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RURAL DEVELOPMENT POLICY AND POVERTY IN NEPAL

Krishna Bahadur Hamal
Ramchandra Bhattarai
Bhanu Niraula

HMG-USAID-GTZ-IDRC-FORD-WINROCK PROJECT

STRENGTHENING INSTITUTIONAL CAPACITY IN THE

FOOD AND AGRICULTURAL SECTOR IN NEPAL

FOREWORD

This Rural Poverty Research Paper Series is funded through the project, "Strengthening Institutional Capacity in the Food and Agricultural Sector in Nepal," a cooperative effort by the Ministry of Agriculture (MOA) of His Majesty's Government of Nepal and the Winrock International Institute for Agricultural Development. This project has been made possible by substantial financial support from the U.S. Agency for International Development (USAID), the German Agency for Technical Cooperation (GTZ), the Canadian International Development Research Centre (IDRC), and the Ford Foundation.

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RURAL DEVELOPMENT POLICY AND POVERTY IN NEPAL

Krishna Bahadur Hamal*
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INTRODUCTION

Poverty can be conceived as an absolute or relative condition. In relative terms, a family (or an individual) is considered poor if its level of income/consumption expenditure falls below a predetermined level; in absolute terms, absolute norms for living (measured by income/consumption expenditure) are made according to a minimum standard, and all units whose income/consumption expenditures fall below this standard are classified as poor. Relative terms seem to be more suitable for measuring poverty in developed countries, while absolute terms are more appropriate for developing countries where absolute poverty abounds.

The National Planning Commission (NPC) of Nepal uses two criteria regarding minimum subsistence consumption and minimum subsistence income to determine how many households and how much of the population falls below the poverty line. According to the former criterion, a household having a per capita daily consumption below NRs.2 is considered poor and living below the poverty line. This per capita daily consumption has been estimated on the basis of minimum per capita daily food requirements valued at prevailing market prices. Minimum subsistence income is determined on the basis of the minimum subsistence level of expenditure. The figure estimated by the National Planning Commission as the annual per capita minimum subsistence level of income is NRs.900, or NRs.4750 per household (NPC, 1976).

Based on the first criterion, the percentages of households and population below the poverty line are respectively 34 and 32 percent (NPC, 1976). Similarly, the second criterion indicates that the percentages of households and population below the poverty line are 40 and 36 percent, respectively. The percentage of poor is higher in rural areas than urban areas. The extent of poverty is easily understood by the percentage of the population earning less than NRs.2 per day.

The rural poor can be identified by their productive assets. For this purpose, the most commonly used indicator is landholding. In the Tarai, households with less than 2.72 ha of unirrigated land or less than 1.36 ha of irrigated land belong to this group. In the hills, 1.25 ha of unirrigated land and .75 ha of irrigated land are the maximum quantities of land held by the rural poor.

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Policies and Programs Designed for the Poor

Since the early 1960s His Majesty's Government (HMG), aware of the mass poverty within its borders, has been carrying out planned economic development to raise the living standards of the rural poor. The preamble of the 1964 Land Reform Act states as its main program objective "to improve the standard of living of the actual tillers ... through equitable distribution of cultivable land." This legislation makes provisions to:

- impose a ceiling on landownership, acquire land in excess of the ceiling, distributing such lands to needier people;
- abolish the absentee landlord system;
- provide security to tenant farmers and regulate rent payable by them;
- implement a compulsory savings scheme.

The Sajha, or cooperative, is another institutional development aimed at combating poverty. Its major objectives are: to increase the national income level of farmers through the adoption of improved farming practices; provide loan facilities and agricultural inputs to small farmers at the village level; and to mobilize and utilize rural savings in developmental activities.

In the early 1970s, the strategy of an Integrated Rural Development Program (IRDP) became so popular that many developing countries adopted it as a means to develop the rural sector. In Nepal, the first project of this type was the Integrated Rural Development Program in Jiri. However, the government's IRDP first started in Rasuwa and Nuwakot Districts. At present, there are seven IRDPs functioning in Nepal.

The Small Farmers Development Program (SFDP) is another antipoverty program. First introduced in Nepal in 1974, the basic objective of SFDP is to raise the economic condition of the rural poor. Recently, SFDP was incorporated with IRDP to improve program operation.

