



Nepal: Readings in Human Development

Four Essential Pillars of Human Development

Equity

Equity is a powerful concept that lies at the heart of the human development paradigm. Equity should be understood as equity in life opportunities, not necessarily in results. If development is to enlarge choices, the people must enjoy equitable access to social, economic and political opportunities. Ensuring equity in access to opportunities demands a fundamental restructuring of power.

Sustainability

Central to the concept of sustainability is the notion of distributional equity - of sharing development opportunities between present and future generations and ensuring intragenerational and intergenerational equity in access to opportunities. It is the sustainability of all forms of capital - physical, human, financial and environmental- that must lie at the centre of human development concerns. What must be sustained are worthwhile life opportunities, not human deprivation.

Productivity

Productivity is another essential component of the human development paradigm. In contrast to human capital based development models which treat people only as a means of development, productivity is just one part of the human development paradigm - with equal importance given to the other components of human development. Economic growth is therefore a subset of the human development model - an essential part but not the entire structure.

Empowerment

Human development paradigm envisages full empowerment of the people on all fronts - social, economic and political- meaning that people are in a position to exercise their choice of their own free will. In contrast to the basic needs model, which is generally limited to economic choice, the human development paradigm embrace all critical choices - social, cultural, economic and political. Empowerment is, therefore, the critical pillar reinforcing other components of human development.



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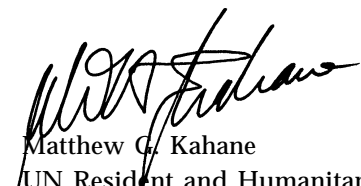
Foreword

Human development must be at the centre of all development efforts to enhance the capabilities of people to expand choices and live in dignity. UNDP has successfully advocated for human development since 1990 through the annual human development reports. Since then, national human development reports have been produced in more than 136 countries worldwide. The human development paradigm has now become the overarching framework for development planning in most developing countries with the Millennium Development Goals (MDGs) as instruments for sustained human progress.

The Nepal Readings in Human Development has been produced as a reference for Master's level students who will be enrolling in the human development course. The course is expected to be

introduced into the major universities of Nepal soon. The book has been prepared in close collaboration with these academic institutions. The course was piloted during intensive ten-day training programmes at Purbanchal and Pokhara Universities. The book went through several reviews and was presented to senior faculty of the universities before final editing. I hope this book will be useful for students as they seek to broaden their understanding of human development.

UNDP is pleased to support Nepal's academic institutions as they introduce human development into Master's level courses. I am sure this book will be useful to students, teachers and researchers alike in taking the human development torch forward for the creation of a just and equitable Nepalese society.



Matthew C. Kahane
UN Resident and Humanitarian Coordinator
and UNDP Resident Representative

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Abbreviations

ALR	Adult Literacy Rate	LSGA	Local Self-governance Act
APP	Agricultural Perspective Plan	MCH/FP	Maternal and Child Health and Family Planning
CBOs	Community Based Organizations	MDGs	Millennium Development Goals
CBS	Central Bureau of Statistics	MLE	Male Life Expectancy
CEDAW	Convention on Eradication of Discrimination Against Women	MoE	Ministry of Education
CFUG	Community Forestry User Group	MOES	Ministry of Education and Sports
CIAA	Commission for the Investigation of the Abuse of Authority	MoH	Ministry of Health
CSOs	Civil Society Organizations	MTEF	Medium-Term Expenditure Framework
DRD	Declaration on the Right to Development	NESP	National Education System Plan
EAP	Economically Active Population	NFE	Non-formal Education
EASA	Education Act Seventh Amendment	NGOs	Non-governmental Organizations
ECD	Early Childhood Development	NHP	National Health Policy
EDEI	Equally Distributed Equivalent Index	NLSS	Nepal Living Standards Survey
EFA	Education for All	OECD	Organization for Economic Cooperation and Development
EIA	Environmental Impact Assessment	PAF	Poverty Alleviation Fund
FDI	Foreign Direct Investment	PHC	Primary Health Care
FLE	Femlae Life Expectancy	PPP	Purchasing Power Parity
F-M	Male and Female Ratio	PRGFs	Poverty Reduction and Growth Facilities
FWCW	Fourth World Conference on Women	PRSPs	Poverty Reduction Strategy Papers
GAD	Gender and Development	RTIs	Reproductive Tract Infections
GBV	Gender-based Violence	SAARC	South Asian Association for Regional Cooperation
GDI	Gender-related Development Index	SAPs	Structural Adjustment Policies
GDPs	Gross Domestic Products	SMCs	School Management Committees
GEM	Gender Empowerment Measure	TU	Tribhuvan University
GER	Gross Enrollment Ratio	UN	United Nations
GHGs	Greenhouse Gases	UNCED	United Nations Conference on Environment and Development
GIA	Grants-in-aid	UNDP	United Nations Development Programme
GNP	Gross National Product	UNESCO	United Nations Educational, Scientific and Cultural Organization
HDI	Human Development Index	UNFPA	United Nations Fund for Population Activities
HDRs	Human Development Reports	UNIFEM	United Nations Development Fund for Women
HEI	Human Empowerment Index	VDC	Village Development Committee
HMG/N	His Majesty's Government of Nepal	WAD	Women and Development
HNP	Health, Nutrition and Population	WCED	World Commission on Environment and Development
HSEB	Higher Secondary Education Board	WHO	World Health Organization
HSRS	Health Sector Reform Strategy	WID	Women in Development
ICPD	International Conference on Population Development	WTO	World Trade Organization
IDA	International Development Association		
ILO	International Labour Organization		
IMF	International Monetary Fund		
INGOs	International Non-governmental Organizations		

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Introduction to human development

Pitamber Sharma

INTRODUCTION

Human development means positive growth and change in human well-being – collective and individual – in all its multiple dimensions: economic, social, political, cultural, and environmental. It is a complex phenomenon in terms of its many determinants and the numerous interactions among them. Human development focuses on people and their well-being. It concerns expanding their choices to live full, creative lives in freedom and dignity. It therefore stresses expanding the capabilities of individuals and communities to enlarge their range of choice as they seek to fulfill their aspirations.

The human development perspective constitutes a radical departure in development thinking because it supersedes the earlier preoccupation of planners with economic growth or growth in per capita income. While these kinds of growth, which entail increasing trade and investment and technological advance, remain essential, they are viewed as the means, not the ends of human development. Consequently, if an increase in gross national product (GNP) does not translate into jobs, better livelihoods, better health care, better education, a better environment, equality of opportunities, peace and

security, it cannot be considered development. In short, the human development approach evolved from an appreciation of what earlier concepts of development neglected – human well-being.

PERCEPTIONS OF THE “DEVELOPMENT PROCESS”: AN HISTORICAL OVERVIEW

Although economic development is now generally understood as material enrichment, and the creation and accumulation of wealth, early thinkers about the human condition saw it as meaningless except with regard to human beings and the human “ends” that it might serve. Aristotle (384–322 BCE) saw the accumulation of wealth and its uses in his ideal city as a means to promoting “human good”. “Wealth,” he stated “is not the only good we are seeking, for it is merely useful and for the sake of something else” (quoted in Haq 1995). In his treatise on economics, Kautilya, the fourth century Indian scholar and statesman, describes economics as the study of livelihoods intrinsically related to the acquisition and productive management of land and resources to serve human ends (Sharma 1967).

More than a millennium later, William Petty (1623-87), often called the founder of political economy and one of the first scholars to estimate national income, regarded people as part of the wealth of a country and emphasised “each man’s particular Happiness” as the objective of increased wealth. Immanuel Kant (1724-1804) considered human beings as the true end of all activities, “never as a means alone.” Adam Smith (1723-90) the progenitor of free enterprise and laissez-faire ideas – generally regarded as the father of modern economics – argued in favour of unrestricted competition because it ultimately resulted in increasing the satisfaction of the wants of all members of the community. Market growth, he thought, should enable the poor to integrate into the larger world without shame. He considered free enterprise the best possible means of furthering the welfare of the entire country. He also considered education and skill formation, as well as workers’ unions to negotiate for the betterment of working conditions, essential to furthering national welfare.

In the view of David Hume (1711-76), the founder of modern empiricism, the virtues of commerce derived from the fact that the “greatness of a state, and the happiness of its subjects” depended upon ensuring “private men [of] greater security, in the possessions of their trade and riches, from the power of the public, so the public becomes powerful in proportion to the opulence and extensive commerce of private men” (quoted in Routh 1977). To John Stuart Mill (1806-73), the broadest and most daring of the political economists of his age, the widespread distribution of wealth was critical because “the greatest happiness of the greatest number was the measure of right and wrong.” This number included women, whom most think-

ers of the time considered mere adjuncts of their husbands or fathers – even sons.

Finally, Karl Marx (1818-83), who attacked the capitalist system of production, nonetheless admired the “formal freedom” that it provided because this very freedom furnished the basis for a radical reshaping of the foundations of 19th century political economy so as to free the working class from exploitation and thereby permit the flowering of their creative potential. Enhancing human capabilities and skills, along with technological progress, took centre-stage in Marx’s thought. To him, development meant “replacing the domination of circumstances and chance over individuals by the domination of individuals over chance and circumstances” (quoted in Sen 1999).

With the advent of the 20th century, new techniques in national income accounting gave scholars and planners new tools for examining the economies of countries and regions. With the rise of Keynesian economics, aggregate income-consumption relationships took centre-stage in macro-economic analysis. National income and employment began being assessed in terms of real investments and consumer expenditures. Economists started to study closely the marginal efficiency of capital and interest rates, as well as disposable income and people’s ability to consume. Although planners dealt with the human dimension of development by framing policies to deal with the massive depression of the 1930s, conventional wisdom held that as long as aggregate relationships were favourably managed, development took care of itself.

Only in the years following the Second World War did development become a key concept in the non-industrialised world. A host of

new nation-states began freeing themselves from the yoke of colonialism in Asia and Africa. At the same time, the world witnessed a huge ideological divide, unparalleled in the global North since the wars of religion in the 16th and 17th centuries. The political implications of this divide began evolving as countries of the so-called “third world” started to look to the so-called “first world” of developed capitalist economies and the “second”, the socialist economies of the Soviet bloc, as models for realising their political, social and economic aspirations in an emerging world order.

Western ideas about development began percolating in a number of poor countries, predominantly around their low aggregates of national income accounting. Incomes were low, as were ratios of savings and investments. Poverty was an accepted fact of life. Levels of health care and literacy translated into mass misery. National output was dominated by the production of primary goods. The modern industrial sector and manufacturing comprised only an insignificant segment of the total economy. Imports from the industrialised world were the sole source of modern manufactured goods. The dependency of third world nations on their former masters was overwhelming. Countries like Nepal that had avoided political colonisation were no better off in terms of modern transport and communication infrastructure than their newly independent counterparts and, like them, also had no government structures to deliver services to remote rural backwaters where the bulk of the population lived. All emerging economies were eager for shortcuts to development, whatever these might entail – and for most at this time in history, the fulfillment of their development mirrored the image of the industrialised West.

THE WHY AND HOW OF ECONOMIC GROWTH

The late 1950s became a period in which development economics emerged as a discipline in its own right. Unanimity prevailed in identifying the central problem of poor agrarian countries as increasing the level of aggregate output or the gross domestic product (GDP), which would automatically enhance incomes and levels of human well-being. Economic growth was seen as a panacea for dealing with all problems that inhibited development. And development itself was seen as a process of cumulative change that grew out of rising productivity.

While the Nobel laureate W. Arthur Lewis (1955) saw “development as widening the range of human choices”, he believed that economic growth served this objective admirably. The benefits of economic growth would spread widely and speedily through market forces, namely, an increasing demand for labour, increasing productivity, increasing wages, and lower prices for goods and service. The benefits of such growth would flow downwards to the poor through government intervention in providing social services now made possible by their ability to generate revenues through progressive taxation. The build-up of infrastructure and productive capacity would also benefit the poor. During the early stages of economic growth, wealth would be concentrated in only a few hands and have little impact on poverty reduction. However, these processes would naturally correct themselves with time. Similarly, as incomes increased, inequality would grow, but only up to a point at which trends towards equalisation would begin taking over rapidly.

However, these assumptions failed to materialise – except where growth was accompanied by land reform and widespread efforts to improve education and public health. Moreover, government interventions that favoured the poor tended not to take place when those in power benefited from growth. More important, prolonged mass poverty was not a necessary condition for accelerating capital formation (Streeten 2003).

The Lewis model of economic growth depended on taking advantage of the “unlimited supply of labour” in the dualistic economies of the former colonised countries. As the capitalist sector expanded, it would draw labour from the reservoir of the traditional non-capitalist sector. With the expansion of the capitalist sector, more labourers would enter waged employment, resulting in an even larger capital surplus. This process would continue progressively absorbing surplus labour from the subsistence sector. Lewis assumed that an entrepreneurial class already existed in the third world countries and that the technology they received from the industrialised world would automatically absorb labour. These expectations failed to materialise for four major reasons:

- the condition for widespread progress in industrialisation lay in the increased productivity of agriculture, which the developing countries had not experienced;
- the growth rates of the population and therefore the labour force were typically quite high in subsistence agriculture economies;
- technology transfers did not create additional jobs; and
- skill levels varied greatly between urban and rural areas.

The debate on how to expedite economic growth in poor countries continued. Some

economists, such as W.W. Rostow (1960), saw the choices they confronted as a reflection of the stages of growth experienced much earlier by rich countries – and therefore demanded policies and approaches similar to those pursued by such states as England and France during their commercial and industrial revolutions. Rostow, however, underestimated the differences in the basic conditions that had enabled the West to evolve as it did, and, equally important, the intensity, complexity and interactions of the problems that beset low-income countries.

Nonetheless, paths to industrialisation remained at the forefront of the development debate. Rosenstein-Rodan had earlier argued for a “big push” – a sizeable minimum investment in industrialisation – to overcome economic obstacles to development. Ragnar Nurkse (1970) advocated “balanced growth” to accelerate economic growth – promoting a balanced pattern of investment in differing lines of production so that people working more productively, with more capital and improved techniques, could serve as customers for one another. This would enlarge the market and fill the vacuum in the domestic economy of low-income areas. The balanced growth thesis also called for mutually reinforcing investment decisions to strengthen the growth impulses between the agricultural and manufacturing sectors.

Critics argued that poor countries did not have the capacity to attain balanced investment over a wide range of industries. By contrast, A.O. Hirschman (1958) advocated a policy of “unbalanced growth” arguing that a high rate of growth – and therefore development – could be achieved by creating strategic imbalances that would foster the stimuli and pressures needed to induce investment

decisions, given the dearth of venture capital in poor countries. This, however, left open the critical question of sequencing investments to create the appropriate imbalances through appropriate activities. Hirschman argued that “it is the role of foreign capital to enable and to embolden a country to set out on the path of unbalanced growth”.

In searching for the shortest route to industrialisation, import substitution or the production of consumer goods to substitute for imports began emerging as a dominant feature in much of Asia and Latin America. Different economists argued in favour of protecting domestic industries, improving a country’s balance of payments position, and expanding employment outside agriculture. Foreign capital began to play a significant role in industrialisation, particularly in Latin America. Some countries, such as Brazil in the 1960s and 1970s, achieved impressive growth rates.

But the idea that industrialisation and increased external links with industrialised countries would automatically correct low incomes, sluggish growth, and the myriad human manifestations of underdevelopment found critics quite early. The Marxist theory of imperialism derived from a recognition that international monopolies penetrate national economies in their search for raw materials and market outlets to generate increasing economic surpluses. The new critics, who came to be known as the dependency school – including Frank (1967), Sunkel (1973) and Amin (1974) – refused to look at underdevelopment only as a stage in the evolution of a society isolated from the rest of the world. They posulated underdevelopment as an intrinsic element of the historical evolution of the international system. To them, underdevelopment

and development were two interlinked simultaneous processes that manifested themselves in a geographical polarisation – the rich, industrialised countries of the North forming the “centre” or the dominant group, and the non-industrialised poor countries of the South forming its “peripheral” dependent counterpart. A parallel process also took place within countries – the industrialised, modernised regions and population groups vis-à-vis the backward, marginal, dependent regions and population groups. In both contexts, however, industrialisation relied heavily on external support for technology, finance, administrative capacity and know-how – which only increased dependency and intensified the global division of labour.

The analysis of the “spread” and “backwash” effect of the interaction of industrial economies with primary producers made by Myrdal, Singer and Prebisch, among others, also showed that the former benefited disproportionately. The primary producers were characterised by an increase of export-based “enclaves” unrelated and unresponsive to the local economy; worsening terms of trade accompanied by unstable prices; and the outflow of profits to the industrialised countries. Myrdal (1970, 1971) also argued that left to themselves, market forces promoted inequalities between regions even within the same country, as factors of production moved from slow growth regions to those of high growth, thereby spurring a vicious circle of poverty.

Disenchantment with “economic growth”

By the late 1960s, there was disenchantment with the paramount emphasis on economic growth. Many economists realised that

growth in total and per capita GDP formed only a small part of the total development picture. Equally, if not more important, was the composition of aggregate output and its distribution among the different income groups. Likewise, industrialisation per se could not be easily equated with economic development because it did not touch the lives of the mass of the poor involved in agriculture. In many countries, reasonable growth rates were accompanied by rising unemployment, and high levels of underemployment. Far from lifting the poor from the quagmire of misery, economic growth left poverty not only endemic, but rising – and in absolute terms. In many instances, countries that produced primary goods remained heavily dependent on the major industrialised countries, locking the former into a relationship over which they had little control. Moreover, growth-oriented policies in and of themselves ignored the public goods on which most of the poor depended for basic services such as education and health – essential conditions for improving the economy itself, as well as the quality of life.

Noting these problems, the international labour organisation (ILO) initiated the world employment programme in 1969 as a means of exploring ways to create productive and remunerative jobs in the developing countries. If substantial poverty reduction was to be made in these countries, it was necessary to focus on livelihoods that provided the poor with both economic and social security rather than on formal employment. The very perception of employment required a different view because the poor had to depend on low-productivity occupations in the informal sector. The problem therefore was enhancing productive and remunera-

tive labour utilization with many dimensions – including gender. It was also argued that focusing on formal employment alone would create more problems by inducing massive migration from rural to urban areas in search of jobs.

Fuller labour utilisation entailed far more than creating a demand for labour. A number of conditions are intrinsically related (Streeten 2003), particularly nutrition, health and education. Investment in these fields had to be understood as productive investments. Attitudes towards jobs, particularly among the literate, were often significant impediments to fuller labour utilisation. The social perception of manual work and certain other job categories had to change. Institutional arrangements, such as systems of tenancy and land ownership, the creation of credit and marketing facilities and information centres, as well as labour organisation, needed to be in place. At the same time, governments had to adopt policies to facilitate a better pricing of labour and its products.

This reassessment of the economic growth experience in developing countries shifted the focus of the development debate to questions of income distribution – nowhere more evident than in the 1974 World Bank study *Redistribution with Growth* (Chenery, et al 1974), which investigated the ways through which strategies of growth could be combined with the strategies of income redistribution so as to achieve simultaneously the twin objectives of growth and increased productivity of the small-scale, labour-intensive informal sector that involved the vast majority of the “working poor”. The Bank, though, focused more on the redistribution of growth than on the redistribution of as-

sets or the policies, technologies and paucity of basic services that perpetuated poverty. At most, the study fine-tuned the primary economic growth agenda; it advocated a marginal redistribution of income in the sense of using part of the additional output created by growth to benefit the poor by investing in those assets that concerned them. It also recognised, albeit grudgingly, that expanding production did not suffice to reduce poverty and, by implication, achieve development.

However, Mahbub ul Haq had approached the issue eloquently in the early 1970s, saying that “the problem of development must be defined as a selective attack on the worst forms of poverty. Development goals must be defined in terms of the progressive reduction and eventual elimination of malnutrition, disease, illiteracy, squalor, unemployment and inequalities. We were taught to take care of our GNP as this will take care of poverty. Let us reverse this and take care of poverty as this will take care of the GNP. In other words, let us worry about the content of GNP even more than its rate of increase” (Haq 1971). This clarion call was to reorient the development debate completely and lead to the evolution of the human development approach.

ANTECEDENTS OF THE HUMAN DEVELOPMENT APPROACH

What approach would directly confront the issue of poverty? One answer was the basic needs concept. At the same time, interest in human resource development and human capital formation revived. Both ideas contributed to the evolution of the human development approach.

The basic needs approach

By the early 1970s, it had become clear that

- the traditional “prescription” of income increases or employment creation could not deal with the increasing levels of the worst forms of poverty in many developing countries and that
- a direct public policy and programme action was needed.

This led the ILO to propose the basic needs approach, which was “... the minimum standards of living which a society should set for the poorest groups of its people. The satisfaction of basic needs means meeting the minimum requirements of a family for personal consumption: food, shelter, clothing; it implies access to essential services, such as safe drinking water, sanitation, transport, health and education; it implies that each person available for and willing to work should have an adequately remunerative job. It should further imply the satisfaction of needs of a more qualitative nature: a healthy, humane and satisfying environment, and popular participation in the making of decisions that affect the lives and livelihoods of people and individual freedoms” (ILO 1976).

The basic needs approach advocated

- programmes to increase income;
- wider availability of public services through public action; and
- increased participation of communities in planning, designing and implementing programmes that would benefit them.

Four advantages of basic needs were immediately apparent (Streeten 2003):

First, it established the objective of development as providing all human beings with

opportunities for a “full life”, i.e., opportunities for meeting their basic needs.

Second, it reduced aggregate and abstract notions such as money, income and employment to disaggregated, concrete and meaningful objectives that people as individuals could seek and experience. Basic needs demanded a concrete identification of target population groups at various levels and with various characteristics. It stood the idea of GDP growth on its head, since growth became secondary to the right composition, distribution and use of production.

Third, basic needs was appealing for mobilising domestic and international resources because it provided concrete objectives against which the general efficacy of resource mobilization could be judged – international aid in particular.

Fourth, the basic needs approach was intellectually and politically appealing; it provided a frame of reference for all policies, programmes and actions.

Two aspects of basic needs immediately became evident. Satisfying basic needs comprised (a) goods and services provided by the public sector, notably basic education and health care, and (b) goods and services purchased by private income, including food and clothing. In most cases, basic needs emphasised the former. Opening up opportunities to people – access to jobs, income and other assets – became background concerns. In many countries, however, basic needs became confused with basic commodity bundles (calorie needs per capita, yards of cloth per capita, etc.). The concept of choice was absent; a “full life” did not seem to require it. This preoccupation with com-

modities – what Marx had called “commodity fetishism” – made meeting basic needs an end in itself. Some critics also argued that the role of the state in this approach was too powerful; states were regarded as inefficient in determining these needs and in ensuring their satisfaction. Developing countries also objected that donors were using the concept to reduce development aid, put up protectionist barriers and divert attention from reforming the system of international relations. Although the initial basic needs concept was broad-based, the narrow focus on commodity bundles detracted from its innovations. In Nepal, for instance, it became only the old approach in new clothing (box 1.1).

The major criticism of the basic needs approach, particularly in its implementation, was its

- narrow focus on the bundle of commodities;
- implicit concern with the supply side, very little with the demand side;
- automatic presupposed link between the consumption of goods and services and human well-being;
- lack of emphasis on the sustainability of satisfactions in goods and services.

In other words, in seeking to satisfy the basic needs of human beings, planners lost sight of what the satisfaction of these needs allowed people to do.

The innovative features of basic needs were submerged by new concerns in the development dialogue that appeared during the 1980s, the period in which the Bretton Woods institutions – the World Bank and the international monetary fund (IMF) – proposed structural adjustment as a conditionality for

the disbursement of loans (box 1.2 and 1.3). Policies of structural adjustment called for macro-economic stability, the stabilisation of financial markets, trade liberalisation and privatisation. “Fiscal discipline” became the watchword. The debt problem of many developing countries garnered attention. At the same time, new areas of concern – the role of women, the status of children, human rights, including reproductive health, the wave of political freedom following the fragmenting of the Soviet bloc, and employment issues, along with governance and corruption – began to attract international interest. The masses of the poor and their basic needs were either forgotten or subsumed into these emerging issues.

Human resource development and the idea of human capital

Prescriptions for economic growth made in the immediate post-Second World War era assumed slower rates of population growth in agrarian countries than their continued high fertility rates manifested, along with the presence of an educated and mobile

labour force and a plentiful supply of entrepreneurs. During the 1950s and 1960s, economists like Theodor Schultz had posited the idea of human capital as a residual factor in explaining labour productivity and, therefore, economic growth. The assertion that acquired knowledge and skill was a durable means of production highlighted not only the economic value of education, but also the fact that a pool of educated, skilled, trained manpower constituted capital embodied in human beings. The fact that this capital involved the human being (with her or his culture heritage, legal rights and other norms and values) distinguished it from capital embodied in material plants and equipment, but it functioned nonetheless to yield a stream of income and to raise productivity. “Human resource development” and “human capital formation” became terms used to improve the quality of people as productive agents. Economists began exploring the manifold relationships among aspects of population growth and production and productivity, including health, nutrition, fertility, education, public services, and poverty. If human resources

BOX 1.1 The basic needs approach in Nepal

Guided by the development thinking of donors, the basic needs approach in Nepal was enshrined in the Sixth Five Year Plan (1981-85), which recognised widespread poverty, unemployment and underemployment as the country's major economic problems. The Plan identified rapid growth in production, the creation of opportunities for productive employment and the fulfillment of the basic needs of the people as its three basic objectives. Although the targets in all areas were not precisely set, the Plan called for increased production and better distribution of food grains, planned development of forest resources to meet increasing domestic energy needs, increased provision of drinking water, the extension of basic health facilities, the expansion of skill-oriented basic education, and the provision of minimum physical infrastructure. These elements of what

were termed basic needs were incorporated as part of sectoral programmes, but the spatial thrust took place in areas where the donor-assisted integrated rural development programmes were proposed (Sharma 1980). Some attempts were also made to quantify basic human needs for Nepal. The Seventh Plan (1986-90) had the same objectives as its predecessor, and seven basic needs (food, clothing, wood fuel, drinking water, basic health services and sanitation, primary and skill-oriented education, and minimum rural transport facility) were identified, but per capita targets were not specified. The plan did not address the question of the mechanisms through which these basic needs would be met, much less sustained over time. With the waning of donor interest, the basic needs objective was replaced by “reduction of poverty” in the Eighth Plan (1991-95).

were necessary for accelerating and sustaining economic growth, they merited investment. Consequently, cost-benefit analyses began estimating the “returns” expected from investments in these areas.

