



Empowerment and poverty reduction

Nepal has made progress in raising living standards over the last 50 years, particularly since 1990. Yet the country's level of human development remains among the lowest in the world. Development outcomes have varied inequitably, manifesting themselves in gender, caste, ethnic and geographic disparities. The Nepal Human Development Report 2004 sets out to address four crucial questions that lie at the heart of the crisis facing the country today:

- Why do the poor still remain disempowered?
- Why have development efforts to date fallen short of tackling critical social and economic issues?
- How has this affected the process of deepening democracy?
- Why have these factors led to heightening the conflict?

Nepal is hardly alone among the numerous countries worldwide that have allowed both historical and contemporary factors to perpetuate the gaps between its haves and have-nots. This has continued despite the country adopting human development as its overarching goal since the promulgation of its Ninth Five-year Plan in 1997 and thereby the principle of placing all its citizens, including the poorest and most vulnerable, at the centre of its development strategy. The policies of successive governments since the restoration of democracy in 1990 have fostered the creation of an enabling environment for increased economic growth, higher educational attainment, ex-

panded health services and the delivery of safe drinking water, among other dimensions of progress. The proliferation of non-governmental organizations and social mobilization processes have increased social awareness. Together with a free press and increased communication capacity, these socio-economic factors have enhanced democracy and general consciousness of human rights. Disadvantaged and marginalized groups have used new opportunities to organize themselves and voice their concerns. But these advances have not yet reduced the powerlessness of the vast majority of its citizens or significantly diminished the isolation, vulnerability and marginality in which they live. Indeed, the country's low per capita growth rate and high disparities in income distribution have limited the impact of economic growth on the poverty of that majority and starved the nation as a whole of the contributions that these very citizens could make to the development of Nepal's well-being – economically, socially, culturally and politically. Now, facing the worst crisis in its modern history, the country must take a critical step further and place the empowerment of these citizens at the centre of its application of the human development paradigm. Without radical shifts in current policies and resource allocations, Nepal will not be able to sustain the progress it has made to date. Hence the central theme of this Report.

The conventional anti-poverty approaches followed by many developing countries,

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which focus almost exclusively on income and basic needs, have generally failed to reduce powerlessness and the negative attributes usually associated with it. By contrast, the empowerment approach – with its stress on enhancing individual entitlements, capabilities, rights and freedoms – is one of the four pillars of human development and effectively reinforces the other three: equity, productivity and sustainability. It creates the conditions necessary to enable the poor to take advantage of poverty-reduction opportunities by strengthening their socio-cultural, economic and political capabilities. Empowerment also entails a restructuring of opportunities themselves from both the “supply side” – that of national action to make state institutions more responsive to people and to remove existing social barriers and discrimination – and the “demand side” – the initiatives taken by the poor themselves through social mobilization at the grassroots level. In short, empowerment becomes sustainable only in an environment where policies and institutional reforms complement grassroots initiatives to address political, social and economic empowerment simultaneously – the policy environment generally termed “pro-poor”.

Growth becomes pro-poor when it uses the assets that the poor own, favours the sectors in which the poor work, and takes place in the areas in which the poor live. The People's Movement of 1990 raised the aspirations of the marginalized sections of Nepal's population, but could not adequately deliver on its promises of socio-economic betterment. Despite some improvement, the level of the welfare indicators of the socially/economically excluded groups remain very low. Efforts to raise the living standards of the poor have been insufficient; inequity and inequality persist. These failures, in turn, have fueled the violent conflict that now engulfs the country.

A strong association exists between democratic governance and empowerment. Together, they have the potential to make de-

velopment equitable and inclusive. To facilitate this synergy, this Report offers three tools:

- A new Human Empowerment Index (HEI), which draws together the economic, socio-cultural and political dimensions of empowerment and shows how the neglect of one or more of these factors exacerbates disempowerment in the others and breeds grievances that erupt into lawlessness. Successive analyses trace the manifestations of these three dimensions across Nepal's development regions and the major groups of its disadvantaged citizens: women, *Dalits* (oppressed community), indigenous people, the physically disabled, children and the elderly.
- An original study of social mobilization efforts throughout the country, showing the ways in which they can catalyze poverty reduction, heighten empowerment and foster peace. The social mobilization process helps people move from the passive status of welfare recipients to that of citizens who possess vital knowledge of their communities and therefore know best how to effect – and direct – change at the local level.
- A detailed nine-point reform agenda for dynamic transformation throughout Nepalese society through radical shifts in policies, priorities and institutions.