Despite these four antipoverty programs, poverty in Nepal has not declined in real terms. Real agricultural GDP per capita has decreased over the last two decades, from NRs.849 in 1964/65 to NRs.790 in 1981/82 (Svejnar and Thorbecke, 1984). Moreover, in 1983, Nepal's GNP per capita was US$170, the third lowest in the world (World Bank, 1985).

The per capita distribution of income in the agricultural and non-agricultural sectors over the years shows that the per capita income of the rural sector has declined from NRs.985 in 1974/75 to NRs.890 in 1981/82 (CBS). Such decline in rural income indicates that little progress has been made in raising the living standard of the rural poor. Thus, it is necessary to examine the effectiveness of all the rural development policies and programs designed to reduce the poverty level in Nepal.

Objectives

The objectives of the study are as follows.

1. Examine the effectiveness of rural development policies and programs in Nepal.

2. Identify factors that significantly contribute to poverty in rural areas of Nepal.

3. Suggest policies and programs to reduce the present level of poverty in rural Nepal.

Methodology

The effectiveness of rural development policies and programs with respect to the poor has been assessed regarding patterns of income growth for the rural poor; access to land and changes in land tenure; access to agricultural inputs (other than land), markets, and agricultural services; agricultural extension and training opportunities; and development of nonfarm rural activities.

Simple tabular analysis was used to measure the effectiveness of these and other factors.

The data required for the analysis were collected from secondary sources mostly related to IRDP and SFDP. Other secondary information required for the study was gathered from the household budget survey of Nepal Rastra Bank, the Central Office of IRDP, and related institutions and agencies.

AGRARIAN AND RURAL DEVELOPMENT POLICIES AND PROGRAMS

Land Reform Program

It was envisaged that appropriate agrarian reform would not only encourage increased argicultural output but also provide a basis for equitable land distribution to the rural poor. The proclamation by HMG stated:

> The land reform program is not meant to benefit one class at the expense of the other. It is based on the principle of class coordination, not class conflict. A situation in which the majority of the people are poor, hungry, and naked is dangerous not only for national security but even for the rich and landed classes themselves.

The program's main objective is to improve the standard of living through equitable distribution of cultivated land. For that purpose, a land ceiling was fixed (Table 1) and above-the-ceiling landholdings were to be confiscated and redistributed to landless and small peasants.

However, the achievement of the land reform program is insignificant regarding its original objectives. Out of the total cultivated area of 2.3 million ha, the combined area of all officially registered holdings exceeding ceiling levels and available for redistribution

was less than three percent (66,380 ha). In this context, the estimate made before the implementation of land reform indicated that some 600,000 ha would potentially be available for redistribution. One and a half percent of the total land could be legally appropriated or confiscated, and only one percent actually redistributed among the poor.

Table 1. Land Ceiling per Family Fixed by 1964 Land Reform (ha)

	Landowners		Tenants	
	Agricultural land	Homestead	Agricultural land	Homestead
Tarai and Inner Tarai	16.4	2.0	2.5	-
Kathmandu Valley	2.7	0.4	0.5	-
Hill Region (outside Kathmandu Valley)	4.1	0.8	1.0	-

Table 2. Landholding Size and Number of Households

	No. Households		Area Covered (ha)		Average Landholding (ha)	
Landholding Size	1961	1971	1961	1971	1961	1971
0.10 - 0.41	738647	953531	148499	201623	0.20	0.21
0.42 - 2.67	658945	644578	712542	755316	1.08	1.17
2.68 - 10.00	104684	96552	526514	537505	5.03	5.57
Above 10 ha	15726	12670	297870	208595	18.94	16.46
Total	1518002	1707331	1685425	1702939	25.25	23.41

Source: ADB/M, 1982.

In 1961, 92.1 percent of the households owned 51.1 percent of the total cultivated land while in 1971, 93.6 percent of the households owned 56.1 percent of the total cultivated land. Moreover, the average landholding size has not changed significantly. Therefore, the land reform program has been unsuccessful in achieving its objectives. Furthermore, the agricultural credit review survey shows the uneven land distribution among different farm types. Thirty-one percent of the marginal farmers have only eight percent of the operated landholdings while 18 percent of the large farmers have 41 percent. Moreover, marginal and small farmers, together representing 64 percent of total households, hold only 34 percent of the total operational land.

