

MEETING THE MILLENNIUM DEVELOPMENT GOALS IN NEPAL

Landlocked between India and China, Nepal has a population of about 23 million and covers an area of 147,181 sq. km. It is divided into three ecological zones – the Hills, the Tarai, and the Mountains. Nepal has five development regions: Eastern, Central, Western, Mid-Western, and Far-Western. The country is further divided into 14 zones and 75 districts. The 75 districts, with equal number of District Development Committees (DDCs), have a total of 3913 village development committees (VDCs), and 58 municipalities, which are further divided into smaller political units called wards.

Nepal is renowned for its sociocultural diversity of 100 ethnicities, 92 languages, and 9 religions (UNDP 2004). The religious composition of the population shows that 80.6 % of the population is Hindu, followed by Buddhist 10.7 %, Muslim, 4.2 %, and Kirant 3.6 % (CBS 2001).

In 1990, a multiparty democracy was established within the framework of a constitutional monarchy, and a cabinet system of government was instituted. The 1999 Local Self-Governance Act provided key inputs to a decentralised governance system, although its implementation falls short of the stipulated mandates. Post-1990 reforms have been significant, but they have yet to effectively address the issues of exclusion and discrimination in society.

The conflict, which started in 1996, has taken a great toll on people's lives as well as on the political and economic stability of the country¹. A rapid increase in the reported incidents of human rights violations has been drawing increased attention from the international community. Parliament was dissolved in May 2002 with the tenure of elected local bodies ending in July the same year. Since the dissolution of parliament, three interim governments have been appointed by His Majesty the King who assumed direct control in February 2005.

ECONOMY, POVERTY, AND INEQUALITY

The policy reforms initiated in the mid-1980s have started to produce dividends. Remarkable gains were made during the 1990s in access to education, health, and drinking water, among other improvements. While Nepal still remains one of the poorest countries in the South Asian region, it graduated to being classified as a country of 'medium human development' in 2002². In spite of the impressive progress in human development, and the emphasis on good governance and social inclusion in its poverty reduction strategy (Tenth Plan/PRSP), Nepal's development has been limited by a number of constraints which include, *inter alia*, its rugged terrain with inadequate infrastructure, limited resource endowment, high transport

¹ The number of dead amounts to 11,000, and while the full magnitude of the population displacement is still unknown, up to 200,000 people are estimated to be internally displaced (UN 2005).

² Nepal ranked 140th out of 177 countries with a Human Development Index (HDI) value of 0.504 (UNDP 2004).

and investment costs, weak governance, and high population growth.

While the advent of democracy in 1990 brought greater political consciousness and openness, this has yet to be translated into discernible economic and social benefits for large segments of the country's population. This is further compounded by the recent slow-down of development due to the political instability and continued violence in the country, resulting in, among other things, damage to development infrastructure; low private sector investment; disruption to the work of I/NGOs, community organisations and other development agencies; and disruption of production, trade, and transport through frequent closures (NPC 2005). This has, in turn, increased the powerlessness, isolation, and vulnerability of the poor, especially in recent years. Economic performance during the last couple of years has been somewhat disappointing. The economy grew at a rate of only 3.3 % in 2003/04 and performed even worse in 2004/05 with a growth of just 2 % (MoF 2005).

The country witnessed dramatic progress (Matrix 1) in poverty reduction by 11 percentage points from 42 % in 1996 to 31 % in 2004. However, rural-urban disparities still exist, with rural poverty at 35 % compared to 10 % in urban areas, and only 3 % in urban areas of the Kathmandu Valley (CBS 2005). The Mid-Western Region is the poorest, with poverty incidence almost 20 % higher than that of the Central Region. The economy is characterised by a large agricultural sector which provides a livelihood for 80 % of the economically-active population, as well as a small but rapidly growing informal urban economy. The agricultural sector, however, contributes to only 39.2 % of GDP, with a high under-employment rate and low productivity. The stagnation of agriculture has been associated with an increasing reliance by rural households on non-farm income which derives from migrant labour in urban areas

as well as employment abroad (particularly in India, the Middle-East, Malaysia, and South Korea). Remittances play a major role, both as a source of foreign exchange and as a source of income for many households. The households receiving remittances went up to 32 % in 2004 from 23 % in 1996 (MoF 2005). Such trends suggest growing urban pressures as well as significant changes in the rural economy and society, including the feminisation of agriculture.

External conditions have been increasingly challenging for Nepal, which faces a highly competitive environment caused especially by the expiry of the Agreement on Textile and Clothing (ATC) of the World Trade Organisation (WTO) in December 2004. Nepal's accession to the WTO in 2004 offers significant scope for the country's effective integration into the global economy. However, in order to expand trade, facilitate competition, and manage knowledge to create opportunities for growth and pursue its overall development goals, Nepal requires further policy reforms, effective institutions, and improved infrastructure.

The persistence of poverty and inequality are among the key factors which helped fuel the insurgency in Nepal. In order to address the glaring issues of exclusion and discrimination of large sections of the country's population, the government has been undertaking various policy reforms such as scholarship programmes for girls, compulsory female teachers in primary schools, tax exemptions for women when buying land, prohibition of sociocultural discriminatory practices, positive discriminatory policies in the bureaucracy, and targeted and time-bound development programmes. To further promote participatory decentralised governance and to pursue greater efficiency and quality in various services, the government has been devolving a number of functions, such as the handing over of schools and health posts to the communities; as well as agricultural

extension to local bodies. In 2005, the government decided to undertake full devolution in 14 districts of the Kingdom.

