

1. INTRODUCTION

1.1 Background

In the past decade His Majesty's Government of Nepal (HMG/N) has made increasing efforts to combat the poverty and food insecurity problems. To this end it has undertaken three major parallel programmes to increase economic and agricultural growth rates: an economic reform programme, an Agricultural Perspective Plan, and the Ninth Five Year Plan (1997-2002).

Implementation of the economic reform programme began in the late 1980s, with support from the International Monetary Fund (IMF) and the World Bank (WB). Its twin aims were (i) sustained economic growth with greater macroeconomic stability, and (ii) a transition to a more market-oriented and private sector-led economy by improving the incentive regime and eliminating structural bottlenecks. Considerable progress has been made, in particular:

- the trade and foreign exchange sectors have been liberalized;
- improvements have been made in industrial and foreign investment policies;
- fiscal reforms are under way;
- the public expenditure management system has been streamlined and strengthened;
- efforts to privatize public enterprises are in process; and
- structural reforms in agriculture have been introduced in order to tap productive potential and capacity for sustained growth.

In 1997 HMG/N adopted a 20-year Agricultural Perspective Plan (APP) with the aim of accelerating agricultural growth from about 3 percent in the first half of the 1990s to 5 percent in the following 20 years. The APP emphasizes realigning investments in selected priority inputs, particularly: (i) shallow tubewell irrigation in the Tarai; (ii) agricultural roads; (iii) fertilizer; and (iv) technology development and delivery (research and extension). It directs new investments to priority outputs, especially rice, citrus, apple, vegetables, livestock, and forestry products. Agribusiness is emphasised as part of a commercialisation strategy. The increased farm incomes arising out of realigned investments are expected not only to bring direct benefits to the farming community but also to generate strong multiplier effects on growth of output and employment in the rural non-farm sector, as the principal means of addressing unemployment, poverty and environmental degradation. The strategy requires packaging the component parts at the district, village and farm levels. The APP further envisages a decentralized and participatory implementation mechanism that operates at the district and national levels and is complemented by an analytical body at the national level to facilitate reinforcement and adjustment of the plan targets over time. Once implemented this innovative implementation mechanism is expected to constitute a major step towards improved participatory governance.

HMG/N's commitment to APP implementation of is reflected in the Ninth Plan. The Plan has adopted poverty alleviation as its main objective, aiming to reduce the incidence of poverty from 42 percent to 32 percent in 2002 by accelerating the rate of economic growth to 6 percent. The aim is to bring the rural population into the development mainstream by giving priority to agriculture and other sectors that have strong, growth-promoting forward and backward linkages. The Plan also seeks to

reduce economic disparities between regions and communities and to decentralize implementation of development programmes and projects. The Ninth Plan recognizes that high population growth in tandem with disappointing past performance by the agriculture sector have been the main reasons for failure to reduce poverty substantially. Developing the agricultural sector through APP implementation is one of the key policy and implementation strategies of the Ninth Plan. The Plan identified the need to evolve a policy environment that is conducive to private sector participation, and to implement the necessary institutional reforms.

1.2 Objectives

In support of the above, FAO has agreed to carry out this review of Nepal's policy and strategy for alleviating poverty and achieving sustainable household food security. This is being done under auspices of UNDP's *Support for Policy and Programme Development* (SPPD) facility. The main aim is to provide important inputs to HMG/N in formulating relevant policies and concrete programmes of action for sustainable household food security and poverty alleviation. By doing this it will help donor agencies in streamlining their technical and investment support to government policy. The specific objectives are:

- (i) To review the poverty and food insecurity issues and concerns *at the macro and micro* levels and the policy and strategy framework to address these issues;
- (ii) To examine the reasons for lack of sustained and broad-based agricultural growth and poverty alleviation; and
- (iii) To design appropriate poverty alleviation policies and programme initiatives which are responsive to the needs of, and with the participation of, the rural poor, including women.

1.3 Scope and Coverage

In pursuit of these objectives this report contains a detailed assessment of both the poverty and food security situations, and of the underlying issues and their determinants. It identifies policy options and necessary programme interventions for agriculture and other rural sectors so as to address household food security problems. The study has therefore:

1. Reviewed experiences and lessons from the existing macroeconomic and sector-specific policy and programming framework, and implementation strategies in terms of poverty alleviation and food security goals (macro-to-micro linkages of policies and outcomes);
2. Within the context of the APP, identified critical food security and agricultural concerns, both at the national level and at the level of specific agroecological belts, development regions and districts, where these concerns are most sharply apparent;
3. Examined how national policies, strategies and institutional arrangements have addressed and promoted agricultural development and household food security, paying special attention to how responsive and participatory they have been vis-à-vis farmers and other rural stakeholders;
4. Reviewed two-way national-local linkages in terms of policy development and reorientation, so as to identify gaps in the policy flows and feedback mechanisms; and

5. Outlined specific measures to promote agricultural growth, diversification of the rural economy and maximization of household livelihood opportunities through improvements in productivity and investment in human resources, paying special attention to integration of vulnerable groups, including women, in the growth process.

