience, which are better understood through qualitative data" (ibid: 137) and analysis.

targeting approach or there are initiatives to universalize socio-economic security. For ongoing theoretical, conceptual, methodological and empirical debates in our research area, a number of books, academic papers, reports, newspapers and websites have been consulted to make our analysis robust, consistent, coherent and well-informed.

## **1.5 Scope and Limitations of the Study**

As this study uses data from the Household Surveys (NLSS) designed to gather information primarily on household expenditure, this implies that the data are not ideally appropriate for the analysis of vulnerability in the context of livelihood framework. Therefore, the results obtained through the application of the livelihood approach would be of indicative rather than precise nature. Precisely, “the nature of data and their limitations mean that any conclusions always carry an element of uncertainty” (Myer, 2007: 256). However, they provide important insights into the problem under our study and would provide reference for further investigation in this area. Also, in view of the felt need to give more emphasis to this issue, this study deliberately concentrates explicitly on the livelihood capitals to gauge the extent of poverty and vulnerability in Nepal.

## **1.6 Organisation of the Chapters**

The paper is divided into five chapters. The next chapter introduces and critically reviews the relevant concepts and theoretical underpinnings regarding poverty measurement and anti-poverty policies.

Chapter three empirically identifies the Common People of Nepal based on the livelihood framework and demonstrates the differential in the level of poverty across narrow and broad approach to poverty measurement.

Chapter four provides the policy outcomes of the two approaches to poverty measurement.

The final chapter concludes the study with major policy implications.

## CHAPTER 2

### THEORETICAL FRAMEWORK

This chapter disentangles our research boundary. Besides literature survey to clarifying basic concepts and ongoing debates, the preceding research questions have been tackled employing four complimentary approaches, namely the Narrow versus the Broader Approach to Poverty Measurement (NBAPM), Sustainable Livelihoods Approach (SLA), the Keynesian General Theory of Effective Demand (KGTED), and Listian Infant Industry Protection Argument (LIIPA). While the NBAPM is employed to assess the level of human deprivation in Nepal, the SLA tracks how Common People's livelihoods are prone to vulnerabilities and poverty. The KGTED serves as an analytical tool to argue for USES. Finally, discrediting the ill-advised liberalization, the LIIPA analytically provides us with the insights that how the USES induced spending on domestic goods and services induce livelihoods promotion. As discussed later, we have established the causal relationships among these approaches to overcome the deductive challenge and to ensure coherent argumentation in our analysis.

#### 2.1 Measurements: Poverty, Vulnerability and Livelihoods

##### 2.1.1 *Poverty*

Despite mounting literature, the operational conceptualization about poverty is fuzzy. Indeed, “there are no authoritative definitions in social science literature” (Jerve, 2002:390), as the ontology, epistemology and methodology of poverty measurement and anti-poverty policies are devided. Broadly, however, poverty is lack of basic well-beings of life in absolute term and having less then what the other people around have in relative term - “whether he can appear in public without shame, as Adam Smith put it” (The Economist, 2008). In either term, poverty has multiple faces, constrains human potentialities, excludes from a range of opportunities, and overall undesirably destabilizes socio-economic system. And Gandhi argues that “there is no beauty in the finest clothes if they cause hunger and unhappiness” (Sarah; 2008). Calvo (2008), Glewwe and Gaag (1990:812) and Chambers (2008:140) argue that poverty is multiple deprivations, interacting and reinforcing each other. These deprivations include “hunger, ill health, malnutrition, unemployment, inadequate shelter, lack of education, vulnerability, powerlessness, social exclusion, being stigmatized, insecurity, powerlessness, and exposure to violence and discrimination (Kakwani and Silber, 2008: Preface; ILO, 2008; Ladachi and *et al*, 2003:223; and

UNICEF, 2002). Expanding the definition of poverty by including livelihood vulnerability provides analytical insights into the extent of human deprivation and subsequent policy implications to tackling poverty effectively, particularly through USES.

### **2.1.2 Vulnerability**

Alike poverty, vulnerability is difficult to define, and therefore operationalize. Vulnerability, as uninsurable risk, is one of the most crucial and dynamic aspect of poverty – people move in and out of poverty (Krishna, 2007 and ILO, 2008) – vulnerability incorporates the dynamic aspect of livelihoods in the face of varying socio-economic and political shocks, such as negative growth, the failure to trickle-down, discrimination and various forms of conflicts in peoples' livelihoods (Moser, 1998: 3). Analogously, these shocks can erode either of the livelihood capitals. For Calvo and Dercon (2008:215-28), World Bank (2008) and Calvo (2008:1), people are exposed to risk, and in particular, to the threats of failing to meet minimum standards in any particular dimension of well-being in the presence of various misfortunes. This situation is particularly common to the Common People's livelihoods, as they command very few livelihood capitals. Calvo (2008: 1014) offers more insights to this conceptual discussion:

The future is an open question which is never absent from the minds of people, regardless of the particular well-being dimension they may consider. [Narayan, Chambers, Shah, and Petesch \(2000\)](#) provide instances for various dimensions: consumption (“Everyday we do not know whether we are going to eat or not”, p. 158), housing (“Today, we’re fine; tomorrow they will throw us out”, p. 156), physical safety (“I am afraid that they might kill my son for something as irrelevant as a snack”, p. 159), health (“We face a calamity when my husband gets ill. Our life comes to halt until he recovers” (p. 98), and so forth.

Moser (1998:2) argues that “recent conceptual debates and policy recommendations such as those deriving from rural famine/food-security research have fundamentally changed the ‘landscape’ by introducing such concepts as vulnerabilities and capabilities with policies focusing on assets and entitlements.” Most importantly, in the light of traditional social protection becoming highly problematic, and while the emerging market forces can help to reduce various risks and uncertainties in people’s livelihoods, such forces have also opened up new set of vulnerabilities (Platteau, 1991:163 and Messkoub, 1992:177). Furthermore, Beck (1992 in Pieterse, 1998:367-8) conclusively argues that poverty and vulnerability attract each other (World Bank, 2002: vi), and denotes a vulnerable society as “a catastrophic society replete with dystopias and subject to apocalyptic mood swings.”

### 2.1.3 Poverty Measurement

Poverty has been assessed in many ways. However, basically, they can be categorized under narrow money-metric and broad livelihoods measurements. The first approach has various conceptual, theoretical, analytical, methodological and practical shortcomings (Saith, 2007; ILO, 2008; Laderchi *et al.*, 2003:252; Mosor, 1998:3 and Abbott, 2007:213), as this is uni-dimensional<sup>10</sup>. To overcome these figments, the second approach incorporates other important dimensions of human deprivation such as health, education, vulnerability, powerlessness to better conceptualize and assess human deprivation (Kakwani and Silber, 2008: xv, OECD, 2001:8; World Bank, 2001:15 and ILO, 2008; Archetti, 1989:63; and Grusky and Weeden, 2008: 20-35) in terms of crucial livelihood capitals. Mosor (1998: 3) cites:

Capturing the multidimensional aspects of changing socioeconomic well-being in poor communities requires identification of both levels of poverty *and* types of vulnerability. The concept of *vulnerability*, although often used as a synonym for poverty, is not the same. Because poverty measures are generally fixed in time, poverty is essentially a static concept. By contrast, vulnerability is more dynamic and better captures change processes as “people move in and out of poverty” (Lipton and Maxwell, 1992, p. 10).

These are genuine reasons for incorporating vulnerability under the broader poverty measurement. Thorbecke (2008:3) argues that households tend to either remain chronically poor or move in and out of poverty subject to their endowment with varying portfolios of attributes. He further argues that “even transitory shocks can have permanent and persistent effects on the future level of well-being ... .... while for the farming occupants in rural areas climatic patterns and rainfall could be the risks, urban dwellers are likely to face risks of unemployment and social exclusion (*ibid*: 11). Therefore, in the face of interactive livelihood capitals, everyone, in a developing country like Nepal, is likely to observe either of these shocks in the course of life cycle. Furthermore, Calvo and Dercon (2008:215) have argued that “the entire poverty analysis so far tends to take place in a world of certainty.” While such a simplified model could serve as a tool for income-based and static poverty analysis, it largely ignores the complex, dynamic and actual socio-economic structural tentacles of human deprivations, namely the livelihood vulnerabilities which not only claim peace of mind and soul, but also lead to a significant dent in human well-beings. The Bank (*ibid*:vii) states that “in order to understanding vulnerability better, more comprehensive studies that analyze the dynamics of income and poverty are imperative”. However, the static monitoring indicators enshrined in the MDGs tend to be

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<sup>10</sup> For detail conceptual, theoretical and philosophical exposition to this issue see Saith (2005, 2007 and 2007a). For empirical cases see Laderchi and *et al* (2002), Stewart and *et al* (2007) and Dasgupta and *et al* (2007).

insufficient for identifying and tracking various forms of vulnerabilities (Saith, 2006:1188). Abbott (2007:208) argues that “we are no more convinced that poverty alleviation can be singularly achieved through economic growth, and that the quantitative information that necessarily goes with this is enough to give it a clear understanding of the complexities of social realities and the truths of the vulnerable lives of those individuals caught up in poverty.” Thus, poverty measurement should mirror poverty as well its vulnerability preponderance.

In contrary to the orthodoxy that the vulnerable account for much fewer than the poor has been challenged by various studies (ILO, 2008b: 15; Saith, 2005 and 2007; Hirway, 2003; Sengupta and et. al, 2008:49). Any small negative shock in their livelihoods easily pulls people below the conventional poverty line. While some people remain in poverty for a long period, others escape it and some others fall into poverty (Bigsten and Shimeles, 2008:2), depending on the nature of their deprivation – “structural or conjunctural” (Hiffe, 1978:1-8). Since the monetary approach does not take into account all the livelihood capitals and the associated vulnerabilities, it appears to be an inadequate measure of human deprivation.

#### ***2.1.4 The Sustainable Livelihoods Approach (SLA)***

Livelihood has been perceived as a means of living, and the capabilities, assets and activities required for it (Carney, 1998 and Chambers and Conway, 1992). Livelihood strategies are the sum of all the different activities that people do in the context of generating their livelihood (Chambers and Conway, 1992), and a livelihood encompasses income, social institutions, gender relations and property rights (Ellis, 1998). Such “assets, the activities, and the access to these (mediated by institutions and social relations) that together determine the living gained by individuals or households” (Ellis, 2000: 10, cited in FAO, 2004:11). Analogously, livelihoods can also be perceived from the asset vulnerability framework (Moser, 1998:1) which includes “well-known tangible assets such as labor and human capital, less familiar productive assets such as housing, and largely invisible intangible assets such as household relations and social capital.” As an asset hexagon, livelihood framework consists of the following six forms of livelihood capital that help sustain life and prevent poverty and vulnerability:

1. Natural Capital: land, water, mineral resources, organic resources;
2. Social Capital: household composition, networks, organised groups, access to institutions, information and markets;
3. Human Capital: health, education, skills and knowledge;
4. Physical Capital: shelter, kitchen, access, sanitation, waste disposal, water supply, drainage, energy, transport, communications, work space, production equipment;
5. Financial Capital: household income, savings, access to credit (Lecture Notes: 4320).

## 6. Political Capital: relation to the state and participation in the governance

Following Chambers and Conway (1992), a livelihood is deemed sustainable if it can cope with and recover from stress and shocks and maintains or enhances its capabilities across time, without eroding resource base and thereby raising vulnerability to future collapse of livelihoods. In the face of these capitals interacting very closely, it is quite reasonable to argue that collapse of any set of livelihood capital is instrumental to the failure of other forms of capital (Biggeri and et. al., 2006:64). Schulz(1999:83, *italics are mine*) argues that in the absence of special provision for distributing income and wealth, people everywhere in the world (*especially the Common People in the developing economies*) are threatened when they are unable to work (*and to find work*) and earn—either temporarily or permanently because of sickness, disability or age (or more generally collapse of any form of livelihood capital).