GEARING UP FOR ACTION

Nepal prepared its first progress report on the MDGs in 2002. A number of steps have been taken since then to align the MDGs with the national planning process. The Tenth Plan/PRSP (2002-2007) has devised a four-pronged strategy to attain its objectives and goals. These are high, sustainable, and broad-based growth; social sector and infrastructure development; social inclusion and targeted programmes; and good governance. It is encouraging to note that the government has internalised the human development paradigm in shaping its national development plans. However, while the importance of the MDGs has been recognised and most of the targets and indicators have been incorporated in the Tenth Plan/PRSP – the targets and indicators need to be further strengthened in future plans for the attainment of these goals.

In order to strengthen public expenditure management and improve the allocation and use of public funds and their effectiveness for poverty reduction, Nepal has already started to implement three-year, rolling Medium-Term Expenditure Framework (MTEF). This MTEF process has contributed to making the development budget more realistic and to reducing the number of programmes and projects. The MTEF process helps to link programmes and projects more closely with PRSP priorities, and helps to provide adequate funding.

A Poverty Monitoring and Analysis System (PMAS) has been developed and is being institutionalised at the National Planning Commission Secretariat. A District Poverty Monitoring and Analysis System (DPMAS) has also been approved and will be piloted soon in a number of districts. These systems will track the progress of both the PRSP and the MDGs. A number of surveys have also been streamlined and these will be comple-



Table 1: Key Development Indicators

INDICATOR	VALUE	YEAR
Population size (million)	23.2	2001
Population growth rate (%)	2.25	2001
Life expectancy at birth (yrs)	61.9	2001
GNP per capita (US\$)	300	2004/05
Real GDP growth (%)	2.8	2004/05
Inflation (%)	4.3	2004/05
Human Development Index (value)	0.504	2004
Percentage of population below national poverty line	31.0	2003/04
Percentage of underweight children under-five	53.0	2001
Literacy rate 15-24 years old (%)	73.0	2003/04
Net enrolment rate in primary education (%)	84.0	2004
Ratio of girls to boys in primary education (%)	0.86	2004
Mortality rate of under-fives (per 1000 live births)	82.0	2003
Maternal mortality ratio (per 100,000 live births)	415	2002
Prevalence of HIV/AIDS in age group 15-49 years (%)	0.5	2003

mented with a strengthened health and education management information system to provide reliable data on a regular basis to monitor and evaluate performance both at the central and district levels. This has been further complemented by the downsizing of the civil service and merit system in the civil service. Significant efforts are also being made in controlling corruption.

In order to maintain the fiscal balance, the government has initiated fiscal reforms. Contracting the public sector banks out to the private sector has been a big move that has already brought significant change in terms of competitiveness and efficiency in the banking sector.

In order to expedite the achievement of the MDGs, the government has recently completed the MDGs' Needs Assessment, which will provide significant inputs during the formulation of the 11th Plan/PRSP (2007-2012). Consultations with civil society and

the private sector started during the preparation of the Tenth Plan/PRSP and have been expanding during recent years. Greater efforts are still required to strengthen the partnerships with these stakeholders, especially while moving forward towards achieving the MDGs. It is now critical to gear up for action through significant up-scaling of interventions for the achievement of the goals. To facilitate implementation, the future national and district plans must be based on the MDGs as this will provide the national framework for a concerted and integrated approach.

INTERNATIONAL CONTEXT

It is now a well-recognised fact that prosperity in some countries and penury in others pose a grave threat to international peace and security. The Millennium Declaration is a powerful manifestation of such a conviction, and the resultant MDGs are, "The most broadly supported, comprehensive, and specific poverty reduction targets the world has ever established" (UN Millennium Project 2005). Furthermore, it has been strongly argued that, "If we are to achieve the Millennium Development Goals, the heaviest responsibility inevitably must fall on the advanced economies (Figadero 2004, cited in UN Millennium Project 2005).

Nepal has a long history of working with international partners. Although this partnership has yielded good results especially in areas of education, health, drinking water, telecommunications, road construction, and power generation, there is still a definite need to improve coordination and harmonise aid and debt relief to increase efficiency and effectiveness and to channel development assistance towards the traditionally neglected regions and groups.

A recently conducted Needs Assessment study has estimated that if Nepalese is to achieve the MDGs by 2015, Nepal will expe-

Matrix 1: Nepal's Progress towards the MDGs: Status at a Glance

GOALS	WILL DEVELOPMENT GOAL BE REACHED				STATUS OF SUPPORTIVE ENVIRONMENT			
1 A. Extreme Poverty Halve the proportion of people living below the national poverty line by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
1 B. Hunger Halve the proportion of people who suffer from hunger between 1990 and 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
2. Universal Primary Education Ensure that by 2015 children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
3. Gender and Equality Achieve equal access for boys and girls to primary and secondary education by 2005 and to all levels of education no later than 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
4. Child Mortality Reduce under-five mortality by two-thirds by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
5. Maternal Health Reduce maternal mortality ratio by three-quarters by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
6 A. HIV/AIDS Halt and reverse the spread of HIV/AIDS by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
6 B. Malaria and Other Major Diseases Halt and reverse the incidence of malaria and other diseases by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
6 C. Tuberculosis Halt and reverse the incidence of tuberculosis by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
7 A. Environmental Sustainability Reverse loss of environmental resources	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
7 B. Access to Safe Drinking Water Halve the proportion of people without access to safe drinking water	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak

rience a total financing gap of US\$ 7.6 billion for the period between 2005 and 2015 (NPC 2005). Most importantly, for the attainment of the MDGs, international assistance must be well aligned with these needs. However, intensifying violence and political instabil-

ity have been hampering the effective utilization of aid. Restoring peace and democracy in the country, therefore, is of utmost priority to put development efforts back on track and attain sustainable human development through the achievement of the MDGs.