

Rural Development Policies

1. Background

Nepal is largely a rural and agrarian country. Agriculture dominates the economy with large (41%) but declining contribution to GDP and a source of employment to over 80 percent of the economically active population. Because of the very poor state of overall agricultural development, annual per capita income of the Nepalese is low - estimated at US\$ 240 with distribution skewed enough to have nearly 38 percent population in abject poverty (capacity to arrange less than 2,124 kcal¹ per day and other basic needs). Among them 17 percent are hardcore or ultra-poor. The Gini coefficient of income distribution is on the rise – from 0.3 in 1977 to 0.358 in 1999/00 (Annex-I). Nepal is among the 49 LDCs with low human development index. The poverty is manifested in different forms -- exclusion, deprivation, destitution, and even social conflict.

The ninth plan set its goal to bring down the number of people below the poverty line to 32 percent. The plan also set its objective to raise the living standard of the poor by reducing the level of poverty, to launch special area and various targeted programs, to uplift the living standard of ultra-poor who do not have any means of production as well as income, to empower the backward, deprived and weak communities and to reduce the concentration of existing poverty in backward and remote areas by developing physical, social and economic infrastructure. The main strategies for attaining the goal of poverty alleviation include:

- Integrated development of agriculture and forestry sectors and sustainable and poverty alleviation-oriented economic growth with a focus on these sectors.
- Acceleration of industrial development process through the advancement of such sectors as agriculture, water resources, industry, tourism and transportation on the basis of comparative advantage and competitive capability.
- Enabling local institutions to take leadership in rural development through decentralization, and placing special priority on the development of backward regions.
- Developing human resources for sustainable and high economic growth.

¹ The original definition of poverty was based on 2,250 kcal. If this definition is followed, then the incidence of poverty would be 45 percent.

A number of long term (20 years) social development targets have also been set in the Ninth Plan. They include, among others:

- ensuring primary education to all the school going age children,
- providing primary health service to 90 percent of the population,
- rendering drinking water facility to all the population, and
- ensuring literacy to 90 percent of the population.

The progress in these fronts has remained satisfactory with higher public resource allocation in social services, evolution of decentralized local self governance, and social mobilization to attain these objectives. However, progress in poverty reduction has remained less than satisfactory.

2. Sustainable Rural development

Sustainable rural development is the path of continuous enhancement in income, awareness, quality of life of the rural people in an efficient and equitable manner without any adverse effect on the environment. In the case of rural Nepal, sustainable rural development is synonymous to the growth in agriculture and poverty reduction.

Macro-Economic Adjustments

The global events and domestic violence problems have greatly distorted the economic prospects for Nepal at least for a couple of years beginning from the current fiscal year 2001/02. The global recession is likely to significantly curb the possibility of harnessing the foreign aid, much of which is expected to be diverted to the rehabilitation of war-torn Afghanistan. In such an event, the in-house solution has to be sought towards enhancing the efficiency of the development investment and significantly curtailing the non-performing and wasteful expenditures. The following actions and reforms are proposed:

- The first major task will be to contain the domestic insurgency problem. This has to be accomplished with the shortest of the emergency period as the economic

activities have remained largely stagnant during this period. Failure to do so will result in the serious drop in domestic investment and FDI as indicated by the past experience. The donors have also supported the emergency on the condition that it should not affect the normal civilian movements and activities. Any indication to the contrary will lead to the disruption of the external support. Hence this has to be done with utmost caution and proper targeting.

- There are a number of heads in the government budget which are wasteful investments. For example, there are several projects which require more than 100 years of allocation at the current rate in order to be completed. Such scattered investments have only increased the size of the red book. An increase in the size of red book is also indicative of the centralized financial control. This practice must be immediately stopped.
- In the area of poverty reduction, there are a number of poor-biased policies and legislations that need to be reversed. For example, the rich-friendly large surface systems are not only highly subsidized but also there is high level of budgetary allocation for such schemes. On the other hand, there is no subsidy and budgetary provision for poor-friendly micro-irrigation. Thus the cumulative investment of about 66 billion Rupees in irrigation has largely benefited the rich. Therefore, support for micro-irrigation from the budget is essential.
- Poverty in the country has started to decline only marginally. The ultra-poor are barely accommodated in any poverty alleviation programs. The main cause of ultra-poverty is assetlessness, indebtedness and voicelessness. The government can implement a debt reform package for the ultra-poor along with the land reform package.
- There is a need to downsize the government bureaucracy by realigning the development functions and responsibilities. The government will assume the provisioning function and refrain from direct production activities. The reduction in the size of bureaucracy will also reduce the government expenditure. In order to bring cost-effectiveness, efficiency, user satisfaction and sustainability, polycentric delivery structure is required.
- Under the decentralization provisions, the more affluent VDCs (in terms of natural resources such as water sources, forests) are better positioned for rural

development with access deprived to the resource-poor VDCs. Therefore either the equalization scheme has to be effected or the two types of VDCs have to be merged for sharing resources.