To the credit of the human capital school, the focus of development shifted to human beings – though only as factors of production. This led to assessing the human resource problems in poor countries in a new light. Rapidly growing populations, the prevalence of high unemployment, and underemployment, the shortage of skills critical to industrialisation, inadequate organisations and institutions for mobilising human resources, and incentive structures that would contribute to motivate the labour force to engage in activities considered vital for national development all became areas of policy and programme attention.

Moreover, during the 1980s, the emphasis on human resource development received further impetus as social scientists began seeking explanations for economic growth in the endogenous behaviour of people, rather than in such exogenous factors as technological inputs that

enhanced factor productivity. The role of education, skill formation and research and development in increasing total productivity also began to be appreciated in a broader context. Better education and skills, planners started thinking, increased the efficiency and innovative potential not only of the individual educated, but also of others. Similarly, R and D improved not only the productivity of firms that invested in it, but also that of other firms that used those new products. Economists also began realising that investments in human capital could overcome the problem of the diminishing returns of investments in physical capital.

However, the limitation of this approach was precisely its focus on those human qualities that could be used as capital in production. As Amartya Sen (1999) was to point out, it did not address the fundamental question: Why seek economic growth in the first place? In short, the human capital approach did not consider the human being as the end of the development exercise. That the benefits of education far exceed its role as capital in the production of goods and services; or that improved health far exceeds the production ad-

BOX 1.2 Elements of a typical structural adjustment programme

- Exchange rate adjustment (may include devaluation and move toward convertibility).
- Demand-management measures (including reduction of the growth of money supply, reduction in recurrent expenditures, improvement in revenue collection, increase in investment efficiency, and public sector enterprise efficiency).
- Promotion of market mechanisms through reduction in price controls, removal of subsidies and liberalisation of interest rate determination.
- Liberalisation of trade and foreign investment
- (delicensing, removal of quotas, reduction of tariffs, simplification and homogenisation of tariff structures; incentives for foreign private investment through tax incentives, liberal equity participation, repatriation and exit policy).
- Public sector reforms (privatisation of the public sector enterprises as well as services; incentives for private sector to enhance productivity and efficiency).
- Financial sector reforms (reforms in the banking sector, strengthening money and capital markets, along with markets for securities).

vantages of a healthy labour force; or that smaller families far exceed the advantages of higher disposable income – none of these issues figure in the human capital formation perspective.

The “ends” and “means” of development

The fulfillment of basic needs was presumed to lead to a decent life – but why was a decent life important to an individual and what gave it universal value? Human capital formation resulted in enhanced productivity – but how did enhanced productivity relate to the person and his well-being? The importance of these questions is twofold: first, they illuminate the need for positing the purpose of development; and, second, they highlight the necessity of reconciling means with ends.

The human development approach starts with the explicit recognition that development focuses on the well-being of people. Once this perspective is established in defining the

“end” of development, all efforts and processes that contribute to its enhancement become the “means”. We return to the ideas of both Aristotle and Kautilya. To the extent that it serves human well-being, economic growth is a means to enhancing human development. If it does not, it has no value from the human development point of view. Education, for example, is of intrinsic value in human development because it enlarges the knowledge horizon, enhances the capabilities of individuals and communities, improves the quality of debate in public life, contributes to creating a richer civil society and broadens the range of choices and freedoms. It is therefore an end as well as a means.

This redefinition of the prime objective of development as human well-being has two inextricable components: first, that development must address the plurality of processes that contribute to human well-being; and, second, that development must be evaluated in terms of its effects on the quality of people’s lives.

BOX 1.3 General critique of structural adjustment programme

- Uses short-term approaches to long-term problems (related to low human development, poor social institutions, weak administrative and management capability).
- Ignores external shocks such as deteriorating terms of trade, debt burden, reluctance of industrialised countries to open their markets, vulnerabilities of domestic industries after abandonment of import substitution strategies.
- Often leads to reverse resource flows from developing to industrial nations.
- Ignores the social dimensions of adjustment (the poor suffer because of low investment in public services and infrastructure, while the elite strengthen control over economic resources).
- Ignores the key role of the state in poor countries in developing infrastructure, building human capital, creating competitive conditions, providing basic social services, strengthening institutions and management capabilities; in promoting research; in taking the lead in pioneering investments in areas where the private sector is unwilling or unable to become involved; and, most of all, in protecting the mass of the poor, vulnerable and disadvantaged sections of society.
- Recipient governments manifest lack of ownership, and political consensus.

Source: Gurugharana 1996.

In addition, putting human beings rather than incomes at the centre of development constitutes recognition of people as the real wealth of a nation. Development must therefore create an enabling environment that allows people to lead long, healthy, creative lives.

THE CONCEPT OF HUMAN DEVELOPMENT

By the 1980s, the initial enthusiasm generated by the basic needs approach had dwindled considerably in the face of the debt crisis and the structural adjustment policies (SAPs) imposed by multilateral agencies. These policies hurt the poor by curtailing investments in public services and infrastructure. What counted in the market were assets that the poor did not possess. SAPs, coupled with trade liberalisation, served the interests of capital rather than labour – and a not-altogether-benign neglect of workers only contributed to entrenching poverty more deeply in many poor countries.

Development as capability expansion

The Nobel laureate Amartya Sen considered development as capability expansion. This perception provides the conceptual basis for the human development approach. Following the classical political economists, Sen argues that increase in real incomes or economic prosperity cannot be a goal of development in itself because the importance of income and economic prosperity is contingent on what it ultimately contributes to human lives. Enriching the lives of people or human well-being is the objective of development, and income measures can at best be only one of the means to well-being. The

question posed by Sen is this: If enriching the lives of people or human well-being is the end of development, how does one evaluate that well-being, how does one go about achieving that well-being, and how does one establish what the really valuable ends are?

Human well-being, according to Sen (1989), can be evaluated or assessed only in terms of the capability to function. Human life is a set of functionings or “doings” and “beings” that a person values. Evaluating a person’s well-being therefore has to take the form of assessing the combination of these functionings.

The valuable functionings – those that contribute to a person’s being or doing what she or he values – are the means as well as ends of human life. These functionings can be elementary – such as escaping disease or morbidity, being adequately nourished, undertaking movements, acquiring knowledge or expressing oneself. They can also be complex – such as achieving self-respect, attaining a standing in society, participating in community life, or appearing in public without shame. They can be general – such as the capability to be nourished or the capability to acquire knowledge – or specific – such as the capability to drink milk rather than tea or the capability to read a particular newspaper. A functioning is an achievement whereas capability is the ability to achieve. These are complementary but distinct concepts. While functionings are objectively observable, capabilities are unobservable facts. As such, most empirical applications are often limited to measuring outcome through achieved functioning rather than measuring opportunities through capabilities.

While the potential functionings (or capabilities) of an individual cannot be easily evaluated, the achieved functionings can be measured, observed and compared. Literacy and life expectancy are two such examples. There is a broad range of achievements that people value in general (box 1.4). While some may be related to income levels, others may not.

Sen defines capability as the freedom to achieve valuable “beings” and “doings” or the freedom to enhance functionings. Freedom in Sen’s approach is central to the process of development. Indeed he sees development as freedom (Sen 2000). Development consequently requires the removal of the major sources of unfreedom: poverty, tyranny, poor economic opportunities, systemic social deprivation, neglect of public facilities, intolerance and similar ills.

Freedom is central to the process of development for two reasons – the evaluative reason, and the effectiveness reason. Evaluation entails the need to assess the progress of whether the freedoms that people have are enhanced. Effectiveness involves the need to ensure that development derives entirely from the free agency of people.

Mutually reinforcing connections exist between freedoms and unfreedoms of different kinds. Unfreedoms comprise famine, malnutrition, lack of access to health care, persistent inequality, and the denial of political liberty and civil rights. Extreme poverty is the worst manifestation of economic unfreedom. Economic unfreedom can breed social unfreedom, just as social, political unfreedom fosters economic unfreedom. Development must be seen as an integrated process of expanding substantive eco-

BOX 1.4
Achievements that people generally value

- Long healthy and creative lives.
- Greater access to knowledge.
- Better nutrition and health services.
- Better employment and income.
- More secure livelihoods.
- Security against crime and physical violence.
- Political and cultural freedoms.
- Participation in community activities.
- Satisfying leisure hours.

Non-material benefits that may be more highly valued than material achievements

- Freedom to choose livelihoods, jobs.
- Self determination, self respect.
- Freedom of movement and speech.
- Self-determination, self-respect.
- Good, safe working conditions.
- Liberation from oppression, violence and exploitation.
- Security from arbitrary persecution.
- Assertion of cultural and religious values.
- Participation in civil society.
- Access to power, empowerment.
- Adequate leisure time.

conomic, social and political freedoms and their interactions. This broad approach permits a simultaneous appreciation of the roles of institutions, markets, governments at various levels, political and civic institutions, social values, educational arrangements, and the media and communications in providing space for dialogue and debate in the development process.

From the instrumental perspective of development, Sen (2000) identifies five distinct types of freedoms that link with one another:

- political freedoms
- economic facilities
- social opportunities
- transparency guarantees, and
- protective security.

These instrumental freedoms contribute to advancing a person's general capability. They also reinforce one another. For this reason, freedom is not only the primary end, but also the principal means of development.

Political freedom (such as freedom of expression, uncensored press, rule of law, elections, basic rights) refers to political entitlements associated with democracies that provide opportunities for dialogue, dissent and critique and having a say on who governs and how. Political liberty and civil freedoms are intrinsically important. Economic facilities refer to the opportunities to enjoy and utilise economic resources for consumption, production or exchange. Enhancing people's economic entitlements depends on various factors (such as ownership or access to resources, conditions of exchange, and relative prices). Distributional considerations at both the national and household levels are important. Social opportunities refer to the provisions made

by a society for education, health care and other services that influence the individual's substantive freedom to live better. These facilities are also important for more effective participation in economic and political activities. Literacy can enhance participation in economic activities and also promote political participation. Transparency guarantees refer to the openness and rights of disclosure that people can expect in various dealings so that the basic presumption of trust on which a society operates is not violated. These guarantees have a clear role in preventing corruption and promoting financial accountability and fair dealings. Finally, protective security refers to the social safety net that a society provides for vulnerable groups that can succumb to great deprivation and abject poverty for various reasons. This includes institutional arrangements such as unemployment benefits, statutory income supplements and various methods of generating income for those who are destitute. These freedoms are shaped by institutions – both formal and informal.

Instrumental freedoms have strong interlinkages and often complement and strengthen one another. Thus, political freedom can promote economic security and guarantee transparency. Economic facilities (such as the opportunities for participation in trade and commerce) can generate personal as well as public resources for social facilities. Social opportunities (such as education and health facilities) can facilitate economic participation. The promotion of overall freedoms can facilitate people to lead the kind of lives they have reason to value. Individual capabilities depend critically on economic, social and political arrangements. The exercise of freedom is also mediated by the values and mores of a society – whether or

not, for example, it allows women to participate in public affairs.

From this perspective of freedom as the primary end and the principal means of development, people emerge not as passive recipients, but active participants in development, shaping their own destinies, given the opportunities open to them. And to that extent, the state and society play significant roles in strengthening and safeguarding human capabilities.

Like many earlier thinkers, Sen differentiates between two aspects of freedom – positive freedom and negative freedom. The former consists of having the resources needed for exercising choice – such as adequate nourishment or the resources that free one from material want. Negative freedom consists of having the space to choose autonomously, in the sense of not being controlled by an external agent. Negative freedoms can range from the liberty to drive a car into a city to that of having as many children as one wishes. One characteristic of negative freedoms is that their aggregate exercise may not benefit society. Thus, the freedom to drive into a city may cause traffic jams and add to air pollution. Similarly, the freedom to have an unlimited number of children may increase population pressures and thereby heighten demands on scarce environmental and societal resources.

An individual's freedom to lead one type of life or another – the freedom to choose from possible livings – has implications for the manner in which a society is organised, and the manner in which the needs of a society are addressed, but the capability to choose gives freedom both intrinsic and instrumental value. “The ‘good life’,” according to Sen,

“is partly a life of genuine choice, and not one in which the person is forced into a particular life – however rich it might be in other respects.” It would be perfectly possible to attain high income and satisfaction of all material needs in a well-managed prison, but this would not constitute development because the freedom to choose from possible livings is constrained. Sen considers the freedom to choose as important as well-being. That is why the well-being of a fasting monk differs from that of a starving beggar, although the physical act (going hungry) is the same. For the monk, fasting represents his free choice to achieve well-being. For the beggar, starvation results from the restrictions of his capabilities and is a manifestation of his unfreedom.

The freedom-based perspective on capability, according to Sen, brings together the interest in utility maximization of utilitarianism, the libertarian's emphasis on processes of choice and the freedom to act, and John Rawls' focus on individual liberty. Rawls, the moral philosopher who published *A Theory of Justice* in 1971, included freedom of movement, freedom of association, freedom of occupational choice, freedom of income and wealth and the social bases of self-respect among the basic liberties. In his view, the just economic system needs to guarantee some “social minimum” to its members through various means.

The capability approach is far more comprehensive than the utility-based approach upon which the paramount pursuit of economic growth is based (box 1.5). In addition, the capability-based approach provides a platform for examining a host of development issues from poverty through human rights. Poverty, for example, has been conceptually

identified in terms of capability deprivation, whose policy implications differ distinctly from that of income poverty.

Sen has also highlighted the importance of the agency of women as a major mediator and determinant of economic and social change. Women’s education and empowerment, for example, improves health, education and nutrition in families; reduces infant mortality and fertility; helps raise productivity; and increases the range and efficiency of public debate. He also asserts that from a legitimacy perspective, human rights emerge as a set of ethical claims that go beyond legislated legal rights. To those who argue that rights have no meaning unless matched by corresponding duties, Sen reasons that human rights should be seen as rights shared by all, whose benefits everyone should have, even though no single entity may be charged with fulfilling these rights involved. As to the cultural critique of human rights (that some societies, such as the “Asians”, are quintessentially authoritarian), Sen contrasts the rich intellectual traditions of these societies with the “authoritarian” bias of those in power to show that human rights

have universal appeal irrespective of cultures. He also delineates the intrinsic (of value by itself), consequential (provision of political incentives for economic security) and constructive (establishment of values and priorities) roles of human rights and basic freedoms in expanding capabilities (Sen 2000).

The various combinations of the capabilities of individuals, groups and communities continue to change, contracting as well as expanding. These changes permit evaluation over time in terms of the impact of particular policies, programmes and activities.

Economic growth and human development: the perceptions of Mahbub ul Haq

While Amartya Sen explored the conceptual base of human development in terms of its philosophical antecedents and the significance of expanding capabilities and choices for individuals and societies in general and for the poor in particular, Mahbub ul Haq provided a humane and practical approach to human development in terms of its impli-

BOX 1.5 Comparison between the capability-based approach and the utility-based approach	
Capability-based approach	Utility-based approach
➤ Value in well-being.	➤ Value in satisfaction of individual utility.
➤ Well-being defined as a combination of different functionings or what one manages to do or be.	➤ Utility defined in terms of mental condition such as pleasure, happiness, desire fulfillment.
➤ Capability reflects a person’s freedom to choose between different ways of living.	➤ Emphasis on real income because it leads to satisfaction of individual utility.
➤ Pluralistic conception of progress, i.e., “many different things are simultaneously valuable”.	➤ Monistic conception of progress.
➤ Policy implication (example): Deprivation and vulnerability are major concerns because they restrict capability and freedom.	➤ Policy implication (example): Deprivation and vulnerability as one state of affairs; may even be justified because of lack of strong public demand.

cations for policies and programmes in developing countries. Haq regarded the basic purpose of development as “[enlarging] human choices” and the primary objective of development as “[creating] an enabling environment for people to enjoy long, healthy and creative lives” (Haq 1990). He contrasts the human development school of thought with the economic growth school (box 1.6) and identifies some basic policy features of the human development approach.

In Haq’s policy-oriented model, people move to centre-stage. Development activities are analysed in terms of how people participate and benefit from them. Bettering life, rather than expanding production, becomes the measure of success. Second, human devel-

opment is presumed to have two sides – formation of human capabilities (improved health, knowledge, skills), and the use people are willing, able and permitted to make of these capabilities for a variety of purposes – economic, social, political, environmental and cultural. Equitable access to opportunities becomes the key concern. Third, while people are regarded as the end, due attention is given to the means for expanding human options – including the expansion of GNP. However, the measure of economic growth and its distribution is the “enrichment of human lives”. Fourth, human development is a comprehensive approach and includes all of society, not simply the economy. And finally, the model recognised people as both the means and

BOX 1.6 Perceptions of development: the economic growth and human development schools	
<p>Economic growth</p> <ul style="list-style-type: none"> ➤ Exclusive focus on the expansion of only one choice (income). ➤ Generation of income and accumulation of wealth paramount. ➤ Automatic link between expanding income and expanding human choice. ➤ Indifference to distributional concerns, domestic priorities (health/education vs. defence) or political systems (elitist vs. egalitarian; democratic vs. authoritarian, etc.). ➤ Indifference to human choices beyond economic well-being. ➤ Macro-economic restructuring to facilitate rapid economic growth. ➤ National income accounting does not encompass environmental degradation, pollution, or resource depletion; ignores freedom, human rights, participation; does not value leisure. 	<p>Human development</p> <ul style="list-style-type: none"> ➤ Development as enlargement of all human choices (economic, social, cultural, political). ➤ Distribution and use of income and wealth more important than generation. ➤ No automatic link between expanding income and expanding human choice; has to be created through deliberate public policy. ➤ Fulfillment of several kinds of human choice may not require accumulation of wealth (democracy, gender equality, maintenance of valuable, social and cultural traditions, etc.). ➤ Calls for restructuring of economic and political power and far-reaching economic and social policies (land reform, progressive tax, new credit systems, expansion of basic social services, equalization of opportunities, social safety nets, etc.). ➤ Many aspects, such as the value of environment, freedom, participation, leisure, peace and security cannot be reduced to monetary values, but nonetheless constitute the essence of human development.
Source: Adapted from Haq 1999.	

the ends of development, rather than instruments of production.

Haq identifies four essential components of human development that distinguish it from traditional models: equity, sustainability, productivity and empowerment.

Equity refers to equitable access to opportunities, without which there can be no enlargement of people's choices. Lack of equity in development not only restricts the choices of many individuals, but may even disenfranchise whole sections of society. However, Haq specifies equity in opportunities, not necessarily in results. Equity in access to political and economic opportunities is regarded as basic human right because "all individuals in a society must be enabled to develop their human capabilities to the fullest and to put those capabilities to the best use in all areas of their lives" since life is of value in itself.

The policy implications arising from equity in access to opportunities are far-reaching and multiple. The distribution of productive assets may need to be changed. Fiscal policies that allow income transfers from the rich to the poor may be called for. Credit systems require sensitivity to the predicament of the poor, particularly their need for collateral. Restraint on the exercise of excessive political power by feudal minorities may be needed to equalise political opportunities through electoral reforms. Social and legal barriers that limit access to economic and political opportunities for women, minorities or particular ethnic groups may need to be dismantled. With adequate policies and programmes in place, equity can serve as a powerful base for further human development.

Sustainability has been defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1987). Haq argues that sustainability cannot be ensured for the future without the pursuit of sustainable policies in the present. He emphasises the sustainability of human opportunities through the sustainability of all forms of capital – physical, human, financial and environmental. A depletion in these forms of capital restricts the opportunities for sustainable development for future generations. This concept of sustainability is not limited to the idea of ensuring the renewal of all natural resources. Technological progress can create substitutes for natural resources. What needs to be ensured is the capacity to produce similar levels of well-being, even though the stock of forms of physical and natural capital may change. Sustainability involves distributional equity, (the sharing of development opportunities between generations, thereby ensuring equity within a single generation and among generations) and has to be appreciated in a dynamic context.

In terms of policy, this perception of sustainability implies that worthwhile life opportunities need to be sustained. Existing disparities in living standards within and among nations has to be re-examined. The fact that the developed North with only one-fifth of the global population consumes over three-fourths of the world's resources is a clear source of unsustainability. Efforts need to be made to facilitate a major redistribution of the world's income and resources. An unjust, environment-unfriendly and unequal world simply cannot be sustainable. The essence of sustainability lies in focussing on the kind of growth that puts people at the

centre; that derives from environmentally sound technologies; that incorporates an adequate accounting of environmental factors; and that is participatory and community-based. There should be no distinction between global and national environmental problems because environmental problems know no political boundaries.

Productivity is also an essential component of human development because it requires investments in people and an enabling macro-economic environment. The value of economic growth lies in using the resources resulting from expansion for the purposes of human development. The role of investments in human capital on accelerated growth is exemplified by East Asian economies such as Japan and Korea. But the concern with productivity needs to be accompanied by an equal concern with aspects of distribution and empowerment.

Empowerment refers to the power that people have to exercise free choice. Democracy, decentralization, relative freedom from economic regulations and controls, and an environment that facilitates effective participation in decision-making (including investments in education and health) are all essential ingredients of empowerment. It requires the creation of conditions in which people can become active participants in determining their destinies rather than passive recipients of decisions made by others. Empowerment is both an end as well as a means for human development.

Human development – an innovative paradigm

Mahbub ul Haq has eloquently argued that the essence of the human development ap-

proach is quite simple: approach every issue in the traditional growth models from the vantage point of people (Haq 1995). Do people participate and benefit from growth? Are their choices and opportunities expanded? Are “free” markets open to all people? Are the strategies of balanced budgets also balancing lives? Are SAPs structuring people’s lives? One can have economic growth that is “jobless” (economic growth without commensurate growth in employment), or “voiceless” (growth without people’s participation and basic freedoms), “ruthless” (growth that benefits only the rich and is blind to distributional aspects) or “rootless” (growth that is not rooted in the mobilising endogenous resources and capabilities, and growth that discriminates against cultural identities). What the human development paradigm calls for is the expansion of income and growth that creates jobs, that promotes participation and benefit-sharing, that mobilizes endogenous resources and capabilities, that protects cultural values, and that encompasses all development issues, from basic needs to political and cultural freedoms.

This approach to human development has been described as an innovative development paradigm by Haq. In a general sense, the economic growth approach to development and the human development approach may be considered as separate paradigms. The fact that high rates of economic growth did not translate into the increase in “valuable” capabilities of people, including significant worldwide poverty reduction, brought about a “crisis” in the old approach. The human development approach has been proposed as a different “view” and “image” of the world and a different interpretation of development experience. In-

deed, as opposed to the GNP growth model of development, Haq proposes a new ethics of development that focuses on the human person and her choices that differs distinctly from the commodity-centred view of development. Human development approach may then be thought of as a new, competing paradigm that is holistic and comprehensive – one within which all questions related to the human person can legitimately be posed.

In his *Reflections on Human Development*, Haq (1999), explores the various dimensions of human development and their implications for national and global policies and institutions. The human development approach calls for a wholly new approach to human security centred on the security of people rather than territories, and the security of individuals everywhere, not only within nations. A major point of departure is the idea that security derives from development rather than military strength. The peace agenda proposed by Haq is oriented towards halting the arms race, transparency of information on military spending by nations and the initiation of a new development aid dialogue linked to military spending. In the human development approach, the framework for development cooperation has to be based on a new resolve to combat global poverty. The scope of development cooperation has to be broadened to include trade, investment, technology and labour flows. The essential human development agenda, according to Haq, can be financed by reallocating priorities in existing budgets. Reduced military spending, better national governance and sustainable human development should form the core of the new policy dialogues within and between nations. Haq calls for the establishment of an

Economic Security Council within the United Nations (UN) to facilitate collective action on global issues such as poverty, narcotics control, population growth, ecological security, international migration and deadly diseases like HIV/AIDS, malaria and the new strains of tuberculosis. Macro-economic co-ordination at the global level would be a major task of the Council.

From the human development perspective, Haq argues for an urgent re-examination of the Bretton Woods institutions – the IMF and the World Bank. The IMF should grow into a World Central Bank with appropriate changes, including voting structure and conditionalities for structural adjustment. The main tasks of the IMF should be acting as a lender of last resort, stabilising financial markets, regulating international banking and financial institutions, and expanding and regulating international liquidity. The World Bank, in his view, should redefine itself as an international investment trust focused on economic growth linked to human lives and livelihoods, explore new ways to recycle resources to developing countries, find prudent means to restructure debts, and act as a global development agency rather than lender.