Regarding credit facilities, the land reform program has also not been successful in making institutional agricultural credit easily accessible to farmers. The Agricultural Credit Review survey shows that only 24 percent of total credit needs are met by institutional credit sources. Small and marginal farmers still need landlords and village moneylenders for 80 to 87 percent of their credit needs (ADB/M, 1982).

Table 3. Distribution of Credit by Institutional and Indigenous Sectors

Farm Size	Indigenous Credit (percent)	Institutional Credit (percent)
Large	33.0	67.0
Medium	64.0	36.0
Small	80.0	20.0
Marginal	87.0	13.0

Source: NRB, 1977.

In addition, the objective of increasing agricultural productivity has not been achieved by the land reform program. Taking the average for the 1960s and 1970s, productivity of the main crops has declined. Compared to the 1960s, the average annual productivity of paddy, wheat, and maize during the 1970s declined by 0.04, 0.06, and 0.20 metric tons per ha respectively.

Thus, the overall achievements of the land reform program are negligible. The measures adopted to achieve the objectives were insufficient to generate incentives and ensure an equitable distribution of land, nor did they improve the condition of the tenants.

Small Farmer's Development Programme (SFDP)

The land reform program and Sajha were specific programs designed to involve and improve the rural underprivileged. One decade of agrarian reform did not substantially change the condition of the poor, as the upper classes still dominated local leadership, and participation of the poor in Sajha activities was minimal. A growing need was felt for a special economic development program for the poor and landless. Decades of experience in Nepal's development planning reveal that the larger share of resources supplied by various agencies was appropriated by richer, more influencial members of rural society. Small farmers, who desperately need the services and benefits, have thus been deprived.

In the above context, the Food and Agriculture Organization (FAO) held a seminar-cum-workshop in Kathmandu in 1974, the first of its kind, to investigate the possibility of beginning SFDP in Nepal. FAO and HMG made strong recommendations to launch such a program on a pilot basis in two areas within the hills and Tarai with the sole objective of increasing the socioeconomic status of small and poor farmers deprived of other development benefits (Singh, 1983). The small farmers were to organize more or less homogeneous groups so they could formulate and implement an income-raising group plan and become self-reliant. The two pilot projects were launched in 1975. Since then, the government has launched the program in about 50 districts throughout the country. Stewardship of the program has been entrusted to the Agricultural Development Bank/Nepal (ADB). As of April 1985, 130 such projects had been established. Altogether, 4211 groups have been formed representing 39,802 small and marginal farm households. The total amount of credit granted thus far has been NRs.114 million, while group savings made by the SFDP members amount to NRs.1.75 million (ADB, 1985).

Along with Integrated Rural Development Projects, SFDP has been considered by the government as a viable strategy for rural development in Nepal. All IRDPs consider SFDP to be of major importance. Therefore, aside from HMG's own support and investment in this program, the Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD), United Nations Children's Fund (UNICEF), United Nations Fund For Population Activities (UNFPA), and the U.S. Agency for International Development (USAID) also financially and technically support this program.

However, the huge investment in SFDP has not changed the economy for small and landless farmers. According to a study by the Nepal Rastra Bank (NRB, 1982), a number of farmers under both the project and control groups are facing starvation. There were three types of situations faced by small farmers: eating only half a meal twice a day; eating only one meal a day; and eating various forest products.

Of the project group members selected, about 11 percent were facing starvation. Among them, six percent ate half a meal twice a day with the duration ranging from 14 to 90 days. Another 3.5 percent survived on only one meal a day for about 10 to 30 days. About four percent ate forest products for a period of 60 days.

On the other hand, 16 percent of the control group were facing starvation. Among them, six percent took half a meal twice a day for a maximum period of 120 days, and another five percent managed on a meal only once a day for about 30 days. About six percent depended on forest products for a period of up to 180 days.

In some districts and in a few specific activities, SFDP has been successful in achieving its objectives. Overall, SFDP is facing many problems in raising the living standard of small and marginal farmers.

Sajha (Cooperatives)

The cooperative movement started in Nepal along with the village development program in the beginning of 1950s. However, it was really the advent of the panchayat system in 1961 that gave it momentum. A large number of cooperative societies had dwindled simply because they were intended to meet a fixed physical target without recognizing the feasibility and capabilities of management. A consolidation program operating in the early 1970s liquidated the nonfunctional societies, with the remaining put under the management of the ADB. The societies that were retained were called "guided cooperatives". In 1976, to consolidate and integrate the guided cooperative functions, institutional arrangements called Sajhas were created to benefit small and marginal farmers.