Households' livelihood outcomes depend on the interaction of four interlinked dimensions: livelihood assets, the vulnerability context, livelihood strategies and transforming structures and processes. First, a household's choice of productive activity depends on its stock of livelihood assets (Masanjala, 2006: 2). The availability and accessibility of different livelihood assets determines the capacities of households to deal with different risks and vulnerabilities. Krishna's (2007:1953) empirical work has demonstrated that, livelihood vulnerabilities such as poor health, marriage/dowry/funeral, high interest private debt, rought/irrigation/croup disease and unproductive land/land exhaustion to be the major causes leading towards descending into poverty. His argument suggests that livelihood failures due to the erosion of livelihood capitals are embedded within the policy and vulnerability context. Hence, SLA is a multi-sectoral approach that allows to taking into account the multidimensionality of factors that determine poverty and livelihood vulnerabilities.

The second element in the framework, the vulnerability context, deals with the risk, susceptibility and likelihood of livelihood collapse due to economic and environmental factors beyond the household's control. Barrientos *et al* (2003:555) argues that “economic adjustment brought about by globalization, changes in labour market conditions, and especially social sector reforms, have adversely affected the livelihoods” of Common People. In this context, vulnerability is generally understood to mean a high degree of exposure to risks, shocks and stresses and proneness to food deficits (Chambers and et. al, 1989) and other socio-economic insecurities that erodes livelihood assets. Although the vulnerability context and the sustainability of livelihood outcomes faced by a household in part depend on the household's livelihood assets, they also depend on overall policy environment, such as public provisioning (see Devereux, 1999).

## 2.2 Policy Frameworks

### 2.2.1 *Social Policy: Targeting versus Universal Socio-economic Security (USES)*

USES is compressed set of state benefits mechanism of protecting livelihoods from risks and maintaining a decent life, and is broader and functional than targeting. It resembles with the broader livelihood approach to poverty measurement and associated policy prescriptions unlike the monetary measure which places the poor in a residual category to ensure the so-called “effective targeting”. As pointed out by Jordan (in Kemshall, 2002: 27) “targeting is as much as about who is excluded from welfare provision as it is about who is included.” Furthermore, Townsend (2002: 11) argues that “categorical benefits should be offered to all.” It is very important to avoid providing support only to the ‘poorest of the poor’ while neglecting the relatively poor”, namely the Common People who face vulnerabilities in their livelihood capitals. According to Frediani (2007:141), socio-economic security means “reducing the vulnerability of the poor to risks such as ill health, economic shocks, and natural disasters” which undermine Common People’s livelihoods in one way or the other. Although it is weakly theorised and lacks agreed conceptual frameworks and terminology (IDS: 2008a), USES means the following set of benefits to all (Karin, 2004:7 and ILO, 2008a: 2-3):

1. Sufficient and regular work or employment	7. Access to housing
2. Sufficient and regular income	8. Access to insurance
3. Assets ownership	9. Education and capacity building
4. Sufficient food and water	10. Organising and leadership
5. Access to health care	11. Self reliance
6. Access to child-care	

In the face of multiple livelihood vulnerabilities, the sustainable livelihoods approach to poverty analysis demands for USES. This is a clear shift from a strictly means-tested – risks-based targeting approach to a more holistic and comprehensive need -based universalizing (Kemshall, 2002: 38). As articulated by Nelson(2006:124): “those middle strata most vulnerable to sliding into poverty in hard times may continue to worry about vulnerability even when objective risks diminish, and they may be particularly interested in programs and policies that reduce risks”, it promotes livelihoods of all sections of society through inclusive universal provisioning policies and programs.

Such “new policies are increasingly concerned with managing hazards, risks, unintended consequences and side-effects brought about by development itself” (Pieterse, 1998: 368). Referring to the psychological

hardships, Lever (2008:75-85) has sought for public policies oriented towards providing support to the ‘most vulnerable’ groups in the population. However, in the face of multiple livelihood vulnerabilities, today’s non-poor and non-vulnerable become tomorrow’s deprived. Indicating at the need for a proactive approach to embarking upon poverty and vulnerability, Krishna (2007:1984) argues that “controlling the generation of new poverty is –or should be - an equally important objective of poverty reduction.” He further argues that targeting both sets of reasons, namely escaping poverty and falling into poverty, is crucial for rapid poverty alleviation. Implicitly, he indicates for a universal approach when he further argues that “targeting people alone will not help.” In perspective, BBC (2008) reports that “a greater number of people in Northern Ireland could face poverty over government plans to cut benefits.” Then, we can very convincingly argue that universal public provisioning is the surest way to tackling poverty and livelihood vulnerabilities.

While there are arguments against the universal provisioning, particularly in terms of financial prudence, there are also positive arguments. Recently, in a breakthrough the Asian Development Bank has viewed that the “ability to provide appropriate social protection to a nation’s citizens is not only a question of the country’s wealth” (ADB, 2008), rather “it is a question of political will” (Bhusal: 2008). Green (2008: 212-14) argues that “the costs of pre-emptive social protection are less than the costs of responding after the crisis” in Common People’s livelihoods. He further argues that “social protection holds the potential to transform the lives of poor people, and ensures a long-term focus on rights.” As a protective base to livelihood, such advantages of protection well exceed the costs in the long-run. He proposes that “an income tax would fund the scheme, so that richer people contribute more, potentially helping to reduce inequality” as well.

A recent report (World Bank, 2008b: Overview) has suggested for “more effective safety nets<sup>11</sup> and redistribution mechanisms to protect people vulnerable from sudden shifts in (*food and fuel*) prices.” Despite its excessive reliance on economic growth, this report acknowledges the fact that “equality of opportunity and a focus on individuals and families, gender inequalities, and economic security” as being “critical to maintaining the support for growth oriented policies” which it claims to “lift many more people out of poverty” (*ibid*). Also, in the face of deteriorating informal support mechanisms (Barrientos, 2003:1), state has the obligation to provide USES. Obviously, then, socio-economic security should be viewed as an “investment”, not merely as a “safety net” (Kidd, 2007, quoted in Dijk, 2007:14).

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<sup>11</sup> Unlike social protection, ideologically, social safety nets are neo-liberal, residual, risk-based, non-rightists and narrowly defined relief-packages to offset short-term liberalization shocks.

As mentioned earlier, at the international level, the Universal Declaration of Human Rights and the International Covenant on Economic Social and Cultural Rights recognize the right USES for everyone's sustainable livelihood. Besides having provision in its constitution, as a party to these conventions, Nepal has an obligation to ensure such provision to its citizens. Nepal's ongoing interim constitution has promised education, health, employment, shelter and food security as the fundamental rights of the masses (Mikesell and Chene, 2008:11) under its directive principles and policies which lack legal binding. The ongoing Interim Plan and other sectoral policies fundamentally lack the understanding of the mechanisms under which USES is likely to tackle rampant poverty and vulnerability in the country. Consequently, possibly, due to the lack of understandings of the working of USES under macroeconomic framework, these sustentative documents mention "targeting or targeted" quite often. A conceptual framework of the working of universalization at macroeconomic level is presented in the preceding sections.

## ***2.2.2 Macroeconomic Policy***

### **2.2.2.1 The Keynesian General Theory of Effective Demand (KGTED)**

Effective demand is an economic principle that suggests consumer needs and desires must be accompanied by purchasing power. Classical economists Adam Smith and David Ricardo embraced Say's Law, suggesting that "supply creates its own demand." However, in challenge of Say's Law (Snowdon and Vane, 2006: 23) or a rejection of uncontrolled laissez-faire, Thomas Malthus, Jean Charles Leonard de Sismondi, and other economists argued that "effective demand" is the foundation of a stable economy. Responding to the Great Depression in the thirties, English economist Keynes (1883-1946) concurred with the latter theory, suggesting that "demand creates its own supply" and criticised the classical views about business cycle<sup>12</sup>. According to him, weak demand results in unplanned accumulation of inventories, leading to diminished production and income, and increased unemployment – a dent in livelihood capitals. In contrary, strong demand results in unplanned reduction of inventories, which tends to increase production, employment, and incomes (Fortin, 2003: 253-60), which induces poverty reduction and prevents livelihood vulnerabilities. Darity and Marriero (1981:456) and Snowdon and Vane (2006:6-8) argue that Keynes's development of aggregate demand and supply apparatus further reveals the continued importance of the functional distribution of income and an active state recognizing that a wage reduction could adversely affect the aggregate demand, leading to poverty and vulnerability. Keynes also considered capitalistic market system "morally objectionable" (Stilwell, 2004:56)

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<sup>12</sup> Short-run fluctuations in GDP.

Following the Great Depression of the 1930s, the Keynesian theoretical bandwagon that government can and should stabilize aggregate economic activity, in his General Theory of Employment, Interest and Money (1936) has profoundly influenced the design of economic and social policies in subsequent years. Pettigrew (1996:28) argues that “Keynes’ most radical break from the past was his remedy of deliberate government deficits for public works and subsidies to afflicted groups.” Although his policy prescriptions lased until late 1960s<sup>13</sup>, his ideas have been resumed again amid the failure of capitalistic<sup>14</sup> unfettered markets. In our analysis, we treat USES as what Keynes connoted “subsidies to afflicted groups.” Then, Townsend’s (2008:xxii) prediction might come true: “economists will be obliged to return to Keynes because of the inherent need to democratically control global market developments and restore marked redistribution of wealth and income, so as to redress poverty and ensure the survival and health of the world’s populations.”

Here, the Keynesian basic economic proposition is that increased government spending, resourced through internal and external measures, on the universal provisioning would boost the purchasing power of the people and thus increase effective aggregate demand. This is the beginning of the virtuous cycle: expanded demand boosts production, creates jobs and expands public revenue, “allowing government to fund social protection” (Green, 2008: 228). Assuming that there is good governance and effective measures to tackle inflation in place, all these activities would lead to a significant reduction in poverty and vulnerability, leading to sustainable livelihood. Also, we assume that government has a selective liberalization policy to protect its infant industries.

#### 2.2.2.2 The Listian Infant Industry Protection Argument (LIIPA)

As a critique to laissez fair, German economist Frederick List recommended to protect infant industries of the late industrializers for the promotion of international trade and export expansion, as a way-out of underdevelopment (Shafaeddin, 2000). He emphasized the importance of trade and envisages free trade as an ultimate aim of all nations. However, in stark contrast to Recardian static comparative advantage (Green, 2008: 187), List’s theory is dynamic, and makes distinction between “universal association” and national interest. He further argues that “competition should in due course be introduced, preceded by planned, gradual and targeted trade liberalization…… and claims that trade policy is an element of “productive power” and industrial development also requires a host of

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<sup>13</sup> Indeed, “the post-war prosperity enjoyed in the advanced economies was assumed to be in large part the direct result of Keynesian stabilization policies” (Snowdon and Vane (2006:6-8), which created state-led effective demand

<sup>14</sup> However, “for Keynes, capitalism was not terminally ill, but unstable. His objective was to modify the rules of the game within the capitalist system in order to preserve and protect it” (ibid: 14).

other socioeconomic measures”, such as the USES (ILO, 2008b: viii). Yunus and Weber (2008) have argued that “globalization…… can bring more benefits to the poor than any alternative. But without proper oversight and guidelines, globalization has the potential to be highly destructive.” What they mean by “proper oversight and guidelines” is meant for a selective liberalization or protection. They further sought for fairer liberalization, and assert that “the strongest takes all must be replaced.”

Furthermore, “there is a widespread view that globalization has led to a fundamental weakening of the political capacity of the governments to tax or to redistribute income or capital and to preserve or increase social protection” (Moore, 2006:263). Again, discrediting the neo-liberal capitalism, Saith (2006:1189) argues that “there is marginal acknowledgement of the role of good trade regime” in the PRSP exercise, and Pieterse (1998: 369) has termed this as “democratic deficits at the international level.” Acknowledging the need for a renegotiation with the donor communities, Bhattarai (in Mikesell and Chene, 2008:11) argues that “the nature of international capital is to twist the arms of the poor countries and poor people.” Moreover, Messkoub (1992:177) argues that free “markets often entail the vulnerability of many people, especially to those who own few resources other than their own labour.” Obviously, Common People fall under Messkoub’s categorisation. Chang (2002:288, Benjamin and Drajem: 2008 and Green, 2008: 188) assert that all now developed countries actively used interventionist trade, industrial and technology policies to change their comparative advantages<sup>15</sup>. They also mesmerize China’s recent spectacular reductions in poverty to the same policy. Hence, “simply pointing to the growth induced by trade and investment openness and the implied aggregate welfare gains will not be enough to make trade acceptable to critics of global integration (Prowse, 2005:13).