Debt Waiving

A recently completed Public Expenditure Review Study reported that almost 50 percent of donor-financed projects are not sustainable. Both Tarai and Hill Institutional Options studies corroborate this observation with the identification of several non-functioning donor-financed projects implemented by the government despite repeated investments. The failure, however, does not solely lie with the agency implementation. The donors' accountability rests in the choice of the implementing institution, the imposition of unfavorable conditions, the creation of conditions to execute costly bidding procedures, etc.

Some of the bilateral donors and INGOs are found to implement projects in the field directly, with high administrative costs and limited program funding, resulting in minimal impact. This means that the inflow of resources alone cannot reduce poverty and cause growth, as is amply demonstrated by interventions in Rapti and Karnali by some donors over a long period of time. What is really required is improved institutional performance through people's involvement in development and with holistic intervention on the part of both donors and the government.

This relative failure of donor-funded projects draws attention to the ongoing global debate and concern about the loan burden of many countries -- particularly the Least Developed Countries (LDCs) and a need for the waiving of such debts to make room for other important social and infrastructural investments for poverty reduction using more effective institutions. Nepal does not qualify for the debt relief package initiated by the IMF and world Bank under HIPC initiative. This stance of sustainable debt for the LDCs must be substituted by sustainable projects out of donor financing, meaning that the waiving of debt should correspond to at least the failed portion of the projects.

Nepal, like other LDCs, can no longer handle the mounting external debt burden, which is claiming almost 34 percent of the regular expenditure on annual debt repayment. This high and growing level of debt obligation has severely limited the resources available for social

sector, rural infrastructure and poverty alleviation. This leads to a choice between debt servicing and sustainable development for poverty reduction, the latter undeniably deserves priority – a fact which the donors need to internalize.

The amount saved from debt waiving could be set aside for sectoral and poverty funds to be made available to multiple competing channels to bring efficiency and equity. In addition, the bilateral agencies that implement programs directly in the field need to revisit their strategy from the point of cost of delivery and impact, particularly on the poor.

3. Rural Poverty Scenario

Poverty is a rural and an agrarian phenomenon in Nepal (44% rural poor and 23% urban poor). Poverty level is higher in mountain districts (56%) followed by Tarai (42%) and hills (41%) (NLSS, CBS). The hills and mountain districts of Mid-western and Far-western regions are the poorest areas. The least poor district is Kathmandu with only 4 percent absolute poverty. Ethnically, the poorest are Limbus (71%) followed by Dalits. Least poor are Newars (25%) followed by Brahmins (34%). The major sub-groups of rural poor in Nepal include the landless, marginal and small farmers, tenants, upland dwellers, ethnic minorities, dalits, internally displaced persons (tribal population such as Chepangs) and women-headed households.

Two basic forms of poverty in Nepal are notable – the spatial poverty caused by remoteness and the interstitial poverty caused by a mix of several factors. In the Ninth Plan, 632 VDCs in 25 districts were identified as special regions that were particularly remote and economically backward due to absence of infrastructure. For eradicating the spatial poverty, the primary need is to develop transport infrastructure (through spatial targeting) while interstitial poverty can be addressed by property targeting and multi-sectoral intervention.