During the Sixth Plan (1980-85), 32 Small Farmers Cooperatives and 37 Cooperative Societies were organized. There were 724 Cooperatives altogether at the end of 1983/84.

However, as in case of other programs, the Sajha has had difficulty in achieving its objectives. In particular, it has been unsuccessful with loan disbursement and collection over the past years. Between 1977/78 and 1980/81, loan disbursement and collection have declined while the cumulative outstanding loans have increased. Loan disbursement in 1978/79, 1979/80, and 1980/81 declined by 12, 38, and 28 percent, respectively in comparison to previous years. Similarly, during the same periods, loan collection also declined by 40, 15, and 22 percent compared to the past. The cumulative outstanding loans increased by 135 percent between 1980/81 and 1977/78. Moreover, the status of Sajhas in the hill regions is even more precarious, as hill loan disbursement has declined drastically.

Table 4. Sajha Loan Disbursement and Collection (average NRs.)

	1977/78	1978/79	1979/80	1980/81
Distribution:				
Hills	84270	51458	35279	8179
Tarai	140955	128115	79682	62383
Overall	131250	115583	72137	52255
Collection:				
Hills	9748	3761	5705	993
Tarai	37669	22824	18841	15915
Overall	32742	19709	16799	13126
Outstanding:				
Hills	74522	47695	27788	7186
Tarai	103286	105291	60841	46468
Overall	98508	94874	55338	39129
Cumulative outstanding:				
Hills	179945	142749	189111	182889
Tarai	193686	176580	272822	275763
Overall	191261	254703	258591	258413

Source: NRB, 1984.

Financially, the majority of Sajhas are running losses, especially in the hills. During 1980/81, the loss per Sajha in the hills was NRs.14,530, which was 46 times higher than the loss in 1979/80. The overall average profit per Sajha in 1980/81 was NRs.4209, or 59 percent less than that of 1979/80.

If interest receivable and payable is excluded, almost all Sajhas have to face losses. Such losses are estimated at NRs.12,310 per Sajha, and increase yearly. The loss in 1980/81 was six times greater than that of 1977/78.

With these losses, the Sajhas are less effective in achieving their objectives. There are several constraints restricting successful development of Sajhas. Sajhas are controlled by government organizations, which restricts their ability to operate freely. This arrangement hin-

ders Sajhas from developing into sound commercial enterprises and discourages members from regarding the Sajha as their own organization. While during the past five years, Sajhas have increasingly been viewed as vehicles for improving the condition of the poorest members of society, they have neither self-generated financial resources nor sufficient government subsidies to succeed in this regard. The inclusion of landlords in the Sajha organization also discourages more active participation by small farmers.

Table 5. Average Income and Expenditure of Sajhas (NRs/Sajha)

	1977/78	1978/79	1979/80	1980/81
Income:				
Hills	34242	30521	45920	36968
Tarai	40933	56958	55908	58578
Overall	39751	52636	54210	54540
Collection:				
Hills	35559	33331	46237	51498
Tarai	34832	43773	43551	50063
Overall	34960	42066	44008	50331
Profit of loss:				
Hills	-1317	-2810	-317	-14530
Tarai	6101	13185	12357	8515
Overall	4791	10570	10202	4209

Note: "-" indicates loss.

Source: NRB, 1984.

Marginal farmers, having little or no resources with which to buy farm inputs and little surplus to sell, have hardly any incentive to buy a share within a cooperative (a severe strain on meagre resources) or participate in a Sajha's activities. Furthermore, because Sajhas are considered as part of government bureaucracy, marginal farmers are reluctant to join them (FAO, 1982).

Lack of sufficient training and motivation is also apparent among some Sajha staff, as is the need for technical skills. Problems are particularly severe within the hill and mountain regions where Sajhas are not effectively reaching small and marginal farmers.

The unrealistic commissions given to Sajhas by the various quasi-governmental corporations (Agricultural Inputs Corporation, National Food Corporation, Salt Trading Corporation, and the National Trading Corporation) do not allow them to earn adequate trading profits. With the exception of the Agricultural Inputs Corporation, these organizations pay scanty attention to the perceived role of the Sajha, though this is partly because of the latter's inability to render satisfactory services (ADB/M, 1984).