Peet (2003:221) further argues that the institutions of neo-classical bent, such as IMF, WB and WTO, impose liberal economic policies on a hundred countries in the world that kill thousands of children every day ………, resulting from deindustrialization, unemployment, livelihood vulnerability, and thus poverty. UNCTAD (2002: 176) argues that the “liberalization package” in the 1980s in the name of Structural Adjustment “even well implemented, have not delivered sustainable growth rates sufficient dent in poverty”, rather it reinforced impoverishment, owing to erosion of employment and social security. Mkandawire (2001:14) warns that such an economic integration “endangers social disintegration as the national level, with distinct possibility of policy reversal towards protectionism.” Houtzager (2003:6) might be right when he contends the liberal view of “reducing poverty through self-organization of poor at the

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<sup>15</sup> “To protect our infant industries, we imposed ferocious tariffs on almost all manufactured goods”, writes a Guardian columnist (Monbiot: 2008).

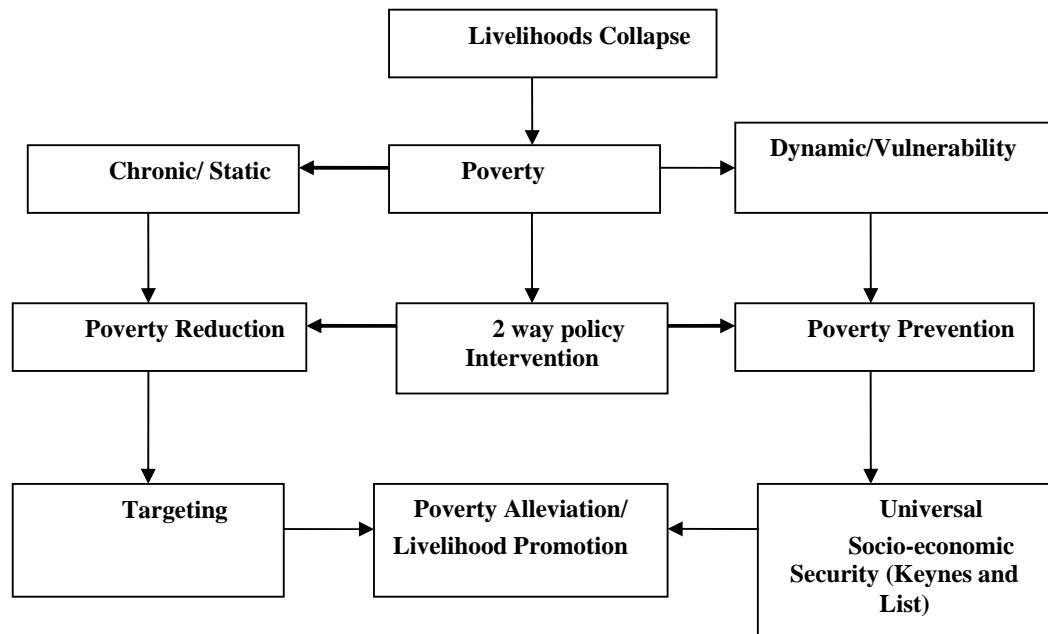
community level is hopelessly naïve” until and unless we correct the forcibly imposed trade liberalization agenda upon the developing economies which still lack to utilize their latent industrial potentials.

Then, if we really engage into any meaningful pro-poor policy exercise, a dramatic revival of the Listian dirigiste argument is inevitable. All the above arguments support this hypothesis, and demand for selective trade liberalization so that poverty and vulnerability are not aggravated. For this, developing economies like Nepal may need sufficient time to develop its domestic productive capacity as argued by List. Acharya and Cohen (2008:4) have concluded that “one of the rich household groups benefits most and the benefit to the poorest household group is only modest. Therefore, some complementary policies deem necessary to make the growth accrued by trade liberalization pro-poor.” Stewart, Lall and Wangwe (1993, cited in Pieterse, 1998:349) have alluded for “import-substitution industrialization and state protection for industry” as alternative development strategies. Bhusal (2008b: 127) also argues for intensifying domestic social policy and countering state’s appetite to haphazard liberation.

### 2.3 Establishing Relationships

The following logical flow diagram summarizes the above discussion.

Figure 1: Logical Flow Diagram



Source: My own Formulation

As can be seen, combining the ideas of Keynes and List provide very powerful argument in favour of USES. The fundamental logic here is that, once Keynesian effective demand is bolstered through the universal provisioning, such demand needs to be meet with domestic products and services so as to ensure poverty alleviation or “livelihoods promotion” (ILO, 2008a:1). In perspective, effective demand and trade protection offset livelihood collapses, and benefit both chronic and vulnerable poor, through its head-on multiplier mechanism. The figure disentangles these intimate inter-relationships, providing us with a coherent and straightforward conceptual and theoretical framework for analyzing the case of Nepal. Also, instead of looking narrowly at poverty from what consumption people have, it provides an alternative outlook to poverty from what crucial livelihood capitals they loose – our job in the next chapter.

## CHAPTER 3

### THE COMMON PEOPLE OF NEPAL: AN EMPIRICAL INVESTIGATION

*“Obstacles to accessing social structures and institutions based on sex, race, ethnicity, origin, religion, health, disability, etc. are insurmountable and impede the promotion of potential of all people” (ILO, 2003: 30).*

This chapter attempts to define and identify the “Common People” of Nepal in terms of their livelihood capitals, and examines their socio-economic characteristics with the view to assessing the multiple faces of deprivation. The Nepalese case is analogous with what Sengupta and *et al* (2008:49) have analyzed for India: “this proportion of the population which can be categorized as the “Common People” is much higher among certain social groups ..... inequality is widening between the Common People and better-off sections of society.” Their estimates demonstrate more than three-fourths of Indians as the Common People. Although Sengupta and *et al* have exclusively used two dollar a day benchmark<sup>16</sup> to assess the extent of deprivations among Indians, we do the same exercise for Nepal, but we employ the sustainable livelihoods approach. Myer (2007: 255) argues that “by critically evaluating the data that support a particular approach, and data that support alternative approaches, evidence can be built up and support gained for your argumentations.” Following him, such an assessment is expected to facilitate the identification of Nepalese Common People. Our investigation employs both quantitative and qualitative information, as “understanding of poverty and poverty reduction requires bridging the gap between disciplines through interdisciplinary approaches that combine qualitative and quantitative methods in measurement and analysis (Addison *et al*, 2008:1).” Indeed, we would be triangulating both types of data from multiple sources to “maintain clear and continuous links between theory, method and interpretation” (Wisker, 2001:275).

#### 3.1 Who are the Common People of Nepal?

Generally, “Common People” is the term designed to capture the conventional poor and vulnerable people who lack at least one form of

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<sup>16</sup> Initially, I also wanted to follow the same methodology and analysis. However, due to the unavailability of reliable gender and ethnicity-disaggregated data this could not be possible.

livelihoods capital, and thus have low level of consumption and assets at their disposal. In the face of SLA, only the monetary yardstick may not capture the true picture of human deprivation, as “much of the middle strata (vulnerable) at any time may have been poor earlier, and may feel vulnerable to sliding into poverty in the future” (Nelson, 2006: 121) due to various shocks (Dercon, 2005:1). In the sense that poverty is strictly a multidimensional and dynamic phenomenon, if we are to loosely define the vulnerable people as having income or consumption level that is more than a dollar a day but less than two dollar a day, almost 37 percent people fall under this criterion in Nepal. Then, combined figure for the poor and vulnerable, and hence the Common People, turns out to be 68 percent. Although this quantitative money-metric measure can guide us to further explore the sections of the population which constitute the Common People and identify their socio-economic profiles, what we mean by Common People is the section of population which lacks at least some sort of livelihood capital, which makes their lives unsustainable or deprived.

### **3.2 Analysis of Livelihoods and Socio-economic Characteristics**

Poverty and vulnerability across gender, caste, geographical location, disability, age, education, employment and consumption are the primary units for this analysis. From an SLA, these analytical units are analogous to various livelihood capitals. Furthermore, in order to provide a dynamic perspective about poverty and vulnerability, we have used the information from two subsequent household surveys and other latest available quantitative and qualitative information. We have also carried out document analysis of Nepal’s various policies which directly bear on poverty issues.

#### ***3.2.1 Gender***

Perhaps, women occupy by far the largest section of the Common People of Nepal, as they lack multiple livelihood capitals. Women account half the population, but they are underrepresented in the country’s socio-economic and political affairs. In terms of education, “a shortage of female teachers, lack of proper training, inadequate delivery of services and indifferent attitudes combine to add to gender inequality” (Corporal: 2008). Only 30 percent women are literate while the overall adult literacy rate is about 57 percent. Although “school participation rates have increased sharply for girls, it remains lower than for boys. For the year 20003-04, the participation rate for girls is 6-10 (73 percent) is lower than that for boys of the same age (85 percent), and for girls 11-15, the participation rate is 67 percent which is lower than 82 percent for the boys CBS (2006:87). However, in 2007, girls’ enrolment in primary schools reached up to 87.4 percent, but this falls when it comes to lower secondary and secondary levels which stood at 49.6 and 32.8 percent,

respectively. In contrast, boys' enrolment stood at 90.7 percent for the primary level, 56.1 percent for lower secondary, and 37.7 percent for the secondary. Also, in many parts of the country sons are still much preferred over daughters who are often considered burdens to the family, and bear the brunt of discriminations. Moreover, many girls are married early, are often sent to public schools while boys are sent to better quality boarding schools (Corporal: 2008), as the boys are expected to feed their parents later. In sum, Nepalese women possess inadequate human capital – many even lack.

The above accounts for the fact that poverty and vulnerability is significantly higher among females than the males. UNDP (2008) reports that “feminisation of poverty is a striking phenomenon”, and “Nepal is one of the few countries in the world where women have a lower life expectancy than men”, a direct reflection of the underprivileged status due to lack of crucial livelihood capitals. FAO (2004:19) and Sinha (2008) attribute food insecurity among women as a reflection of the rigid socio-cultural norms and practices inherent in the patriarchal society. Furthermore, in most castes and ethnic groups, women have both lower status and heavier workloads, depriving them of their social and physical capitals. Women are abused in many spheres. Domestic violence against women starts at womb and remains up to tomb, and it has long been considered a private matter by bystanders - including neighbours, the community and government (Bhatta: 2008). In sum, in rich and poor families alike, physical, sexual and psychological abuse within the family affects an astounding number of women, often making them vulnerable. It is quite ironic to mention here that these abuses and vulnerabilities are not counted in the whole conventional poverty analysis.

However, recently measures have been taken for advancing gender equality and social inclusion. The Interim Constitution 2006 and the ongoing Interim Plan safeguard political representation, citizenship rights, and specific needs of women prominently. The provision of proportional representation in the Interim Constitution for women, Dalits, indigenous ethnic groups, Madhesses and other oppressed groups in state structures was a positive outcome of these advocacy efforts” (ibid). Precisely, the Constituent Assembly (CA<sup>17</sup>)—which is also a legislative-parliament—has been the most inclusive political body in the world that has a fair representation of women<sup>1819</sup>, backward class and indigenous ethnic minority (Retchford, 2008:4). Yet, “Nepalese women are looking for space in a patriarchal legal framework and laws that implicate female

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<sup>17</sup> The CA constitutes of 601 members.

<sup>18</sup> Nepal has outstripped the region as regards to women's participation with its 33 percent CA members, and it ranks 14<sup>th</sup> in the world (Manchanda, 2008:24). India's Loksabha has about 9 percent women members while Finland has 41 percent members.