Since the 1990s, the human development perspective articulated by Mahbub ul Haq has been enriched by a much clearer articulation of the essential compatibility and complementarity between the language and approaches of the human rights community and the human development paradigm (UNDP 2000). The human rights approach contributes tools to the analysis of progress offered by the human development approach. At the same time, human development adds dynamism to the human rights perspective

in the sense of highlighting the social conditions that can lead to the fulfillment of human rights at the individual level. Both human rights and human development are motivated by a fundamental commitment to promoting the freedom, well-being and dignity of individuals in all societies and in guaranteeing the basic freedoms that people have reason to value. The human rights approach has brought to the centre-stage of human development the issues of cultural liberties and the fact that democratic governance – in which political liberties, civil rights and democratic freedoms are assured – is the crux of good governance.

The key aspects of the human development paradigm may then be summed up as follows: Human beings are the end and not merely the means of development. Widening human choices, and by implication, the freedom to choose, is the purpose of development. Economic growth and incomes are only means, not the end of development. Human development has to deal with all the issues that affect the human potential; it is therefore open-ended. The fulfillment of basic needs is just one of its aspects. The human development approach goes beyond physical conditions to encompass institutional and political elements. In order to have any meaning, the human development approach must ultimately be translated into an agenda of the political economy in evaluating the current condition of humanity and in seeking humane alternatives and solutions to world problems. There is, to be sure, a definite altruistic bias in the human development paradigm and an emotional appeal to abiding by a new development ethics, both globally and nationally. A certain simplistic element also pervades the paradigm – a deliberate naiveté that overlooks the ideological

and political motivations of nations and their leaders. However, those who fault the approach for this oversight should recall the scepticism, even scorn, which greeted the first modern proponents of basic human rights, such as universal suffrage, in 18th century Europe.

CONCEPTS AND MEASUREMENTS OF HUMAN DEVELOPMENT

The notion of the expansion of human capabilities enabled by freedom lies at the heart of the concept of human development. As outlined above, Sen's work has provided the theoretical foundations of the concept. But how does one measure human development? Why is such a measure needed or deemed necessary in the first place? Measuring human development would provide a yardstick against which intra- and inter-national assessments could be made of the state of the world's social and economic progress. Such a measure had to: (a) be cross-nationally comparable over periods of time with as little normative bias as possible, (b) reflect the various dimensions of human development as comprehensively as possible, (c) be simple to construct, (d) be easy to interpret with minimum controversy and (e) be based on readily available initial data that could be built up over time.

According to Haq (1999), the principles that guided the search for an index of socio-economic progress included the following:

- It should measure the basic concept of human development in terms of expanding capabilities and choices of people. These choices included the desire to live long, to acquire knowledge, have a comfortable standard of living, be gainfully

employed, live and participate in community life, and be free to choose among different livelihoods.

- The measure should have few variables, so that the index would be simple and manageable.
- It should be a composite index rather than a number of separate indices, which meant that it should be possible to reduce the indicators to some common denominator.
- It should cover both social and economic choices.
- The problem of arbitrary weighting should be avoided.
- The coverage and methodology should remain flexible and open-ended, subject to gradual refinement as better data became available.
- Reliability and precision of data would not be allowed to inhibit the development of the index and countries would be ranked according to the availability of data. The idea was that these rankings would be used as pressure points to persuade governments to produce relevant data.

The human development index (HDI), evolved out of this effort to measure capabilities, the choices that people had before them. HDI took into account only the most important choices, namely, the ability to lead a long and healthy life, the ability to acquire knowledge, and the ability to have access to resources needed for a decent standard of living.

The introduction of the gender-related development index (GDI), the gender empowerment measure (GEM) and the human poverty index (HPI), elucidate the flexibility of the concept of human development and the new vistas it opens in measuring, assessing and analysing the various aspects of human

development. The GDI basically uses the same variables as HDI, but adjusts the average achievement in the variables in accordance with the disparity between women and men. The GEM has been constructed to explicitly measure the relative empowerment of women and men in political and economic spheres of activity. To capture the multiple dimensions of poverty, two composite measures of human poverty have been introduced – HPI-1 and HPI-2 for developing and developed countries. The HPI-1 focuses on the deprivations in three essential dimensions of human life as reflected in the HDI – longevity, knowledge and decent standard of living. In addition to these three dimensions of human life, the HPI-2 takes account of one more dimension – social inclusion and measure the deprivation in four dimensions. The measurement of the indices are presented in detail in chapter 2. Indices related to various dimensions of human development are continually being revised and expanded. The measurement of human development in this sense is an evolving work – a feature that highlights the enormous creative potential of the concept both theoretically and in terms of practical assessment and application.

THE HUMAN DEVELOPMENT PARADIGM AND ITS IMPLICATIONS

The human development paradigm has far-reaching implications for national and international development. The idea of “putting people at the centre” has been so seductive politically and so appealing to humanists generally that it is often used as rhetoric for political ends. As the concept of human development becomes popular, its very popularity could erode its deeper significance for development (Fukuda-Parr 2002). Consider-

able scepticism is also expressed with regard to the internalisation of the human development approach by multilateral agencies such as the World Bank. In the tug of war between capital and labour, these agencies see the human development approach as essentially against the interests of capital, while the conventional view has consistently remained pro-capital.

The objective and meaning of human development appears to be understood differently by the neo-liberal school of what is termed the Washington Consensus (box 1.7) and by the human development school. One should therefore look at the deeper significance of the contrast between the two, particularly in terms of policy implications – always recalling that the human development approach and neo-liberal approach share similar ideological roots, including a belief in the fundamental importance of individual choice, and the value of well-functioning markets. Its frequent reference to poverty reduction notwithstanding, the neo-liberal consensus remains the dominant economic paradigm in today’s world. This may well point up the difficul-

ties of developing countries in their efforts to pursue the human development approach when they remain critically dependent on multilateral assistance, particularly from the Bretton Woods institutions.

Richard Jolly (2003) has systematically explored the differences between the two in terms of objectives and strategies, and in terms of policies and priorities. A fundamental philosophical difference underlies the two approaches. The philosophy of the human development approach stresses freedom of choice by developing and strengthening human capabilities and by an emphasis on all human rights. Though freedom of choice is important to neo-liberals, it lies in increasing utility and satisfying preferences; they therefore place primary stress on civil and political rights, traditionally known as the “negative rights” as opposed to the “positive” economic, social and cultural rights.

In the human development approach, the objective is the expansion of human opportunities and capabilities, while for neo-liberals it is the maximisation of economic wel-

BOX 1.7

Principles of the Washington consensus*

➤ Trade liberalisation.

➤ Financial liberalisation.

➤ Privatisation.

➤ “Deregulation” (abolition of barriers to entry and exit).

➤ Foreign capital liberalisation.

➤ Secure property rights.

➤ Unified and competitive exchange rates.

➤ “fiscal discipline” (Diminished public spending).

➤ Public expenditure shifts (a redirection of public expenditure priorities to fields offering high economic returns and the potential to improve income distribution such as primary health care (PHC), primary education and infrastructures).

➤ Tax reform (lowering marginal rates and broadening the tax base).

➤ “Social safety net” (selective state transfer to the needy).

Note: The phrase “Washington Consensus” was originally coined by John Williamson in 1990 to refer to the lowest common denominator of policy advice being addressed by the Washington-based international financial institutions to Latin American countries. It is often seen as synonymous with “neo-liberalism” and “globalization”.

fare. Human development is people-centred, while neo-liberalism is market-centred. While the guiding principle of human development thinkers is a concern for equity and justice, neo-liberals highlight the importance of economic efficiency. Human development thinkers regard poverty reduction, i.e., decreasing the number of people living in multi-dimensional deprivation, as their fundamental focus, whereas neo-liberals look to economic growth and, through it, decreasing the population living below a given minimum income level. The key indicators in the human development approach are the HDI, HPI, GDI, GEM, which are essentially multidimensional. GNP per capita, growth rates and the percentage of the population living below a given poverty line are the key indicators for the neo-liberals; they also circumvent issues of what income fluctuations mean in people's lives.

The difference between the human development approach and that of the neo-liberals also lies in their respective views of the roles of education, health and nutrition in society. For the proponents of human development, these elements are important not only in themselves, but are also fundamental to human rights politically and to people's empowerment. For neo-liberals, they are important as investments in human capital and the extent to which they enhance production and productivity. While human development thinkers advocate a state active in social areas, the building of basic infrastructure and environmental regulation, neo-liberals call for a minimal state involvement in economic, social and environmental affairs. Governance for human development proponents should not only be democratic, but also inclusive; inclusion is not a prime concern of neo-liberals.

The policy implications of the two approaches for poverty reduction and for national policies in general appear distinctly different, although both rely on the role of the market for expanding opportunities (box 1.8).

In terms of international action and support for poorer countries, the implications of the two approaches also seem different. Human development approach seeks more democratic global governance to level the global playing field so that the bargaining positions of weak and poor countries are strengthened. Increased aid and support for developing countries is called for. The neo-liberal approach seeks to remove all barriers to trade and capital flows, but not to international migration. Military security, not human security and reduced military spending, is the priority of the neo-liberal approach. Human development approach has a more structuralist view of development, i.e., there is an implicit belief that conscious efforts should be made to change social and economic structures, whereas the neo-liberal approach seeks to maintain the status quo. In general, the strength of the human development paradigm lies in both its focus on the fundamental aspects of development that the neo-liberal paradigm neglects, notably in its attention to non-market issues and decentralisation. The strength of the neo-liberal approach lies in its strong, though narrowly focused economic theory, financial analysis and high-quality economic data. By contrast, the analyses of the human development approach often derive from weak data and frequently tend to be casual. But as Sen reminds us, in strategies for development, it is far more important to be "roughly right" than "precisely wrong". The problem of data notwithstanding, the human development model may well provide the roughly

right approach, whereas a single-minded devotion to GNP growth, as the experience of many developing countries has shown, may be a precise but wrong strategy for dealing with the dilemmas of the 21st century world.

HUMAN DEVELOPMENT IN THE GLOBAL CONTEXT

The Human Development Reports produced by the United Nations Development Programme (UNDP) annually have emphasised capabilities related to education and health more than others. The assumption has been that the capabilities identified as basic should have universal value, must be basic to life and open up many options. Of the four capabilities identified as basic

right from the inception of the human development idea, only three – survival, knowledge, and a decent living standard – have been included in the HDI, and the fourth, to participate in the life of a community, remains outside the HDI largely because it is not meaningfully measurable (Fukuda-Parr and Shiva Kumar 2003).

The first Human Development Report (HDR) was brought out in 1990. Since then the annual HDRs at the global level have monitored progress in human development through HDI rankings. By focussing on particular themes each year the reports have also expanded the scope of human development analysis and highlighted practical and relevant policy issues in efforts to enrich the development dialogue within and among countries.

BOX 1.8

Differing national policy priorities

Human development paradigm

- Broadening choices/opportunities.
- Strengthening human capabilities.
- Enhancing participation.
- Moderating inequality.
- Investing in basic education and health as essentials of human development.
- Restructuring national budgets.

Poverty reduction strategy → goal-oriented

Assumption: Growth must be consciously made pro-people and pro-poor.

- Empowering the poor.
- Aiming at gender equity.
- Ensuring that the poor have access to assets.
- Accelerating pro-poor growth.
- International support for national action.

Neo-liberal paradigm

- Free markets/right prices.
- Preventing monopoly.
- Increasing efficiency.
- Allowing the “free”market” to create socioeconomic mobility.
- Investing in human resources (in education and health, if returns to investment are good).
- Reducing national budgets.

Poverty reduction strategy → growth oriented

Assumption: A “trickle-down” effect can be expected.

- Ensuring adequate economic growth.
- Expanding the social sector allocations.
- Built-in safety nets as affordable.
- Open economy policies and international aid.

Source: Jolly 2003.

The 1990 HDR challenged conventional wisdom in proposing a new measure of human development and exploded the myth that high rates of economic growth were imperative for “enlarging people’s choices”. Major policy conclusions of the report show that

- In spite of the income gaps existing between the developed and the developing countries, there is room for optimism with respect to the achievements in the area of human development,
- Economic growth matters, but growth does not automatically translate into higher levels of human development; redistribution policies and equality of opportunities are important
- Poverty alleviation is an intrinsic part of human development
- There is vast potential for human development in less developed countries; the issue is one of restructuring national priorities and foreign assistance allocation
- Markets alone cannot deliver growth and human development; a judicious mix of market efficiency and increased government expenditure in social services and social safety nets is required

The report called for each developing country to prepare its own human development goals and integrate them with overall growth models; create a better database for human development indicators; and pay attention to analysing the impact of policies and programmes on people rather than production.

Since 1991, each of the annual Human Development Reports have focussed on particular themes, and in doing so, have elucidated the wide scope of human development. An early concern was the financing aspect of human development (UNDP 1991). The analysis showed that there is

enough scope for restructuring existing budgets to finance basic social services for all the people in each country; the need was to recast priorities. Halting capital flights, combating corruption, reforming public enterprises and restructuring debt payments were some of the actions that could be initiated. The best way of mobilising additional resources was to use the existing resources well. A number of innovative markers to public spending to enhance human development were suggested. The report also introduced the controversial Political Freedom index. Another theme explored was that of the international dimensions of human development (UNDP 1992). The disparities between the rich and poor nations and the contradictions afflicting the global economic system were analysed to show that a more enlightened dialogue on new patterns of international development cooperation was called for. Human development is about a wider participation of stakeholders in determining, prioritising, implementing and benefiting from development initiatives. An analysis of this theme (UNDP 1993) showed the need for facilitating inclusive and collective action through decentralisation, strengthening of civil society and people’s participation. The economic and political powerlessness of women and minorities and the need to address the issue through fundamental changes in the management of economic and political systems was brought out in sharp relief. Many nations of the world – rich as well as poor – spend a vast amount of resources in the name of security. The exploration of the theme of human security (UNDP 1994) showed convincingly that the concern should be for the security of people, not merely the security of national borders, but a security based on better lives for

people rather than better weapons. A new framework for development cooperation based on a global compact among nations, rather than charity, was called for.

In most nations of the world, women – who comprise half of humanity – are systematically deprived of opportunities to enhance their capabilities by cultural and religious sanctions, traditions, legal systems and face various forms of exclusion from participating in the economic and political life of the nation. The exploration of this theme (UNDP 1995) introduced the GDI and GEM as measures of gender inequality and showed the enormous disparities that exist between females and males with respect to the basic indicators of human development. The analysis also showed that reducing gender inequality had nothing to do with the levels of national income. What was required was to recognise the economic contribution of women, which was grossly undervalued. Strong government intervention was needed to facilitate rapid gender equality through policy reforms and affirmative action. Gender equality was considered so crucial to human development that human development, if not engendered, is endangered. The linkages between economic growth and human development was the theme analysed (UNDP 1996) to reiterate that there was no automatic link between economic growth and human development, although the two tended to move together in the long run. Economic growth can become “jobless”, “ruthless”, “voiceless”, “rootless” or “futureless” if attention is not paid to the structure, quality and distribution of growth. Poverty was the next theme explored in great detail (UNDP 1997). A new measure of human poverty, the Human Poverty Index, based on the denial of opportunities of life, i.e., poverty of

opportunities, rather than poverty of income, was introduced to reflect the concept of poverty as capability deprivation. The analysis showed that poverty reduction strategies were manageable, as evidenced by a number of countries including Korea and China, and that poverty was reversible. In a world where increased consumption was considered synonymous with development, the theme explored by HDR 1998 was the link between consumption and human development. The analysis highlighted the maldistribution of total consumption, and illustrated how under-consumption coexists with obscene over-consumption. The explosion of private consumption goods coexisted with the scarcity of public services. The environmental consequences of over-consumption on under-consumers were explored and the ways in which the link between consumption patterns and human development could be improved were suggested. The impact of globalisation on human development has been a matter of real concern, particularly for the less-developed countries. This theme was analysed (UNDP 1999) to stress that globalisation offered opportunities that needed to be widely shared. Attention was also drawn on the new threats created by globalisation in both rich and poor countries in terms of economic, job, health, cultural, political, community and environmental insecurities. This called for reinventing national and global governance with a focus on equity so that the threats and insecurities emanating from globalisation could be minimised.

Human rights and human freedoms was another theme explored by HDR 2000. It showed that the basic ideas of human development and human rights shared common motivations and concerns and reinforced each other. Seven basic freedoms (freedom

from discrimination, from want, for the realisation of one's human potential, from fear, from injustice, freedom of participation, expression and association, and freedom for decent work without exploitation) were identified and the importance of inclusive democracy, safeguarding the rights of all and collective action was emphasised. Persistent poverty and widening inequality were viewed as denials of human rights.

In a world that is being increasingly shaped by technology, HDR 2001 looked at technology as a tool for promoting human development and not merely as a reward for higher incomes. A technology achievement index was introduced and countries were ranked accordingly. The role of public policies in making new technologies work for human development was explored.

The political implications of human development became the theme explored in HDR 2002. The analysis showed that advancing human development requires democratic governance and that democracy must widen and deepen to safeguard freedom and dignity and empower the people. It also called for democratic control over security forces and more participation and accountability in global decision-making.

The millennium development goals (MDGs) adopted by 189 countries at the UN Millennium Summit in September 2000 is the theme explored by the HDR 2003. The MDGs are basically a global compact among nations to end human poverty. The analysis draws attention to the shortfalls in MDG achievements that can already be seen and calls for accelerating the pace of progress, particularly by countries that have low human development and poor MDG perfor-

mance and countries that are performing well on the MDGs, but still have deep pockets of poverty. The report also examines linkages between human development and the MDGs, along with the questions of national ownership of the Goals by the poorer nations and policy changes that the rich need to make concerning aid, debt, trade, and technology transfer so as to permit broader achievement of the Goals among low- and middle-income states.

HDR 2004 explores the theme of cultural liberty in today's diverse world. Nearly 200 countries today have some 5,000 ethnic groups, and two thirds of these states have at least one minority that makes up at least 10 percent of its population. Cultural diversity is vital to human development and cultural liberty is essential to choosing one's identity without being excluded from other choices in building a full life. The report advocates building more inclusive societies by adopting multi-cultural policies that explicitly recognise cultural differences; it shows that a multi-cultural policy approach is not just desirable, but necessary. The report refutes notions that cultural diversity detracts from national unity and shows that the expansion of cultural freedoms is the only sustainable option for promoting both democracy and stability within national polities and across political frontiers.

The coverage and treatment of the various annual themes in the Human Development Report indicate the overarching nature and expanding scope of human development theory and the utility of the explorations of its ramifications, linkages and relationships.

Human development reports have also been prepared at regional and national levels. The

reports for South Asia have provided frank profiles of the region and identified the tasks required for its development (Haq 1997).

HDI and related indices can be used as tools of policy analysis, assessment and monitoring across countries, and within countries over time. At the global level, the most cited examples are with respect to country rankings in HDI and per capita income. There can be enormous differences in GDP and HDI rankings (UNDP 2003).

- It is possible to have similar HDI at vastly different levels of per capita income. For example the HDI of Thailand (0.768) and Saudi Arabia (0.769) are similar, but Saudi per capita income (\$13,330) is over twice that of Thailand.
- It is also possible to have similar income levels with substantially different HDI. For example, Peru (\$4,570) and Guatemala (\$4,400) have similar incomes but Peru's HDI (0.752) is higher than that of Guatemala (0.652).
- Higher incomes do not always translate into high HDI. For example, South Africa has quite a high income (\$11,290) compared to Indonesia (\$2,940), but their HDI values are comparable (0.684 and 0.682 respectively).
- Even at relatively lower income levels a decent level of HDI can be maintained. Sri Lanka, for example has high HDI (0.730) in spite of relatively low income level (\$3,180).
- Scarcity of resources is not the main reason for deprivation in human development; most often it is misplaced priorities of the state. For example, Jamaica and Sri Lanka show that it is possible to ensure universal provisioning of basic health and education even at low levels of income.

Similar conclusions can be derived from looking at GDP, life expectancy and education index. At similar levels of GDP per capita life expectancy achievements and education index can be strikingly different.

Disaggregated data at the national level (disaggregated by region, gender, ethnicity etc.) can provide similar insights into the nature of HDI, income and other indices such as GDI, GEM, HPI and point to the kind of policy orientations that are necessary to raise the HDI and comparable indices.

In the case of each perspective, the rankings can be measured in terms of (a) absolute change (b) percentage change, and (c) short-fall reduction over time. Absolute change method is biased towards less developed countries/regions/groups which have more scope for improving absolute levels of achievements. The percentage change method also favours countries/regions/groups with low human development levels and is fairly easy to compute. The shortfall reduction method is computationally a little complex (it takes the difference in shortfall relative to the universal between period 1 (p1) and period 2 (p2) as a percentage of p1) but it recognises the efforts of even countries with high levels of achievements in their move towards universal coverage. Each of the perspectives provides pointers to policy-makers concerning areas of policy and programme attention. For example, if the average HDI has risen, but the deprivation level among females and males or among certain ethnic groups or regions has not improved, it is a clear pointer that policy focus has to be on those areas and groups. HDI and similar indices can also be indicative of symptoms of problems that have much deeper roots, and need to be investigated in greater detail. Hu-

man development, of course, is much, much more than the HDI.

HUMAN DEVELOPMENT IN NEPAL

Nepal has produced three human development reports to date. The first report in 1998 introduced human development into the public domain and planning process in the country. Subsequently two thematic reports were produced: one in 2001 and the other in 2004. The 2001 Nepal Human Development Report (NHDR) dealt with poverty reduction and governance while the 2004 report was on empowerment and poverty reduction.

Nepal is among those countries of the world that are characterised by low level of human development. Nepal's HDI in 2002 was 0.504, compared to the world average of 0.729 and the average of 0.663 for the developing countries (UNDP 2004a). Nepal's level of HDI is higher than that of the least developed countries (0.446), and higher than the average for countries with low human de-

velopment (0.438). In the context of her neighbours, Nepal's HDI is among the lowest with the exception of Pakistan. Sri Lanka, China and India have much higher HDI levels than that of Nepal (table 1.1). However, from a low base of 0.291 in 1975 Nepal's progress has been steady. In turns of the progress in HDI. The country now ranks among the best of her neighbours with the exception of China. In 2002 Nepal ranked 140th among 177 nations in terms of HDI, and 151st in terms of GDP per capita (PPPS). This shows that Nepal's performance on the HDI score has been somewhat better than on the GDP score, i.e., progress in life expectancy and education has been relatively better compared to progress in income. The 2002 data show that Nepal is now on the lower rungs of the countries with medium human development status.

Disaggregation of HDI at sub-national levels show enormous differences in human development, even considering the fact that the HDI leaves out many other important dimensions. For disaggregated data one has

TABLE 1.1 HDI trends in Nepal and neighbouring countries 1975-2002

Country	1975	1980	1985	1990	1995	2000	2002	Progress in HDI 1975-2002
Nepal	0.291	0.330	0.372	0.418	0.455	0.488	0.504	0.213
India	0.411	0.437	0.476	0.514	0.548	0.579	0.595	0.184
Bangladesh	0.345	0.363	0.388	0.417	0.445	0.497	0.509	0.164
Bhutan	.....	.....	.....	.....	.....	.....	0.536	
Pakistan	0.346	0.373	0.405	0.444	0.473	.....	0.497	0.151
Sri Lanka	0.613	0.648	0.674	0.698	0.719	.....	0.740	0.127
China	0.523	0.557	0.593	0.627	0.683	0.721	0.745	0.222

Source: UNDP 2004a.

Note: The trend data are not strictly comparable with those in earlier Human Development Reports.

to rely on Nepal Human Development Reports 1998, 2001 and 2004, which provide data for 1996, 2000, and 2001. Also, the national reports of 1998 and 2004 provide disaggregated data at the district level, whereas the 2001 report provides data only at the regional level. It should be noted that the HDI for Nepal in the global report and the national report show considerable differences, the national reports show lower HDI scores than the global, but the trends are similar. Because of varying data sources (and differing data reliability) and methods of estimations used, inter-temporal comparisons may be hazardous (and have been skilfully avoided by the 2001 and 2004 reports (see chapter 2). It is nonetheless instructive to look at the patterns displayed in each year for which data is available to appreciate the regional differences in HDI (table 1.2).

Urban areas in general have higher HDI than their rural counterparts for obvious reasons – better access to health care, education and also income opportunities. There is some indication of the fact that the trend is one of declining rural-urban differences with time. According to the 2001 census only 13.9 percent of Nepal's population was urban, i.e., resided in designated municipal areas.

Among the three ecological regions in Nepal the highest HDI has consistently been in the hill region, with the lowest in the mountains. The data give the impression that the difference between the hill and mountain regions, as well as the hills and the Tarai seems to be slowly increasing over time. The comparison between development regions hides the enormous intra-regional differences within the hills, mountains and Tarai in each development region. In 2001 for example, the central mountains had an HDI

score that was 22 percent less than that of the central hills. The central hills, it might be noted, has a consistently high HDI throughout mainly because of the highly urbanized capital region of the Kathmandu Valley with the provision of services and facilities unmatched by any other region in Nepal. In comparison, the mid-west and the far western mountains and hills, representing the remote periphery of the Nepalese state, have the lowest HDI scores.

Among the districts, Kathmandu and Mugu stand at the two extremes of the HDI scores in Nepal. Kathmandu's HDI was four times higher than that of Mugu in 1996, and was over two times higher in 2001. Fifteen districts in 2001, all in the mid-western and far western hills and mountains – with the single exception of Rasuwa – had HDI scores of less than 0.4 in 2001. Only 16 districts, including the districts of the Kathmandu Valley, have HDI scores of over 0.5 (UNDP 2004b).