There is no separate organization to coordinate and represent the interests of Sajhas at the national level. Sajhas need market strength, functional flexibility, information, and outlets if they are to be effective (ADB/M, 1984). Moreover, member participation and confidence in Sajhas is low, as is understanding the goals of cooperation.

Rural Development Policy and Programs

The rural development policy of His Majesty's Government over the span of about 30 years is reviewed under the following subheadings: 1951 through 1961, 1961 through 1976, and 1976 onwards.

1951 through 1961. Begun in 1952, the Tribhuvan Village Development Programme (financed with American assistance) was the government's first program aimed at agrarian and rural development after the popular uprising in 1951. Because of structural difficulties and limited training, the program could not meet its objectives. However, it demonstrated that such a program was viable in Nepal. With the advent of the First Five Year Plan, the Indian Government also expressed interest in Nepal's rural development program. By 1958, institutional arrangements under the Village Development Board were established and all village development projects were brought under its jurisdiction. The Village Development Programme was modeled after the Indian Block Development Plan. As with the Village Development Programme, there were difficulties in realizing the objectives of rural development programs under Indian assistance. In both programs, foreign expatriates played key roles, with their Nepalese counterparts as assistants because of inferior knowledge, training, and experience.

Between 1951 and 1961, the country experienced political instability which hindered the implementation of rural development programs without foreign assistance.

In summary, early attempts (1951-1961) at rural development in Nepal were not only aided by inputs from donors but also characterized by a good measure of Indo-American rivalry, which resulted in popular parlance and the identification of "Indian blocks" and "American blocks" (Shrestha, 1983). Nothing truly substantial could be achieved.

1961 through 1976. After the creation of the panchayat system, all government administration was restructured. The constitution states that the panchayat system is partyless and aims toward establishing an exploitation-free society. All Block Development Officers became Panchayat Development Officers. The country was divided into 14 zones and 75 administrative and political units with village and town panchayats at the grass-roots level. The resources were diverted to the village and district panchayats for effective execution of development plans. Being a three-tiered structure, all levels were given decision making powers to formulate and implement plans.

This was further strengthened with the formulation and implementation of the Decentralization Scheme in 1965. According to this scheme, the Chief District Officer (CDO) was to work as the Secretary of the District Panchayat in order to coordinate planned development and administer peace and security within the district. In 1971, through the Local Administration Act, the CDO became the chief district government

representative to streamline administration. The District Administration Plan (1974), required all village panchayats to prepare annual development plans, which were then integrated into the district plan, consitituting the basis for resource allocation. The Plan is approved by the District Assembly, and the CDO responsible for coordination of all development activities.

During this period, HMG was also implementing specific rural development programs--the Remote Area Development Programme, Small Area Development Programme, Small Area Package Programme, and the Jiri Multipurpose Development Project (assisted by Switzerland). Despite good progress, no central level administrative body existed to coordinate the efforts of local, HMG, and foreign funded rural development programs. This lack of coordination was further accentuated by power struggles between the CDO and elected representatives over project management.

1976 to present. While HMG was attempting to decrease rural poverty through administrative reforms and specific rural development programs, the approval of the World Bank/UN Development Program assisted Rasuwa-Nurakot Integrated Rural Development Project (1976) started a new trend in IRDP. By the end of the Fifth Five Year Plan (1975-80), bilateral and multilateral aid from interested donors had provided funds for IRDP in the Koshi hills, Mahakali hills, and Sagarmatha Tarai districts. Three more IRDP were begun in 1981/82 in the Rapti Zone, Dolakha and Sindhupalchowk, and Karnali and Bheri Zones. Currently there are seven IRDP covering about 22 districts at an approximate total cost of NRs.1,362,619, affecting roughly 24 percent of the total population (CBS). These projects are integrating sectors such as agriculture, horticulture, irrigation, roads, cottage industries, nonagricultural employment, forestry, communication, health, drinking water and sanitation, rural credit, research and extension, and women's development.

The Ministry of Panchayat and Local Development was established in 1980 to promote local development on a self-sustaining basis through people's participation. While the central coordinating responsibility of all IRDPs rests with MPLD, each district has a local development officer to administer projects.