<sup>19</sup> The CA holds approximately 33 percent women. Though it fails to fulfil righteous 50 percent, it is still the giant stride from previous six percent women in the last elected parliament (Retchford, 2008:4).

participation in politics as women are excluded from the developmental process”, argues a woman CA member (Nepalnews: 2008) who is also a layer. “Although increasing number of women in politics is an encouraging sign, the question of their potentiality remains crucial, their voices might vanish into the shrill voices of males” (Retchford, 2008:4) – deprivation of social and political capitals.

### ***3.2.2 Caste and Ethnicity***

Another section of the Common People comes from the so-called lower castes and ethnic minority section of the population.

“About 20 percent of the 28 million populations have been suffering from age-old socio-economic and political oppressions based on Hindu caste system. The forms of these oppressions are manifold; ‘untouchability’ is the most outrageous one. Although the untouchability and discrimination on the basis of caste were formally abolished by the 1863 Civil Code, by the 1991 Constitution and by the 2006 Untouchability- free Nation parliamentary Declaration, they prevail widely in the Nepalese society” (Nepali: 2008).

Dalits, meaning the oppressed, constitute 13 percent of the total population (CBS, 2001), are excluded from the socio-economic and political mainstream (nepaldalitinfo, 2008; Gellner, 2007:1823; Nepali, 2008; Myer, 2007:256; Lohani, 2008; and FAO, 2004:22), and are one of the most disadvantaged and backward groups (CBS, 2004, cited in Shrestha and Dahal, 2007:1). From time immemorial, Dalits have been engaged in numerous traditional craftsmanship occupations for their subsistence. Recently, coupled with rampant social exclusions, their expertise is fast disappearing due to haphazard liberalization, making them unable to compete in the capitalistic open market. Since “most people in the Dalit caste work as wage labourers for higher-caste farmers” (IFAD: 2007), they are trapped in various patron-client relationships, and lack formal labour contracts. According to the FAO (2004:22) Dalits’ per capita income was just US\$39 in 1991, compared to a national average of US\$210. The share of Dalits with cultivable land is just 1 percent. In 1996, the literacy rate among Dalits was less than 15 percent, compared with 47 percent for upper caste groups and their female literacy was only 3.2 percent. Life expectancy for Dalits is currently estimated at 42 years compared to a national average of 60 years. Alsop (2008:120-39) argues that increase in agency through the accumulation of assets are often associated with changes in gender-based inequalities. Nexus of all these have resulted in negative effect on economic status, livelihoods, participation in public life, caste based discrimination and violation of human rights (Nepali: 2008) – an absence of multiple livelihood capitals.

Owing to limited livelihood assets, Janajatis<sup>20</sup> are also particularly vulnerable to poverty. Many of these households have large food production deficits or are involved in occupations with low and very unstable earnings, which reduce their access to food and other necessities of for a decent life. The incidence of poverty is strikingly higher among ethnic minorities (such as the Limbus, Tamangs, Magars, Tharus and Mushahars) and tribal groups (such as the Chepangs and Raute) than for the population as a whole (ADB, 2002, cited in FAO, 2004:22). Although existing outside the Hindu hierarchical caste-based system, ethnic groups and tribals are also regarded as inferior (though not “untouchable”) by the upper caste and treated in the same way as lower caste Hindus (FAO, 2004: 22) – a significant dent in social capital.

Recently, however, as Manchanda (2008:24) argues, “the CA has been an exceptional rarity in Nepal’s politics; it is truly inclusive and truly representative of the country’s multi-ethnic, multi-linguistic, multi-caste, multi-regional profile<sup>21</sup>.” Gellner (2007:1827) argues that the “role of the Maoist in giving ethnic<sup>22</sup> (and gendered) militancy” behind these achievements. In perspective, the Maoist led government has committed that “all women, Dalits, Muslims, Janajatis, Madhesis and backward people shall be included in all state mechanisms constituting and reforming necessary acts” (Pathak: 2008).

### **3.2.3 Disability**

Disable people constitute another portion of Common People of Nepal, as they lack or face inadequacy of multiple livelihood capitals. Various estimates suggest that about 7-10 percent of the total population face various forms of disability (Panahi, 2008). This data exclusive of disability as a result of the past 10 years conflict (DDP: 2008). “New Era reports that 70.1 percent of the persons with disabilities have stigma and difficulties to live in the community with self-respect, and “their rights to fully participate in society have not been practiced” (Panahi, 2008) - lack of social and other crucial livelihood capitals. Since “disability also significantly impacts the lives of disabled peoples’ family members and communities” (Yale University and World Bank, 2006, cited in Saith, 2006:1187), this exacerbates “structural poverty” (Hiffe, 1987:1-8) and various forms of livelihood vulnerability. In the face of limited socio-economic security, most of the disabled persons (69.3 percent) depend upon support from their family members, but a large number of the disabled lack treatment. Similarly, New Era reports that most of disabled have no education (68.2 percent). The literacy rate is considerably lower for females than males, with 77.7 percent of the females and 59.6 percent of the males deprived of education. The participation of disabled person

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<sup>20</sup> Ethnic minority groups.

<sup>21</sup> The elected body comprises Janajatis – 34 per cent, women – 33 per cent, Madhesi – 20 per cent, dalits – 9 per cent and the Muslims – 3 per cent (ibid).

<sup>22</sup> The Maoists had divided the entire country into nine autonomous regions along ethnic lines (ibid).

in skill training is also negligible. The disabled women face double discriminations, first as a disabled person and second as a woman (*ibid*) - again absence of multiple livelihood capitals.

Recently, there are some positive initiatives in place for the development of disabled people. They are entitled to state disability pension though the amount is marginal compared to their needs. The state and national and international disability organizations have been working in this field and there are now major advances in special education, inclusive education, advocacy, awareness and human rights, even though most of the programs are only limited to urban areas, and disability is still not recognized as part of the development agenda and mainstreaming process. Yet, two disabled people have been elected as CA member and one was nominated by the cabinet (Disabilitynow: 2008).

### ***3.2.4 Geographical Location***

Another part of the Common People comes from remote areas of the country, as they lack crucial physical capital along with others. Poverty and livelihood vulnerabilities are closely related with geographical location in Nepal, as most of the Common People come from remote rural areas of all three ecological regions<sup>23</sup>. Poverty is much more prevalent, intense and severe in rural districts of the mountainous areas, especially in the most remote mid- and far-western hill and mountain districts where local food production sometimes covers just three months of annual household needs. In some cases, due to the rugged terrain and lack of roads, people cannot access food even when they can afford to buy it. Households in some areas face seasonal food shortages every year; conditions of famine are frequently and regularly reported (IFAD, 2007; and UNDP, 2002, cited in CBS, 2006). Sometimes, food shortage compels locals for animal hunting and selling off their fixed assets and household utensils (Nepalnews, 2008), rendering them less resilient to further shocks (Green, 2008: 200).

Table 3 shows a geographically disaggregated monetary poverty profile of Nepal. About 95 percent of the country's total poor live in rural and remote part of the country. While the overall poverty rate for Nepal is 31 per cent, this figure increases to 45 per cent in the Mid-Western region and 41 per cent in the Far-Western region. This apparently suggests that poverty has its rural and geographical characters. IFAD (2007a) reports that "a Maoist rebellion that began in 1996 in these poverty-hit regions later intensified and spread across the country." IFAD further succinctly states that:

"about four fifths of the working population in rural areas depend on subsistence farming for their livelihoods. In these areas household food

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<sup>23</sup> Nepal has three distinct ecological regions: Mountain (Himal), Hill (Pahad) and Plain (Terai).

security and poor nutrition are still major concerns. Most households have little or no access to primary health care, education, clean drinking water and sanitation services. Rural poor people are generally illiterate, have large families, and are landless or have very small landholdings..... The most vulnerable groups are the lowest social castes, indigenous peoples and women.”

Moreover, Tripathi(2008) reports that in Nepal, “15 percent of life’s equivalent healthy years are lost in diseases, many citizens could not get treatment, again due to lack of access to health center”, particularly in these remote rural areas. This implies that inadequate physical capital leads to a deficiency in a number of other livelihood capitals. In the face of these deficits, rural migration has worsened agricultural activities, affecting food production seriously.

### **3.2.5 Age**

Poverty and vulnerability is prevalent among children and elderly people, as they lack human, social and other crucial livelihood capitals, so they constitute another section of the Common People of Nepal. Among broader age groups, 52.8 percent of population is in 15-59 years of age, 39.6 percent below 15 years of age and 7.6 percent 60 years and above” (CBS (2004:19). According to CWIN (2006), “as many as 50 percent of children need to work normally a minimum of 60 hours a week as child labour, often in the worst and most discriminatory jobs, and 48 percent of children are classed as chronically undernourished: poverty in Nepal means that children die from things like diarrhoea, that women don't understand about child birth and that (child) care is terrible.” As a result, “of every 1,000 children born in Nepal, seven die on their first day, an additional 16 by the end of the first week, another 30 by the end of the first month and another 54 by the end of the first year” (Pradhan: 2007). According to UNCEF (2008:121), for 2006, Nepal’s under five mortality rate was 59 per thousand, and it ranked 63rd from below. Over the years, “Nepal’s child healthcare indicators improved in comparison to other South Asian countries (Table 4). However, more than half the Nepalese children are deprived of basic and primary health care services due to resource constraints, despite the recognition that health as a fundamental right of the people is well-recognized” (Singh: 2008).

The elderly people constitute another part of the Common People, as they also face deficits in many of their livelihood assets. They are deprived of many crucial resources. It is stated that traditional family norms and values of supporting them are eroding, so they suffer from the cumulative effects of a lifetime of deprivation in their basic needs(NEPAN, 2002, cited in Shrestha and Dahal, 2007:2; and NPC, NEPAN & ODI, 2007:31, cited in *ibid*: 12) – deficits in a number of livelihood capitals. Most of them depend on their male children for security. Rajan and Palacios (2008:338) argue that “these high co-residence rates and the dearth of information on intra-household allocation of

resources make it difficult to assess the relative income or consumption situation of the elderly.” Although elderly people contribute to the welfare of the family and the society, they lack adequate attention from family, society and the government. On the one hand, due to health facilities and other reasons, their life expectancy is raising, on the other hand, the care, respect and love they deserve is dwindling (Shrestha and Dahal, 2007:3).

Policies to ensuring a sustainable livelihood of children and elderly appear to be insufficient. The government appears to be reluctant to provide universal child benefits, despite frequent recommendation by UNICEF (Mellsop, 2008) and ILO (2008). For the first time, the Ninth Plan (1997-2002) aimed at developing family-based security system, but not on the part of the government. In 1994/5, the then Communist party government introduced a pension scheme for people over 75 years of age, and now they are entitled to NRs. 200 per month. The program also provides NRs. 150 per month for widows over 60 years of age. Indeed, these small, regular payments to the aged have contributed positively to improve their health and social standing. Nevertheless, Shrestha and Satyal (2008:278) conclude that “institutional arrangements catering the needs of the elderly are far fewer than needed”, making poverty and livelihood vulnerability worse.

### ***3.2.6 Education***

Another section of the Common People are those who lack or have inadequate education because it has far-reaching livelihood implications. Although Nepal has made impressive gains in net primary school enrolment, there are nearly 1.3 million children out of school, quality of education in public schools is deteriorating, and children of internally displaced people, dalit and ethnic minorities lack access to education, the crucial human capital. Apparently, for secondary and tertiary education the issue is more prominent. The proportion of population aged 15 years and above that ever attended school was only 46 percent in 2003/04 (CBS, 2006: 2). From a demand perspective, low household income, parental education, caste, intra-household dynamics, and location specific variables are attributed the deficits in school enrolment (Nyyssölä, 2007:1 and Corporal: 2008). Critiquing MDGs as popular hype, Saith (2006:1173) argues that “setting up targets which focus simply on primary level enrolments is so mindlessly myopic as to be near-blind to the needs of education over a medium time-frame” as a way out from poverty and livelihood vulnerability through ensuring human capital. Also, it has been argued that child labour is often hard and hazardous to a child’s physical, mental and moral wellbeing and it is found to perpetuate poverty (Wahba, 2000, cited in Nyyssölä, 2007: 3) and livelihood vulnerability.