The reasons for increasing poverty in rural Nepal are:

- high growth in population (about 2.5% per annum) causing the reduced per capita natural resource availability,
- skewed asset distribution,

- high rate of underemployment (50%),
- inadequate and ineffective public services (lack of targeting),
- corruption (50% revenue loss) leading to unsustainable project development,
- high indebtedness,
- heavy and wasteful expenditure in social functions,
- natural calamities and epidemics (annually 350 people die and another 250,000 affected) and above all,
- Lack of pro-poor government policies and implementation modalities. Some of the noted anti-poor policies are listed below:
 - The legislative provision of prior appropriation right in the water sources (right belonging to traditional users) for irrigation and drinking water favors the richer segment of the society because they are likely to use resources to tap the sources first.
 - The policy of using contractors hired by the agency in infrastructure projects limits the gains to poor laborers engaged in construction works. In fact, an assessment has shown that the laborers engaged in unskilled jobs in construction (such as earthworks) receive only about one-sixth of the value of work as wage. These poor can be organized and given direct contracts for the unskilled labor component of construction. Separate packaging of the contracts for skilled and unskilled works is required.
 - The agricultural extension system implemented by the government is service center based where the people requiring the services have to reach the service center. It does not pay the poor to invest time and resources for their petty technological needs.
 - For the irrigation requirement of small holders (manual pumps, small surface systems), the subsidy has been withdrawn and hence the poor have to pay full cost for irrigation while the rich people in the large systems enjoy heavy government subsidy. Also, there is no specific policy for poor-friendly micro-irrigation and hence no budget is allocated for such irrigation.

Is there any stake or cost to the government of persisting chronic poverty? This has to be

understood that besides the general welfare of all the citizens being the goal of a democratic government, poverty is also a political problem. Historically, there have been big political upheavals and usurpation of power by the non-democratic forces in several countries due to the chronic deprivation of the people. In Nepal also, the Maoist insurgency movement has, among others, strong roots in mass poverty. The other consideration is the nexus between the poverty and the environment. It is widely believed that poverty is a threat to the environment in terms of the encroachment to the forest, use of non-renewable sources of energy, etc. Therefore, poverty must be treated by both the national as well as local governments as the liability and serious efforts must be made to contain it even on the grounds of equity and social justice. Even for the non-poor, although they may temporarily benefit from the supply of cheap labor, the existence of high level of poverty may be a threat for the security of their life and property as is being observed in the case of Maoist insurgency problem.

Programs/Policies for Poverty Alleviation

There have been a myriad of poverty alleviation endeavors in Nepal by the government as well as the NGOs. Three shortcomings are noted in these endeavors. Firstly, the poverty reducing programs are unorganized or haphazard. Secondly, the programs have covered only the borderline poor and not the ultra-poor. Lastly, the programs are not sufficiently targeted and often the interventions are sectoral and not holistic. Many programs offer pre-conceived packages without considering the local needs and priorities. The participation of the poor in the decision making part of these programs are either absent or only in token. The poor are often treated as objects and not the subjects of development.

The experience of Grameen Bank in Bangladesh shows that poverty reduction of a category of the poor can be at a cost of poverty enhancement of the other category of the poor (non-pareto situation). John W. Mellor (Mellor 1997) said that the targeted poor Grameen clients in Bangladesh are carrying out the same petty enterprises with the loan support that the non-poor were doing before. So, the uprising of the poor is matched by the slipping of the non-poor to the status of poverty. This is obvious because despite so widespread coverage of the poor under the program, the poverty status at the national level in Bangladesh remains

unchanged. In Nepal also, the same thing may be happening with the Grameen replica programs without considerations of the local realities and the need for holistic intervention (organization, skill and technology).

In order to support various actors involved in poverty alleviation programs on a continued basis, there is a need to establish an independent and autonomous fund (Poverty Alleviation Fund) which provides resources to these polycentric actors on a competitive basis for better performance. The government of Nepal has set aside some resources for this Fund but it has not yet been formally established. The Fund will need resources from the government and the donors.

The government should set up a “Poverty Watch Unit” within the National Planning Commission to monitor the level of poverty as well as to devise pro-poor policies. Poverty monitoring in national scale has to be done in every five years.

Participation of the beneficiaries in decision making and targeting have been the weakest link in agency service delivery in Nepal for poverty reduction. Hence, the government will limit itself to provisioning, monitoring and regulatory functions with service production and delivery part left to other more efficient actors. For this polycentric institutional arrangement has to be significantly up-scaled for competitive performance.

The poor in Nepal have also become poor because of the expensive service delivery associated with the highly scattered settlements particularly in the hills and mountains. A program of settlement compaction is thus needed. This can be achieved by providing incentives to move the scattered households into the settlement clusters.

The poor also need the access to resources, technologies, credit, etc.