The 1998 Nepal Human Development Report provides HDI by ethnicity and caste groups also. It shows that the *Newar* ethnic group has the highest HDI (0.457), followed by *Brahmin* (0.441), and *Chhetri* (0.348). With the exception of these three groups, all other ethnic/caste groups had HDI less than the national average of 0.325. The *dalit* (occupational caste groups) and the Muslims had the lowest HDI (0.239 each).

Human development and the millennium development goals (MDGs)

The MDGs reflect the key concerns of the UN development conferences of the 1990s and act as a road map for achieving the Millen-

nium Declaration adopted by consensus by all the Member States of the UN in September 2000. The Declaration outlines an agenda for peace, security and development and includes the concern for human rights, the environment and the kinds of governance that characterise the human development ap-

proach. The MDGs comprise specific goals and targets for monitoring achievement and have a time frame of 25 years (box 1.9). Its eight goals cover the areas of poverty, primary education, gender equality and the empowerment of women, child health, maternal health, combating major diseases, en-

TABLE 1.2 Trends in human development indices - national and regional

Regions	1996	2000	2001
Nepal	0.325	0.466	0.471
Place of residence			
Rural	0.306	0.446	0.452
Urban	0.518	0.616	0.581
Ecological regions			
Mountain	0.271	0.378	0.386
Hills	0.357	0.510	0.512
Tarai	0.344	0.474	0.478
Development regions			
Eastern development region	0.339	0.484	0.493
Central development region	0.339	0.493	0.490
Western development region	0.35	0.479	0.491
Mid-western development region	0.276	0.402	0.402
Far Western development region	0.286	0.385	0.404
Eco-development region with			
Highest score	0.441 (CH)	0.510 (CH)	0.547 (CH)
Lowest score	0.260 (FWH)	0.286 (FWM)	0.347 (MWM)
District with			
Highest score	0.603 (Kathmandu)	-	0.652 (Kathmandu)
Lowest Score	0.147 (Mugu)	-	0.304 (Mugu)

Source: NESAC 1998; UNDP 2002b and 2004b.
 Note: CH = central hills, FWH = far western hills, FWM = far western mountains, MWM = mid-western mountains.

Goal 1. Eradicate extreme poverty and hunger

Target 1. Halve, between 1990 and 2015, the proportion of people whose income is less than \$ 1 a day.

Target 2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2. Achieve universal primary education

Target 3. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3. Promote gender equality and empower women

Target 4. Eliminate gender disparity in primary and secondary education, preferably by 2005 and in all levels of education no later than 2015.

Goal 4. Reduce child mortality

Target 5. Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5. Improve maternal health

Target 6. Reduce by three-quarters, between 1990 and 2015, maternal mortality ratio.

Goal 6. Combat HIV/AIDS, malaria and other diseases

Target 7. Have halted by 2015 and begun to reverse the spread of HIV/AIDS.

Target 8. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

Goal 7. Ensure environmental sustainability

Target 9. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.

Target 10. Halve by 2015 the proportion of people without sustainable access to safe drinking Water.

Target 11. Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8. Develop a global partnership for development

Target 12. Develop further an open, rule based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development and poverty reduction - both nationally and internationally).

Target 13. Address the special needs of the least developed countries (includes tariff- and quota-free access for exports, enhanced programme of debt relief for and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction).

Target 14. Address the special needs of land-locked countries and small island developing states (through the Programme of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions).

Target 15. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.

Target 16. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.

Target 17. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries Target 18. In cooperation with the private sector, make available the benefits of new technologies, especially information and communication technologies.

Source: UNDP 2003.

vironmental care, and a framework for global partnership. Their 18 numerical targets are supplemented by 48 indicators for measuring achievement of the targets.

All in all, the MDGs provide a road map to accelerating human development. While they do not cover all its dimensions, such as aspects of civil and political freedoms or the importance of people’s participation, they do reflect the three key capabilities for human development, namely, the capability to live a long and healthy life, the capability for knowledge, and the capability for a decent standard of living (box 1.10).

It should be noted, however, that Goal 8, the critical area of financing and sustaining development in poor countries – and, far more important, the trade rules and intellectual property rights that now imprison many developing countries in their respective poverty traps – is neither time- bound nor measurable by the kinds of indicators specified for the other Goals. Such indicators not only

monitor progress, but hold the actors responsible to account. Given the implications of Goal 8 for evolving a system of global governance and global justice, these shortcomings represent a significant political failure; in today’s world, so many decisions made at the global level in a wide range of areas have profound impacts on national policies.

MDGs can be seen as ways of easing the constraints on people’s ability to make choices and, to that extent, are the building blocks for human development. The values that guide the MDGs are the same that motivate human development, namely, the values of freedom, equality, solidarity, tolerance, respect for nature, and shared responsibility. The common denominator of human development and human rights is human freedom. Human development enlarges human capabilities and opportunities and thereby enhances the freedom of choices. Human rights, on the other hand, protect that freedom. Human development and human rights are thus mutually reinforcing (Jahan 2004).

*BOX 1.10 Analytical linkage between human development and the MDGs	
<p>Key capabilities for human development</p> <ul style="list-style-type: none"> ➤ Living a long and healthy life ➤ Being educated ➤ Having a decent standard of living ➤ Enjoying political and civil freedoms to participate in the life of one’s community <p>Essential conditions for human development</p> <ul style="list-style-type: none"> ➤ Environmental sustainability ➤ Equity – especially gender equity ➤ Enabling global economic environment 	<p>Corresponding MDGs</p> <ul style="list-style-type: none"> ➤ Goals 4, 5 and 6 (child mortality, maternal mortality, HIV/AIDS) ➤ Goals 2 and 3 (universal primary education, empowering women) ➤ Goal 1 (extreme poverty and hunger) ➤ Important objective in the Millennium Declaration <p>Corresponding MDGs</p> <ul style="list-style-type: none"> ➤ Goal 7 (environmental sustainability) ➤ Goal 3 (gender equality and empowering women) ➤ Goal 8 (partnership between rich and poor countries)
Source: UNDP 2003.	

Underlying the MDGs as well as the concept of human development is a very fundamental concern for human rights. While the achievement of the MDGs contributes directly to the enhancement of human capabilities, these also advance human rights. Each of the MDGs can be directly linked to economic, social and cultural rights enumerated in the Universal Declaration of Human Rights (articles 22, 24, 25, 26) and other instruments of human rights (UNDP 2003, box 1.1). The full realisation of the economic, social and cultural rights requires far more than achieving the MDGs, but they are an important step to that end.

Goals 4, 5 and 6 (reducing child mortality, improving maternal health, and combating major diseases and HIV/AIDS) contribute to the first capability. Goals 2 and 3 (achieving universal primary education, and promoting gender equality and empowerment of women) enhance the capability related to knowledge. Goal 1 (eradicating extreme poverty and hun-

ger) relates to enhancing the capability for a decent standard of living. The essential conditions for human development, namely, environmental sustainability, equity (more particularly, gender equity), and enabling global economic environment are addressed by Goal 7 (ensuring environmental sustainability), Goal 3 (promoting gender equity), and Goal 8 (developing global partnership for development). These caveats notwithstanding, the progress towards the MDGs have the potential of becoming milestones in human development in developing countries.

The fact that achieving some of these MDG targets remains an uphill task is evidenced by Nepal's progress through 2005 (table 1.3). The country's first MDG Progress Report shows that, with the exception of the goal concerning child mortality, which can be potentially met, and access to safe drinking water, which probably will be met, all the other MDGs are unlikely to be met at the present pace of progress.

TABLE 1.3 Nepal's progress in achieving the MDGs, 1990-2005

Targets/indicators	Situation 1990	Progress 2005	Goal 2015
1. (a) Percent of population below \$1 per day (PPP)	37.7 (1995)	24.1	17
(b) Percent of population below national poverty line	42 (1996)	3 (2004)	21
2. (a) Percent of population below minimum level of dietary energy consumption	49 (1992)	47 (1997)	24.5
(b) Percent of underweight under-5 children	57	48.3	28
3. (a) Net enrollment rate in primary education (percent)	64	84	100
(b) Proportion of pupils starting grade 1 who reach grade 5	38 (1994)	76	100
4. (a) Percentage of girls to boys in primary education (gross enrollment)	56	86	100
(b) Percentage of girls to boys in lower secondary education (gross enrollment)	41	82	100
(c) Ratio of girls to boys in higher secondary education (gross enrollment)	NA	82	100
5. Under-5 mortality rate (per thousand live births)	161.6 (1989)	82	54
6. (a) Maternal mortality ratio (per 100,000 live births)	850 (1988) 515 (1991)	415 (2000)	213 or 129
(b) Percent of deliveries attended by health care providers (doctors/nurses/midwives)	7.4 (1991)	20	100
(c) Contraceptive prevalence rate among married women 15-49 years of age (percent)	24.1 (1991)	38.9 (2001)	100
7. HIV prevalence rate among adults (15-49 years of age) (percent)	0	0.29 (1999) (estimate)	2
8. (a) Number of malaria cases per 100,000 people	115 (1992)	78	-
(b) Prevalence tuberculosis associated with (per 100,000 people)	460	280	-
9. (a) Percent of land area protected to maintain biodiversity ('000 sq. km.)	10.95	28.6 (2004)	-
(b) Percent of change in area of forest land	37.4 (1986)	29 (1995)	-
(c) Energy use per unit of GDP (TOE/in Rs)	35	48	-
10. Percent of population without access to drinking water supply	54	19	27

Source: UNDP/HMG/N 2005.

Measuring human development

Devendra Chhetry

The 1990s witnessed marked changes in the perceptions and measurement practices of development, notably a shift from the narrow income-based concerns that began in the mid 20th century to the concept of human development discussed in chapter 1. This chapter basically reviews the measurement practices of human development undertaken in a global context by the UNDP since 1990 and, in Nepal, since 1998.

Human development is the process of enlarging people's choices; and these choices are infinite in number and change over time. The measurement of human development is primarily concerned with identifying the most critical choices, measuring the level of achievements made in enlarging these choices, and aggregating these measurements into a single index, which provides a basis for cross-country comparison in the global context.

The most critical human choices are to lead a long and healthy life, to acquire knowledge and to have access to resources needed for decent standard of living, and "If these essential choices are not available, many other opportunities remain inaccessible (UNDP 1990)." Additional choices, highly valued by many philosophers and social scientists, as

well as citizens in the street, range from political, economic, social and cultural freedom to opportunities for being creative and productive, and enjoying personal self-respect and guaranteed human rights.

Health, education and income are the most critical dimensions of human development identified in HDR 1990. Each of these critical dimensions is measured through one or more appropriate indicators. Their selection poses challenging tasks for several reasons: First, each indicator should be measurable with the fewest possible data problems – in terms of measurement, collection, and quality. Second, each indicator should be universally valued with as few conceptual problems as possible – in terms of relevancy and sensitivity. Third, the values of each indicator should be internationally comparable; they could be used, for instance, for ranking the world's countries.

The task of aggregating the measurements to create the HDI is also challenging. First, it should be based on a globally accepted methodology with the least possible grounds for criticism. Second, it should be based on as simple a methodology as possible – in terms of mathematical formulation and weighing system. Third, each country's values should

be aggregated on a single scale of measurement, so that they can be compared with one another internationally.

HDR 1990 provided the HDI values of 130 countries, including Nepal, along with their rankings on a global scale. This first measurement was undertaken with three basic indicators: “life expectancy at birth”, “adult literacy rate” and “adjusted per capita income” (see annex 2.1 for definitions), corresponding to the three dimensions “a long and healthy life”, “knowledge”, and “decent standard of living”. The first two indicators are living standard achievements that have intrinsic value – for example, the capability to lead a long and healthy life is valuable in itself, as is the capability to achieve literacy; they are ends in themselves. By contrast, the adjusted per capita income has only instrumental value in terms of what it does – and sometimes does not – allow one to purchase or achieve, for example, a longer life (Anand 1994). Thus, in the measurement of human development, the expansion of income is important, but only as a means to valuable ends.

Within a country, all the three indicators vary across population groups defined by various grouping variables – sex, residence, caste/ethnicity and other social stratification. Gender variation plays a special role in the measurement of gender disparities in achievements. Within the broader context of human development, such disparities led to the development of the GDI in 1995. In the same year, using the indicators measuring the three dimensions “political participation and decision making”, “economic participation and decision making” and “power over economic resources” social scientists evolved the GEM, which measures primarily gender disparities in opportunities.

In the broader context of development, the process of human development is seen from two perspectives – “conglomerative” and “deprivation” (Anand and Sen 2003a). The former focuses on the advances made by all groups in each community, from the rich to the poor. This perspective is taken while constructing the HDI. By contrast, a later perspective views development in terms of how the poor and the deprived fare in each community. This perspective gave rise to the notion of human poverty and a new measure, the Human Poverty Index (HPI) was introduced in 1999. Two earlier measures based on the deprivation perspective and featured in the human development literature are the capability poverty measure and human deprivation measure, but they have given way to the HPI.

The HDI, GDI, GEM and HPI use real quantitative indicators. Another human development endeavour concentrated on using qualitative indicators, notably the political freedom index, introduced in 1992 but subsequently dropped, in part because of international political sensitivities, in part because of the tremendous difficulties involved in finding adequate measures for the five attributes eventually selected: integrity of the self/personal security, rule of law, freedom of expression, political participation and equality before the law (Desai 2003). Political freedom index scores were calculated for 101 countries, of which 36 countries belonged to the “high political freedom” category, 38 to that of “reasonable political freedom”, 18 to “modest political freedom” and nine to the “low political freedom” category. Although abandoned, this exercise clearly shows that it is possible to construct measures of human development using qualitative information.

A technical problem exists for aggregating real quantitative data (like life expectancy) and qualitative/subjective rating data (like status of human rights – low, medium and high), since the scale of measurement associated each is different. HDR 1992 argues that although political freedom is an essential element of human development, “[m]any people argue that even if freedom should be debated, it should not be measured. The concept, they point out, is so large and complex that any system of measurement will diminish it. Freedom is too valuable to be reduced to a number. It should, they say, be discussed qualitatively, not quantitatively” (quoted by Fukuda-Parr and Shiva Kumar 2003).

THE HUMAN DEVELOPMENT INDEX

Conceptually, human development has two sides. One is the formation of human capabilities, such as improved health, knowledge and skills. The other is the use that people make of their acquired capabilities for productive work or leisure. The HDI measures the average formation of human capabilities. From its inception, the measurement of HDI has focused on three basic dimensions of development (box 2.1). Other valuable dimen-

BOX 2.1 Dimension of HDI	
➤	A long and healthy life
➤	Knowledge
➤	A decent standard of living

sions, such as individual security and technological advance, have so far been impossible to incorporate, some for the reasons stated in the above discussion. However, the annual global HDR has attempted to provide information on some of these dimensions of human development through a number of indicators.

HDI measures the average achievement of a country, or of a region within a country, in terms of basic human capabilities sketched above. Its value always lies between 0 and 1. The higher value of HDI corresponds to higher level of human development.

Selection of indicators

Some refinement in the selection of indicators has taken place over time (box 2.2), undertaken on the basis of suggestions made by eminent researchers in the field.

BOX 2.2 Refinement in the selection of indicators of HDI			
Dimension		Indicator	
➤	A long and healthy life	➤	Life expectancy at birth.
➤	Knowledge	➤	Adult (15+) literacy rate (in 1990).
		➤	A combination of ALR and mean years of schooling calculated for population aged 15 and older (during 1991 to 1994).
		➤	A combination of ALR and combined GERs at all levels of education – primary, secondary and tertiary – (since 1995).
➤	A decent standard of living	➤	Adjusted per capita GDP.

A few qualifications should be noted:

- First, adult literacy measures only the most basic level of educational attainment. Although literacy is undoubtedly a basic requirement for the capability to acquire and to use information, knowledge and communication encompass far more than literacy alone. To reflect this in the HDI, another indicator – mean years of schooling – was introduced in 1991 as a supplement to adult literacy. However, because it was soon realized that the computation of mean years of schooling is a complex exercise and that such statistics are not readily available in any UN agency or international organization, a more readily available indicator – combined gross enrollment ratio (GER) – replaced it in 1995.
- Second, the reason for choosing the per capita GDP as a proxy measure for per capita income is described in annex 2.1. To make the per capita GDP globally comparable, an adjustment – widely known as purchasing power parity (PPP) in US dollar – has to be made to per capita GDP.
- Third, an additional adjustment to GDP per capita PPP US\$ must be made for incorporating the law of diminishing returns. This is essential since per capita income is a means rather than an end of human development, unlike health and education. In the human development context, the law of diminishing returns states simply that as income increases, the impact on human development of every additional dollar (marginal utility) shrinks. In other words, the value of each additional dollar is higher to a person with per capita income PPP\$ 1,000 than to another with a per capita income PPP\$ 2,000. This derives from a simple premise:

people do not need an infinite income for a decent standard of living (UNDP 1995) (see annex 2.1).

Constructing the HDI: The given values of four indicators – life expectancy at birth, adult literacy rate (ALR), combined GER, and adjusted GDP per capita – must be aggregated to obtain HDI value. The process of aggregation can be carried out in the two steps described below (UNDP 2002b).

- The first step is the computation of the dimension index, which is carried out by transferring original values of indicators to normalized scores using the transformation given by

$$\frac{\text{Actual value} - \text{Minimum value}}{\text{Maximum value} - \text{Minimum value}} \quad (2.1)$$

In (2.1) the actual value is the original value of the indicator; minimum and maximum value are the smallest and largest possible values, called benchmarks or goalposts, of the corresponding indicator. The transformation (2.1) is one-to-one, in the sense that each actual value corresponds to a unique score and vice-versa. Also, the transformation is order-preserving, in the sense that larger values correspond to larger scores. The transformation (2.1) converts the original value to the 0 to 1 scale, which is free of unit measurements.

It is important to note that change in the goalposts will change the normalized score. First, the goalposts kept on changing from year to year between 1990 and 1993. These changes caused undesirable externalities, and many scholars advocated fixing the goalposts. This process started in 1994 and materialized fully in 1995 (for more about goalposts, see annex 2.2).

Using (2.1) the given values of ALR, combined GER and life expectancy at birth are converted into normalized scores, for convenience referred to as ALR, GER and LE index respectively. The adjusted per capita GDP is also normalized using (2.1) with little modification – replacing each value by its log value. The two ALR and GER indices are then combined into an education achievement (EA) index as follows.

$$\text{EA index} = \frac{2}{3} \times \text{ALR index} + \frac{1}{3} \times \text{GER index} \tag{2.2}$$

- In the second step, the three normalized indices – the LE, EA and GDP index – are aggregated by taking their simple average, which is HDI. Thus,

$$\begin{aligned} \text{HDI} = & \frac{1}{3} \times \text{LE Index} + \frac{1}{3} \times \text{EA Index} + \\ & \frac{1}{3} \times \text{GDP Index} \end{aligned} \tag{2.3}$$

Computation of HDI: The above two steps of HDI calculation are illustrated below. For this purpose, the following statistics available in the 1998 Nepal Human Development Report are used (table 2.1).

Step 1 Computation of normalized score

$$\text{Life expectancy index} = \frac{55 - 25}{85 - 25} = \frac{30}{60} = \mathbf{0.50},$$

$$\text{ALR index} = \frac{36.72 - 0}{100 - 0} = 0.367$$

$$\begin{aligned} \text{Mean years of schooling index} &= \frac{2.25 - 0}{15 - 0} \\ &= 0.15 \end{aligned}$$

$$\begin{aligned} \text{Education index} &= \frac{2}{3} \times 0.367 + \frac{1}{3} \times 0.15 \\ &= \mathbf{0.295} \end{aligned}$$

TABLE 2.1 HDI-related basic indicator values of Nepal, 1996

Life expectancy at birth	Adult literacy rate	Mean years of schooling	GDP/capita in PPP\$
55.0	36.72	2.25	1186

Source: NESAC 1998.

$$\begin{aligned} \text{GDP index} &= \frac{\log(1186) - \log(100)}{\log(40000) - \log(100)} \\ &= \frac{3.074 - 2.000}{4.602 - 2.000} \\ &= \frac{1.074}{2.602} \\ &= \mathbf{0.413} \end{aligned}$$

Step 2 Aggregation of three indices

$$\begin{aligned} \text{HDI} &= \frac{1}{3} \times (0.50 + 0.295 + 0.413) \\ &= \frac{1}{3} \times 1.208 = \mathbf{0.403} \end{aligned}$$

In this example, the minimum (25) and maximum value (85) in life expectancy index are the global extreme life expectancy levels. Similarly, in education index, the maximum years of schooling is taken as 15, whereas minimum is zero. In GDP index, the maximum income is taken as PPP\$ 40,000 and minimum as PPP\$ 100.

The HDI value computed above differs from the one reported in the 1998 Nepal Human Development Report because the latter had used the “income discounting” method for adjusting GDP per capita, while this exercise has used log transformation. This clearly demonstrates that the change in adjustment methodology of GDP brings about change in the HDI value.

GENDER-RELATED
DEVELOPMENT INDEX

In 1993, Anand and Sen (2003b) wrote: “Women and men share many aspects of living together, collaborate with each other in complex and ubiquitous ways, and end up - often enough - with very different rewards and deprivations.” The female-male differentials in achievements of human capabilities have always been a major concern. All attempts to reflect gender inequality in the HDRs prior to 1995 encountered two major problems (UNDP 1995). First, they did not relate the female-male disparity to the overall level of achievement in a society. Second, each society could choose a specific value for its aversion to gender inequality, depending on where it started and what goals it wanted to achieve over a specified period of time.

Problems in gender disaggregated outcomes: Assume that the case is six Nepalese districts (1 = best ...6 = worst) out of the given gender disaggregated literacy rates (6⁺). At the outset, there seem to be two op-

tions: computing the overall literacy rates (weighted average literacy rates) and ranking the districts based on overall achievements in literacy rates – or computing F-M ratios (ratios of female to male literacy rates) and ranking the districts based on these ratios. The two options produced two different ranking scenarios (table 2.2), which provided an inconclusive result. One of the basic issues at this point is whether or not it is possible to compute the overall achievements that depend upon the society’s aversion to gender inequality or preference to gender equality? Anand and Sen (UNDP 1995) suggested a general formula for such a computation (see annex 2.3), involving an adjustment parameter designated by ϵ , often called a “penalty” for inequality. For example, if a society has no preference for gender equality (that is $\epsilon = 0$), then it can take the weighted average¹ as a gender-related measure of development. By contrast, if the society has a very high preference for gender equality (that is $\epsilon = \infty$), then it can take the minimum $\{X_f, X_m\}$ ² as a gender-related measure of development.

TABLE 2.2 Gender disaggregated literacy rates and problem of ranking districts

District	Female literacy rate	Male literacy rate	Overall literacy rate		F-M ratio	
	(%)	(%)	%	Rank	%	Rank
Dhading	34	54	44	3.5	63	3
Doti	26	61	44	3.5	43	6
Siraha	27	54	41	5	50	5
Rautahat	22	43	33	6	51	4
Manang	53	67	60	2	79	1
Kaski	62	83	72	1	75	2

Source: CBS 2003.

¹ The weighted average = $p_f \cdot X_f + p_m \cdot X_m$ where p_f and p_m are correspondingly the proportion of female and male and X_f and X_m are correspondingly the achievement of female and male.
² $\min\{X_f, X_m\}$ = minimum between the two numbers X_f and X_m , and usually it turns out X_f .

A new measure of human development – the GDI – was at last introduced in 1995, measuring achievement in the same basic capabilities as does the HDI, but taking note of inequality in achievement between women and men. The methodology eventually used imposes a penalty for inequality, such that the GDI falls when achievement levels of both women and men in a country go down or when the disparity between their achievements increases. The values of GDI lie between 0 and 1. A value of 1 reflects a maximum achievement in basic capabilities with perfect gender equality. Likewise, a value of 0 reflects a minimum achievement in basic capabilities with perfect gender equality. But no society achieves such values. Higher values correspond to higher gender equality or higher level of achievements made by both men and women.

Dimension and indicators of GDI: The dimensions of GDI remain the same as those of HDI. The difference in indicators is that GDI incorporates the basic indicators – life expectancy at birth, ALR, combined GER and adjusted GDP/capita – in accordance with the degree of disparity in achievement between women and men. Obviously, GDI demands appropriate gender-disaggregated data corresponding to basic indicators (box 2.3) and, unfortunately, gender-disaggregated data on GDP are not readily

available. Consequently, HDR 1995 adopted a methodology for deriving the estimates of female and male earned incomes to capture the disparities between men and women in command over resources (see annex 2.1).

- A few points, however, need to be noted:
- The life expectancy for women is higher than that for men – possibly by some five years or more - provided women received the same treatment as men in terms of nutrition, health care and other conditions of living arrangements.
 - There is no such corresponding difference in the potential for adult literacy, combined GER and income earning.

Constructing the GDI: The given values of eight indicators are aggregated in order to get the GDI value. The process of aggregation can be carried out in the three steps described below (UNDP 2002b).

- The first step is the computation of dimension index, which is carried out by transferring original values of indicators into normalized scores separately for male and female using the transformation given by equation (2.1). This step is similar to the first in constructing the HDI value. For this purpose, the goalposts for male and female are provided in annex 2.2. Construct the educational achievement (EA) index sepa-

BOX 2.3 Dimension and indicators of GDI	
Dimension	Indicator
➤ A long and healthy life	➤ Female and male life expectancy (FLE and MLE) at birth.
➤ Knowledge	➤ Female and male ALR (FALR and MALR).
	➤ Female and male combined GER (FGER and MGER).
➤ A decent standard of living	➤ Female and male estimated earned income (FEEI and MEEI).

