

## **Conflict and Development in Nepal**

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Feb 24, 2006

Seminar Series, Department of Economics  
Nepal Study Center at the U. of New Mexico

Conflict has escalated in Nepal in recent years. It has jeopardized service deliveries and reduced development activities. As a result, the country has seen downturn in development expenditure and private investment. Economic growth rate has declined significantly. The country is facing extraordinary challenges on development.

Attempts need to be made to bring the sustainable solution of the present Maoist problem, without which it will be impossible to improve socio-economic condition of the country. However, the immediate need is to continue providing basic needs to the poor people and prevent food insecurity and large-scale humanitarian crisis.

However, increased level of social mobilization, decentralization, increased resources to rural areas, stronger peoples' ownership of the programs and increasing remittances have helped not only to prevent large scale humanitarian crisis but also to accomplish some progress in human development indicators in the country.

### **Nepal is at Critical Crossroads**

Despite politically difficult situation and the presence of armed conflict, Nepal's achievements in many socio-economic indicators, especially between 1996, the year when conflict started in the country and 2004, when the intensity of conflict was at a higher level, have been remarkable. The incidence of poverty fell from 42% to 31% mainly because of rapid increase in remittances income, increase in agricultural wage rates, speedy urbanization, and reduction in dependency ratio during the same period. Nepal Living Standard Survey (2003/04) shows that Nepal experienced all round improvements in socio-economic indicators between 1996 and 2004.

However, Nepal is now at the critical crossroads. Development expenditures in rural areas have slowed down considerably and escalated conflict has jeopardized service deliveries. Economic growth declined by almost 50%. In this situation, achieving Nepal's Plan targets and MDGs, represents an extraordinary challenge to the country.

In the meantime, the country also needs to draw serious attention in preventing disasters like food insecurity, mass displacement of people and other related humanitarian crisis. Government

also needs to ensure basic services like health, drinking water and education to its entire citizen.

In addition to the problems of implementation of development activities and service delivery, the issue of horizontal inequality or social inclusion (or inter-group inequality with both ethnic and caste dimension as well as deprived and disadvantageous geographical areas), which is one of the major causes of conflict, has to be addressed seriously. It is difficult to have a sustainable peace unless the issue of inclusion is not addressed.

### **Reorientation of development activities and service deliveries**

In spite of various difficulties, Government needs to provide basic services to meet civilian needs and create opportunities for increasing employment and incomes to prevent possible humanitarian crisis. The challenge, thus, is to combine the short-term needs with a long-term strategy to address the underlying causes of horizontal inequality and poverty. However, to be effective, programs and basic services need to be implemented in ways, which are sensitive to the conflict environment. Some the actions initiated in the countries are as follows.

Government has identified and prioritized activities, which can directly support poor or the poverty reduction program. These activities are the core programs for poverty reduction, which receives first priority in budget allocation. This process has clearly helped in allocating more resources in pro-poor activities. Pro-poor expenditure as a percentage of total development budget increased from 27.5% in 2003 to 34.3% in 2005.

Decentralization has been taken as one of the important means not only to bring development closer to the rural people to address the local needs, but also built flexibility in implementation. All budgets going to the local bodies (through the Ministry of Local Development), most of which used to be given to them for centrally approved, pre-identified programs and projects are now being provided to them under the categorization of conditional or unconditional grants. Expenditures going from other ministries are also being increasingly channeled through local agencies and activities are decided at the local level. The budget that went directly to rural areas increased by an average growth rate of 30% between 2003 and 2005 and the amount of conditional and unconditional grants increased by 120% between 2003 and 2005. Similarly, development partners have also started following similar mechanism in resource allocation and disbursement.

The Government has also announced full devolution program for selected 14 districts to be effective from fiscal year 2006.

In order to help strengthen people's ownership of development projects and programs and to expedite income-generating activities, use of communities, partner organizations and NGOs have been expanded. The budget going through such mechanisms has increased by more than 100% in 2005. Success rate in the implementation of these activities where people identified, owned and implemented the programs is extremely high. Some of the activities implemented through these modalities involve the construction of rural infrastructures carried out through local bodies, rural water supply schemes, activities carried out under the program of poverty alleviation fund and

micro-hydro program.