Access to Land

In Nepal, land is the major resource because there are very few viable non-farm enterprises in the rural areas of Nepal. The poor are either landless or have very small piece of land. Often

their land is sloppy and degraded because they cannot afford to use required nutrients. Therefore, the access of the poor to the land must be increased. The sources of availing the land to the poor are:

1. The land allocated to the Commission for the Land-less
2. The land to be obtained from the implementation of the recently announced land ownership ceiling
3. The land reclaimed from the meandering rivers and streams
4. The land from the forest under leasehold arrangement
5. The community land identified by the local bodies
6. The land auctioned by the financial and other institutions
7. Longer term soft loan to the poor to buy private land.

Access to Food and Employment

Food insecurity is the prime concern of the poor. The government can arrange a one-time grant of a certain quantity of staple food-grains to a community predominated by the food insecure poor households. This food stock could be run as community grain bank. The poor can take grains as loan during the lean period and can repay the grain during harvest period with some interest when they get either their own production or wages.

The poor can be provided with employment in public works, food-for-work programs and other wage employment which will not only increase their household income but will also cater to the much needed food security. It has to be understood that many ultra-poor may have serious malnutrition due to their extreme poverty resulting in lack of food. Hence, prior to the provision of job opportunities for such ultra-poor, a program of nutrition enhancement may be required in order to render these ultra-poor eligible for entering the labour market for arduous physical works. While the ultra-poor improve their food security from these unskilled job opportunities, they can be given some skill enhancing opportunities through training to upgrade their capacities in enlarging the income earning opportunities.

The poor have also not been able to benefit from the high remittance sources of jobs outside the country because the initial amount required to be paid for these jobs are beyond the reach

of these people. The government can provide them loan to be repaid in monthly installments after they get such jobs. Some of the high remittance jobs abroad are also linked to the skills, capabilities and productivity. So, there is also a need for systematically building up and upgrading the required skills of the poor.

Access to Appropriate Technologies

There are many poor friendly technologies which are not reaching the poor and the ultra-poor. The access of the poor to these technologies can be ensured by the following means:

1. The poor need non-land based technologies. These can come from assembly type of industries (such as carpet industry in Kathmandu), which the government can promote with incentive schemes.
2. There is a need for massive R&D in pro-poor technologies.
3. The pro-poor micro-irrigation technologies need to be supported by withdrawing heavy subsidy and support in the rich-friendly large irrigation systems.

Debt Reform Package

Most of the poor households are heavily indebted. It is said that they are born indebted, live indebted and die indebted. The debt is generally from the moneylenders who charge as high as 100 percent interest per annum. This interest is invariably compounded annually. A loan of Rs.100 reaches above Rs.100,000 in 10 years with annual interest compounding at 100 percent. The formal loan from Banks bears an interest rate of about 16 percent per annum which reaches only Rs.441 in 10 years. The poor, therefore, need to be saved from the clutches of informal lenders. If the government is really committed to help the poor, then it should legislate a debt reform package that they should pay only a maximum of five times the original loan in 10 years. The institutional sources must be instructed to repay these loans so that the informal loans are converted into formal loans with lesser interest burden. The repayment schedule should be left to be determined by the borrowers themselves who know when their cash income will be forthcoming. In fact, there is no need to have installment for the principal amount as long as the interest is paid in time. The repayment of principal

amount can thus be made optional.

Equity Concern

One of the reasons for growing poverty in the country despite growth in GDP is the gross neglect of the equity concerns in the development projects. When a development project comes to a community, all members of the community should be entitled to the benefits from the project irrespective of whether they receive direct benefits. Those that cannot directly benefit from the project (such as irrigation) should be adequately compensated. In other words, there should be no uni-sectoral projects at the community level. Instead, each development project must be a community development project apt to benefit each member of the community.

One such model was implemented in Galyang Irrigation scheme in Syangja where the allocation of water was based not on land but on the household basis so that even the poor got their share of water which they could use themselves or sell. Those who had more land were required to sell the land at the price existing before the irrigation which was given to the poor on a long-term loan basis. Such a program with built-in equity needs to be replicated.

Compensation Policy

The compensation policy of the government is also faulty. In a road project, the compensation for private land falling in the road alignment is equal irrespective of whether all or only a portion of land is lost. Those who lose only a portion of land need not qualify for compensation as the value of remaining land will increase significantly. On the other hand, those who lose all land must be compensated at the market rate.