REGIONAL DISPARITIES AMID LOW ACHIEVEMENT

Human development in Nepal has not taken place fast enough to ensure the well-being of its people and defuse the socio-economic sources of conflict. Nor has it reduced vast regional disparities. The country's national Human Development Index (HDI) improved marginally from 0.403 in 1996 to 0.471 in 2001. But HDI in its urban areas (0.581) outstrips that of the rural hinterlands (0.452) where the majority of the population lives. HDI is lowest in the mountains followed by the Tarai and the hills. Similarly, the far western and mid-western develop-

ment regions lag far behind the others; most of the districts where HDI falls below 0.4 lie in these two regions (see map 1). Moreover, between 1996 and 2001, the gap in HDI between the highest- and lowest-scoring development regions widened from 0.074 to 0.091. Considerable disparities in the Gender-related Development Index (GDI), Gender Empowerment Measure (GEM) and Human Poverty Index (HPI) also exist within and across regions.

The HEI is a powerful tool for identifying and addressing specific issues of exclusion, incongruities among the critical aspects of empowerment and multiple disempowerments in areas of concentrated poverty. The national HEI (0.463) stands close to HDI. The Index shows considerable regional disparity and mismatches among the three dimensions of empowerment – social, economic and political. Economic empowerment (0.337) is the lowest and political empowerment the highest (0.646) – with social empowerment (0.406) in between.

While the high level of political empowerment is a clear manifestation of democratic practices and the rising aspirations of the people, low incomes, limited access to productive assets, and a lack of gainful employment opportunities that severely limit the expansion and exercise of human and social capabilities reflect the low level of economic empowerment. Poverty reduction cannot take place on a sustained basis when both economic and social empowerment remains so low. These imbalances provide fertile ground for conflict.

While the level of economic empowerment is lowest in the mountains, this ecological belt also lags behind the other two in all the dimensions of empowerment. Nor has significant progress been achieved in the mid-western and the far western development regions. The typical case of multiple disempowerment is evident in the mid-western hills and far western Tarai, where people experience very low status in all three dimensions of empowerment. By contrast, the

MAP 1 Human development status by eco-development region



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mid- and far western mountains show the largest mismatch among the three components of empowerment. Its magnitude became a source of disenchantment exploited effectively by the Maoist insurgency; these areas became the stronghold of their thrust into the rest of the country.

Discriminatory practices rooted in ethno-caste system have dominated Nepalese culture for centuries. Across regions, discrimination based on patriarchal structures has often stripped the majority of Nepalese women of their dignity, self-respect and confidence. And although the National Country Code of 1963 and the Constitution of 1990 prohibit all forms of discrimination against *Dalits*, untouchability continues in practice. In addition, the historic exclusion of some regions disempowers a number of Nepal's indigenous minorities and undermines their cultures as well as livelihoods; among many, landlessness is increasing at an alarming rate. While discriminatory practices prevail in all countries with or without legal sanction,

those of Nepal have a distinct regional character; the continued impoverishment and underdevelopment of the mid- and far western development regions in particular constitute a glaring example of geographic exclusion that has shut every population segment – irrespective of caste, religion and sex – out of mainstream development.

POLICIES AND INSTITUTIONS – ARE THEY INCLUSIVE AND PRO-POOR?

The empowerment process cannot become sustainable without eliminating entrenched socio-cultural norms and discriminatory practices. Despite the many new policy initiatives in the social sector, access to and distribution of education and health facilities still remain inequitable across regions and socio-economic groups. Access to basic education continues to lie beyond the reach of most poor and disadvantaged groups because of in-

MAP 2 Human empowerment status by eco-development region



sufficiencies on the supply side (limited physical access and poor quality) and barriers on the demand side (high perceived costs in relation to foregone benefits). The access of the poor even to the government-subsidized education system is low. Some affirmative action (positive discriminations) in school and university enrolment, civil service appointments, and teacher recruitment has been initiated; but exclusionary practices persist. Despite efforts to devolve authority in basic social services, local communities still play no significant role in policy decisions or in the operation and the monitoring of either education or health services. In the absence of universal and compulsory primary education and healthcare, the deprivations of the disadvantaged will continue.