From a supply perspective, households with easy access to schools are more likely to enrol their children in schools (ibid: 89). Certainly, increases in access to schooling have reduced disparities by gender, income, caste and geography, but socioeconomic and regional disparities

persist. Saith (2006:1174) argues that “universal primary education and indeed even relative parity in enrolments at higher levels could easily co-exist with fundamental denials of gender equality in many other personal and social domains.” Overall, only 15 percent children enrolled into secondary education in 2003/04 (CBS, 2006: 4). Quality of education in public schools is not at all satisfactory<sup>24</sup>. Lama (2008) argues that “lack of materials<sup>25</sup> is one reason why no headway has been made in increasing the enrolment at the primary and secondary levels.” The average student-teacher ratio for all level of school education is more than 1:30, suggesting an unwilling compromise in quality. In sum, poverty and livelihood vulnerability is widespread due to inadequate or lack of educational assets.

### **3.2.7 Work Participation**

Those not working or under working constitute another part of the Common People of Nepal. In 2003-04 about 87 percent of males and 73 percent of females were working or searching for jobs CBS – a high labour force participation (2006:41). However, unemployment rate is as much as 4.1 percent for men and 3.8 percent for women. Strikingly, the underemployment rates were 15 and 26 percent, respectively for men and women<sup>26</sup> (Table 5). Given the fact that agriculture in Nepal is largely at subsistence level and per capita land holding is small, the table clearly shows that most of the Common People rely either on self-employed or wage-earnings. Also, “natural disasters like floods, landslides and droughts destroy standing crops or seeds, thereby affecting the people’s food stocks year after year” (Jha, 2008b), making their livelihoods vulnerable. Furthermore, the current unequal land ownership situation, farm size and marketing system are the main bottlenecks for any agricultural development programme (Poudel, 2008; and Pokhrel and Thapa, 2007:1). Also, given the vagaries of weather, winter season often remains unfavourable. From the heydays of Structural Adjustment Program, the government appears apathy towards the peasants as it “failed to provide [or discontinued with] subsidy, or create proper market” (Roak, 2008). Coupled with inadequacy of financial capital, this brings a significant dent in various forms of livelihood capital of the Common People.

Unemployed and underemployed Common People face trade-offs between financial and other livelihood assets. It has been reported that “life is plagued by uncertainty to such an extent that each day nearly 600 youth are fleeing the country by air to the third countries in search of employment opportunities, apart from many others who are moving to India for similar purpose, taking advantage of the open border” (Jha, 2008), as “a massive 83 per cent of Nepalese workers do not earn enough to lift themselves and their families above the US\$2 a day” (ILO, 2008).

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<sup>24</sup> For the elites there are expensive private schools as hegemon and seeds of long-term inequality in the country.

<sup>25</sup> In most rural areas textbooks are made available almost halfway of the academic year.

<sup>26</sup> However, a recent CIA web update shows that unemployment rate is 42 percent (CIA, 2008).

The total number of workers going abroad for foreign employment exceeded 1.2 million till 2007/08 (NRB: 2008: 2). The World Bank (2006: i-ii) and the Nepalese government celebrate the increase in remittance inflows<sup>27</sup> as a primary determinant for reducing headcount poverty. Still, there are significant numbers of work-hungry unemployed (many of them joined the Maoist's army in the past) and those in foreign employment face 3Ds (dirty, dangerous and degrading) in their workplaces. Also, due to the existence of capitalistic surplus labour, they are highly vulnerable, and gain some financial capital<sup>28</sup> at the huge costs of their social capital. For both ILO (2003: Preface) and Adam Smith, decent work, as a way out of poverty and livelihood vulnerabilities, is also be a source of status, belonging and approval from others (Arthur, 2008). However, amidst these often underreported stubbornly high unemployment situations, Nepalese workers at home and abroad certainly do not enjoy these privileges. In the face of an inevitable decade long Maoist violence in the country, Green (2008:149) provides subtler livelihood implications of unemployment: “the particular tragedy of youth unemployment is that, like child malnutrition, it leads to life-long harms because it means foregoing the accumulation of on-the-job skills and an employment history that would send positive signals to future employers.”

### ***3.2.8 The Consumption Divide***

Another chunk of the Common People comes from the low consumption groups, as they not only lack adequate physical, financial and human capital in both relative and absolute terms, but they are also relatively deprived in their social capital in the face of raising inequalities. Nepal's real average per capita expenditure grew on average by 42 percent between 1995/06 and 2003/04. However, the increase was greatest for the higher income groups – Gini increased from 34.2 to 41.4 during this period. CBS (2006: iii) further reports that “these patterns of growth were driven by the increasing returns to human and physical assets, but since low income groups lacked these assets, income (and consumption) inequality worsened for this section of the population. Both the ownership of assets and its growth are horribly unequal between rich and poor (CWIN, 2006; UNICEF, 2007: 125; Hrizi, 2008; Neupane, 2008; and The Kathmandu Post, 2008: Editorial)<sup>29</sup>. Indeed, these arguments resonate with the “structural poverty”- poverty due to land shortage, unemployment and low wages – as amply discussed by Hiffe (1987:1-8). Distributional goals as implied by almost all past policies in Nepal are in fact delusory (Blaikie and *et al*, 2000: 87).

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<sup>27</sup> A recent report shows that it has increased to 20 percent of GDP (Ekantipur, 2008).

<sup>28</sup> Indeed, for Marx (1998:25, cited in Richardson, 2007:3), “in a capitalistic system those who work do not gain and those who gain do not work.”

<sup>29</sup> CIA (2008) reports that the “the share is only 2.6 percent for lowest 10 percent households while the highest 10 percent grab about 40 percent. As a result, Gini index is 47.2 (2004).”

The extent of poverty and livelihood vulnerability in term of nutritious food (WFS, 1996, cited in FAO, 2004:9) and various non-food items is evident: about 87 percent of the populations do not have sufficient nutritious food (Table 6)! The livelihood implications are beyond imagination as food sufficiency indicates, determines and promotes many of the livelihood capitals. Theoretically, this also relates to the lack of Keynesian effective demand due to deficiency in purchasing power (Snowdon and Vane (2006: 15). Persisting poverty and faster growth in population than food production have raised the number of hungry people from 19 to 23 percent between 1995 and 2002. Nutritional deficiencies affect more than 40 percent of the population. Also, the global economic slowdown, political instability and an escalation of violence and civil insecurity linked to the insurgency<sup>30</sup>, growing fiscal instability and diminishing export markets have all contributed to threatening consumption and collapsing livelihood capitals of the Common People(FAO, 2003; UNDP, 2002 cited in FAO, 2004:18).

### 3.3 Deprivation: Narrow or Broader Approach

As discussed in the earlier chapters and would be discussed in the subsequent chapters, the way we define and measure poverty has profound stake in anti-poverty policy formulation. Following our investigation, it is imperative to have a brief discussion on the narrow and broader approach to looking at the extent of human deprivation in Nepal.

The narrow mode of inquiry on poverty is inadequate, if not faulty, to articulate the gravity of deprivation in Nepal. It accounts for only those people who can be scaled in some chosen indicators, such as income – 31 percent are reported to be the poor. However, from the preceding investigation, it has been obvious that human deprivation has its many faces in the presence of lack/inadequacy of different forms of livelihood capital. As much the livelihoods are complex so is it difficult to measure and perhaps numerically quantify the extent of often embryonic, dynamic and interacting human deprivations. This validates the contention that the narrow money-metric measurement has been distorting and downsizing human deficiencies in Nepal.

The monetary approach neither cares the potential poor nor recognizes livelihood assets crucial for sustainable well-being and a descent life- it has Cost-of Basic-Needs, but lacks cost of livelihood capitals. From the preceding investigation, those women who are discriminated in their families and societies, those people who are treated as inhuman due to their caste or racial affiliation, those children not

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<sup>30</sup> “Nepal’s history of pervasive poverty and centralised power, with resources in the hands of a narrow elite, has given rise to increasing social tension and the emergence of an armed insurgency during the 1990s” (Oxfam, 2008).

getting education, those with different genres of disabilities, the child labourers, and those who are either unemployed or underemployed and forced either to undertaking 3Ds<sup>31</sup> jobs abroad or take up arms are not credibly accounted in the narrow money-metric measurement.

However, the livelihood approach to poverty accounts for all forms of deficits and vulnerabilities in any of the five livelihood capitals that are prerequisites for human well-being, capabilities and functioning. This approach not only considers money-metric poor (deprived of financial capital), it also includes all those who are likely to slide deeper into poverty due to the absence of any of the livelihood asset. For instance, women who face severe discrimination in their daily worlds, despite having consumption adequacy, are likely to lose their social asset, and thus counted as deprived. Apparently, if we have to assess deprivation from the availability of nutritious food indicator, the non-poor would remain mere 13 percent in Nepal (Table six). This makes it easier to measure prosperity, rather than poverty.

Then, looking from the sustainable livelihood lens, except the tiny elites, everyone in Nepal is poor or vulnerable – Common People. Those children not going to schools, those unemployed and their families, those discriminated women, those excluded lower caste and ethnic people, those elderly who lack their dignity in their worlds, those child labours, those in rural areas, remote places and subsistence agriculture and those in indecent jobs and in civil strife are all deprived in the face of the lack of or inadequacy in crucial livelihood assets. This convincingly implies that it would be meaningful to measure prosperity and rebuff the orthodoxy of poverty measurement since the later is omnipresent in Nepal.

Although, due to disaggregated data and time constraints, we could not quantify the exact number of these Common People, our analysis consequentially suggests that the number well exceeds the money-metric 31 percent. Then, Jha's (2008) unofficial claim of two-thirds and the Bank's \$2 a day estimate of 68 percent may still be underestimated, even in monetary terms.

Measurement provides basis for policy. The next chapter discusses the policy outcome of these two approaches to poverty measurements in order to demonstrate why the narrow approach is unlikely to reduce, prevent and thus alleviate poverty in Nepal - our main research question.

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<sup>31</sup> “Being looked at with suspicion and mistrust has become a way of life for Nepalese migrants” (Bose, 2008).

## CHAPTER 4

### POLICY OUTCOME OF THE TWO APPROACHES

Theoretically, “Targeting” and “Universalizing” are the two fundamental policy outcomes of the narrow and broad approaches to poverty measurement, respectively. According to Mkandawire (2005: iii), “under universalism, the entire population is the beneficiary of social benefits as a basic right, while under targeting, eligibility to social benefits involves some kind of means-testing to determine the truly deserving.” The preceding chapter empirically demonstrated that, from the sustainable livelihoods perspective, the extent of human deprivation in Nepal is much more extensive and intensive than that based on the narrow approach. In rhetoric, public policies have been increasingly sought to be formulated based on the evidence. However, Mayer (2007:255) argues that “supplying what you may consider compelling evidence for a particular policy position may not be widely agreed, even in a climate where the rhetoric is one of evidence-based decision making.” Following these assertions, this chapter outlines the policy outcome – targeting and universalizing - of the two approaches in the context of Nepal. Also, we provide arguments that are against targeting and in favour of universalizing, as a potent means to fighting poverty and livelihood vulnerabilities. In doing so, we would review Nepal’s fundamental anti-poverty policies and argue that, in the face of multiple vulnerabilities in people’s livelihoods, Nepal’s targeting policy, coupled with haphazard liberalization, has been drowning out the USES to its Common People.