TABLE 2.3 GDI-related basic indicator values of Nepal, 2000

Indicators	Female	Male
Share of population	0.502	0.498
Life expectancy at birth	59.8	59.3
Adult literacy rate	35.4	65.8
Mean years of schooling	2.25	4.45
Estimated earned income (per capita GDP in PPP\$)	911	1565

Source: UNDP 2002b.

rately for male and female by combining the normalized scores of ALR and GER with corresponding weights of two-thirds and one-third respectively. This will produce six indices – FLE, MLE, FEA, MEA, FI and MI index.

- The second step is the computation of the equally distributed index, according to the following general formula, whose rationale is described in annex 2.3.

equally distributed index

$$= [p_f \times x_f^{-1} + p_m \times x_m^{-1}]^{-1} \tag{2.4}$$

In (2.4), p_f and p_m respectively designate the proportional share of female and male in the population, and x_f and x_m respectively designate the female and male indices constructed in the first step. This will produce three equally distributed indices – an equally distributed index of life expectancy (EDILE) at birth, an equally distributed index of educational achievements (EDIEA) and an equally distributed income index (EDII).

- The third step is the aggregation of the three indices by taking their simple average, which is GDI. Thus,

$$GDI = \frac{1}{3} \times EDILE + \frac{1}{3} \times EDIEA + \frac{1}{3} \times EDII \tag{2.5}$$

Computation of GDI: The above three steps of GDI calculation are illustrated below using statistics available in the 2001 Nepal Human Development Report (table 2.3).

Step 1 involves the computation of normalized scores, as set out in table 2.4.

The ALR and mean years of schooling indices are combined separately for female and male to get education attainment index for male and female as follows.

Education attainment index for female

$$\begin{aligned} &= \frac{2}{3} \times 0.354 + \frac{1}{3} \times 0.150 \\ &= 0.286 \end{aligned}$$

Education attainment index for male

$$\begin{aligned} &= \frac{2}{3} \times 0.658 + \frac{1}{3} \times 0.297 \\ &= 0.538 \end{aligned}$$

Step 2 involves the computation of equally distributed indices.

Equally distributed life expectancy index

$$\begin{aligned} &= [0.502 \times 0.538^{-1} + 0.498 \times 0.613^{-1}]^{-1} \\ &= 0.573 \end{aligned}$$

Equally distributed education index

$$\begin{aligned} &= [0.502 \times 0.286^{-1} + 0.498 \times 0.538^{-1}]^{-1} \\ &= 0.373 \end{aligned}$$

Equally distributed income index

$$\begin{aligned} &= [0.502 \times 0.369^{-1} + 0.498 \times 0.459^{-1}]^{-1} \\ &= 0.409 \end{aligned}$$

Step 3 involves the aggregation of the above three equally distributed indices in order to get GDI. The method of aggregation is the simple average of the indices. The computation is as follows.

$$GDI = \frac{1}{3} \times (0.573 + 0.373 + 0.409) = 0.452$$

The GDI value of Nepal for the year 2000 turned out to be 0.452, and the HDI value for the same year was 0.466. The lower value of GDI as compared to HDI is due primarily to the presence of gender inequality in achievements and command over resources.

Trend in gender inequality in Nepal in the 1990s: The measure $\frac{(HDI - GDI)}{HDI} \times 100$ introduced in the 1995 HDR (UNDP 1995) could be used to measure or monitor the gender inequality relative to HDI. This measure simply expresses the percentage reduction of the GDI from the HDI relative to HDI. As an illustration, the values of this measure in the case of Nepal (table 2.5)

Year	HDI	GDI	(HDI-GDI)	Gender inequality
1992	0.343	0.310	0.033	9.621%
1997	0.463	0.441	0.022	4.752%
2000	0.490	0.470	0.020	4.082%

Source: HDI and GDI values are from UNDP 1995, 1999 and 2002a.

clearly show that development efforts had succeeded in reducing gender inequality during the 1990s.

The development efforts undertaken during the 1990s had reversed the past trend of higher life expectancy at birth for male than for female: higher life expectancy for female than male is observed in 2001. Similarly, simple calculation shows that the F-M ratio in literacy rate (6+) has increased from around 46 % in 1991 to 65% in 2001, which had definitely narrowed gender inequality in adult literacy, as well as mean years of schooling.

TABLE 2.4 Computation of normalized score

	Female	Male
Life expectation indices	$\frac{(59.8 - 27.5)}{60} = 0.538$	$\frac{(59.3 - 22.5)}{60} = 0.613$
ALR indices	$\frac{(35.4 - 0.0)}{100} = 0.354$	$\frac{(65.8 - 0.0)}{100} = 0.658$
Mean years of schooling indices	$\frac{(2.25 - 0.0)}{15} = 0.150$	$\frac{(4.45 - 0.0)}{15} = 0.297$
Income indices	$\frac{\{\log(911) - \log(100)\}}{\{\log(40000) - \log(100)\}} = 0.369$	$\frac{\{\log(1565) - \log(100)\}}{\{\log(40000) - \log(100)\}} = 0.459$

GENDER EMPOWERMENT MEASURE

Introduced in the same year as GDI, the GEM seeks to determine how much women have been empowered or enfranchised to take part in different aspects of public life in comparison with men. The GEM measures gender inequality in key areas of economic and public participation and decision-making. It thus focuses on women's opportunities rather than their capabilities as measured in the GDI. Its values lie between 0 and 1. The higher values correspond to higher empowerment of women. The low values of GEM indicate the opportunities for women are severely constrained.

Dimensions and indicators: The three dimensions of GEM and underlying indicators are presented in box 2.4. The first two dimensions concentrate on the political and economic sphere primarily from the perspective of participation: the higher the participation, the higher the empowerment. The third dimension is the power over economic resources. There could be a large number of indicators measuring these three dimensions. Unfortunately, the sparse availability of gender-disaggregated data limits the choice of indicators. Those readily available in the majority of countries were selected for measuring these three dimensions (box 2.4).

Some qualifications should be noted.

- First, one of the best indicators of political participation and decision-making would be women's share of representation in local bodies, but the data are unavailable for many countries. So, the variable finally chosen for the GEM is representation in parliament.
- Second, for economic participation and decision-making, women's share of jobs classified as administrative or managerial and professional or technical has been taken with the understanding that the data are available on these variables.
- Third, the GDI and the GEM treat the income variable differently (UNDP 1995). In GEM, income is evaluated not for its contribution to basic human development – such as longer life, literacy and freedom from poverty. Rather, it is evaluated as a source of economic power that frees the income-earner to choose from a wider set of possibilities and exercise a broader range of options. Hence, in GEM, income has not been adjusted for the law of diminishing returns.

Constructing GEM: For a given set of four indicator values, there are two main steps required for constructing GEM. These steps are as follows.

BOX 2.4 Dimensions and indicators of GEM	
Dimensions	Indicators
➤ Political participation and decision-making	➤ Female and male shares of parliamentary seats.
➤ Economic participation and decision-making	➤ Female and male shares of positions as legislators, senior officials and managers.
➤ Power over economic resources	➤ Female and male shares of professional and technical positions.
	➤ Female and male estimated earned income.

- The first step is the computation of equally distributed equivalent index (EDEI). For this, first combine each pair of female and male share using the following formula:

$$[p_f \times (\text{female indicator})^{-1} + p_m \times (\text{male indicator})^{-1}]^{-1} \tag{2.6}$$

Then divide each combined share by 50 to get EDEI for parliamentary representation, positions in professional job and positions in administrative jobs. The rationale for dividing by 50 is as follows: in an ideal society, with equal empowerment of the sexes, each combined share would equal 50% - that is, women's share would equal men's share. The EDEI for positions in (a) professional job and (b) administrative job are combined by adding them and dividing by 2 to get the EDEI index for economic participation.

The given values of earned income must first be transformed to normalized scores, using the following formula for female and male separately.

$$\frac{\text{Given value of earned income} - 100}{40000 - 100} \tag{2.7}$$

These normalized scores of male and female are combined in order to get the equally distributed index for income.

- In the second step, the three indices – EDEI for parliamentary representation, EDEI for economic participation and EDEI for income – are to be combined by adding them and dividing by three. This simple average of indices is GEM.

TABLE 2.6 GEM-related basic indicator values for Nepal, 2000

Indicators	Female	Male
Share of population	0.502	0.498
Share of participation in local elections (%)	19.3	80.7
Share of participation in professional job (%)	19.51	80.49
Share of participation in administrative job (%)	10.65	89.35
Estimated earned income (per capita GDP in PPP\$)	911	1565

Source: UNDP 2002b.

Computation of GEM: The above two steps are illustrated below using the statistics available in the Nepal Human Development Report 2001 (table 2.6).

Step 1 Computation of equally distributed equivalent percentage (EDEP)

- Computation of EDEI for political participation

$$\begin{aligned} &\text{Combined shares in local elections} \\ &= [0.502 \times (19.3)^{-1} + 0.498 \times (80.7)^{-1}]^{-1} \\ &= 31.074 \end{aligned}$$

EDEI for political participation

$$\begin{aligned} &= \frac{31.074}{50} \\ &= \mathbf{0.621} \end{aligned}$$

- Computation of EDEI for economic participation

$$\begin{aligned} &\text{Combined shares of professional jobs} \\ &= [0.502 \times (19.51)^{-1} + 0.498 \times (80.49)^{-1}]^{-1} \\ &= 31.331 \end{aligned}$$

EDEI for participation in professional jobs

$$= \frac{31.331}{50} = 0.627$$

Combined shares of administrative jobs

$$= [0.502 \times (10.65)^{-1} + 0.498 \times (89.35)^{-1}]^{-1} \\ = 18.972$$

EDEI for participation in administrative jobs

$$= \frac{18.972}{50} = 0.379$$

EDEI for economic participation

$$= \frac{(0.627 + 0.379)}{2} = \mathbf{0.503}$$

■ Computation of EDEI for income

Normalized score of woman's earned income

$$= \frac{911 - 100}{40000 - 100} = 0.020$$

Normalized score of men's earned income

$$= \frac{1565 - 100}{40000 - 100} = 0.037$$

EDEI for income

$$= [0.502 \times (0.020)^{-1} + 0.498 \times (0.037)^{-1}]^{-1} \\ = \mathbf{0.026}$$

Step 2 involves aggregation of EDEI for

- political participation,
- economic participation, and
- income by taking their simple average in order to get GEM. Thus,

$$\text{GEM} = \frac{0.621 + 0.503 + 0.026}{3} = 0.384$$

Thus, GEM of Nepal for the 2000 was 0.384, which is well below the maximum value of 1.

HUMAN POVERTY INDEX

Poverty is a multi-dimensional concept. It indicates lack of access to resources and opportunities, illiteracy, poor health, lack of sanitation, deprivation of basic rights and security, and powerlessness (Lanjouw, et al 1998). Poverty, when perceived or measured in economic perspective, is known as income poverty, and the incidence of poverty (poverty rate or head count ratio) is the most commonly used measurement. By contrast, poverty when perceived or measured from a socio-political perspective – health, education, and political freedom – is known as capability poverty. As indicated earlier, the first attempt of measuring poverty within the framework of human development was made in the 1996 by introducing a composite index (UNDP 1996) known as capability poverty measure. A second attempt, made in 1997 by introducing a composite index (UNDP 1997), became known as human poverty index (HPI). Just as there are two measures of income poverty – absolute and relative – appropriate for developing and developed countries, there are also two measures of human poverty – HPI-1 and HPI-2 – appropriate for developing and developed countries.

The HPI-1 measures the average deprivations in three basic dimensions of human development – a long and healthy life, knowledge and economic provisioning. In addition to three dimensions, HPI-2 takes account of one more dimension – social inclusion – and measures the average deprivations in four basic dimensions. The values of both measures lie between 0 to 100 per cent. The higher value of HPI-1 or HPI-2 corresponds to higher average deprivation in the three or four basic dimensions of human deprivation.

Dimensions and indicators: The dimensions and indicators measuring HPI-1 (hereafter known simply as HPI) and HPI-2 are presented in box 2.5. Note that some modifications would concentrate on deprivation in three essential dimensions of human life already reflected in the HDI – longevity, knowledge and a decent standard of living.

Some qualifications must be noted:

- First, we focus here only on HPI-1 because in a country like Nepal, it is more relevant.
- Second, the indicator “probability at birth of not surviving to age 40” measures the vulnerability to death at a relatively early age.
- Third, the indicator “adult illiteracy rate” measures the deprivation of people because of their exclusion from the world of reading and written communication.
- Fourth, note that a decent standard of living is bound up with economic provisioning in the previous measures of human development. The rationale for using the last two indicators for measuring economic provisioning is clearly spelled

out in HDR 1999: “... for economic provisioning, in developing countries, public provisioning is more important than private income. At the same time, more than four-fifths of private income is spent on food. Thus, in developing countries, lack of access to health services and safe water and the level of malnutrition capture deprivation in economic provisioning more practically than other indicators.”

Construction of HPI: The construction methodology of the HPI is simpler than that of HDI, because the indicators used to measure the deprivation are already normalized scores between 0 and 100; they are expressed in percentages. Two major steps are required to compute it.

- In the first step, the two indicators measuring the deprivation in standard of decent living is combined as a simple average of the two.
- In the second step, the three deprivation indices are combined using the following formula, whose rationale is described in annex 2.4.

BOX 2.5 Dimensions and indicators of HPI-1 and HPI-2		
Dimension	Indicators of HPI-1	Indicators of HPI-2
➤ A long and healthy life	➤ Probability at birth of not surviving to age 40.	➤ Probability at birth of not surviving to age 60.
➤ Knowledge	➤ Adult illiteracy rate.	➤ Percentage of adults lacking functional literacy skills.
➤ A decent standard of living	➤ Percentage of population not using improved water sources. ➤ Percentage of children under five who are underweight. ➤ Percentage of population without access to health services (which was dropped since 2001).	➤ Percentage of population living below the poverty line.
➤ Social Inclusion	➤ No indicator.	➤ Long term unemployment rate.

TABLE 2.7 HPI-related basic indicator values for Nepal, 2004

Probability at birth of not surviving to age 40 (%)	Adult illiteracy rate (%)	Chronic malnutrition among children under 5 (%)	Population without access to safe water (%)
17.74	51.4	50.5	20.48

Source: UNDP 2004b.

$$HPI = \frac{1}{3} (P_1^3 + P_2^3 + P_3^3)^{\frac{1}{3}} \tag{2.8}$$

In (2.8) P_1 , P_2 and P_3 respectively designate the probability at birth of not surviving to age 40 in per cent, adult illiteracy rate in per cent and deprivation index of a decent standard of living in per cent calculated in the first step.

Computation of HPI: The above two computation steps are illustrated below using the deprivation scenarios of Nepal available in the 2004 Nepal Human Development Report (table 2.7).

Step 1 Computation of deprivation index for decent standard of living:

Deprivation index for decent standard of living

$$= \frac{50.5 + 20.48}{2} = 35.49$$

Step 2 Computation of HPI

$$HPI = \frac{1}{3} (17.74^3 + 51.4^3 + 35.49^3)^{\frac{1}{3}}$$
$$= 39.6$$

Thus, the HPI of Nepal for the year 2004 is 39.6%, a weighted average of deprived population in the three dimensions of human deprivation

CRITIQUES OF THE HUMAN DEVELOPMENT MEASURES

At the outset it is important to note that the concept of human development is broader than its measures. Even though new measures of human development are progressively being developed and old ones refined, they will never be able to capture perfectly the concept of human development. Many eminent research scholars have critiqued the HDI on several grounds, some of which have led to refining the measurement methodology. Raworth and Stewart (2003) reviewed these critiques and summarized the following findings:

- A single value of a human development measure has limited meaning and use. It simply reveals the level of achievement/deprivation in human development/poverty on the corresponding measurement scale of human development/poverty (0 to 1 in case of HDI, GDI and GEM, and 0 to 100 in case of HPI). But when the values are compared across countries or time, the results have immense value.
- The global measures of human development do not provide the regional and rural/urban disparities as well as disparities across various social groups. However, such gaps can be examined by constructing the country-specific measures of human development using a set of appropriately disaggregated values of the basic indicators.
- Because of refinements in the (a) selection of variables, (b) adjustments of per capita GDP, and (c) choice of goalposts, the country's 1990-1994 annual HDI values are neither comparable with the current ones nor comparable among themselves. More stable human devel-

opment measures using the fixed goal post have been introduced since 1995, but in 1999 a major change in the adjustment of per capita GDP took place. Given all these refinements, users must exercise the utmost care in temporal comparisons. Nevertheless, attempts were made for recalculating HDI values using the revised methodology (from 1975 - 2000 over 5-year intervals) in the 2004 HDR.

- The HDI measures only one side of human development: the formation of average human capabilities. It does not measure the other side: the use of acquired human capabilities. The use of these capabilities is frustrated if the opportunities for their exercise do not exist or if people are deprived because of discrimination, obstacles or inhibitions. All in all, human development indices must be analyzed or viewed against the background of other indicators that reflect the use of achieved capabilities.
- Some have claimed that the simple average in the achievements of the three main dimensions of HDI implies perfect substitutability between longevity, knowledge and decent standard of living. This certainly does not stem from the human development concept. One has only to look at table 2.8, which shows that where life expectancy in year 2 has increased by 1 year as compared with year 1, GDP/capita in year 2 has decreased by 9.5% of year 1, yet the HDI value has remained unchanged.
- The different rates of change in HDI indicators have also drawn criticism: per capita GDP usually shows greater variations year-upon-year than life expectancy, literacy or gross enrollments.

TABLE 2.8 Example showing substitutability between longevity and GDP/capita

	Life expectancy at birth (year)	Adult literacy rate (%)	Combined gross enrollment ratio (%)	GDP/capita (PPP\$)	HDI
Year 1	61	44	60	2000	0.531
Year 2	62	44	60	1810	0.531

Hence, the income component generally drives change in the HDI. This inherent problem is even more serious in a country like Nepal, where GDP data display fluctuations over time due to the vagaries of the monsoon and external shocks.

- The HDI, GDI and HPI are likely to be quite stable over time, because economic and social achievements move relatively slowly, and achievements will not, in the short term, be greatly affected by political change, insulating the three measures from political shocks. By contrast, the indicator measuring the dimension of “political participation and decision making” is likely to vary markedly. Consequently, GEM will shift downwards if a country changes from a parliamentary to a non-parliamentary system of national governance. A good example is the 2001 and 2003 political situations of Nepal.
- There are inherent data problems involved in cross-country comparisons that arise largely from differences in the definitions used and the data collection methodology adopted. For example, there is no universal definition of “literacy”. Similarly the differences between “improved water sources” or its variant, “safe water”, may result in data misinterpretations.

**HUMAN DEVELOPMENT
MEASUREMENT
PRACTICES IN NEPAL**

To date, three Nepal HDRs have been published: in 1998, 2001 and 2004. The 1998 and 2004 Reports provide regional as well as district level measurements of human development, while the 2001 Report provides only regional level measurements. The Nepal Human Development Report 2004 has constructed a new human empowerment index (HEI) using 15 objective indicators for measuring three dimensions of empowerment (social, economic and political) and bringing them together into a composite index (see chapter 10 for its rational, concept and measurement, Nepal Human Development Report 2004). The national level measurements of human development available in these three Reports are presented in table 2.9.

At the outset it is important to note that the measurements of human development of table 2.9 are not comparable over time because of the following reasons, among others:

- The 1998 Report derived income data from the 1995/96 Nepal living standards survey (NLSS), while the 2001 and 2004 Report derived income data from the national accounting system. The per capita

income derived from the sample survey is lower than that of the national account. Thus, per capita income based on NLSS 96 is Rs 7,690, while the nominal per capita GDP for the same year is around Rs 11,659, 150% higher than the sample estimate (Chhetry 2004).

- The methodology adopted for incorporating the law of diminishing returns to the per capita GDP adjusted for PPP differs from that of the 1998 Report in those of 2001 and 2004. A revision of the 1998 HDI value by incorporating the prevailing methodology results in HDI value of 0.403–.078 points higher than the earlier one.
- The GEM value is considerably higher in the 2004 Report than in the 1998 Report, in part because of a change in the indicator measuring the dimension of “political participation and decision-making”. More specifically, the indicator “female share in parliament” used in the 1998 Report has been changed to “women’s participation in local elections” in the 2001 and 2004 Reports, resulting in a significant increase: from 3.41% in the 1998 Report to 19.3% in that of 2001.

It is also important to note that the measurements of human development available in the Nepal Human Development Report are not comparable with those available in the global HDRs due, among other factors, to the following reasons:

- The Nepal Human Development Report has been using the “mean years of schooling” as one of the indicators in the measurement of HDI, while UNDP replaced this indicator by “combined primary, secondary and tertiary GER” about a decade ago. No UN agency or international organization provides

TABLE 2.9 National level measurements of human development by report

Nepal Human Development Report	HDI	GDI	GEM	HPI
1998	0.325	0.267	0.191	49.7
2001	0.466	0.452	0.385	39.2
2004	0.471	0.452	0.391	39.6

Source: NESAC 1998; UNDP 2002b and 2004b.

data on mean years of schooling. By contrast, as Nepal lacks data on tertiary level enrollment and has poor quality data on enrollment at the primary and secondary levels, the Nepal Human Development Report continues to use mean years of schooling. The mean years of schooling is a stock variable (which consequently changes very slowly and lags in reflecting change in education policies), while the combined GER is a flow variable. The changes in Nepalese education sector that took place in the 1990s seem to be inadequately reflected in the mean years of schooling indicator.

- In the measurement of HPI, one of the indicators selected in the Nepal Human Development Report is the percentage of stunted children (height-for-age), while that of the global reports measures the percentage of underweight children (weight-for-age). Even though the values of two indicators at the national level were almost the same in 2001, the ranking of regions based on these two sets of indicator values exhibit two completely different ranking scenarios (table 2.10).

TABLE 2.10 Percentage of stunted and underweight children under 5 by region

	% of chronic malnourished children (or % of stunted children) under 5		% of underweight children under 5	
	Values	Ranks	Values	Ranks
Mountain	61.2	3	49.9	2
Hill	52.7	2	45.3	1
Tarai	47.1	1	50.6	3
Nepal	50.5		48.3	

Source: NDHS 2001.

DATA ISSUES OF NEPAL HUMAN DEVELOPMENT MEASUREMENTS

Nepal’s statistical system is decentralized; a large number of agencies – the central bureau of statistics (CBS), Nepal Rastra Bank, the ministry of education (MoE), the ministry of health (MoH) and the Ministry of Local Development are all involved in generating data. Box 2.6 presents an overview of the involvement of different agencies in the collection and compilation of data relating to human development on a regular basis.

BOX 2.6 Regular data sources of human development measures				
Data items	Source	Agency	Periodicity	Spatial coverage
Income				
GDP	National account	CBS	Annual	National
Education				
Adult literacy	Population census	CBS	Decennial	District and R/U
Enrollment	Compilation of OR	MoE	Annual	District and R/U
Longevity health				
Mortality fertility nutrition	Nepal demographic and health survey	MoH	Quinquennial	Regional and R/U
<i>Note: Disaggregated data on education, longevity, health, employment and nutritional status are available by gender and other social characteristics.</i>				

These agencies have been collecting and compiling data using various methods – census, survey, and the compilation of official records (OR). Some data are available every ten years, some every five years and some each year. Some are available at district level, others only at the regional level and some only at the national level. In addition, enrollment data are available only for the primary and secondary levels of education, not for institutions of higher learning.

In deriving human development measurements, data from other sources are also used: comprehensive household surveys – conducted, however, at irregular intervals – some being the between census household information, monitoring and evaluation system, the NLSS and the Nepal labour force survey. Results of the Election Commission are also used.

A careful examination of the data availability and the data needs for Nepal Human Development Report clearly demonstrates that wide gaps exist. For example, the district level literacy data are available through the census once every ten years, but their need is felt at shorter intervals, as is the data on longevity. The malnutrition data are available only at the regional level every five years, but its need is felt at district level. The data on income variables are available only at the national level (the GDP series, for example) or at the regional level (for example, NLSS data, which are reliable only at the regional level), but their need is felt at the district level. Because of such persistent data gaps, the Nepal Human Development Report preparation is bound to use some sorts of estimation methods, which often depend upon information available from a weak database. Some of these methods are well-documented (see, for example, UNDP 2002b).

ANALYSING HUMAN DEVELOPMENT MEASUREMENTS IN NEPAL

Analysis of human development usually takes place through two perspectives – temporal and cross-sectional. For both, one can use two kinds of measurements – actual values and ranking values. In planning and policy formulation processes or for advocacy purposes, one must also bear in mind that the pace of human development in Nepal manifests significant disparities across various population groups that arise largely from regional, gender, caste/ethnic and rural-urban diversity in

- access to resources, market, health and education institutions
- infrastructure development, and
- other social factors.

These disparities – common to virtually all countries, including the industrialized states (with the exception of caste) – become collectively manifested as spatial or social inequality.

Cross-sectional analysis

Regional disparities are immense in Nepal (table 2.11). The measurements of HDI of the eastern, central and western development regions (region A) vary around 0.49, while those of mid-western and far western development regions (group B) fluctuate around 0.40. Comparable disparities also exist in measuring GDI and HPI. The disparity is even worse across the ecological regions.

District level disparities: The HDI, GDI and GEM are less than 0.4 in 15, 25 and 56 districts, while the measurements are greater than 0.5 in 16, 12, and 1 districts.