Macroeconomic policies have been largely ineffective in promoting pro-poor growth and ensuring equitable income distribution. The magnitude, quality and distribution of growth have a direct bearing on economic empowerment and poverty reduction. Macroeconomic policies in Nepal have been reoriented to the world outside; the industrial, trade, foreign exchange, monetary, financial and fiscal regimes have been liberalized. Immediately after the introduction of the Agriculture Perspective Plan (APP), both input and output markets in agriculture were deregulated and price subsidies in fertilizers and capital subsidies in shallow tubewells abolished. However, supply response in the agriculture sector has been poor; terms of trade have deteriorated during the last few years. On the one hand, the emphasis on deregulating input and output prices in an agrarian structure dominated by marginal and small farmers, and on the other, the continuous inflow of subsidized agricultural products from India, has inhibited agricultural growth. In addition, the level of development expenditure in agriculture has decreased. The slow and piecemeal implementation of the APP has resulted in the low diversification and productivity growth in agriculture, the sector

in which the vast majority of the poor are concentrated.

Structural impediments in the agrarian system have also hindered the response of agriculture to economic liberalization and deregulations. The access of poor farmers to quality inputs, services and institutional credit has not improved. In addition, the country's heavy concentration of industrial activities with very low backward linkages has severely limited pro-poor growth. Despite structural shift in outputs, no commensurate transformation in employment patterns has taken place. The share of agriculture in total output has declined, nearly half of its relative share being compensated by increases in the value added, particularly in the service sector. The composition of exports, too, reflects a shift in the economic structure, with manufacturing exports replacing exports of primary products. However, because of weak backward linkages and a concentration on a few products dependent on imported raw materials, the benefits of macroeconomic policy change have been limited primarily to the urban business community. This has resulted in weak macro-micro linkages for reducing poverty and empowering the poor and the disadvantaged groups. Without pro-poor policies and institutional reforms at the meso level, it will be difficult to strengthen macro-micro linkages and make development inclusive.

There has been expansion of infrastructures such as transport, communications and electricity over the years, but the coverage of these services and their affordability for the poor have remained very low. Lack of forward linkages and continued low access to institutional credit have also limited the growth of small and medium-sized industries. The predominance of unskilled workers in the labour market remains a barrier to enhancing productivity and competitiveness. The country's undeveloped market institutions have obstructed the enforcement of rules and regulations for creating an adequate incentive structure in the market.

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Policy reforms and new initiatives taken under the Poverty Reduction Strategy Paper (PRSP) since 2002 have yet to show visible impact in promoting broad-based, pro-poor growth. Pro-poor policies are yet to be worked out to strengthen the linkages between employment, growth, and the empowerment of the poor. The rate of decline in the share of agricultural employment is much slower than the rate of decline in agriculture's contribution to the Gross Domestic Product (GDP), indicating that agricultural productivity has declined over the years. Employment opportunities are largely confined to the low-paid, low-skilled informal sector, which lacks any social security system. With the existing low levels of employment elasticity, economic growth, and the current sectoral composition of growth, two-thirds of the new entrants in the labour force – 200,000 each year – are unlikely to be absorbed in the labour market. Because this dearth of employment opportunities inhibits the empowerment process, a critical development challenge is the creation of new job opportunities and promotion of decent work.

All in all, a “top-down” development paradigm directed by the country's elite, coupled with slow progress in devolution, has found itself overwhelmed by narrowly-based growth policies, widened income inequalities and increasing conflicts in the distribution of national income and assets. There clearly exists a need to create an enabling environment for empowerment through substantial shifts in policies and priorities by linking the Millennium Development Goals (MDGs) with the PRSP, among other development initiatives, roadmaps and tools.

The piecemeal approach of the reform process against the backdrop of increasing popular awareness of human rights fueled contradictions in Nepalese society, leading to violent conflict. The People's Movement of 1990, together with the democratic constitution and the promises of the main political parties, generated high expecta-

tions that could only be frustrated by the growing gap between commitments and outcomes. Legal, policy-related and institutional discriminations persisted, limiting both equitable access and opportunities to the poor and the disadvantaged in all three dimensions of empowerment: the political, the social and the economic.