To address the issues of horizontal inequality, activities have been initiated to bring the disadvantaged groups in the mainstream. Government has provided more scholarships to the members of socially excluded group. As for example, scholarship budget increased from about Rs.120 million in 2004 to 870 million in 2006. All school going *dalits* (downtrodden) now receive one or other kind of financial support and the number of school girls receiving scholarship increased by more than 5 times between 2003 and 2005. All Maternal and Child Health Workers are being trained and upgraded to Auxiliary Nurse Midwives to address the issue of high maternal mortality rates. Provisions for reservation for women, *dalits* and indigenous people in public service have been made with the amendments in Civil Service Act. About 50% of the freed bonded labors have already received some land to support their livelihood from the government; others are in the process of getting it. A detailed study with the objective of identifying areas of intervention to help improve social inclusion policy has been completed and the recommendations will be implemented.

The Government has given high priority to connect district headquarters, especially of the topographically difficult areas.

The budget allocation in the Far Western and Mid Western regions, which have lagged behind in human resource development and physical infrastructures, has also surged in recent years. Programs like this is expected help mainstream the geographically disadvantaged regions with the rest of the regions, quickly.

The government has started transferring schools and health posts, which were traditionally run by the central Government to the local management committees comprising of the local people, to improve the smooth functioning of these institutions. The objective of this strategy is to help improve the outcome of the school by creating school management committees and parent-teacher association and rerouting funds directly to schools through them.

Government is also helping to facilitate overseas employment—both in quantity as well as quality. Foreign employment has not only been one of the major sources for poverty alleviation, but also for absorbing increased unemployed labor force and displaced people in Nepal. Preliminary numbers shows that the number of people going for overseas employment is estimated to increase by more than 100% in 2006.

## **Results**

The Government has succeeded in making timely adoptions, to some extent, to its development and service delivery strategies in response to the increased intensity of conflict. There have been some positive results of these activities.

The progress in education, health and drinking water is still satisfactory. Net enrollment has increase to 87% in 2005 compared to 84% in 2004. Drop out rates and girls enrolment have improved and immunization rate has gone up to 85-90%. The number of people served by improved drinking water increased from 73.5% in 2004 to above 75% in 2005.

District headquarters of additional six districts, including the remotest districts like Kalikot, Jumla and Jajarkot are being connected by road by the middle of 2006. This is probably a record progress in terms of the number of district headquarters being connected by road in one single year.

Survey recently carried out by World Food Program shows that the food insecurity situation has not worsened in the country; the percentage of vulnerable people associated with hunger and similar other indicators has not been enlarged. The country has, largely been successful in avoiding large humanitarian crisis.

Macroeconomic fragility continued to remain the foremost challenge for the last few years, but a prudent fiscal and monetary policy supported by a number of reforms in public resource management reforms have helped the Government to maintain macroeconomic stability over these years.

## **Conclusions**

While attempts need to be made to bring the sustainable solution of the present Maoist problem, the immediate need is to continue providing basic needs to the poor people and prevent food insecurity and bigger humanitarian crisis. These immediate needs must however, be supplemented by medium and long-term strategies that addresses the root causes of conflict.

Nepal is increasingly benefiting from a steady flow of remittances, wide-ranging devolution and community ownership and management. These actions and outcomes, to certain extent, have not only prevented larger scale humanitarian crisis in the country but also have significantly reduced the adverse impact of the conflict on household consumption and poverty.

Nevertheless, challenges persist. Reduced development expenditures, lower growth, reduction in private investment and other insecurity problems could result in poverty rate higher than the no-conflict scenario, if the issues are not handled cautiously. The possibility of further humanitarian crisis cannot be ignored, if enough emphasis is not given to the actions which can avoid it.

Conflict environment and political instability are some of the extraordinary challenges the country is facing today. It will be difficult to provide services in the future even at the level that has been provided today, if conflict further worsens.