#### 4.1 Targeting

The mainstream neo-liberals, wearing the ‘Adam Smith Club’ tie (Stilwell, 2004:62), have been insisting that the apostle of poverty reduction should be targeting, as “ it makes poverty alleviation measures more effective, and its maintains or decreases social spending” (Dutrey, 2007:iii) In other words, this approach is meshed within the neo-liberal strategic and policy framework, often backed by positivists’ squeamish of number crunching. This idea was brought and launched at a time the industrialized world was sufficiently developed and “their social security reached its apogee” (Ghai, 2001, cited in Townsand, 2002:17). Then, the usual process is to provide the identified poor with some means-tested and residual benefits, never as citizen’s entitlements, but as charity – an outright debasement of anti-poverty effort and a sheer negligence of many faces of poverty and vulnerabilities in the livelihood assets.

Targeting has so many inherent problems. It invites havoc, rather than harmony. Saith (2007:1) argues that it “excludes many of the poor from their rightful entitlements.” It cuts down protective social benefits, and is

“much less ambitious in its scope and aspirations with regards to the broader and deeper dimensions of emancipatory development” (ibid, 2006:1170). He further argues it “invites misuse and manipulation of statistics and the misrepresentation of outcomes” of anti-poverty policies and programs. Furthermore, Oorschot (1999 in Townsend, 2002:10) argues that the monetarist “means-tested policies are poor in coverage, administratively expensive and complex, provoke social divisions, and are difficult to square with incentives into work, and tends to discourage forms of saving.” Providing dismal lessons from India, Green (2008:215) opines that targeted “resources are frequently captured by the more powerful members of a community.” He concludes that “targeting easily identified people (elderly, pregnant women, children) is more successful than means-testing populations to establish who is poor.” Due to the presence of these problems, Dutrey (2007: 8) concludes that targeting schemes suffer from under coverage, leakage, and the probability of such programs being regressive. This is because both under coverage and leakage invite social instability, jealousy, arbitrary treatment, patron-client relationships, rent seeking and corruption (Mkandawire (2005:12). He further argues that “....where poverty is rampant and institutions are weak, what may be wrong is not the lack of appropriate data but targeting per se (pp 16).

With the beginning of planned development in Nepal in the 1950s, the policy of targeting headed off. However, the ongoing Interim Plan (2007-2010) amply examines that:

“policies followed in the past, failed to address the structural problems of the economy like inequitable access to productive resources and means, distributional conflict and shortfalls in good governance. Expected improvements could not be realized in the economic and social conditions of women, Dalits, Adibasi Janajati, Madhesis, Muslim community, and the residents of the Karnali zone<sup>32</sup>. Such a situation urged conflicts and provided additional energy to it” (NPC: 2007:1).

In the past, various targeting options were implemented, such as diversified rural development interventions. However, observing the pervasive poverty and livelihood vulnerabilities in the country, the plan further states that “the historic struggles of the Nepalese people and the latest movement have directed the country towards a new vision in order to enhance social and economic development with inclusion covering women, Dalits, Adibasi Janajatis, Muslims and the people with disabilities” (ibid).

Yet, such a development reorientation is largely relies on the narrow targeting approach. The state still identifies poor, instead of kick-starting a broader and more encompassing approach to poverty and livelihood

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<sup>32</sup> The most remote part of the country.

vulnerability: the USES. The plan outlines that “the past experiences show that the objective of poverty alleviation might not be achieved even if the overall economic indicators remain positive.” Based on this reality, the Tenth Plan (2002-2007) divided poverty into mainly three categories – income, human and social exclusion. However, the hype of neo-liberal targeting is still evident when the so-called Poverty Alleviation Fund (PAF), supported largely by the Bank, states that it “is a target program for poor” (Yadav, 2008). This brings to the fore Nepal’s complicit and non-haggling alliance with the neo-liberal ideology of targeting propagated by the Bank. Indeed, the Bank has made its position very clear in its 1990 Poverty Report. It states that “A comprehensive approach to poverty reduction … calls for a program of well-targeted transfers and safety nets as an essential complement to the basic strategy (World Bank, 1990:3).

However, amidst pervasive poverty footprints, policies that only target the poor are not likely to combat poverty and promote livelihoods in Nepal. Providing examples of Cuba, Kerale, Sri Lanka and a range of former Soviet-block countries’ success cases in social and human development, Saith (2006:1175) argues that, under the policy of targeting, “at programming level, officials might decide to allocate resources to those closest to the poverty line, rather than to the poorest ……… further, expenditures could be switched from non-targeted items to the targeted items.” Although we do not have sufficient evidence to claim this situation in Nepal in the past, in the face of the failure of previous plans, we can reasonably argue that such has been the case. As a result, whatever have been reported in the government documents as “achievements in headcount poverty” was only the graduation of the poor who were just below the poverty line. There is compelling reason to argue that whether they could also have graduated without such targeted government interventions? Indeed, in our analysis based on the livelihood capitals, we demonstrated that the Common People are everywhere, and this was the clear insufficient and negative outcome of past targeting policies in Nepal.

This necessitates the inclusion of the vulnerable people if poverty analysis and anti-poverty policies have to work realistically. However, neither the dominant neo-liberal official money metric measurement nor standardized cross-country measures of poverty necessarily – or even probably – take into account (Nelson, 2003:121) the all-pervasive livelihood vulnerabilities. Indeed, the people above the conventional poverty line may not be that desperate as the ones below the poverty line, but poverty dynamics, in the face of livelihood vulnerabilities, makes us reflect on the shared concerns of both the poor and the vulnerable. Although Common People are likely to be highly heterogeneous, we assume that there are also homogenous attitudes, socio-political relations and behaviours between the poor and the non-poor people, having profound implications for designing need-based or universal socio-economic anti-poverty policies instead of narrowly targeting or risk-based policies.

The plan (NPC, 2007:11) claims that, with the past targeting policies, poverty reduced by 11 percent in the last ten years, but the reduction was not coincided with equality. The Gini-coefficient has increased from 0.34 to 0.41. This suggests that absolute poverty reduced, but relative poverty increased, a dent in social capital. Thought improving over the years, the concerns of the women, dalits, janajatis, children, elderly, people living in the rural areas and remote places and unemployed, which constitute almost all the population the country, were-taken-for granted due to targeting policy. Obviously, this was because the narrow targeting policy was too much pre-occupied with absolute poverty line, and almost reluctant to prosperity line. Consequently, policies that narrowly target the poor is just like throwing out water form a boat that has a hole from which water continues to come in. Concretely, poverty alleviation has two enmeshed and interactive components: poverty reduction (static) and poverty prevention (dynamic), but targeting can only reduce the number of poor, not prevent them falling into it. Stating that “a falling tide operates alongside a rising tide”, Krishna (2007:1974) empirically demonstrates that “large numbers of people are escaping from poverty at any given time, but large numbers are also falling into simultaneously”, owing to various livelihood vulnerabilities. Hence, a major policy reorientation towards universalization can prevent a number of hazards turning into disasters, and ensure the Common People to cope and rebuild their livelihoods.

In sum, it can be argued that “targeting” may work best once basic socio-economic security is “universalized”, but targeting as a first step would be a superficial way to promote livelihoods and contain poverty in Nepal. This is because this neither can cost effectively and appropriately target the poor nor is politically sustainable and effective in the presence of weak institutions which invite both inclusion (under-coverage) and exclusion (leakage) errors (Dutrey, 2007: iii -1) in a developing economy like Nepal. It appears that targeting can complement non-targeting, but never replaces universalism.

## 4.2 Universalizing

The second and non-conventional byway to climbing up poverty and livelihood vulnerability is to universalize socio-economic security. In the face of pervasive poverty and multiple livelihood vulnerabilities, a sustainable way of both reducing poverty and preventing it is to universalize socio-economic security. More lately, such a system was widely practiced in the 1960s and 1970s. However, a number of internal and external circumstances have led to the crisis of universalism since the late 1970s all over the world. Whereas the World Bank led shift in development theory has been coined as external factor, economic mismanagement, bureaucratization and corruption have been listed as internal factors for such an ideological shift (Dutrey, 2007:1 and

Mkandawire, 2005:1) towards small government<sup>33</sup>. Nepal has also followed this ideological course and reversed many of its earlier welfare state measures. In contrast, “providing human security to its citizens is one of the primary duties of a state. In contemporary world politics, state’s security will not be regarded as complete without incorporating concerns of individuals, which make them insecure in daily life. These are economic security, food security, health security, environment security, personal security, community security, and political security” (Tripathi, 2008). Tripathi’s terminologies coincide with the livelihood assets we have stated in chapter two. Green (2008:216) summarizes this discussion thus:

Social protection epitomizes the human security approach, offering a practical and effective way to reduce chronic vulnerability, tackle poverty and inequality, bridge the gap between ‘emergencies’ and ‘development’, and nourish the relationship of rights and responsibilities between citizens and the states that lies at the heart of development.

One of the major arguments against the policy of universalization of socio-economic security is its costs implication. Indeed, such provisioning entails a lot of costs on the part of the state, and a poor country like Nepal might not be able to sustain it. However, instead of narrowly looking at poverty line, if we objectively look at the prosperity line – Nepal’s Gini coefficient suggests that there is a genuine prosperity line –resources could be accumulated to meeting the costs of universalizing. The costs associated with the identification of a poverty line and the constant administration of targeting regime are clearly higher<sup>34</sup>, than that required for identifying a prosperity line and better administrating the tax.

If we can mainstream the concept of prosperity line for effective tax administration, the critics of USES would no more criticise the USES as not being redistributive<sup>35</sup>. As growing inequality induces socio-economic instability –Nepal could afford to buy guns when the country was undergoing a civil war, primarily due to widespread poverty and livelihood vulnerabilities – the state may opt for an egalitarian, stable and a peaceful society through redistribution of its incomes and assets – Saith (2007:272) calls it “top slab direct taxation”- and universalize socio-economic security. Also, Prasad (2008:4) estimates that the magnitude of

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<sup>33</sup> “It is this neo-liberal ideological position that has set the limits on social policy and underpins the preferences for ‘user fees’, means-testing, market delivery of social services or partnerships in their delivery” (Mkandawire (2005:1).

<sup>34</sup> Indeed, “the ongoing need to identify the poor, using different methods and more often a combination of methods, is costly, time consuming and requires continuous administrative capacity. Accurate identification of the poor, minimizing the under coverage among the poor and controlling leakage..... an implementing well-developed fraud control often ends up being a very expensive process”(Dutrey, 2007: 8).

<sup>35</sup> See Rothstein (2001) for detail on how the combination of universalism and progressive taxation equalizes income of different groups in the society.

black economy in Nepal is around 30-40 percent of the GDP, and can be justified on the basis of the ‘Corruption Perception Index’ developed by Transparency International in which Nepal has been indexed among the worst countries. However, ILO (2008a:10) estimates that the costs for overall basic social protection would be less than 8 percent of the GDP for Nepal. This implies that there are resources for corruption<sup>36</sup>, but not for serving the people’s right to USES and creating a welfare state. Also, it has been argued that “welfare state served capitalist interest in the long-term-ensuring a healthy workforce with the requisite skills; ensuring the high levels of consumer spending on which the economy depends; and the contributing to the ‘legitimization’ process, which prevents any fundamental challenge to the prevailing socioeconomic system” (Stilwell, 2004:223). Hence, a commitment to USES led welfare state is also one step towards corruption control, promotion of an equal society and avoiding conflicts and ultimately purchasing the foreign guns.

These arguments not only question the mainstream calculation of costs of universalization but also the long-term costs of not universalizing. ILO (2008a:2) further argues that, “the net costs of early investments in social security benefits may even become zero or negative, because the fiscal costs might be offset by positive economic returns and the enhanced productivity of a better educated, healthier and better nourished workforce” which promotes livelihood in the long-run. For instance, in the lack of USES, “among children, poverty and malnutrition damage health, reduce body weight and intelligence, resulting in lower productivity in adulthood, a high tax for a country to pay, argues the ILO (ibid). Then, the question is not only inadequate resources, but is of political will (ADB, 2006), management and the ability to articulate these long-term benefits. Know (1998:42) also argues that “the uncertainties of life and the need to safeguard against them are of greater importance than short term calculations of costs and benefits<sup>37</sup>.”