Which of the districts are worst in terms of human development/poverty? This is an important question for policy makers. The list of 25 worst districts with regard to the measurements of HDI, GDI, GEM and HPI is presented in annex 2.5. Even a few of the Tarai districts, particularly of the central development region, fall into this category. The 14 worst-scoring districts in terms of the measurements of each HDI, GDI, GEM and HPI are listed in box 2.7. Most of them lie in the mid- and far western hill/mountain districts. Two districts of the Tarai region which are better off in HDI but worst in GEM are Mahottari and Rautahat. Similarly two districts which are worst in HDI but better off in GEM are Kalikot and Rasuwa.

Analyses of HDI and GDI values: The district level scenario of HDI and GDI values is depicted in Graph 1 of annex 2.6. GDI values are lower than the HDI values in every district, since GDI values are HDI values adjusted for gender inequality. More-

BOX 2.7

Worst districts with respect to HDI, GDI or HPI

Kalikot, Dailekh, Dolpa, Rautahat, Rukum, Rolpa, Jajarkot, Rasuwa, Salyan, Dailekh. Humla, Mugu, Achham, Bajhang and Bajura

over, the gap between HDI and GDI seem to vary across the district, revealing that gender inequality is an issue in every district, though in varying degrees of intensity. The gap between HDI and GDI tends to be larger among the low HDI districts than those with high HDI.

Progress in gender-equality: Graph 2 of annex 2.6 displays the progress in gender equality with regard to HDI in 2001. Of the 75 districts, 30 seem to have more equitable progress in building women’s capabilities, while 26 seem to have unequal progress. Among these 26 districts, 11 – including Bara, Siraha, Saptari, Sunsari, Dhanusha, Nawalparasi, Mahottari, Morang,

TABLE 2.11 Regional variation in human development 2001

	HDI	GDI	GEM	HPI	HEI
Development region					
Eastern	0.493	0.475	0.382	37.1	0.486
Central	0.490	0.467	0.407	39.7	0.497
Western	0.491	0.477	0.395	36.7	0.461
Mid-western	0.402	0.385	0.363	46.3	0.393
Far Western	0.404	0.377	0.368	45.9	0.399
Ecological region					
Tarai	0.478	0.450	0.372	39.6	0.476
Hills	0.512	0.498	0.408	38.8	0.451
Mountains	0.386	0.363	0.356	49.8	0.359

Source: UNDP 2004b.

BOX 2.8

Districts with worsening HDI, GDI rankings between 1996 and 2001

- An overwhelming majority of Tarai districts worsened their HDI as well as GDI ranks.
- The five districts showing the most steeply declining HDI are Saptari, Siraha, Sarlahi, Mahottari and Parsa.
- The five districts showing the steeply declining GDI are Saptari, Siraha, Taplejung, Sarlahi and Mahottari.

Kapilbastu, Sarlahi and Kanchanpur – are in the Tarai. These results suggest that one of the major issues in the Tarai is unequal progress in building women’s capabilities compared to men.

Temporal analysis

Although a direct comparison of the national, regional or district level measurements of human development over time is not possible, as we have noted earlier, the regional and

district level human development ranks are comparable over time, because a comparison of rank values is less problematic than the comparison of actual values. Such comparisons reveal valuable information about changes over time at the district or regional level, as we can tentatively conclude from examining human development patterns in 75 districts in Graphs 3 and 4 of annex 2.7, which plot HDI and GDI rankings for 1996 and 2001. As box 2.8 shows, the Tarai districts’ worsening situation in respect of both indices appears to be a serious issue.

Regional level changes in ranking patterns for each human development measure for the three years 1996, 2000 and 2001 are summarized in table 2.12. Given some consistent patterns, one can derive the following policy implications:

- First, it is very clear that the human development outcomes are worse in the Tarai region than in the hills, even though the Tarai has comparative advantages in

TABLE 2.12 Regional ranking patterns by year and human development measure

	1996				2000				2001			
	HDI	GDI	GEM	HPI	HDI	GDI	GEM	HPI	HDI	GDI	GEM	HPI
Ecological region												
Tarai	2	1	2	1	2	2	2	2	2	2	2	2
Hills	1	2	1	2	1	1	1	1	1	1	1	1
Mountains	3	3	3	3	3	3	3	3	3	3	3	3
Development region												
Eastern	2	2	3	1	2	2	3	3	1	2	3	2
Central	3	3	1	3	1	1	1	2	3	3	1	3
Western	1	1	2	2	3	3	2	1	2	1	2	1
Mid-western	5	4	4	5	4	4	5	4	5	4	5	5
Far Western	4	5	5	4	5	5	4	5	4	5	4	4

terms of infrastructure development, farmland availability and market access. This is a serious issue and warrants immediate attention.

- Second, the mid-western and far western development regions have continued to display worse human development outcomes than the three other development regions. By contrast, the contiguous west-

ern development region manifests the best human development outcomes. The comparison warrants in-depth analysis.

- Third, the Central development region with greater comparative advantages over the western development region in terms of its concentration of economic and political power has failed to produce improved human development outcomes.

ANNEXES

ANNEX 2.1 TECHNICAL NOTES ON BASIC INDICATORS

Life expectancy at birth

Life expectancy at birth is defined as the average number of years a new born baby is expected to live if he/she is exposed to the prevailing pattern of age specific death rates throughout the life. It is measured in terms of the number of years, and is estimated from the population census or demographic sample survey data.

Adult literacy rate

Adult literacy rate is defined as the ratio of the literate population of 15 years and above to the population of the same age group. It is measured in terms of percentage, and is estimated from the population census or household survey data.

Per capita income

Per capita income is defined as the ratio of the total income to the total population. It is measured in terms of the country's currency, and is estimated from the household income survey data. It is a common practice to approximate per capita income by per capita GDP or per capita GNP, whose main data source is the national account system. GDP is the total for final use of output of goods and services produced by an economy, by both residents and non-residents, regardless of the allocation to domestic and foreign claims. It does not include deductions on depreciation of

physical capita or depletion and degradation of natural resources. The GDP divided by population is per capita GDP. It is important to note that GDP is not only the personal incomes of individuals but also the provision of public services (such as public health care) paid out of the aggregate national income (Anand and Sen 2003a). An implication of this result is as follows: per capita GDP is larger than the sample estimate of per capita income.

The use of national account system instead of household income survey as the main source of income has several advantages. First, per GDP/GNP data are available timely, usually annually. Second, each country follows almost the same methodology for estimating GDP/GNP.

Purchasing power parity adjustment

The per capita GDP/GNP is not easily comparable across countries, since different countries use different currencies. A simple way out from this problem is to convert each country's per capita GDP/GNP into a single currency, like US dollar, using country's prevailing exchange rate. But there is still one problem, because one could not buy as much services or commodities as from one dollar in Europe than in Asia. This is mainly due to variability in purchasing power across the countries. Consequently, the country level per capita GDP/GNP must be adjusted for purchasing power, so that the adjusted figures are comparable. The comparable income obtained through such adjustment is known as PPP income and it is in terms of US dollar.

Law of diminishing returns adjustment

This adjustment is needed for incorporating the law of diminishing return to income in measuring the utility of resources. For such adjustment, the original adjusted per capita GDP values in PPP US\$ (for convenience referred to as x values) are transformed into new values (for convenience referred to as y values) through a mathematical rule designated by $y = u(x)$. As for example, in the measurement of HDI in 1990 the following rule is adopted:

$$y = \begin{matrix} \log(x) & \text{If } X < 4861 \\ \log(4861) & \text{If } X \geq 4861 \end{matrix} \tag{2.9}$$

A new method, called “income discounting”, was adopted in 1991 and continued till 1998. This method implicitly uses the Atkinson’s constant elasticity income utility function (Atkinson 1970) described as below.

$$y = \begin{matrix} \frac{x^1}{1} & \text{if } 1 \\ \log(x) & \text{if } 1 \end{matrix} \tag{2.10}$$

The modification adopted in 1991 is simply to let the value of ϵ rise slowly as income rises. For this purpose, the full range of income was divided into multiples of the poverty line x^* . Thus, most countries are between 0 and x^* , some between x^* and $2x^*$, even fewer between $2x^*$ and $3x^*$ so on. Now for all countries for which $x < x^*$, that is, poor countries ϵ is set equal to 0. There are no diminishing returns here. For income between x^* and $2x^*$,

ϵ is set equal to $1/2$. For income between $2x^*$ and $3x^*$, ϵ is set at $2/3$. In general, if $\alpha x^* \leq x < (\alpha + 1)x^*$, then ϵ is set equal to $\alpha/(\alpha + 1)$.

The income-discounting method was critiqued by many scholars and advocated for the method of logarithmic transformation. Consequently, the transformation $y = \log(x)$ is adopted in 1999, and continues till now.

Logarithmic transformation

The notion of logarithm is attached with that of logarithmic transformation. The logarithm of a positive number x is a number, denoted by $\log(x)$, which when raised as a power of 10 yields the number x . By definition, $\log(1) = 0$, $\log(10) = 1$, $\log(100) = 2$, $\log(1000) = 3$, and so on.

This transformation primarily scale downs the original income data (x) into transformed data (y) in such a way that the rate of change in y with respect to x decreases as x increases. The impact of this transformation can be seen in figure 2.1, which is concave in nature, that is, the curve rises fast for low level of incomes and slowly for high level of incomes, showing the diminishing marginal return.

Methodology for estimating earned income

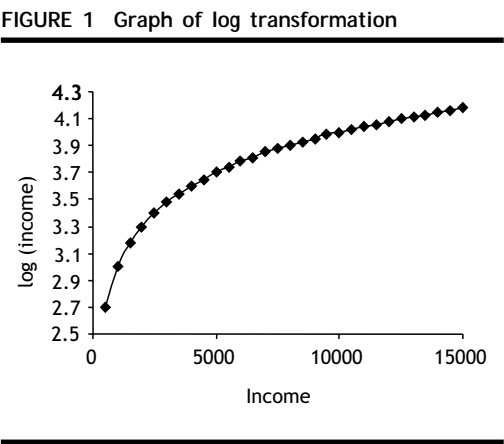
A methodology for estimating female and male earned income (PPP US \$) adopted by HDR is described here. For this purpose the following variables are introduced. Let W_f , W_m and W be the average female, male and overall wage of a country, respectively, and let L_f , L_m and L be the female, male and total economically active population (EAP) aged 15 and above of the country, respectively.

Then, in this notation $W \times L$ yields the total wage bill and its gender decomposition form is $W \times L = W_f \times L_f + W_m \times L_m$. Then, in this notation, female share of wage bill

$$= \frac{\text{Female wage bill}}{\text{Total wage bill}} \text{ Which algebraically is expressed as}$$

$$\frac{W_f}{W_f + W_m} \frac{L_f}{L_f + L_m} = \frac{W_f}{W_m} \frac{L_f}{L} \frac{L_m}{L} \quad (2.11)$$

Usually W_f and W_m would be unknown, and the ratio $\frac{W_f}{W_m}$ would assumed to be 75%. An assumption has to be made that the female



share of wage bill is equal to the female share of GDP. Under this assumption,

$$\begin{aligned} &\text{Estimated female earned income} \\ &= \frac{\text{Total GDP} \times \text{female share of wage bill}}{\text{Total females}} \end{aligned}$$

$$\begin{aligned} &\text{Estimated male earned income} \\ &= \frac{G - G \times \text{female share of wage bill}}{\text{Total males}} \end{aligned}$$

ANNEX 2.2

TECHNICAL NOTES

ON GOALPOSTS

The following transformation plays a vital role in the measurement of human development (see, for example, Equation 2.1):

Actual value – Minimum value

Maximum value – Minimum value

The “maximum” and “minimum” values in the above are the largest and smallest possible values of a basic indicator, referred to as the goalposts. It is easy to show that change in the goalposts will bring about change in the HDI values. As a result, the early practices of shifting goalposts adopted in the measurement of HDI were critiqued by many scholars and advocated for fixing goalposts, and the goalposts were fixed in 1995.

For the computation of HDI, goalposts of the basic indicators would be required. The fixed goalpost values are presented below in the table.

Goalposts for computing HDI

	Life expectancy at birth	Adult literacy rate	Combined GRE	Mean years of schooling	Adjusted per capita GDP in PPP\$
Minimum value	25	0	0	0	100
Maximum value	85	100	100	15	40,000

Source: UNDP 2000.

Gender disaggregated goalposts for life expectancy at birth

	Female	Male
Minimum value	27.5	22.5
Maximum value	87.5	82.5

Source: UNDP 2000.

For the computation of GDI, gender disaggregated goalpost values would be required. In this context, goalposts of all the basic indicators, except the life expectancy at birth, remain the same for male and female. As for example, goalposts of ALR would be 0 and 100 irrespective for male and female. However, the goalposts of life expectancy at birth would be different for male and female. This is so, since there are strong evidences that the maximal potential life expectancy for women is greater than for men – given similar care, including health care and nutritional opportunities. In fact, in most of the “developed” countries, women tend to outlive men by typically six to eight years. In the measurement of GDI, the following gender disaggregated fixed goalposts for life expectancy is used.

ANNEX 2.3

TECHNICAL NOTES ON EQUALLY DISTRIBUTED EQUIVALENT ACHIEVEMENT

This part of the materials is drawn from Anand and Sen (2003b). The notion of “equally distributed equivalent” achievement between women and men plays an important role in developing gender-equality sensitive indicators. To understand this notion, let X_f and X_m refer to the social achievements made by female and male, respectively, which in vector notation is written as (X_f, X_m) . If n_f and n_m are the number of females and males in the population, respectively, then the overall or mean achievement \bar{X} is given by

$$\bar{X} = \frac{n_f X_f + n_m X_m}{n_f + n_m} = p_f X_f + p_m X_m,$$

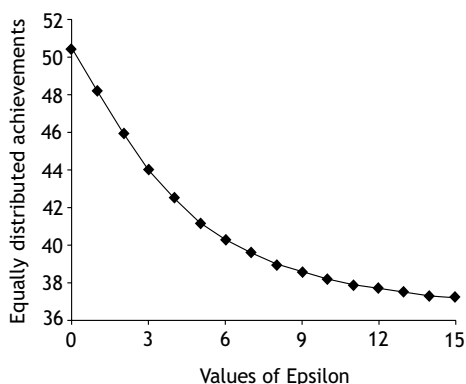
where $p_f = \frac{n_f}{n_f + n_m}$ = proportion of female

and $p_m = (1 - p_f)$ = proportion of male

The equally distributed equivalent achievement X_{ede} is defined to be the level of achievement which if attained equally by women and men, as (X_{ede}, X_{ede}) , would be judged to be exactly as valuable socially as the actually observed achievement (X_f, X_m) . For given ε , X_{ede} is thus defined through the equation

$$n_f X_{ede}^1 + n_m X_{ede}^1 = n_f X_f^1 + n_m X_m^1$$

or, $X_{ede} = \frac{p_f X_f^1 + p_m X_m^1}{1} \quad (2.12)$



The value ε is the size of aversion to gender inequality or size of penalty for gender inequality. The larger the value, the more heavily a society is penalized for having inequalities. The nature of the graph of X_{ede} and ε is displayed in the figure for $X_f = 35.4$, $X_m = 65.8$, $p_f = 0.502$ and $p_m = 0.498$. The nature of the graph is convex and decreasing.

In practice the choice of ε depends upon the society's aversion to gender inequality. If a society has no aversion to inequality then $\varepsilon = 0$, in which case $X_{ede} = p_f X_f + p_m X_m$ = weighted arithmetic mean. On the contrary, if a society has very high aversion to inequality then $\varepsilon = \infty$, in which case $X_{ede} = \min\{X_f, X_m\}$. In the measurement of GDI, ε is assumed to be 2, in which case $X_{ede} = \frac{1}{\frac{p_f}{X_f} + \frac{p_m}{X_m}} =$

weighted harmonic mean. When $\varepsilon = 1$, it can be showed that $X_{ede} = X_f^{p_f} X_m^{p_m}$, weighted geometric mean.

ANNEX 2.4

TECHNICAL NOTES ON AGGREGATION OF DEPRIVATION INDICES

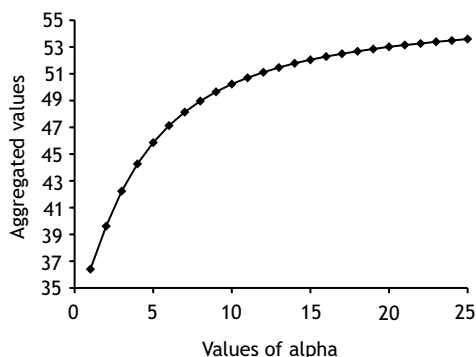
This part of the material is drawn from Anand and Sen (2003a). A general formula for constructing human poverty index $P(\alpha)$ based on three distinct poverty sub-indices P_1 , P_2 and P_3 is discussed in Anand and Sen (2003a). In particular, the formula for $P(\alpha)$ simplifies to the following form

$$P(\alpha) = \frac{1}{\alpha} (P_1^\alpha + P_2^\alpha + P_3^\alpha)^{\frac{1}{\alpha}} \quad (2.13)$$

where α is an integer greater than or equal to 1. Note that $P(\alpha)$ is an average of order α of the three sub-indices P_1 , P_2 and P_3 .

It is important to note that $P(\alpha)$ lies between $\min\{P_1, P_2, P_3\}$ and $\max\{P_1, P_2, P_3\}$. As α gets larger and larger, $P(\alpha)$ gets closer and closer to $\max\{P_1, P_2, P_3\}$. The nature of the graph of $P(\alpha)$ and α is displayed in the figure for $P_1 = 17.74$, $P_2 = 56.0$ and $P_3 = 35.49$, where the graph is concave and increasing.

The elasticity of substitution between any two of P_1 , P_2 and P_3 is constant and equal to $-\frac{1}{\alpha}$. As α increases from 1, the elasticity of substitution decreases from infinity to 0. If we choose $\alpha = 1$ (the case of perfect substitutability), the aggregate index $P(\alpha)$ is the simple arithmetic mean of three sub-indices P_1 , P_2 and P_3 . As α tends to infinity, the substitutability becomes zero, and the aggregate in-



dex tends to maximum of the three sub-indices. With $\alpha = 1$ (the case of perfect substitutability), the impact on $P(\alpha)$ for a unit increase (or decrease) of any sub-index is the same, irrespective of the level of deprivation in different dimensions. This contradicts the usual assumption that as the extent of deprivation in any dimension increases (given the others) the weight on further additions to deprivation in that dimension should also increase. For this we need $\alpha > 1$. The value of α also influences, correspondingly, the relative weight to be placed on deprivation in three different dimensions.

For calculating HPI, $\alpha = 3$ has been chosen. This gives an elasticity of substitution of 0.5 and places greater weight on those dimensions in which deprivation is larger. There is an inescapable arbitrariness in the choice of α . The right way to deal with the issue is to explain clearly what is being assumed, as has been attempted here, so that public criticism of this assumption is possible.

ANNEX 2.5

LIST OF TWENTY FIVE WORST DISTRICTS, 2001

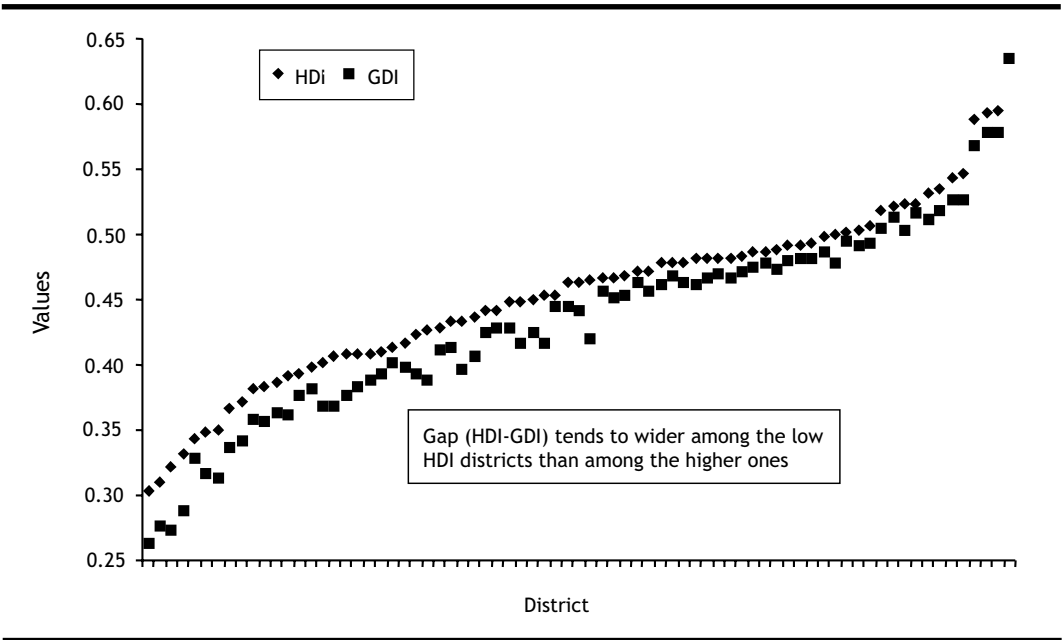
Low HDI districts		Low GDI districts		Low GEM districts		High HPI districts	
District	HDI	District	GDI	District	GEM	District	HPI
Mugu	0.304	Mugu	0.263	Pyuthan	0.293	Humla	63.8
Bajura	0.310	Kalikot	0.274	Mahottari	0.295	Dolpa	61.9
Kalikot	0.322	Bajura	0.277	Dadeldhura	0.296	Mugu	61.1
Bajhang	0.331	Bajhang	0.289	Dailekh	0.300	Bajhang	59.9
Jajarkot	0.343	Achham	0.314	Darchula	0.303	Achham	59.2
Jumla	0.348	Jumla	0.316	Mugu	0.304	Kalikot	58.9
Achham	0.350	Jajarkot	0.328	Bajura	0.304	Jajarkot	57.2
Humla	0.367	Humla	0.337	Doti	0.306	Jumla	56.8
Dolpa	0.371	Dolpa	0.341	Rolpa	0.306	Bajura	56.4
Dailekh	0.381	Rolpa	0.357	Humla	0.308	Rasuwa	54.5
Rolpa	0.384	Dailekh	0.358	Ramechhap	0.311	Rukum	53.7
Rukum	0.386	Baitadi	0.361	Achham	0.314	Doti	53.4
Baitadi	0.391	Rukum	0.364	Baitadi	0.314	Ramechhap	53.4
Rasuwa	0.394	Doti	0.368	Khotang	0.314	Rolpa	53.1
Salyan	0.399	Mahottari	0.368	Bajhang	0.323	Dailekh	52.5
Doti	0.402	Rasuwa	0.376	Saptari	0.323	Sindhupalchok	51.1
Mahottari	0.407	Sarlahi	0.377	Dhanusha	0.324	Rautahat	51.0
Sarlahi	0.408	Salyan	0.382	Bara	0.326	Mahottari	50.6
Dang	0.409	Rautahat	0.384	Siraha	0.327	Sarlahi	49.8
Rautahat	0.409	Dang	0.388	Rautahat	0.331	Baitadi	48.7
Dhading	0.410	Siraha	0.388	Sindhupalchok	0.331	Kapilbastu	48.5
Sindhupalchok	0.414	Dhading	0.394	Rukum	0.337	Sindhuli	48.3
Pyuthan	0.416	Darchula	0.394	Salyan	0.338	Salyan	48.2
Darchula	0.424	Dadeldhura	0.396	Dolakha	0.344	Pyuthan	47.9
Siraha	0.427	Pyuthan	0.399	Kanchanpur	0.344	Dhading	47.7

Data Source: UNDP 2004b.
 Note: Bold districts are common to all the four measures.

ANNEX 2.6

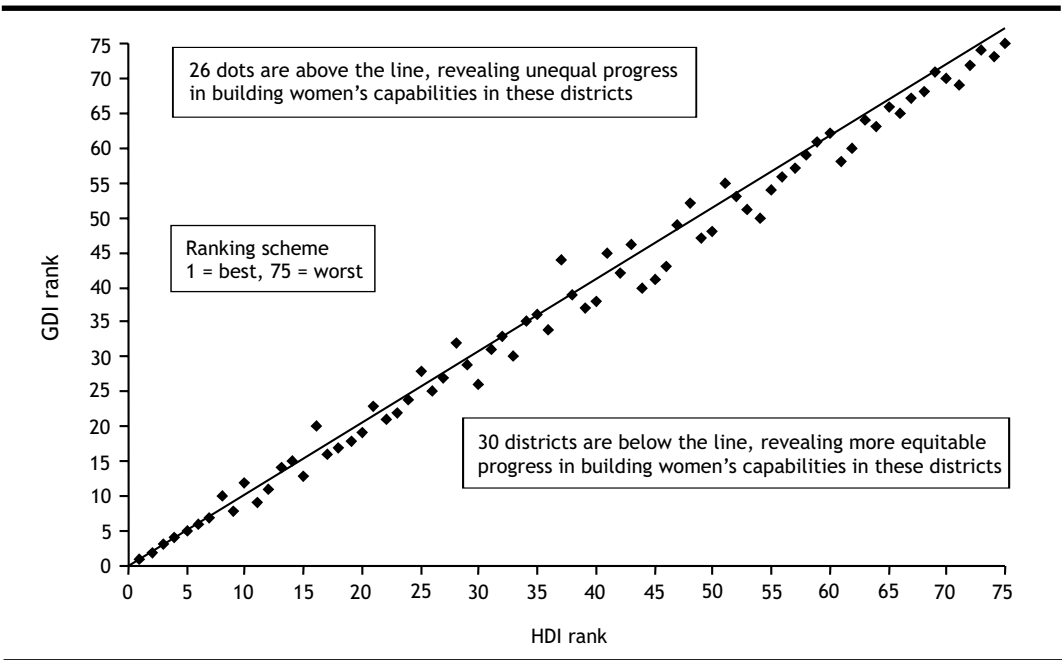
CROSS-SECTIONAL ANALYSIS

FIGURE 1 District level comparison of HDI and GDI values, 2001



Source: Based on data of UNDP 2004b.