Human Resource Development

In human resources development, the priority activities will be general literacy classes with focus on women, legal literacy classes, functional literacy classes, skill training, management training, accounting training, leadership training, entrepreneurship development training,

compulsory enrolment and compulsory primary education. Most school-age girls in Nepal are not able to attend school because they have to take care of the younger children in the house. These girls can be released to attend the school by operating community childcare centers. The nutrition programs in such centers will also improve the health of the children. Investments will also be needed for school improvements and logistics.

Increasing Investments targeted to Improve Women's HDI

The health and educational indicators of Nepalese, particularly that of women is the lowest among the countries in the South Asian region and among the developing countries (Annex-3). Hence, Nepal has to make significant investment in the development of human resources with particular emphasis on women through:

1. Compulsory enrolment of girl children in schools
2. Expansion of safe drinking water and grain processing to reduce the work burden of women
3. Promotion of alternative sources of energy (safer energy forms) for cooking
4. Gender training for both men and women in order to enhance the status of women in household and community decision making.

4. Agricultural Development

The Current Scenario

Until the late 1950s, the agricultural productivity of major foodgrains (rice, wheat and maize) was the highest in the South Asian region. Now, it is the lowest. This is because of the comparative disadvantage in the production of these crops owing to the weak set of policies and institutions. The weak policies and institutions greatly belated the creation of productive infrastructure (irrigation, research); increased the cost of creation of such infrastructure; and failed to ensure access to the requisite production augmenting inputs, technologies and services. Although the topography and land-lockedness have also played a part, but other

countries in similar situations have been able to defy such odds through better policies and institutions.

The current productivity levels of various agricultural enterprises is less than half the potential. Hence there is a serious productivity gap. The production and yield levels of principal crops reveal tremendous annual variation. This is because of the limited irrigation coverage and performance and consequent high dependence on monsoon. Subsistence agriculture still predominates.

Food Security Situation

Food security situation in Nepal is dwindling (Annex-2) and a grossly agricultural country has to depend on imports for meeting the food needs. Nepal was exporting foodgrains to India until the late 1980s. Now there is a substantial net inflow of the agricultural commodities into Nepal not only because of inadequate domestic production but also because of quality, ready availability, taste and preferences (Koirala, Thapa and Joshi, 1995).

Out of 16 mountain districts, 13 districts had negative food balance in 1985 which increased to all 16 districts in 1995.

Out of 39 hill districts, 34 districts had negative food balance in 1985 which decreased to 33 districts in 1995.

Out of 20 Tarai districts, 6 districts had negative food balance in 1985 which remained the same in 1995.

Programs/Policies for Agriculture Development and Food Security

The programs and policies for agricultural development in Nepal have been set by the Agriculture Perspective Plan (APP) with focus on limited set of inputs (controlled year-round irrigation, improved fertilizer supply, problem-based research and extension and agricultural roads) and priority outputs (cereal grains in Tarai and high value cash crops and livestock in

the hills and mountains). The input and output targets of APP are way behind and lot of catching up is required. Some specific programs for agricultural growth and improvement in food security are as follows:

- Food for work program must be expanded in the hills and mountains, particularly in the drought affected areas
- Investment in agricultural research must be increased to reach at least one percent of the AGDP. The research must be extended to high value crops and NTFPs. Research agenda must be problem based through massive interaction with the farmers and the commodity associations. Mechanical, cultural and economic research must be immediately initiated.
- The number of female extension agents must be significantly increased to quickly reach a critical mass.
- The private sector involved in fertilizer import and distribution must be provided level playing field with the withdrawal of indirect subsidy to AIC. Fertilizer quality checking laboratories must be established in the border areas. Crop and soil tailored fertilizer packages must be promoted in order to prevent unbalanced use of fertilizers.
- Irrigation coverage and efficiency has to be largely increased for controlled year round irrigation. Micro-irrigation such as drip systems, sprinkler systems, water harvesting tanks, manual pumps must be subsidized and supported.
- There are 100 different herbs traded from Nepal revealing high potential in this front, particularly in the hills and mountains. These must be promoted with domestication, proper harvesting techniques and domestic processing.

5. Other Potentials for Rural Development

Tourism development is another potential for development. The tourist arrivals are mainly constrained by the air-seat availability. For improving on the quality of the tourist and the duration of stay, more peaks have to be opened for climbing and tourist destinations have to be expanded. Eco-tourism and village-tourism development is a potential in the rural areas. New avenues of tourist attraction such as rock climbing, hiking, etc. could be developed.