Additionally, international support<sup>38</sup>, at least for transitory period, can also be mobilized (ILO, ibid: 4) to establish a genuine USES mechanism in Nepal. In perspective, ILO’s recent research has shown that “basic social security can be afforded by virtually all countries” (ILO, 2008: vii), leading to a sustained reduction in poverty as aimed in the MDGs (ibid, 2008a: 15). Indeed, various forms of exclusions do not incur any direct financial help – a major change in personal and group attitude is likely to do it all. Furthermore, various comparative studies (Cronia and Stewart, 1993; and Smith and Subbarao, 2003, cited in Dutrey, 2007: 9) have demonstrated that the administrative costs of means-tested provision

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<sup>36</sup> “Almost half of money allocated to development actually ends up in private pockets” (Shah, 2008).

<sup>37</sup> The ILO (2008:15) micro-simulation study for Tanzania suggests that a combination of a universal old-age pension and child benefits is likely to cut poverty rate by 30 percent.

<sup>38</sup> “Asylum-seeking, etc. are often provoked by the lack of opportunities and attention to social rights and social protection within certain countries” (ILO, 2003:15).

have always been more than double than that required for universalization. Additionally, it is reasonable to argue that the institutional mechanism necessary for effective targeting always remains weaker in comparison to the financial viability for USES. Indeed, financial resources can be granted or borrowed externally, but institutional mechanism often needs to be evolved internally.

Universalization promotes livelihood, equity and growth. Terming such an arrangement as an “alternative strategic perspective”, Saith (2007:272) argues that such mechanism would be “inclusive and universalistic in their imagination, ideology and design”, and it would transform the “welfare beneficiaries into rights claimants.” He further argues that “this would also mean widening the frame of reference to include all sections of society at the risk of sliding into poverty, instead of going exclusive in the other, donor-driven, direction of limiting the field of vision only to the chronically poor.” In sum, such universalization ensures people’s rights, peace, stability<sup>39</sup> and social cohesion, avoids stigma, is less vulnerable to attrition, easy in terms of determining and enforcing eligible criteria, is compatible with social solidarity, delivers much faster poverty alleviation, and facilitates structural changes than the ones expected from targeting (Nelson, 2006:126-127; Green, 2008:216; ILO, 2008a:1; ILO, 2003:1; ILO, 2008b:vii; FEG Consulting, 2008; IDS, 2008; and Calvo, 2008:1014).

Indeed, all these result into the creation of Keynesian effective demand, and thus an upward mobility of economic dynamism. Know (2005, cited in Dutrey, 2007: 15-16) has argued that the “recent rapid reduction of poverty in many advanced developmental welfare states in East Asia has been accompanied by a universalization of social services.” Besides, USES, as a social policy instrument, should not only be looked narrowly as a tool for poverty reduction. Mkandawire (2005:7) illustrates that “historically, social policy has been conditioned by a wide range of considerations, including citizenship, nation-building, judgements on the sources of poverty and the conduct of the poor, faith in the efficacy of market, political ideologies, theories of human behaviour, bureaucratic capacities, overall economic strategies, and international pressures and considerations.” Hence, the determinants and consequences of the USES are as many as it has the wider benefits to individuals, countries and the international community as a whole.

Mellsop (2008), in his capacity as the representative of UNICEF Nepal, provides even more subtle arguments:

A universal approach should be promoted, because singling out specific groups, individuals or households as beneficiaries of such schemes could produce an unintended impact of reinforcing social tensions and divisions. In an approach where only some groups of the population are “targeted” as beneficiaries, they may feel “labelled” or

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<sup>39</sup> “In Malawi, farmers rejected the targeting of subsidized farm inputs” (Green, *ibid*).

stigmatised and refrain from applying for the benefit. Having a payment that reaches every single household with children<sup>40</sup> could signal a unifying, post-conflict move towards social inclusion.

However, except some means-tested basic services, like public primary education, basic health care<sup>41</sup> and tiny amount of allowance<sup>42</sup> for the elderly, disableds and widows, Nepal badly lacks such universal provisioning, which leads to collapse in livelihoods of the Common People. These silver lines are also not genuinely motivated by the right-based ideology of promoting livelihoods, rather they were deliberately intended either amidst political motives or as a joyous philanthropic activity. Ironically, bureaucrats, police, army and teachers, as “agents” (Saith, 2007: 272) of the Common People, are entitled to public pensions and other amenities while the principles are largely deprived of them. What is striking is that there are separate specialized hospitals<sup>43</sup> and schools for these agents while many principles often can not access even basic health and education facilities as discussed in chapter three. In fact, such practices also deplete public funds and create market disincentives, if the proponents of targeting have to go for a reality-check.

From the above theoretical and empirical discussion it has been clear that untargeted intervention is far better option than the usual targeting to effective curtailing poverty and vulnerability in Nepal and elsewhere. However, critiques have argued for more pragmatic approach to develop effective method of antipoverty interventions. They appears to be unsatisfied with both Indian type self-targeted universal employment guarantee scheme (Imai, 2004:1 and Dutrey, 2007: 9) which is reported to be very stigmatizing<sup>44</sup> (Mkandawire, 2005:1) to African and Latin American costly but unsuccessful sharply targeted interventions (Dutrey, 2007:1-16). In the case of Nepal, following the global ideological shift in the 1980s, the publicly reported logic for targeting appears to be resource constraint, but it is the underlying ideological inclination towards neo-classical free market economics. As a consequence, in practice all antipoverty interventions are clearly insufficient, inadequate, ineffective,

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<sup>40</sup> This should equally apply to all sections of the Common People identified in the chapter two.

<sup>41</sup> In most of the public health outlets, the availability of health personnel and medicine is often rare.

<sup>42</sup> The current payment range form NRs. 100 to 250 (US\$1.5 to 3.5) per month per person.

<sup>43</sup> In a row, a civil servants’ hospital is recently constructed in Kathmandu.

<sup>44</sup> Recently, the government of Nepal has proposed to open the fair price shops targeting the poor. In a critic, this author has challenged that “how would your rich next door neighbour perceive you after you get a poverty certificate from the state, and started your shopping in the fair price shops whereas your neighbour feels uncomfortable buying in these shops?” (Bhusal, 2008c). This issue is also discussed in more detail in Imai (2004) and Sen (1995).

and largely targeted, and only sometime lies somewhere in between<sup>45</sup> universalism and targeting as the government changes.

ILO (2008, cited in THT, 2008) succinctly argues that, in Nepal, “the lack of social security and social stability have risk to sustainable economic growth and development.” A critical interrogation of Nepal’s development policies suggests that, the socio-economic security is primarily means-tested, residual, and ideologically neo-liberal (NPC, 2007 and PAF, 2008) – a gross violation of the International Human Rights obligations and a compromise in people’s sustainable livelihoods. However, both historically and empirically, it has been observed that (Skocpol, 1990, cited in Mkandawire, 2005:17) “in the more successful countries, overall social policy itself has been universalistic, and targeting has been used as simply one instrument for making universalism effective; this is what Teda Skocpol has referred as targeting within universalism.” Obviously, only an active and proactive state can carry out this. Such a state is discussed in the next section.

### 4.3 Policies in Nepal: State (Keynes and List) versus Market (Orthodox)

Nepal is one of the poorest economies of the world. Agriculture provides livelihoods for three-fourths of the population, and accounts for 38 percent of the GDP. Industry and services account for 20 and 42 percent, respectively. Nepal has considerable scope for exploiting its potential in hydropower and tourism (CIA: 2008). For the year 2007, the estimated GDP (purchasing power parity) was \$30.66 billion (exchange rate \$9.627). The real growth rate of GDP was estimated to be 2.5 percent, and GDP per capita (PPP) was \$1,100 (\$470, exchange rate). Nepal is home to 28.9 million (July 2007 est.) people. The agriculture is basically for minimum livelihoods, trade balance<sup>46</sup> is almost always negative, and service sector has been booming over the years (CBS, 2007:2-11). In terms of resource possession, Nepal is one of the most unequal countries in Asia.

Following “radical” free market economy in the early 1990s, recently, Nepal has been celebrated as the “most liberalized economy” in South Asia by the proponents of neo-liberalism. The ongoing Interim Plan (2007-2010) consists of a number of objectives, often contradictory. For instance, one objective is “by adopting a market economy, in general, the policy of welfare-oriented economic development through government, cooperatives and the private sector, will be followed” (NPC, 2007:29).

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<sup>45</sup> Mkandawire (2005:1) has stated that policy regime tend to lie in between the two extreme in a continuum.

<sup>46</sup> Nepal's trade deficit with India alone has reached Rs 105 billion in 2007/08, widened by 42 percent (NRB, 2008:4).

Again, under the same section, it states that “education, health and employment will be more forward, as rights-based development programs.” Obviously, this is an uncomfortable mixture of state and private sector, and this is unlikely to meeting the needs of the Common People. The fundamental ideology is liberalization, but to pay lip service it somehow mentions “right-based development.” As a result of liberalization in the 1990s, many state industries have been privatized at a very marginal price, and later closed down. This perpetuated the already in place vicious circle of unemployment, livelihood vulnerability and poverty.

In the absence of comprehensive socio-economic security against the revenue (especially trade tax or tariffs) and job loosing liberalization shocks, a Maoist’s rebellion was inevitable in 1996. Many of such marketized youths had no alternatives than joining the Maoist’s led “People’s War” in 1996, and others, both skilled and unskilled, have been leaving the country in search of often cited 3Ds foreign jobs. We could not find any systematic studies unpacking these historical relationships, but further research would confirm that Maoist insurgency and liberalization were not unrelated. And the then government spent money on foreign arms and weaponry to combat the Maoists, but such a military strategy proved to be unsuccessful. What this implies is the political and social non-sustainability<sup>47</sup> of liberalization and its handmaiden targeting. Also, these arguments are consistent with the findings of an International Monetary Fund study (Baunsgaard and Keen, 2004, cited in Mkandawire (2005:3) which covered 125 countries over the period 1975-2000. The study has shown that while the rich countries easily recovered their trade taxes, middle-income economies could recover only 35-55 percent of it, but low income countries recovered nothing. Essentially, they gathered an unsatisfied mass, as Nepal did. Blanton and Clair (2008:599) conclude that “globalization, which connotes an increased exposure to marketplace, increases the relevance of the “costs” that this “audience” may impose. These prospective costs thus encourage peace and stability, as states that are integrated into the global economy have more to lose by instigating and sustaining violent conflict within their borders.” This is the reality majority of the Nepalese have been undesirably facing in the post liberalization regime.

However, instead of creating the “Keynesian Effective Demand” through USES and reviving the “Listian Infant Industry Protection Argument”, policy makers celebrate the 20 percent contribution of remittance to the GDP. It appears that their neo liberal attachment has made them quite reluctant to reflect on why people go for foreign jobs, how they make money there and at what costs. Precisely, “what happens if

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<sup>47</sup> “The strong support for the universal child allowance in Sweden demonstrates how social programs benefiting all social actors can make a program politically sustainable” (Korpi and Palme, 1998, Hort 2001, Kangas and Palme, cited in Dutrey, (2007: 8).

we produce all that we need with our people<sup>48</sup>” (Bhusal: 2008)? Indeed, following Chang’s arguments, in most of the cases today’s developed economies pursued efficiency only after self-sufficiency for their rapid industrial development. However, the interim plan reports that “there has been a slight decrease in the contributions from industry” (NPC, 2007:3), and for the fiscal year 2007/08, “the most pessimistic development came from the manufacturing” (Khanel, 2008) and trade sector due to cut throat international competition, making Common People’s livelihoods vulnerable (Messkoub, 1992: 177), in the absence of USES measures which can address three basic principles of entitlement : needs, rights and citizenships (Mkandawire (2008:2), and thus both prevent and cure poverty and vulnerability in Nepalese Common People’s livelihoods.

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<sup>48</sup> Ecological footprint suggests that transportation contributes to global warming (Gopakumar, 2008), making livelihood vulnerable.