FIGURE 2 Plot of GDI ranks against HDI ranks, 2001

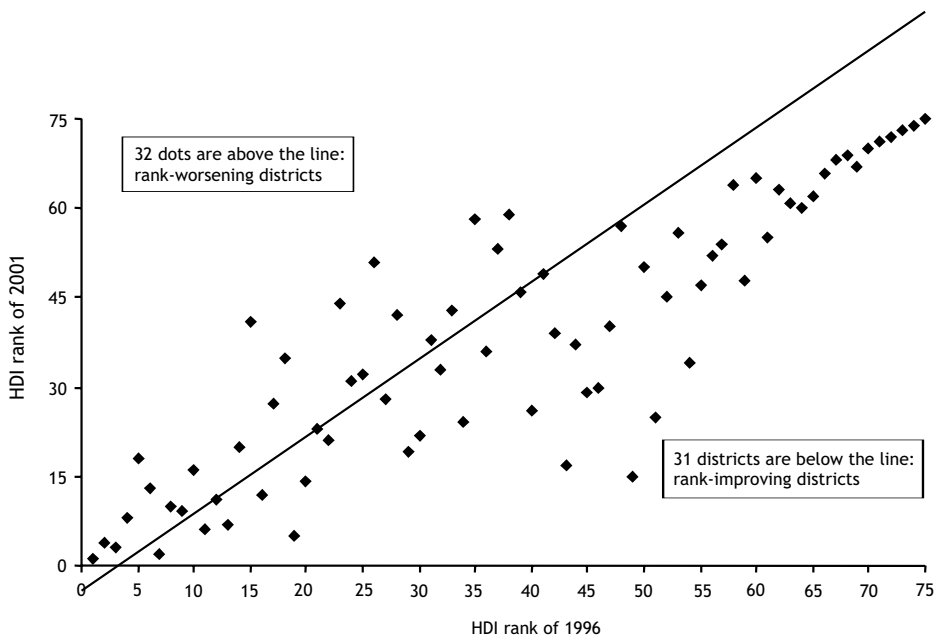


Source: Based on data of UNDP 2004b.

ANNEX 2.7

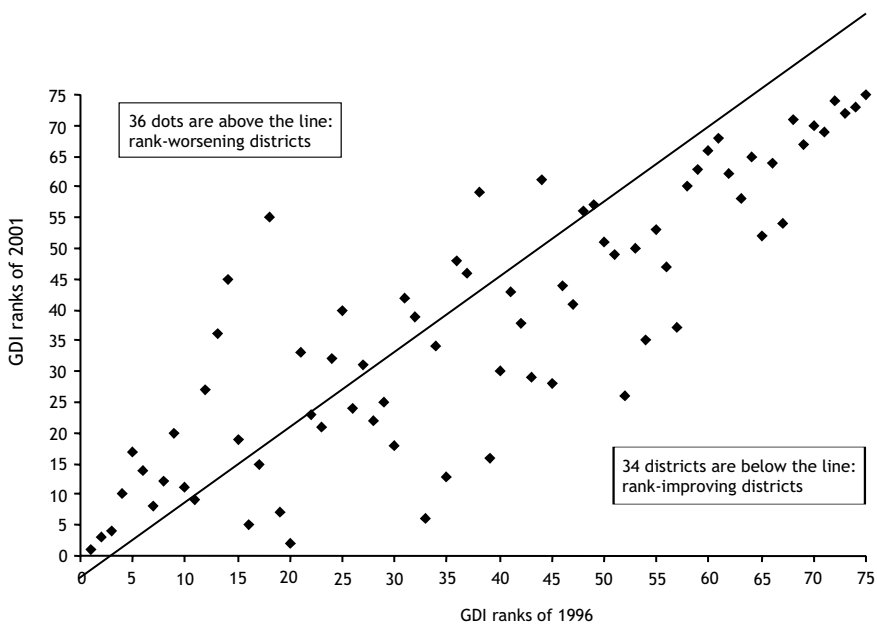
TEMPORAL ANALYSIS

FIGURE 3 Relationship between district level HDI ranks of 1996 and 2001



Source: Based on data of NESAC 1998 and UNDP 2004b.

FIGURE 4 Relationship between district level GDI ranks of 1996 and 2001



Source: Based on data of NESAC 1998 and UNDP 2004b.

ANNEX 2.8
EXERCISES

- 2.1 Regional and national level deprivations in longevity, literacy and a decent standard of living of Nepal, 2001, are summarized in the table below. Compute the regional and national level HPI, and rank the regions.
- 2.2 Regional and national level participation rates of female and male in local level election, in professional and administrative jobs of Nepal, 2001, are presented in the table below. Using the information available in this table and the information available on adjusted per capita income (Exercise 2.5), compute the regional and national level GEM, and rank the regions.
- 2.3 The reported data on regional and national population and GDP values (at current prices) in the 2004 Nepal Human Development Report are presented in the following table. Additional data on per capita GDP are also presented for your reference purpose.

■ Divide each GDP value by the corresponding population size and compare the results with per capita GDP in Rs.

■ Divide each result obtained in (a) by 73.6 and compare the results with per capita GDP in US\$.

■ Multiply each result obtained in (b) by 5.44 and compare the results with per capita GDP in PPP US\$
- 2.4 Gender-specific regional and national level socioeconomic outcomes of Nepal, 2001, are presented in the table below. Compute regional and national level GDI. Assign ranks for the five regions.
- 2.5 The reported regional and national level data on population and adjusted per capita income indices by gender in the 2004 Nepal Human Development Report are summarized below in the table. These indices are constructed from the actual estimated values of gender specific per capita earned incomes. The relationship between Y = an adjusted per capita income value and X = an estimated per capita earned income value in PPP US\$ is follows: $X = 10^{Y[\log(40000) - \log(100)] + \log(100)}$.

■ For each given Y value in the table find X value using the equation described above.

■ Compute the income generated by females (female population ´ estimated per capita earned income of female) at re-

Region	Population	GDP in million of Rs	Per capita GDP in Rs	Per capita GDP in US\$	Per capita GDP in PPP US\$
Eastern	5,344,476	86,936	16,266	221	1,202
Central	8,031,629	173,561	21,610	293	1,597
Western	4,571,013	77,522	16,960	230	1,254
Mid-western	3,012,975	40,271	13,366	181	988
Far Western	2,191,330	31,997	14,602	198	1,079
Nepal	23,151,423	410,287	17,722	240	1,310

- gional and national level.
- Repeat (b) for male population
- Add results of (b) and (c) to get total income at regional and national level
- Divide each result of (d) by corresponding total population to get per capita GDP
- Compare the results obtained in (e) with the last column values of the table of Exercise 2.1.

2.6 There are three common methods of evaluating progress in human development (Fukuda-Parr, Raworth and Shiva Kumar 2003) - absolute change, percentage change, and shortfall reduction - as described below. If an indicator value x takes on values x_1 and x_2 at the initial and final time points, then absolute

change = $(x_2 - x_1)$, percentage change = $100 \times \frac{(x_2 - x_1)}{x_1}$, and, shortfall reduction

in per cent = $100 \times \frac{(x_2 - x_1)}{(100 - x_1)}$. Using these

three methods evaluate the progress made in promoting education by development regions of Nepal during the inter-censal period. Rank the regions (1 for best and 5 for worst) using the three methods: absolute change, percentage change and shortfall reduction.

2.7 In the early measurement practices of HDI, instead of formula (2.1) the formula $\frac{\text{Maximum value} - \text{Actual Value}}{\text{Maximum value} - \text{Minimum value}}$ was

Region	Life expectanc rate in %		Adult literacy ratio in %		Combined gross enrollment income in PPP US\$		Adjusted per capita at birth in year	
	F	M	F	M	F	M	F	M
Eastern	65.5	64.4	37.1	63.8	2.13	3.68	714	1691
Central	62.5	61.5	34.0	60.7	2.05	3.74	918	2241
Western	62.8	62.2	40.7	67.0	2.21	3.65	963	1564
Mid-western	55.0	54.1	28.6	56.8	1.42	2.94	731	1246
Far Western	54.1	53.6	23.4	61.2	1.15	3.13	859	1307
Nepal	61.5	60.5	34.9	62.7	1.95	3.56	790	1828

Region	Population		Adjusted per capita income index	
	Female	Male	Female	Male
Eastern	2,673,854	2,670,622	0.328	0.472
Central	3,922,570	4,109,059	0.370	0.519
Western	2,372,843	2,198,170	0.378	0.459
Mid-western	1,512,449	1,500,526	0.332	0.421
Far Western	1,105,786	1,085,544	0.359	0.429
Nepal	11,587,502	11,563,921	0.345	0.485

Development Region	Literacy rate (6+) of 1991	Literacy rate (6+) of 2001
Eastern	44.3	55.7
Central	38.6	52.9
Western	44.0	59.3
Mid-western	31.8	49.4
Far Western	32.2	48.7

used to get normalized scores. This approach of normalization is known as deprivation or shortfall approach (Anand and Sen 2003c). Using this shortfall approach human deprivation index D is computed by $D = \frac{1}{3}$ (depriva-

tion index of LE + deprivation index of EA + deprivation index in GDP). Show that $H = 1 - D$, where H is HDI.

- 2.8 One of the objectives of calculating human development measures in a country is to monitor and evaluate within country inter-regional variations in human development. In this context, do you think that is it necessary to make PPP adjustment in per capita income? Discuss this issue in detail.
- 2.9 Regional and national level socioeconomic outcomes of Nepal, 2001, are presented in the table below. Compute regional and national level HDI. Assign ranks for the five regions according to the

Region	% share of participation in local level election		% share of participation in professional job		% share of participation in administrative job	
	F	M	F	M	F	M
Eastern	19.20	80.80	16.44	83.56	13.22	86.78
Central	19.00	81.00	20.47	79.53	13.51	86.49
Western	20.30	79.70	19.92	80.08	12.57	87.43
Mid-western	19.20	80.80	16.65	83.35	9.50	90.50
Far Western	18.60	81.40	19.30	80.70	9.44	90.56
Nepal	19.33	80.67	18.75	81.25	12.71	87.29

Region	% population with LE less than 40 years	Adult illiteracy rate (%)	% of chronic malnourished children among under 5	% population without access to safe water
Eastern	10.50	49.7	44.6	17.15
Central	16.46	52.3	52.3	15.84
Western	15.26	47.1	50.3	18.52
Mid-western	26.08	57.5	53.9	35.66
Far Western	21.71	58.3	53.7	32.89
Nepal	17.74	51.4	50.5	20.48

rule: 1 for the best region, 2 for the second best, and, finally, 5 for the worst region.

2.10 The gender specific literacy rates (6+) of Nepal by development regions in 2001 are presented in the following table. Using the formula

$$p_f X_f^1 + p_m X_m^1 + \frac{1}{1} \text{ compute EDE achievement for } e = 0, 1 \text{ and } 2.$$

Development region	X _m	X _f	p _m
Eastern	66.5	45.0	0.50
Central	63.7	41.6	0.51
Western	70.4	49.3	0.47
Mid-western	61.1	37.7	0.50
Far Western	64.7	33.2	0.49

Region	Life expectancy at birth in year	Adult literacy rate in %	Combined gross enrollment ratio in %	Adjusted per capita income in PPP US\$
Eastern	64.90	50.3	2.90	1202
Central	62.51	47.7	2.89	1597
Western	63.00	52.9	2.93	1254
Mid-western	54.50	42.5	2.18	988
Far Western	54.30	41.7	2.14	1079
Nepal	60.98	48.6	2.75	1310

Inclusive human development in Nepal

Harka Gurung

INTRODUCTION

Social exclusion occurs when a group is barred “from rights or entitlements as a citizen, where rights include the social right to a certain standard of living and to participation in society” (UNDP 1997).

As documented in the Nepal Human Development Report 2004, exclusion has a distinct regional dimension in Nepal; the continued impoverishment and underdevelopment of the mid- and far western development regions constitutes a glaring manifestation of historical geographic exclusion that has shut every population segment – irrespective of caste, religion and sex – out of mainstream development. From this perspective, any analysis of disadvantaged groups that focuses only on women, *Dalits* and indigenous people will fail to capture the true picture of poverty in Nepal. Each country faces unique development problems, those of the industrialized North as well as the industrializing or largely agrarian South. All are developing in one way or another, particularly in a world characterised by rapid flows of financial capital, labour and information. GDP, as we have seen in chapter 1,

is no guarantor of equity or the inclusion of the poor – and poverty is multi-dimensional; GDP per capita is only one of its components.

Nepal faces an almost unique geographical development challenge with significant spatial manifestations. A landlocked country of 147,181 sq. km., nearly 60% of its land surface has an altitude too elevated for human occupation, ranging from steep to very steep (exceeding 30 degrees); the level considered “very gentle” amounts to only 13.6%. Moreover, roughly a third of Nepalese territory lies above the temperate zone (2,500m) and therefore has limited agricultural potential, while its sub-tropical zone has rugged topography. Given these physical limitations, the country’s 23 million people live in a highly skewed distribution pattern with a misleading average population density of 157.3 persons per sq. km. that varies from four in a few mountain districts to over 500 in some Tarai districts; 53.9% of the Nepalese now reside in the lowlands. The high growth rate of the Tarai (2.70) and inner Tarai (2.55), as compared to the national average (2.25), derives from migration, a continuous process of adjustment between population and land resources.

The country's population problems stem from rapid growth and a generally low level of capability. The total number of Nepalese has doubled since 1971 and the annual growth rate of 2001 remains higher than that of 1991. This now translates into an increasing volume of the under-employed and unemployed, compounded by low skill levels and high levels of illiteracy and morbidity. The literacy rate in 2001 stood at 54.1%, with 65.5 for males and 42.8 for females. Health services remain poor, with a maternity mortality ratio of 415 per 100,000 live births, an under-5 mortality rate of 82 per 1,000 live births and a tuberculosis rate of 280 cases per 100,000 persons. A fifth of the total population still has no access to safe water supply.

Nepal's low human development status is revealed by figures such as a 59.6-year life expectancy at birth in 2001, with 40.2% of the population under the age of 15 and only 3.7% over the age of 65 (CBS 2002). In terms of income/consumption, the poorest 10% consumed only 3.2% of available goods and

services in that year and the richest 10% almost 10 times as much.

Nonetheless, the country has made significant human development strides. In 1975, Nepal had the lowest HDI value among SAARC countries for which estimates were made (table 3.1). Sri Lanka led with a HDI value of 0.616. A quarter century later, Nepal had registered the greatest gain and finds itself squarely in the medium human development group (UNDP 2004b).

However, yet again, this macro figure masks enormous disparities and a marked rate of exclusion that call for analyses at the meso (region) and micro (district) levels, as well as inequality because of social exclusion.

CAUSES OF DISPARITY

Locational constraints

The country's immensely varied landscapes, as indicated above, have led to enormous

TABLE 3.1 HDI trend in SAARC countries

HDI Rank 2000	Country	1975	1980	1985	1990	1995	2000	Gain 1975-2000 %	HDI 2002*	Rank* 2002
84	Maldives	.....	.....	0.629	0.676	0.707	0.743	-	0.752	84
89	Sri Lanka	0.616	0.650	0.676	0.697	0.719	0.741	20.3	0.740	96
124	India	0.407	0.434	0.473	0.511	0.545	0.577	41.8	0.595	127
138	Pakistan	0.345	0.372	0.404	0.442	0.473	0.499	44.6	0.497	142
140	Bhutan	.....	.....	.....	.....	.....	0.494	-	0.536	134
142	Nepal	0.289	0.378	0.370	0.416	0.453	0.490	69.6	0.504	140
145	Bangladesh	0.335	0.353	0.385	0.416	0.445	0.478	42.7	0.509	138

Source: UNDP 2002a; * UNDP 2004.
Note: Trend data for HDI is revised in each subsequent human development report.

regional economic differences in which the more backward regions have witnessed an out-migration of youth and their better-skilled workers that has impoverished these areas further.

The 15 regions officially adopted by Nepal in 1971 are based on the combination of three ecological (mountain, hill, Tarai) and five development regions (far west, mid-west, western, central and eastern).

The average per capita income for Nepal in 2001 has been estimated at US \$ 240 (UNDP 2004b). However, wide per capita income disparities persist across districts and regions. In 1996, eight districts had very high per capita income as compared with 14 others categorized as very low (NESAC 1988), while by 2001, the eight very high districts remained within this range, but those with very low per capita income had increased to 21. Indeed, the per capita income of Pyuthan and Kathmandu differ by a factor of almost 4.6.

Of Nepal's 75 districts, the majority (46) have per capita income below the national average. These are found in all elevation zones, two-thirds of which lie in the hills (UNDP 2004b).

THE EXTENT OF EXCLUSION

Nepal's low human development level stems not only from the country's physical features – locational constraints – but its steep, entrenched social structure.

The political ideology of Nepal as a Hindu state has remained highly exclusionary. It has religious, linguistic and cultural dimen-

sions (UNDP 2004b). While the western concept of "race" has the connotation of colour, the Hindu version of untouchability has a comparable bias because impure status derives from birth. Other major discriminations relate to culture and language, which marginalise the ethnic and regional groups.

One must beware of making nation-wide generalisations in Nepal because of numerous levels of complexity created by the country's history over the last century and a half. Together, it is true, spatial diversity and historical antecedents have contributed to enormous social inequality. However, spatial diversity has contributed to the country's cultural riches, while caste discrimination has been the foundation of social exclusion. Both factors, however, contribute to multiple layers of discrimination. The political, economic, and educational areas examined here in terms of social exclusion has perpetuated a high-caste hegemony in politics. Such a polity marginalises the low castes and the ethnic groups economically. Since most of their members remain poor, they have very limited access to education and become trapped in vicious circle of poverty.

All in all, the hill high castes, though less than a third of total population, nonetheless occupy two-thirds of governance positions (Neupane 2002). Another inequitably advantaged group is the *Newar*, with about 6% in population share, but a 13% share in governance. By contrast, the *Madhesi*, 31% of the Nepalese population, hold only a 12% share in governance representation. The hill ethnic representation is similar: 22% in population and 8% in governance. The *Dalits* fare worst with regard to share of population vis-à-vis positions of power.

Economic deprivation

The Nepal Living Standard Survey 1995/96 is one primary source on the economic status by caste and ethnicity; its sample focused on 3,373 households from 15 randomly selected districts, but covered only a few widely distributed social groups. Despite these limitations, the NLSS provided some indicative data used by the Nepal Human Development Report 1998 (NESAC 1998). But the comparison of ethnic and caste groups varied from eight (proportions below poverty line) for human development status to 15 for poverty incidence, even though the data source was the same.

The three human development indicators – per capita income, life expectancy and ALR – influence the HDI of four basic social groups and several of their sub-groupings. Although the four distinct and three sub-groupings are not strictly comparable, they exhibit some consistency of pattern in their human development status. The *Newar* lead the rest in life expectancy, per capita income and HDI. The *Brahman* rank second in all three indicators – except that they outrank the *Newar* in adult literacy ratio. The *Chhetri* rank third in adult literacy, income and HDI – but fourth in life expectancy (NESAC 1998).

Tarai castes, which include a wide array of social status, rank third in life expectancy, fourth in income and HDI, and fifth in adult literacy. Hill ethnics rank fifth in life expectancy, income, and HDI but fourth in ALR because of their army tradition.

The artisan castes or *Dalits* rank sixth in life expectancy, adult literacy and HDI, and seventh in income. The Muslim group ranks seventh in life expectancy, literacy and HDI and sixth in per capita income.

Table 3.2 shows the trends in poverty incidence for 7 ethnic/caste groups. Here, too, there is strong evidence of convergence between social hierarchy and poverty level. Decline in poverty incidence between 1996 and 2004 is more pronounced among upper castes and *Tharu* compared to other ethnic groups. The aberrations may be attributed to the small number of households and districts sampled by NLSS. *Dalit* (*Kami*, *Damai*, *Sarki*) have the highest proportion below the poverty line (45.5) (table 3.2).

A recent analysis of the 2001 population census data for poverty mapping reveals the level of disparity among social groups in major occupational and household characteristics (Acharya and others 2004). The upper caste group constitutes 35.4% of the total EAP aged 10 years and above. Their dominance is 62.2% in the professional/technical, 58.3% in the legislative/administrative, and 53.6% in the clerical occupations (table 3.3). The *Dalit* castes, with 11.9%

TABLE 3.2 Trends in poverty incidence by ethnicity/caste, 1996 and 2004

Caste/ethnicity	Proportion below poverty line	
	1996	2004
1. Newar	19.3	14.0
2. Upper caste	34.1	18.4
3. Yadav	28.7	21.3
4. Dalits	57.8	45.5
5. Muslims	43.7	41.3
6. Hill janajati	48.7	44.0
7. Tharu	53.4	35.4
NEPAL	41.8	30.8

Source: CBS 2005.

percent of the total EAP, have an involvement of only 1-4% in these kinds of work. The *Janajati* group, with a 38.7% share in the EAP, account for above one-third in non-manual fields. The reverse is true in the case of production labour: 19.1% high caste, 20.3% *Dalit* and 38.1% *Janajati*.

Household characteristics derived from the 2001 census data provide some indication of living standards by ethnicity and caste. Accordingly, the national average for a pucca or well-built house was 36.6%. It ranged from 19.7% for the *Dalit* to 32.6% for *Janajati* and 52.4% for the high castes (table 3.4), while houses with flush toilets varied from a low for *Dalit* (13.3%) to median for *Janajati* (20.8%) and high for the upper castes (31.9%). Tap water provisions showed a similar gradation: 43.3% for *Dalit*, 58.5% for *Janajati*, and 60.8% for the high castes. In lighting, more high caste households had

electricity/biogas and more *Dalit* used kerosene, with the *Janajati* between them. A similar pattern prevails in cooking fuel types: more upper caste households used kerosene/gas, while more *Dalit* and *Janajati* households used wood.

These disparities in amenities that directly affect quality of life provide clear evidence of the economic advantages of higher caste groups and vice versa. Those of high social status dominate political positions and therefore have better economic status. This predominance in the political economy is further reinforced by rates of high educational attainment based on resource capabilities.

Educational disparity

Education is one of the basic indicators of human development levels: literacy provides access to new opportunities, while educa-

TABLE 3.3 Major occupations by ethnicity/caste, 2001

Ethnic/ caste group	Total economically active	Prof/ technical	Legislative/ admin	Clerical	Sales/ service	Forestry/ farm/ fishery	Production labour	Of which elementary
Upper caste	35.4	62.2	58.3	53.6	42.2	37.1	21.2	19.1
Middle caste	10.0	6.6	5.1	7.2	12.8	8.8	8.8	14.9
(Tarai only)								
Dalit	11.9	1.6	1.3	3.9	4.0	10.9	20.3	22.6
Janajati	38.7	27.6	33.2	33.3	35.5	40.5	38.1	36.1
- Hill Janajati	23.6	10.7	10.3	14.4	14.3	28.6	18.1	16.5
- Newar/Thakali	7.5	13.8	20.8	12.7	16.8	5.0	8.7	4.8
- Tarai Janajati	7.5	3.1	2.1	6.2	4.4	6.9	11.4	14.9
Muslim/Sikh	3.1	1.2	1.1	1.1	4.5	2.0	6.0	5.7
Others	0.9	0.8	1.1	0.9	1.1	0.7	1.3	1.5
All	100.00	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Acharya et al 2003.

tional attainment generally improves the quality of life. The education level of Nepalese population is very low with the pronounced discrepancy in access to education across Nepalese social groups. Two-thirds of ethnic/caste groups have literacy rates below the national average (CBS 2002). On the other hand, certain other ethnic/caste groups monopolise higher education.

Literacy: Literacy rate of Nepal’s population aged six years and above increased from 39.0 in 1991 to 54.0 in 2001. Although this improvement appears encouraging, an immense gap persists across caste and ethnic groups.

The extremes in literacy rates ranged from 4.2%-88.0% in 1991 and 7.3%-93.9% in 2001, an overall gain for all ethnic/caste groups of 15%. Only 21 groups exceeded this level of gain, the highest being the *Rajbhar*, *Jirel*, *Bangali* and *Sikh*. Among those with low gains were the *Raji*, *Dusadh*, *Brahman* (Tarai), *Chamar*, *Musahar*, and *Marwari*. These social groups with the least gain – except the *Marwari* and *Brahman* – also had very low literacy rates.

The 100 ethnic/caste groups reported in the 2001 census can also be placed in regional categories by their native areas: mountain, hill, Kathmandu Valley (*Newar*), Inner Tarai, and the Tarai (table 3.5). The hill high castes have a range of 59.0-74.9% as compared to 33.5-46.9% for hill *Dalit* and the higher range of the *Dalit* is lower than that of bottom range of high castes. In the case of the Tarai, the range varies from 14.8-82.1% for the higher castes and 9.4-34.8% for lower castes. The Tarai high castes have a very wide range, but that of Tarai *Dalits* is lower than that of their hill counterparts.

Educational attainment: Of Nepal’s total population of 19.2 million aged 6 years and above in 2001, 48.6% had varied educational attainment levels: school level, 80.5%; SLC/Certificate, 15.7%; and graduate and above, 3.8%. Among the 7.4 million with school level attainment, 57.5% came from the caste group and 38.4% from the ethnic group, while others made up 0.9%. The caste group dominance in educational attainment becomes more evident at the tertiary level (figure 3.1).