IMPACT OF RURAL DEVELOPMENT POLICIES AND PROGRAMS ON POVERTY

Despite of all the policies and programs related to rural development, there has been little decline in the extent of rural poverty. This section assesses the direct impact of the above policies and programs on rural poverty. The indicators used for the assessment are agricultural productivity, employment, and income.

Agricultural Productivity

Since the agricultural sector is the primary sector that determines the income of rural people in Nepal, agricultural productivity has a direct impact on poverty and vice versa. The higher the productivity, the lesser the poverty. However, agricultural productivity, either aggregate or individual, has not increased during the past two decades.

Between 1967-1982, the aggregate crop productivity in Nepal decreased by 0.5 percent annually (APROSC, 1985). Despite geoclimatic variation, agricultural productivity in the mountains, hills, and Tarai has declined annually by 0.7, 1.0, and 0.3 percent (APROSC, 1985).

Despite of an increase in cropped area, the yield rate of major cereals declined during the period 1967-1982 (Table 6). Though the paddy cropped area during the period increased by 0.7 percent, the yield rate and production decreased by respectively 0.8 and 0.03 percent. Similarly, with the exception of wheat, the yield rate of major cereals declined despite an increase in their respective cropped areas. According to Table 6, the decline in yield rate is 1.4 percent for maize, 0.6 percent for millet, and 0.6 percent for barley.

Table 6. Growth Rate of Area, Production, and Yield of Major Cereals (1967-1982, in percent)

Crops	Area	Production	Yield
Paddy	0.7	-0.03	-0.8
Maize	0.8	-0.6	-1.4
Wheat	5.6	7.1	1.5
Millet	1.0	0.5	-0.6
Barley	-0.05	-0.6	-0.5

Source: APROSC, 1985.

An evaluation study on 418 small farm families involved in 11 SFDPs covering 11 districts indicates that the SFDP is less effective in raising crop productivity and, consequently, the incomes of small farmers in Nepal (NRB, 1982).

Agricultural productivity has been stagnant even in case of the Integrated Hill Development Project (IHDP) and Koshi Hill Area Development Project. An evaluation study on IHDP shows that food production has significantly declined in the both Sindhupalchowk and Dolakha Districts during the last ten years. Foodgrain production including potato has negative growth rates during the period 1971/72-1980/81, compared to the marginally positive growth for the country as a whole. In terms of food balance, the situation in both districts deteriorated rapidly (IDS, 1982).

Employment

Rural development policies and programs have also had difficulty increasing employment opportunities. Although there are no recent studies on changes in the level of unemployment or underemployment, the rate is believed to have doubled during the last decade, as the population is growing at 2.6 percent and the annual growth of the labor force is 0.2 million.

Furthermore, whatever opportunities for nonagricultural employment created by IRDPs have been exploited by medium and large farmers. The same situation is true for training and extension services--because of their lack of socioeconomic status and political influence, small far-

mers and landless laborers do not participate in these activities.

Income Level

Nepal's GNP per capita was the third lowest in the world during 1983 (World Bank, 1985). Thus, the most important problem facing the rural poor is survival. According to Table 7, ten percent of all households have a share of 46.5 percent in total household income, while the lowest 20 percent of all households share only 4.6 percent. Amatya (1982) observed that though the small farmers have a higher share of income from nonagricultural employment, the size of their income is smaller than large farmers.

Table 7. Total Household and Nonagricultural Income (NRs.)

Type of farmers	Household income		Percent share of non-agricultural income
	Total	Nonagricultural	
Marginal	5224	2582	49.0
Small	4200	1667	40.0
Medium	7181	1459	20.0
Large	14494	2768	19.0

Source: Amatya, 1982.

Small farmers generally receive low paying nonagricultural jobs, while large farmers gain higher paid employment through better education or influence. Such discrimination helps widen the income distribution within the rural sector.

In addition, many rural households engage in some kind of seasonal migration to the Tarai, urban areas, or to India, in search of employment. Most receive low paying jobs, at an estimated NRs.9 per person/per day, with a 15-20 percent wage difference between men and women laborers (ESCAP, 1981).