6. Conclusion:

Nepal is rural. Its development poses several challenges. Traditional way of life, subsistence economy, under employment, conservatism, low level of HDI, disparity between land holders and non-land holders, remoteness, concentration of indigenous and marginalized people are some of the challenges.

Nepal's rural development requires resource based planning which manifests into an integrated area planning including better land, forest and water resources. The reform efforts for better control of these resources through decentralized planning is the strategic approach government is following for rural development. Programs that have demonstrated better results have to be replicated and up scaled. Better market linkage, affordable financing and credit has to be ensured. For higher productivity from the resources, technological improvement, dissemination and upgrading is required.

Annex 1: The Levels of Deprivation in Nepal

Particulars	Value (%)
Chronic malnutrition among children (6-36 months)	48.4
Adult illiteracy rate	63.3
Proportion of population with life expectancy less than 40 years	22.5
Population without access to safe water	33.2
Population without access to health service	58.7
Children out of school	34.1
Gender Empowerment Measure (GEM)	0.191
Women's share of earned income	17.4
Life expectancy at birth (years) of male	55.0
Life expectancy at birth (years) of female	52.4

Source NLSS data, CBS, 1998.

Annex 2: Production, Requirement and Balance of Food-grains in Nepal (1991/92-1998/99)

FY	Production	Requirement	Balance
1991/92	3373448	3561838	-188390
1992/93	3292126	3633724	-341598
1993/94	3585112	3723722	-138690
1994/95	3397760	3882915	-485155
1995/96	3913878	3948229	-34561
1996/97	3972587	4079135	-106548
1997/98	4027348	4198072	-150727
1998/99	4099597	4285868	-1862

Source: District Development Profile of Nepal, Informal Sector Research and Study Centre, 2001

Annex 3: Progress in Selected Human Development Indicators

Indicator	Year	Nepal	South Asia	Dev. Countries
Life expectancy				
Male		54.3	60.1	60.3
Female		53.3	60.5	62.9
Infant mortality (per 000 births)	1992	98	84	70
Maternal mortality (per 100000 live births)	1993	1500	567	384
Total Fertility Ratio	1992	5.4	4.2	3.5
Adult literacy				
Male	1993			
Female		39.4	61.7	77.6
		13	35	59.8
Population with access to safe water	1992	46	71	68
Public expenditure on health (% of GDP)	1990	2.2	1.4	2
Public expenditure on education (% of GDP)	1992	2.9	3.8	3.9
Gross domestic savings (% of GDP)	1993	11	23	26
GNP per capita annual growth rate (1980-1993)		2	2.9	3.9

Annex 4: Poverty Alleviation *Action Matrix*

Issues/concerns	Strategy/Action	Responsible	Time-frame
Weak institutional arrangement for poverty alleviation	<ul style="list-style-type: none"> ▪ Establishment of poverty alleviation Fund 	<ul style="list-style-type: none"> ▪ Central government, donors 	2002
Poor are not organized	<ul style="list-style-type: none"> ▪ Social mobilization of the poor ▪ Organization of different categories of the poor 	<ul style="list-style-type: none"> ▪ NGOs ▪ NGOs 	Continuous
Higher level of poverty in mid and far western hills	<ul style="list-style-type: none"> ▪ Poverty alleviation project with NTFP as entry point 	<ul style="list-style-type: none"> ▪ Central government, Donor (IFAD), NGOs, CBOs 	2003-2007
Existence of anti-poor policies	<ul style="list-style-type: none"> ▪ Policy and legislative reforms 	<ul style="list-style-type: none"> ▪ NPC, Various Ministries, Parliament 	Continuous beginning from 2002
Poor status of women and Dalits	<ul style="list-style-type: none"> ▪ Proper targeting of women and Dalits in poverty alleviation programs 	<ul style="list-style-type: none"> ▪ All actors in poverty alleviation business 	Continuous
Ultra-poor not covered by many programs	<ul style="list-style-type: none"> ▪ Ultra-poor to be formally and operationally defined ▪ Mandate the poverty alleviation actors to cover the ultra-poor ▪ Special packages for the ultra-poor 	<ul style="list-style-type: none"> ▪ National Planning Commission ▪ NPC ▪ All actors in poverty alleviation 	<ul style="list-style-type: none"> ▪ Immediately ▪ Immediately ▪ Continuous
Lack of monitoring	Poverty and poverty alleviation activity monitoring	<ul style="list-style-type: none"> ▪ NPC, local bodies 	Poverty monitoring in national scale every 5 years