For this purpose, FAO, in collaboration with the National Labour Academy of Nepal (NLA-Nepal), conducted a systematic analysis of the critical food security and agricultural concerns at the national level within the context of the APP, and assessed food security issues at the district and household levels. This exercise will look into how, and to what extent, macroeconomic policies and priorities are translated into actions at meso and micro levels, what impact they have had on the people's food security and livelihood opportunities, and how effectively local concerns are fed back to the policy makers.

1.4 Approach and Methodology

The study adopted mainly three approaches during its course of preparation. First, it systematically analysed government policies, programmes and achievements through a rigorous review of relevant documents and statistics (from international, national, regional and district level bodies) related to macroeconomic policy, agricultural development, food security and poverty alleviation. Second, in order to assess the grassroots situation, the study conducted Participatory Rural Appraisals (PRAs) in one village in each of four districts, selected in order to exemplify varying levels of human development, poverty, deprivation and gender equity issues. Third, a series of consultations was held with relevant stakeholders at local and central levels. Local consultations were held through village, district and regional workshops. A national level workshop of stakeholders discussed the findings and solicited suggestions and ideas prior to finalization of the report. The views of individuals at national and international institutions were also sought.

1.4.1 District Selection

Nepal is conventionally divided into three ecological belts, Mountains, Hills and Tarai (plains). The micro-level study was carried out in one district in each of these divisions. These particular districts were selected following a number of steps based on Nepal Human Development Report (1998) described below.

In each ecological belt the five districts with the lowest Human Development Index (HDI) were chosen, and from within each set of five, the district with the lowest Poverty and Deprivation Index (PDI) was then identified (see Appendix Table 1). The three districts thus selected were Kalikot in the Mountains, Achham in the Hills and Kailali in the Tarai. In view of the deteriorating security situation in Kalikot, and in consultation with FAO and UNDP, this district was replaced by Mugu, an adjoining mountain district which also has a low HDI. After completing the village survey in Kailali district, it was felt necessary to add one district from the eastern Tarai to represent the relatively better-off areas. Accordingly, Sunsari district was selected because this district had the median value of HDI and PDI among the five eastern Tarai districts.

1.4.2 Selection of VDC and Study Sites

Considering the comprehensive nature of the data to be collected and the fact that only one week was available for field work in each district, only one Village Development Committee (VDC) could be selected in each of the four study districts. Selection was done in consultation with the key stakeholders, and major considerations were physical location, access to development opportunities, presence of development organisations (GOs, NGOs and INGOs etc), the local security situation and representativeness in terms of agro-ecological environments and farming systems. Villages for the detailed study (one per VDC) were then selected by considering factors similar to those used in selecting VDCs. This was done after discussions with the VDC officials. The geographical hierarchy is shown in Table 1.1. The characteristic features of the selected VDCs and villages will be found in Annex 4.

Table 1.1: Villages selected for field study

Ecological Belt	Region	District	VDC	Village
Mountains	Far Western	Mugu	Rara	Murma
Hills	Midwestern	Achham	Sokat	Sokat
Tarai	Far Western	Kailali	Pratappur	Kharaula
Tarai	Eastern	Sunsari	Amahibelha	Belha

1.4.3 PRA tools used

This study used PRA to generate in-depth understanding of poverty and food security issues at the village and household levels. Table 1.2 lists major PRA tools used. Visually-based tools engendered a shared understanding between outsiders and insiders, while semi-structured interviews (based on a checklist of issues developed by the team) were used to cross-check and supplement the results of diagramming.

1.5 Organization of the Report

This report is organized into seven chapters. The second presents both a review of concepts relating to poverty and the framework used to analyse household food security issues. Chapter Three describes the growth record of the economy, the poverty and food security situation, factors contributing to and responsible for growing problems of poverty and food insecurity, and the relevant institutional environment. The fourth chapter discusses the macro setting, particularly in the realm of policies, strategies and institutions directly affecting poverty and food security. Chapter Five presents the meso setting, focusing on effects and impacts of macro policies on intermediate processes and linkages. The sixth chapter then deals with micro setting, presenting poverty and food insecurity profiles for different sections of the population. It also analyses poverty feedback mechanisms. The last chapter discusses the policy and investment framework necessary for poverty alleviation and achievement of food security. Four annexes support the main report.

Table 1.2: Participatory rural appraisal tools used in the study

Data collected/ information generated	Level (Focus)	Tools used
VDC physical location, natural resources, ward division, physical infrastructures, settlement pattern etc.(Study area overview)	VDC level/ community	VDC sketch map
Household number, ethnic composition and resources (a Ward)	Village/ community	Social and resource map
Cropping pattern, changes in farming, production level, uses of chemical fertilizer and modern varieties etc.,	VDC	Crop calendar (Gender based)
Daily activity of women (work load), daily food distribution among different members of the family (e.g. pregnant and lactating mother),	Household/	24 Hour Clock
Seasonal food availability, labor utilization, income and expenditure pattern, coping strategies	Community gender differentiation	Seasonal calendars
Identification of local people's criteria for well-being, number of households (poorest of the poor), economic status classification	Household	Well-being ranking
Institutional analysis, local people's perceptions on the importance, relationship and linkages with different organizations functioning in the area (GOs, NGOs and CBOs etc.)	Institutional/ Community	Venn diagram
Prioritization of agricultural production problems as experienced by men and women, women's problems at household and community levels	VDC	Pair-wise problem ranking