Svejnar and Thorbecke (1984) observe that poverty, as measured by the availability of agricultural commodities per capita, has become an acute problem over the past two decades. The total per capita consumption (availability) of agricultural commodities has declined at 0.8 percent annually. The per capita domestic production of agricultural commodities declined at the same average rate, and as the proportion of the population in agriculture remained roughly constant during this period, the aggregate agricultural labor productivity also declined at the same rate. Thus, the extent of poverty has increased despite efforts of IRDPs and government development policies.

From its inception, panchayat policy emphasized popular participation in the development process. As an institution, the village panchayat is a grass-roots level organization aimed at mobilizing village participation in development projects. Similarly, there are ethnic, professional, and cooperative organizations which are also involved in the rural development process, but whose leadership is mostly comprised of local elites and large farmers (APROSC, 1981).

Another aspect of the integrated rural development program has been the creation of an institutional support system for effective execution of projects. However, the creation and expansion of institutions has not had a significant impact on agricultural production. Most institutions are involved with administrative jobs, rather than generating more employment opportunities for the rural poor. In addition, the contribution of voluntary labor by villagers for development projects has eroded with the IRDPs. (Bhatta, 1982).

CONCLUSION AND RECOMMENDATIONS

The study reveals that the extent of poverty in Nepal is great. Rural development programs have been ineffective in reducing poverty in Nepal. With an increase in population and a decline in agricultural productivity, the level of poverty has increased over the last two decades. In addition, poor educational and health facilities plague the rural population. Overall, the country has not been able to reduce poverty at all.

Most of HMG's policies are populist in nature, yet there is no political incentive or means to execute them. Modern Nepal has inherited the built-in socioeconomic inequality of the past with a patron-client relationship between the state and people. Government bureaucrats do not want to change the status quo. Hence, any policy or program that might affect their positions is not realized. For example, the Decentralization Act stated that the users' group at the project level was to be headed by anybody with local influence. This provision has been ammended with another provision that the office bearer of the local panchayat will chair such a group. The evidence shows that informal institutions are effective in enlisting popular participation, yet whenever there is intervention, failure results. Hence, it is very important to recognize this fact and mobilize local institutions for development activities without disturbing their operation.

Given this background, to completely eradicate poverty is impossible. However, the following recommendations may help to reduce the existing level of poverty.

- The present land reform program with respect to the land ceiling and the systems of confiscating and distributing land should be modified to make them more effective.

- The current land ceiling, which is aimed at increasing agricultural productivity, was not fixed on the basis of an economic rationale. Several studies have observed that small farms are more productive than large farms (Hamal, 1983). Therefore, the present land ceiling should be readjusted according to agricultural productivity in order to attain higher productivity through land reform.

The distribution of confiscated land should be based on sound economics. So far, the basis used for distributing such land has mostly been unproductive. Lands have been distributed mainly to politically deprived people who were not interested in farming. Such a distribution system may have adversely affected agricultural productivity. Therefore, if the land distribution program is to effectively distribute land among the rural poor, then land should be distributed according to a farmer's

willingness to cultivate.

- Unviable Sajhas should be closed down to prevent any further loss to the government.

- In areas where Sajhas are viable, participation of small and marginal farmers should be increased through a mass motivation program. Moreover, a few marginal and small farmers should be selected from a ward and provided with loans on certain local profitable schemes. The benefits rendered by these schemes should be demonstrated to other farmers. In this way, Sajhas can properly develop among small and marginal farmers.

- The procedure of transferring assets through distribution channels, such as the Agricultural Development Bank, commercial banks, SFDP, and IRDP, should be shortened. Due to lack of collateral and the lengthy procedure of transferring assets, the rural poor have hardly enjoyed benefits from subsidies and transferred assets in the past.

- The present agricultural wage rate, which was fixed a long time ago, needs to be readjusted in order to reduce the poverty level.

- Government subsidized skill development training should be provided to landless laborers in order to help them obtain better employment opportunities.

- Lastly, in Nepal where above 94 percent of the population are rural, rural development must be a major item on the planning agenda. Even if there are many problems concerning policies and the implementation of rural development programs, it is the only medicine that can help poverty in Nepal. Moreover, rural development is more of a "process" than a "state." It would be wrong to dismiss health, employment, education, and housing strategies as unimportant just because they do not immediately lead to a structural change. It is through the process, no matter how partial, that social transformation becomes possible. Therefore, rural development should reduce the extent of poverty. But by how much? And when? It is highly dependent on the government's own policies, the socioeconomic structure, and the government's own desire toward it.

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