Annex 5: Agricultural Development

Action Matrix

Issues/concerns	Strategy/Action	Responsible	Time-frame
Stagnant agricultural productivity	Serious implementation of APP <ul style="list-style-type: none"> ▪ Agricultural roads and market ▪ Problem based agricultural research and extension ▪ Increased and balanced fertilizer use 	<ul style="list-style-type: none"> ▪ MLD (DOLIDAR) and local bodies (DDCs and VDCs) ▪ NARC, Agricultural Research Fund, Farmers ▪ AIC, Private importers and distributors, fertilizer factories, farmers 	1996-2015
No land use plan	<ul style="list-style-type: none"> ▪ Preparation of scientific land use plan 	<ul style="list-style-type: none"> ▪ Ministry of Land Reform 	<ul style="list-style-type: none"> ▪ 2005-2010
Very few female extension agents	<ul style="list-style-type: none"> ▪ Increase the female extension agents to quickly reach a critical mass 	<ul style="list-style-type: none"> ▪ Department of Agriculture 	Continuous
Limited research	<ul style="list-style-type: none"> ▪ Increase investment in agricultural research ▪ Initiate research on high value crops and NTFPs 	<ul style="list-style-type: none"> ▪ NARC, Agricultural research Fund 	Continuous
Inefficient irrigation systems	<ul style="list-style-type: none"> ▪ Increase the efficiency of irrigation schemes for controlled year round irrigation ▪ Subsidy and support for micro-irrigation 	<ul style="list-style-type: none"> ▪ DOI, NGOs, Financial institutions, Farmers ▪ NPC, NGOs 	Continuous
Fertilizer problems	<ul style="list-style-type: none"> ▪ Create level playing field for the private sector ▪ Establish fertilizer quality checking units at the border ▪ Promote crop and soil based fertilizers for balanced use 	<ul style="list-style-type: none"> ▪ Ministry of Agriculture ▪ Ministry of Agriculture ▪ Fertilizer factories 	Immediately

Annex 6: Responsibilities for Poverty Reduction

Household Level

- Develop entrepreneurship for income generation opportunities

Community Level

- Identify the poor households
- Prioritize the service delivery in favour of the poor through a pro-poor plan
- Build the coalition of the poor in the community
- Identify and provide the access to the poor in community resources such as land, forest, pasture

VDC Level

- Identify resources at the VDC level that can be made available to the poor on lease
- Allocate a reasonable amount of VDC level funds for poverty reduction
- Monitor the poverty situation at the VDC level on a regular basis
- Monitor the poverty reduction programs within the VDC

District Level

- Identify resources at the district level that can be made available to the poor for improving their livelihood
- Monitor the effectiveness of the poverty reduction programs within the district including the coverage of the ultra-poor households
- Allocate a reasonable amount of district level funds for poverty reduction
- Lobby the national government to reform anti-poor policies
- Create DDCs own mandate for poverty reduction rather than demanding one from the central government

National Level

- Define ultra-poverty and mandate the organizations working for and with the poor to include the ultra-poor in their respective programs
- Reform the identified anti-poor policies to make them pro-poor
- Improve on the decentralized governance
- Provide incentives to the local bodies and staff for exemplary works on poverty reduction
- Provide resources for poverty reduction with strict monitoring
- Improve the access of the poor to resources (such as land), employment, credit, and training
- Build equity in the development projects
- Monitor the poverty situation on a regular basis

Regional Level

In the context of Nepal, the regional level support should come from SAARC. This regional level support should include:

- Regional commitment and action to reduce poverty
- Build regional level coalition of the poor and the persons and institutions working with and for the poor
- Provide resources for poverty reduction
- Improve regional terms of trade for the products and services generated by the poor

International Level

The support from international level is generally from the bilateral donors, multilateral donors and the INGOs. They can provide the following support:

- Resources for programs for ultra-poverty reduction with well monitored strict conditionalities for compliance
- Ideas and modalities for ultra-poverty reduction
- Lobbying and pressing the national government to reform policies conducive for pro-poor growth