# CHAPTER 5

## CONCLUSIONS AND POLICY IMPLICATIONS

### 5.1 Conclusions

The ‘Common People’ of Nepal are not only those tagged as poor in terms of money-metric measurement, but they are also man and women who are vulnerable to sliding into poverty due to insufficiency and/or absence of different forms of livelihood capitals<sup>49</sup>. Although we could not quantify the exact number due to the unavailability of comprehensive and disaggregated information, this number is well above the conventional number calculated employing the money-metric approach. This is because majority of the people are vulnerable, deprived, excluded and suppressed alone gender, caste, ethnic, geographical location, education, land holding, consumption, employment, and many more in terms of their socio-economic status.

Aligning with the neo-liberal approach, the money-metric measure has been distorting and downsizing the extent of human deprivation in Nepal. In Nepal, where one-third of the populations earn their livings through subsistence agriculture and allied activities, which has adopted neo-liberal policy prescriptions, and where unemployment and underemployment are generalized phenomenon, virtually everyone is either poor or vulnerable given the vagaries of weather, unproductive domestic manufacturing sector, politico-administrative corruption and unequal terms of international trade. In the first place, such measurement identifies the poor with narrow and often arbitrary indicators coupled with myriad methodological limitations. Subsequently, the equally narrow targeting as its policy prescription, deliberately refrain many people from the anti-poverty policy catchments.

Poverty alleviation in Nepal has been understood in terms of poverty reduction only; poverty prevention appears not be in the policy agenda. Focusing on the identified monetary poor suggests that the whole effort is targeted only to the chronic poor, leaving completely out the vulnerable. In the face of our sustainable livelihoods framework, vulnerability appears in the inadequacy or absence of various livelihood assets. Perhaps, almost all people of Nepal, except the tiny elites, lack at least one of the livelihood capitals, so it is necessary and desirable to include the vulnerabilities of livelihood capitals under the broader definition of poverty.

Appreciably, the residual benefits, such as the marginal pension to the elderly, widows and disabled, though politically motivated, shows light coming at the end of the tunnel, but an ideological re-centering is lacking.

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<sup>49</sup> Our “conclusions follow clearly from the data” to ensure a coherent structure (Wisker, 2001:276).

Indeed, there is no trade-off between economic and social goals: equity reinforces growth, and the costs of no socio-economic security clearly exceed the costs of such security. However, such an understanding largely appears to be lacking in Nepal. Whatever residual socio-economic security has been provided to the people, ideologically, they have been treated as welfare beneficiaries, not as the rights claimants.

Haphazard liberalization and its close ally targeting have negatively affected the Common People's livelihood in Nepal. While there is big celebration on being Nepal as the most liberalized economy in South Asia, the costs of liberalization are non-negligible. As a result, many of the domestic industries have been closed down, giving rise to a huge mass of unemployed people. Many of them have been leaving the country for 3Ds jobs, and others have been challenging the socio-economic stability in the country. All these has brought further dent in Common People's livelihood.

## 5.2 Policy Implications

The preceding conclusions suggest that the existing “targeted” government policies, based on the poverty line approach, are insufficient to effectively addressing the problem of poverty and vulnerability in Nepalese Common People's livelihood.

This situation demands for three new policy orientations. First, the conventional money-metric measurement should be replaced with broader approach, encompassing the concept of livelihood capitals and their associated vulnerabilities. Provided with the disaggregated information, further academic inquiry should embark upon quantifying the number of people who lack or face inadequacies in such assets.

Second, looking from the livelihoods lens, Nepal's existing targeting policy needs to be squeezed out by the broader policy of USES. Concretely, poverty reduction policies and programs must be designed not only for the people below the poverty line, but it should also encompass those who are vulnerable to fall into poverty. Instead of existing scattered and residual policies on social provisioning, there is an acute need for a comprehensive rights and entitlement-based legal framework, namely a USES Act, in Nepal. The existing lack of understandings of the affordability of universalization and the benefits of investing in people must have to be overcome. In a nutshell, following today's developed economies, market's invisible hand must be replaced with state's visible hand.

Identifying a prosperity line is more meaningful than a poverty line. The rich should be made responsible to solving the problem through their tax contribution, and this is the mechanism that helps rich to become richer without making the poor poorer. This is because

social cohesion through redistribution ensures general peace and stability in the socio-economic system which benefits everyone, including the wealthy. This situation calls for equitable income redistributing taxation policy to meet the cost of USES. Further research could embark on tracking the detail cost implications of USES in Nepal.

The money metric measurement and its subsequent policy prescription of targeting are designed to propagate the ideology of neo-liberal capitalism. In the face of current inadequate social security system, ILO (2008) has recommended for a number of USES measures, such as the introduction of a new social insurance, unemployment benefit scheme, improvements of tax-financed benefits for the elderly and universal child benefits. These recommendations should be translated into practice<sup>50</sup>.

However, last but not the least, it is equally important to mention here that while such an institutional mechanism would ensure more government expenditures on pro-poor and pro-vulnerable socio-economic security, there is a need to be more selective to the adoption of ill-advised open-economic policies. This is because, if the increased purchasing power of the domestic population is not coupled with the spending on domestic products, more public expenditure would not raise domestic output and employment.

The Keynesian effective demand created through increased public spending on the USES should promote domestic production and employment which should be the main thrust for tackling vulnerability and poverty. This argument resembles with the argument advanced by Townsend (2002:11): “the regeneration of public sector lies at the core of anti-poverty planning and future plans for the welfare state in general”. This implies that the conventional categorization of knowledge about unfettered neo-liberal capitalism has to be shaken up in the first place. Explicitly, Nepal badly needs to protect her citizens from haphazard liberalization<sup>51</sup>. Hence, a dramatic revival of Keynesian effective demand through USES and Listian Infant Industry Protection Argument through selective liberalization is crucial, if poverty has to be reduced, prevented and virtually abolished.

Finally, in order to effectively universalize socio-economic security for the Common People of Nepal, there need to be a happy “marriage between academic research and activism” (Abbott, 2007:216). Indeed, through newspapers columns, we (Bhusal, 2006-2008) have been active in this issue in connection to Nepal’s development policies and practices<sup>52</sup>.

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<sup>50</sup> Recently, the Maoist led government has initiated these measures through its annual programs and budget 2008/09.

<sup>51</sup> “A Global Social Floor is indispensable to ensure a social dimension to globalization” (ILO, 2008:1).

<sup>52</sup> Good research should “connect theory and practice” (Wisker, 2001:276).

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## APPENDIX 1: PUBLISHED NEWSPAPER ARTICLES

Some of these articles could no longer be accessed due to change in server, but available at [www.southasianmedia.net](http://www.southasianmedia.net) (please click economics and type Lok Nath Bhusal under the author ID).

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## APPENDIX 2: LIST OF TABLES

**Table 1: Poverty Surveys and Rates in Nepal over Time**

Year	Poverty Survey/Calculations	People in Poverty and Vulnerability	
		\$1 a day (poor)	\$2 a day (Vulnerable)
1977	National Planning Commission	36.2	
1984	Nepal Rastra Bank Survey	42.5	
1995/96	NLSS - I	42	82
1998	CBS (based on NLSS data)	45	
2003/4	NLSS - II	31	68.5 (2005)

**Sources:** Sadeque (2003), CBS (2004) and UNDP (2007).

**Table 2: Decadal Growth Rates of GDP, Population and per capita Income of Nepal**

Decades	Growth Rate (%)		
	GDP	Population	Per capita income
1960-70	2.00	1.86	0.61
1971-80	2.11	2.21	-0.12
1981-90	4.76	2.32	2.36
1991-2000	5.05	2.45	2.50
2001-2004	2.87	2.12	0.71

**Source:** Calculated based on the yearly data of these variables from the World Development Indicators

2006 CD ROM.

**Table 3: Consumption-based Headcount Poverty across Regions in Nepal 2003/04**

Location	Poverty Head count rate (%)	Distribution of Poor (%)	Distribution of Population (%)	Remarks
Urban	9.6	4.7	15.0	
Rural	34.6	95.3	85.0	
Total	30.9	100.0	100.0	
<b>NLSS Regions<sup>53</sup></b>				
Kathmandu	3.3	0.6	5.4	
Other Urban	13.0	4.1	9.7	
Rural Western Hills	37.4	23.6	19.4	
Rural Eastern Hills	42.9	29.4	21.1	
Rural Western Terai	38.1	18.9	15.3	
Rural Eastern Terai	24.9	23.5	29.1	
Total		100.0	100.0	
<b>Development Regions<sup>54</sup></b>				
Eastern	29.3	23.4	24.7	
Central	27.1	32.2	36.6	
Western	27.1	16.7	18.9	
Mid-western	44.8	17.7	12.2	
Far western	41.0	9.9	7.5	
Total		100.0	100.0	
<b>Ecological Belts</b>				
Mountain	32.6	7.5	7.1	
Hills	34.5	47.1	42.1	
Terai	27.6	45.4	50.8	
<b>Nepal</b>	<b>30.8</b>	<b>100.0</b>	<b>100.0</b>	

Source: CBS (2006:7).

<sup>53</sup> The NLSS divided the country into six regions for its survey purpose.

<sup>54</sup> This division was carried out for administrative purpose.

**Table 4: Child Poverty in Nepal 2006: Better among the Worst?**

Basic Child Indicators	Nepal	India	South Asia	
Infant Mortality rate	46	57	62	
Under 5 Mortality Rate	59	76	83	
Neonatal Mortality Rate 2000	40	43	44	
% of infants with low birthweight 1999-2006	21	30	29	
% of under-fives (2000-2006) suffering from moderate and severe underweight	39	43	42	
% of under-fives (2000-2006) suffering from moderate and severe wasting	13	20	18	
% of under-fives (2000-2006) suffering from moderate and severe stunting	49	48	46	
% of households consuming iodized salt 2000-2006	63	51	51	
% of fully Immunized Children	59*			

**Source:** UNICEF (2007:121-129)

\* In 2003/04 (CBS, 2004: Executive Summary).

**Table 5: Employment Situation in Nepal 2003-04 (percent)**

<b>Urban</b>	<b>Men</b>	<b>Women</b>
Self-employed Agriculture	20	52
Self-employed Manufacture	10	8
Self-employed trade	14	13
Self-employed Services	10	5
Wage employment agricultural	1	3
Wage employment skilled non-agricultural <sup>55</sup>	13	6
Wage employment unskilled non-agricultural	32	13
Total	100	100
<b>Rural</b>		
Self-employed Agriculture	65	85
Self-employed Manufacture	4	1
Self-employed trade	3	2.5
Self-employed Services	3	0.5
Wage employment agricultural	9	9
Wage employment skilled non-agricultural	3	1
Wage employment unskilled non-agricultural	13	1
Total	100	100
<b>Poorest 2 Quintiles</b>		
Self-employed Agriculture	64	83
Self-employed Manufacture	4	1
Self-employed trade	2	1
Self-employed Services	2	0
Wage employment agricultural	13	13
Wage employment skilled non-agricultural	1	0
Wage employment unskilled non-agricultural	15	2
Total	100 <sup>56</sup>	100

**Source:** Modified from CBS (2006: 32)

<sup>55</sup> The private business fails to understand the bottom of the pyramid approach.

<sup>56</sup> Small error due to rounding.

**Table 6: Self-reported Assessment of Consumption Adequacy by Panel Households, 1995-96 and 2003/04**

Household's Perception of Consumption Adequacy During Past Month	% of households with Positive Response	
	1995/96	2003/04
Family's food Consumption was Inadequate	44	27
Family's housing <sup>57</sup> Consumption was Inadequate	59	38
Family's clothing Consumption was Inadequate	53	31
Family's heath-care was Inadequate	49	29
Family's children's Schooling was Inadequate	39	20
Family's total income was Inadequate	69	64
Family eats too little to live a healthy and active life	88	87

**Source:** CBS (2006, cited in Bhatta and Sharma, 2006: 20)

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<sup>57</sup> Average size of dwelling declined from 604 in 1995/96 to 531 square feet in 2003/04, and only 39 percent of households now have toilet facility (CBS, 2006: Executive Summary).