Post-1990 reforms in state, political and local institutions were either inadequate or too slow to promote good governance and ensure better delivery of development outcomes. Traditional power relations continued to obstruct the social transformation process. No concerted efforts were made to change rules, regulations and exclusionary institutional practices to offer the poor and the disadvantaged fair representation in either state or political institutions. At the same time, infighting among the mainstream political parties intensified. Political instability increased; the government changed 13 times in 12 years. The political crisis deepened as the tenure of the local bodies came to an end in 2002 – with no extension at just the time when the escalating conflict foreclosed the possibility of holding local elections nationwide. The dissolution of the House of Representatives in 2002 – in unlikely prospects for holding new general elections – resulted in a political vacuum at both central and local levels, disempowering the country's citizens and weakening its nascent multi-party democracy. Unless radical and dynamic transformation through inclusive and substantive pro-poor policy and institutional reforms takes place along with the restoration of peace, Nepal will be unable to overcome the current crisis successfully.

EMPOWERING THE DISADVANTAGED GROUPS – STRUGGLE AGAINST DISCRIMINATION AND EXCLUSION

Discrimination based on patriarchal structures has resulted in stripping the dignity, self-respect and confidence of the majority of Nepalese women, a particularly important

population segment because it cuts across all groups. The Constitution of 1990 stipulates non-discrimination and equality as fundamental rights. However, other state laws and institutions still relegate women to inferior status. Women's participation in development has been initiated since two decades; but the outcomes have been low. Literacy rate of women is 22% less than that of men while maternal mortality rate is one of the highest in the region. Women have very limited access to and control over resources, and their representation in the government and political parties is low.

Despite the subordination and inequality that women face, they are slowly moving towards empowerment. The political process, economic activities and social mobilization are helping women to come out of exclusion. Their gains, however, have not been balanced against discrimination/exclusion in terms of caste/ethnicity, religion, age and disability. Given the geographic dimension of exclusion in Nepal, the path towards empowerment for these citizens lies in the devolution of true authority to their local governance bodies.

The restoration of democracy in 1990 gave greater voice to subjugated groups and drew the attention of policy makers and development partners towards them. New institutions have been created to promote their rights and enhance their empowerment. But social and economic indicators reveal wide inter-caste disparity in development outcomes. Most indigenous people and *Dalits* still face exclusion and disempowerment. Generalized empowerment strategies and plans of action, therefore, become meaningless if marginalized and disadvantaged groups remain isolated or ignored, particularly because mainstream development policy and programmes almost invariably fail to reach them. Given their vulnerability to sickness, economic shocks, crop failure, natural disasters, and violence, specially tailored policies, strategies and plans of action are required to benefit the marginalized and

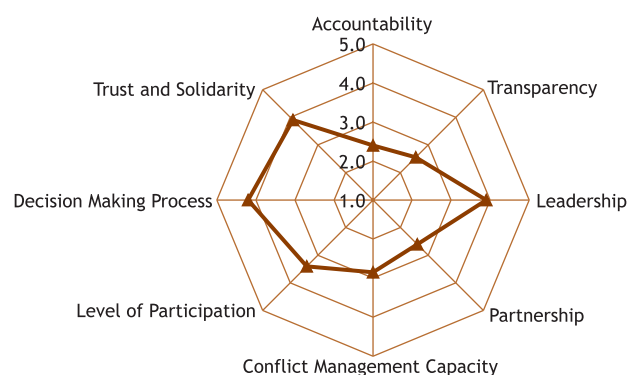
disadvantaged groups through awareness raising and capacity-building, education, economic advancement, and political empowerment.

MOBILIZING THE POOR AND THE DISADVANTAGED

As a vehicle of organizational capacity-building, social mobilization functions primarily as a mechanism of empowerment. Social mobilization reduces poverty because it is based on the premise that the poor are willing and able to carry out a number of functions themselves to improve their situations, given encouragement to form their own organizations for promoting their development through their own efforts and participating actively in decision-making that enhances their livelihoods.

A special study of socially mobilized communities (SMCs) in ten districts of all five development regions undertaken for this Report scored the degree of empowerment attained in each by asking its members to rate the organization in terms of its level of participation, decision-making processes, transparency, accountability, trust and solidarity, leadership, partnership and conflict management capacity (see figure 1). By and large, the study confirms the

Figure 1 Level of empowerment of grassroots organizations



mismatchings in the three dimensions of empowerment revealed by the HEI.

Though social mobilization processes in Nepal play important socio-political roles through greater inter-ethnic and inter-communal interactions, problems of exclusion persist. The inclusion of ultra-poor groups in social mobilization processes requires an affirmative action policy and strategic steps to involve them by creating assets and opportunities for them at the household level, together with appropriate capacity-building to create an enabling environment for empowerment and a safety net for the ultimate protection of the most vulnerable members of the community, young and old. Thus targeted programmes should be built into holistic social mobilization efforts and SMCs can overcome their current tendencies to exclude the ultra-poor while at the same time ensure that the non-poor are also included to reduce tensions within the community.

A broad-based social mobilization effort to upscale the good practice models with strong partnerships and linkages has yet to emerge in Nepal. It could well scale holistic empowerment at the grassroots level up to the regional and national levels. Such an approach also appears critical to strengthening decentralization, as it has significant potential for integrating grassroots initiatives with meso and macro level policies and institutions. From a policy perspective, therefore, Nepal faces a major challenge in replicating and upscaling the most successful practice models. Although some donor-supported social mobilization programmes, such as the UNDP-supported Village Development Programme (VDP), are thinly spread in many districts, they could be used as “motherboards” to upload current and future vertical programmes, so as to provide services at low – even zero – marginal cost.

Had social mobilization over a sustained period of time organized people for socio-economic ends and also connected them po-

litically to a responsive state through electoral or participatory development processes, the early signs of today’s conflict could have been detected and addressed with the seriousness they merited. The current challenge for SMCs now confronting armed conflict is continuing to engage in whatever elements they can. While social mobilization is revolutionary, revolution need not necessarily be violent. Ongoing mobilization ventures in many districts have also helped to discourage people from joining the insurgency. Although such efforts are difficult to foster in the absence of peace, the preservation of all possible components of SMCs is now essential.

A REFORM AGENDA FOR ENHANCING EMPOWERMENT

Deepening democracy is a key to enhancing empowerment. Without strengthening democratic institutions that enhance the decision-making powers of the disadvantaged groups, initiatives to increase empowerment cannot be sustained. Yet once citizens have experienced democratic political practices, social imbalances are bound to surface, whether because of historical or contemporary factors. The fact that these imbalances have now exacerbated violent conflict throughout Nepal points clearly to a need for radical, dynamic social transformation through systemic reforms in policies and institutions. The current conflict has not only eroded the social capital that existed within communities (the binding elements of trust), but has also severely disrupted indigenous forms of social networks and institutions (the bridging of these elements).

The human empowerment analysis set out in this Report provides policy signals not only as to the kinds of social, economic and political interventions essential to reducing disparities at the local level, but also the scale of such corrective measures. So far, the devolution of authority, capacity-building and accountability to local bodies in accordance

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with the principle of local self-governance and the spirit of the Local Self-Governance Act (LSGA) of 1999 has not occurred fast enough to consolidate the empowerment of people at the grassroots level. But devolution will not work effectively without partnerships and other forms of collaboration, both horizontal and vertical, that ensure the communication of the voices and choices of the poor to governance bodies well beyond their immediate communities.

Nepal's reform agenda should therefore concentrate on the following thrusts:

- Deepening democracy
- Removing discriminatory laws and practices
- Making macroeconomic policy reforms pro-poor
- Transforming agriculture
- Expanding equitable education and health facilities
- Building infrastructure
- Creating employment opportunities
- Empowering the disadvantaged and marginalized groups
- Investing in the organizational capacity of the poor.

Changing the long-standing institutional culture that governs Nepal's decision-making processes simply will not take place without radical changes in mindsets of those who work within them. This process need not take generations. The second half of the 20th century witnessed changes that were largely unimaginable before the ad-

vent of decolonization. As new information technologies have begun transforming the topography of knowledge worldwide, moving knowledge and know-how in both directions across the global North and South, they have also contributed massively to changes in attitudes and behaviours. There is no reason to believe that the country that gave the world the transformative experience of Buddhism in the 5th century Before Common Era (BCE) cannot mobilize the indigenous capacities of its diverse people to transform mindsets legally sanctioned by the 19th century *Muluki Ain* (Country Code). Similarly, many of Nepal's diverse religious traditions augur well for transformations of the current status of women and other excluded and exploited groups.

As the Nepal Human Development Report (NHDR) of 2001 stated, "Social mobilization existed in Nepal long before the concept was articulated in [contemporary] terms." If human development flourishes best when it draws upon the indigenous capacities of a country, Nepal has a rich source to mine. It is therefore incumbent upon all the country's stakeholders to replicate and upscale the best practice models that are now at hand, building transparency, accountability and inclusiveness into the core of organizational and programme development packages. These certainly will not be the last word in social mobilization, simply because the process continues to evolve – as does the concept of human development itself.

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