TABLE 3.4 Household characteristics by ethnicity/caste, 2001

Water source	House type		Flush toilet	Water source	Lighting facility		Cooking fuel		
	Pucca	Kacha			Electrify/ biogas	Kerosene	Wood	Kerosene	Gas
tap/pipe				Tap/ pipe					
Upper caste	52.4	18.1	31.9	60.8	52.1	43.2	65.3	16.0	16.1
Dalit	19.7	50.7	13.3	43.3	18.0	76.9	75.2	5.9	1.3
Janajati	32.6	34.7	20.8	58.5	38.1	59.8	70.1	14.4	8.2
Religious Minorities	27.3	49.0	7.9	34.1	35.4	62.8	52.1	13.6	3.9
All	36.6	33.5	22.7	52.9	39.6	57.2	65.6	13.5	9.4

Source: Acharya and others, 2004, draft, tables 3.6, 3.8, 3.9, 3.10 and 3.12.
Pucca = Concrete/brick cemented, Kacha = mud and wood.

In geographic terms, the hill high caste group constituted 59.7% of those with high educational attainment, followed by some 13% for Tarai high caste and the *Newar*, with only a few *Dalit* – 0.5% for hill and 0.2% for Tarai.

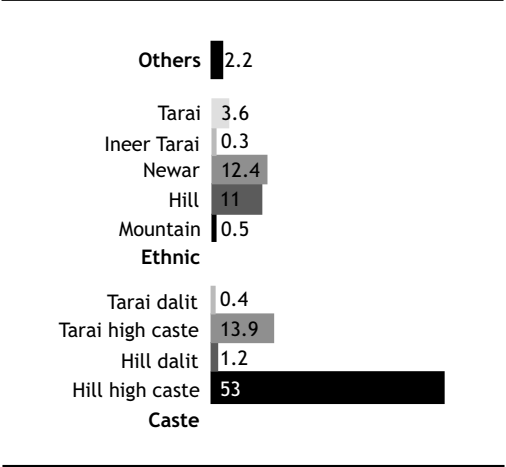
A discrepancy in educated manpower by ethnicity/caste has led to the entrenchment of privileged groups in bureaucracy and authority (table 3.6).

CONCLUSION

In the differentiation across regions and social exclusion set out above along each HDI indicator, horizontal differentiation is a geographic reality that cannot be eradicated. However, it can be reduced by a spatial development strategy. By contrast, vertical inequality, being a cultural construct, can eventually disappear through a core agenda of social inclusion appropriate to the multi-cultural democracy that Nepal now is in name. The global HDR 2004 makes the following observations to dismantle several prevailing fallacies:

- multi-cultural policies are a way to build diverse and unified states;
- identity politics need to be managed so that violence does not ensue;
- the development process should involve wider participation value shifts that promote human rights
- there is no evidence of any relationship between cultural diversity and development; and
- the “clash of civilizations” concept exaggerates differences between cultural groups and ignores similarities between them.

FIGURE 3.1 Educational attainment, SLC/certificate percent of total



Source: Annex 3.5.

TABLE 3.5 Literacy rate by social groups, 2001

Social group	A. Rate range
A. Hill castes	
1. Higher	59.0-74.9
2. Dalit	33.5-46.9
B. Tarai castes	
1. Higher	14.8-82.1
2. Dalit	9.4-34.8
C. Ethnic group	
1. Mountain	27.2-75.7
2. Hill	29.2-70.7
3. Inner	32.0-55.4
4. Tarai	13.2-54.4
D. Others	34.7-93.9
NEPAL	53.7

Source: CBS 1991 and 2001.

This global HDR goes on to elaborate policies to be adopted to ensure social inclusion, including secularism with regard to religion, the recognition of minority languages, an affirmation of many cultural rights, affirmative action to raise the status of disadvantaged groups, and power-sharing through proportional representation, along with asymmetric federalism. Social transformation is usually a slow process, since any establishment benefits from the system in place; it has usually put it there. To change the situation, “empowerment from below needs to be supported by complementary efforts at the system level to make institutions and policies more inclusive” (Bennett 2003).

The emphasis on poverty reduction in Nepal’s development strategy is not new; what is novel is the recent recognition of social exclusion as both an impediment to human development and also the cause of the insurgency that began in 1996 (UNDP 2004b).

The political ideology of the Nepalese State is enshrined in the Constitution of 1990 and its legislative provisions. However, the so-

cial code of *Muluki Ain*, had an enduring impact on the people as the law of the land. The Constitution of the Kingdom of Nepal (1990) promulgated after the establishment of political democracy, defines the country as a “Hindu” kingdom (Article 4.1). Therefore, the current Constitution contains certain contradictions on social equality. Article 11.3 on the right to equality stipulates: The State shall not discriminate the citizens on the basis of religion, colour, sex, caste, ethnicity or conviction or any of these.

At the same time, Article 19.1, on the right to religion, states: Each individual will have the right to follow and practice one’s ancient (*sanatan*) religion by maintaining the dignity of prevailing tradition.

Based on the spirit of this Article, the Tenth Amendment of *Naya Muluki Ain* (1993) includes a provision that traditional practices at religious places shall not be deemed discriminatory. By implication, however, maintaining the dignity of traditional practices means perpetuating past inequality and the exclusion of significant population segments.

TABLE 3.6 Candidates passing gazetted level (grade III)

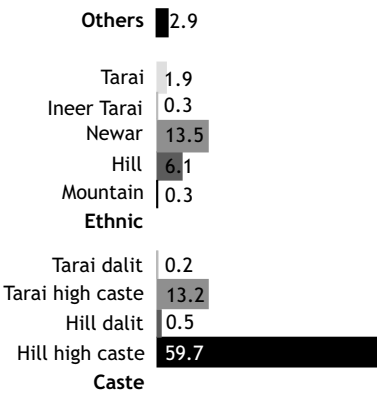
Caste/ethnic group	1984/85	1990/91	1994/95	2000/01
Brahman/Brahman/Thakuri/Rajput/Chhetri	69.3	67.3	81.2	87.0
Newar	18.6	18.5	9.7	8.7
Madhesi (excluding Brahman, Rajput, Dalit)	8.5	10.2	5.5	3.2
Indigenous Nationalities (excluding Newar)	3.0	2.4	1.8	0.5
Muslim	0.6	0.9	0.4	0.5
Dalit	-	0.7	0.2	-
Total	100.0	100.0	100.0	100.0
Number	472	459	1,014	185

Source: Subba and others 2002, based on bulletins of public service commission, table 49.

Since the mid-1990s, social exclusion has become an integral part of the development agenda because of the increasing insurgency. The Ninth Plan (1997-2002) was the first periodic plan to include sections on Indigenous Groups and the Downtrodden and Oppressed Community in the chapter on Social Security (NPC 2002). But very little was done in terms of implementation. The Tenth Plan (2002-2007) has separate chapters on Indigenous Nationalities and the Downtrodden and Oppressed Community. Their policy components include the elimination of inequality through socioeconomic development, skill mobilization of such communities and an emphasis on raising the social status of these groups through higher resource allocations for them, together with dismantling barriers to opportunities. These programme components, however, have not yet been assigned quantitative targets – which would permit periodic assessments of progress towards social inclusion, particularly for the advancement of the *Janajati* and *Dalit* communities. In sum, the development policies adopted for these disadvantaged groups have been merely welfare-oriented. They do not address the structural problems that marginalise and impoverish these citizens.

Because the *Janajati* and *Dalit* together constitute about half the total population of Nepal, their cultural marginalisation has ramifications in the social, economic and political spheres.

FIGURE 3.2 Educational attainment, graduate



Source: Annex 3.5.

Here backward ethnic groups and *Dalits* should be prioritised in literacy and education programmes.

Because of the significant encroachments on the land belonging to the indigenous people by other communities (Gurung and others 2000), traditional rights of ownership and land and resource usage should be given legal protection

In terms of political representation, the indigenous people have a limited strength at the policy level, while the *Dalit* have been virtually excluded. The solution to this problem of subjugation in governance would be changing the electoral system and some power-sharing arrangements.

Gender and human development

Bina Pradhan

Evaluating gender equality – the development of women’s capabilities as well as those of men within the traditional and rapidly changing division of labour between the sexes – is integral to human development simply because it takes into account the contributions of women to society both within and outside the household. These two approaches – gender development and human development – complement each other. Both were born of the concern for examining existing realities in socio-cultural and economic inequality. Both challenge the assumption that economic growth per se will necessarily trickle down to all sectors and segments of the population.

Further, the gender development approach posits that women’s subordination in the development process cannot be attributed solely to their marginal position in the trickle-down model of socio-economic development, but to the very factors that have relegated them to that margin. Most of these factors are sex-based. Women face multiple oppressions in terms of class, ethnicity and nationality. Human development acknowledges these inequities, studies their forms and has therefore set benchmarks for assessing the inequalities between women and men produced by these injustices (UNDP 1995; HDR in South

Asia 2000) It attempts to bring them into focus as a basic human rights issue and consequently explores ways of overcoming persistent gender gaps/inequalities from a systemic perspective. Recognising the importance of the issue, Mahbub ul Haq, the architect of measuring human development, asserts that development, “if not engendered, is endangered.”

Both the conceptual and practical issues of gender inequalities are articulated in the annual global Human Development Reports, as well as those produced at the regional and country levels. However, the key issue that need to be examined in the context of human development related to gender equality are two fold:

- the extent to which the human development approach, based on the capability framework conceived by Amartya Sen, can effectively be applied to conceptualise and assess gender inequalities in all countries; and
- the extent to which the capability framework can be operationalised for “engendering” development as envisaged in human development approach.

This chapter deals first with the concept of gender as a social construct, then with the

different approaches that have evolved to mainstream gender into the processes of economic development. This will help us understand the complexities of the relationships between gender development and human development, particularly as it manifests itself globally as well as in Nepal.

THE GENDER DIMENSION OF THE HUMAN DEVELOPMENT APPROACH

To understand the gender dimension of human development, it is necessary to clarify concepts and arrive at a common understanding of the term gender and how gender relations are constructed, maintained and reinforced in societies. Such an understanding of the concept and the approaches it implies will increase our sensitivity to a broad range of gender issues at the personal, inter-personal, institutional and community levels. It will also highlight what is entailed- for realising gender equality and gender justice in the human development approach.

Understanding gender and its construction

The concept of gender is relatively new. It does not even exist as a single word in many languages. It is therefore important to develop a shared language for discussing roles that are determined culturally and the power relations between women and men, as distinguished from their biological differences. Gender may be defined as a network of beliefs, personality traits, attitudes, values, behaviors and activities differentiating women and men through a process of social construction that has a number of distinctive features. It is historical; it takes place within different macro and micro spheres, such as

the state, the labour market, schools, the media, the law, family/household and inter-personal relations; it involves the ranking of traits and activities so that those associated with men are normally given greater value. Ranking, and therefore the formation of hierarchies, in most societies is an intrinsic component of gender construction (Beneria 1987).

Further, gender is constructed within a multiplicity of relations involving class, caste/ethnicity and race, among other socio-cultural constructs. Women face dual challenges to their identities within these categories:

- being female within the social group; and
- belonging to a particular social group/class.

A wide range of subordinations to men exists within these categories. The processes of gender construction create asymmetrical relations between women and men that are translated into development policies and actions, as figures 4.1, 4.2 and 4.3 reveal.

This becomes the belief system on which societies/cultures are founded, the arbitrageurs of the divide and the assumption of family intrinsic to femininity. The outcome of this construction is an asymmetrically structured access to resources and power/authority that generates male privilege and domination, on the one hand, and, on the other, female subordination. To do away with this inequity, feminists question the logic, validity and scientific basis of the dualistic belief system and seek in the long term to put an end to male domination. Their goals include equality before the law, women's economic and psychological self-reliance; the abolition of a gender-based di-

vision of work; the enhancement of women's capabilities and their control over their sexuality and reproductive capacities; and the elimination of male violence and coercion vis-a-vis women. However, in part because these strategic interests (box 4.1) become political and economic as well as cultural, they face resistance at any given time.

During the last 30 years, a vast amount of literature – both theoretical and empirical – has appeared to explain gender inequalities in development and women's sources of subordination. The publication of Ester Boserup's pioneering work, *Women's Role in Economic Development* (1970) raised awareness of the differing impacts of development activities on women and men and the bypassing of women in programmes aimed at poverty reduction and technological advancement. In short, development activities in poor countries after World War II affected women negatively. Boserup

BOX 4.1 Strategic interest versus practical gender interest

Strategic interests are the “objectives to overcome women’s subordination, such as the abolition of sexual division of labour, the alleviation of the burden of domestic labour and child care, removal of institutionalised forms of discrimination, the establishment of political equality, freedom of choice in childbearing, and the adoption of adequate measures against male violence and control over women”. These contrast with practical gender interests, usually a response to “immediate perceived needs” such as “basic needs” or “economic necessity”.

Source: Molyneux 1986.

pointed out that all societies had developed clear divisions of labour by sex, even though what was considered a male or female task varied significantly across countries/cultures. This implied that the sexual division of labour was arbitrary – and gave rise to a wholly new area of interest in women's place in development that questioned ste-

FIGURE 4.1 Sex vs gender

Sex in relation to Gender is an important distinction to be made for conceptual clarity.

Biology

“Sex” is the biological difference between women and men. Biological, evolutionary and practical relations of “maleness” to “femaleness” are – is natural. Sexual differences are absolute, fixed or unchangeable and non-contradictory.

Culture

“Gender” is a systematic constellation of ideas, values, assumptions, hopes and fears about “maleness” and “femaleness”. It organises the roles, status/positions of men and women and their relationships into two categories.

This divide is variable; it - changes with time and across cultures and is , contradictory, and arbitrary, creating a fixed dichotomy as its organising principle.

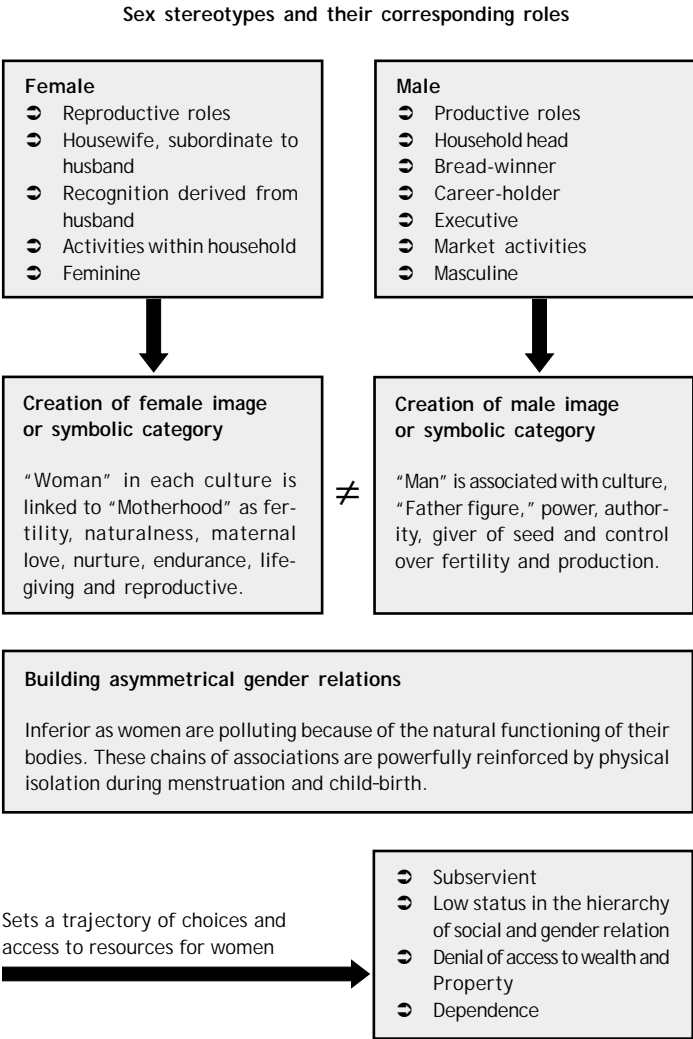
Creates categories and an absolute dualism between men and women.

reotypes and roles previously been taken for granted or considered natural, including the system of inequities and inequalities they generated. Subsequently, numerous studies with varying theoretical approaches appeared, all of them investigating this system and the gender factors that contributed to it (McFarland 1988).

The evolution of approaches to gender development

Since the 1970s, different approaches have evolved to address the problems of women in the development processes. General development theory and practice made no distinctions between the sexes, but generalised the norms of male experiences to females,

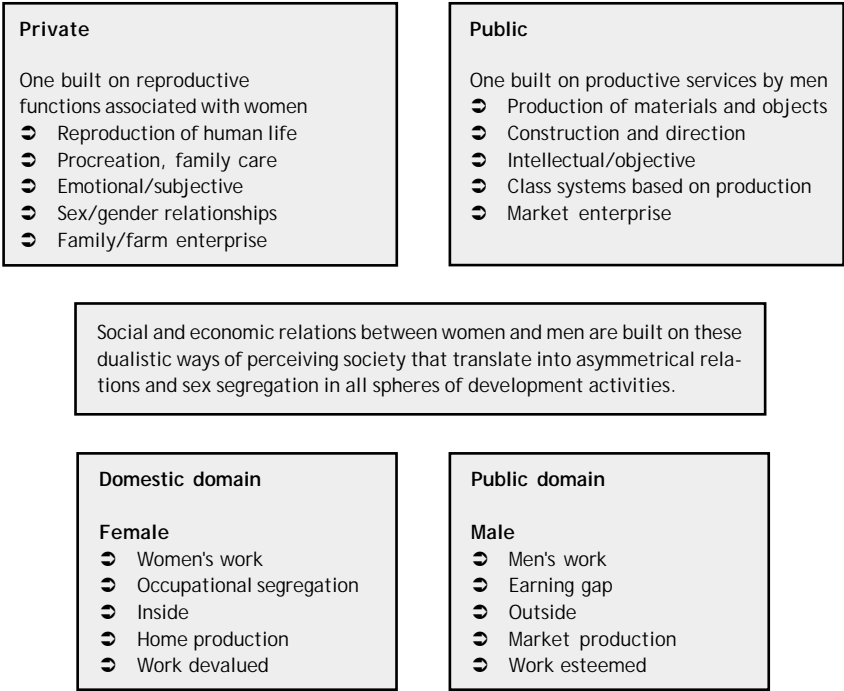
FIGURE 4.2 The conceptual construction of gender differences based on physical differences



assuming that both men and women would benefit equally as societies advanced and economic growth took place. Empirical evidence, however, showed that women were invisible in the development scene – and, far more serious, that intervention strategies and programmes worsened their position in virtually all spheres of life. The feminist movement and the UN Decade for Women, 1976-85, played a crucial role in highlighting the roles of women in economic and social development and the plight of low-income women in the Third World. To explain their invisibility, feminist scholars and development theorists initially developed the concept of “women in development” (WID) in 1970.

WID had a profound influence worldwide at both the international and national levels. It was understood as the “integration” of women into global processes of economic, political and social development. Its basic premise was that since women per se had been left out of development processes, integrating them into development would automatically ensure gender equity. Nonetheless, unequal development between the sexes persisted. WID therefore gave way to first to “women and development” (WAD) and “gender and development” (GAD) as means of providing alternative approaches to ensure women’s equitable participation in mainstream development.

FIGURE 4.3 Dualistic ways of perceiving and describing society



Progress achieved under WID and GAD notwithstanding, development practitioners often lose sight of these fundamental concepts and fail to contextualise them in specific country situations. Figure 4.4 provides a snapshot of how both these concepts evolved, how they influenced development policies and strategies at large, and the practical implications of such policies.

The WID perspective, based on the theory of modernisation and strongly supported by American policy-makers and the World Bank, assumed that industrialisation and technological advance would improve standards of living in developing countries; economic growth and mass education would transform agrarian societies and the benefits of such modernisation would “trickle down” through market mechanisms to all segments of the society, including women. WID closely resembled neoclassical theories of economic growth during the 1960s and 1970s, positing the market as the instrument of redistributing wealth (Roberts 1981). Women’s particular problems related to social inequalities and their subordinate position was rarely considered. Women were viewed as a disadvantaged group like any other – the poor in general, whether urban or rural, and ethnic or racial minorities. Policies and programme interventions for women stressed the promotion of women in education and skills training for income generation and adequate health services to enable them to participate in the “productive” sectors.

By the late 1970s and early 1980s, the WID approach came seriously into question. The relative position of women had improved very little over the two decades. In fact, women were found to be relegated into secondary position and low-paying occupations

as formal industrial sectors developed. Market processes of accumulation simply used the cheap and flexible labour services of women under exploitative conditions in almost all the newly industrialising countries. The trickle down theory did not work for men, even less for women.

During the latter 1970s, the concept of “WAD” was put forward by neo-Marxist Feminist movement (also known as the Socialist Feminists) to explain the sources of discrimination against women. Within this school, two theoretical explanations emerged: first, a restatement and elaboration of Engels’ idea that capitalism and patriarchy are mutually reinforcing; and, second, a Marxist reconstruction of women’s subordination in an international perspective. Both theories sought to explain “sexual inequality structurally and dialectically, as it relates to social class inequality and to the uneven and unequal development of capitalism globally” (Bandarage 1984). The neo-Marxist feminists also argued that women’s integration into free trade through export-oriented manufacturing represented further exploitation because this model exemplified the dependency thrust upon the global South by the global North. They also stressed the complexity and diversity of women’s integration into the processes of capitalist development, contending that the patriarchy was intensified by this process in relation to the class positions of different groups of women. In contrast to the WID School, the neo-Marxist Feminists criticised the capitalist development model and stated that the elimination of capitalism was a necessary, but not sufficient condition for the overthrow of the patriarchy.

However, they did not consider the social relations of men and women within classes,

FIGURE 4.4 Policy approaches to women’s development: theoretical and conceptual distinction and practical implication for policy/programmes change

	WID	WAD	GAD
1. Origin	1970s	Second half of 1970s	1980s
2. Schools of thought associated	➤ Liberal Feminist (Ester Boserup)	➤ Socialist (Marxist) Feminists, also referred to as neo-Marxist Feminists	➤ Socialist Feminists ¹
3. How the concept evolved	➤ To explain women’s role in economic development, systematic delineation of the sexual divisions of labour on the basis of empirical evidence. ➤ Modernisation of traditional agriculture resulted in differential impacts on women and men. ➤ Technology replaced female labour. Development strategies excluded women from development, at best relegating women to a secondary position.	➤ Grew out of a concern with the limitations of the modernisation theory to explain women’s subordination and inequality. ➤ Women have always been important economic actors both inside and outside the household. ➤ Integration of women will only sustain existing international structures of inequality.	➤ Emerged as an alternative to the WID focus to explain persistent gender inequalities despite the increased integration of women in development. ➤ Women’s movement for an egalitarian democratic society with social and gender justice. ➤ It questions the “trickle down” theory of development ➤ Questions the underlying assumptions of current social, economic and political structures that result in unequal outcomes even while providing equal opportunities
4. Theoretical underpinning to explain gender inequality	➤ WID perspective linked to the Modernisation Paradigm, ² the dominant thinking of international development theorists during the 1950s and 1960s.	➤ WAD perspective was linked with Dependency Theory. ³ It focuses on the relationship between WAD process and the notion of integration of women into development is	➤ GAD perspective arises from Socialist-Feminist Theory. It links the relation of production to relation of reproduction, taking into consideration women’s experiences. It identifies the social construction of production

contd...

¹ Socialist feminists can be defined as those concerned with challenging capitalism, as well as male supremacy or ‘patriarchy’. They try to make analytical connections between class relations and gender relations in society and to relate changes in the roles of women to changes in the economic system and patterns of ownership of the means of production. Socialist feminists recognise that while women are divided by class, colour and political belief, they experience a common oppression as women. This oppression needs to be understood, not just in terms of inequalities of power between men and women, but also in terms of the requirements of capitalism and the role of state institutions in a capitalist society (<http://coss.stcloudstate.edu/psamuel/SocialistFeminism.htm>).

² Modernisation is usually equated with industrialisation. According to modernisation theories, internal factors in the countries, such as illiteracy, traditional agrarian structures, traditional attitudes of the population, low division of labour, lack of communication and infrastructure, etc., are responsible for underdevelopment. Differences in structure and historical origin are considered of little importance; international dependencies are not taken into account. Consequently, changing these endogenous factors becomes the strategy for development. The industrialised countries are the model for both the economy and society, a model that will be reached sooner or later.

³ Dependency theory “posits the cause of the low levels of development in less economically developed countries (LEDCs) as their reliance and dependence on more economically developed countries (MEDCs) - i.e. the LEDCs are undeveloped because they rely on the MEDCs. Some proponents of dependency theory assert that LEDCs will remain less developed because the surplus that they produce will be siphoned off by MEDCs – in the guise of multinational corporations. There is, as such, no profit left for reinvestment and development. (<http://www.revision-notes.co.uk/revision/619.html>)

FIGURE 4.4 Policy approaches to women’s development: theoretical and conceptual distinction and practical implication for policy/programmes change

	WID	WAD	GAD
	<ul style="list-style-type: none"> Focuses exclusive on the productive aspect of women’s lives. 	<ul style="list-style-type: none"> intricately linked to the maintenance of the economic dependency of the global South on the industrialised countries. Preoccupation with the productive sector at the expense of the reproductive side of women’s work and lives. 	<ul style="list-style-type: none"> and reproduction as the basis of women’s subordination. GAD is not concerned with women per se, but with the social construction of gender and the specific roles. ascribed to women and men. Rejects patriarchy as an organising principle that systematically subordinates women to men and establishes paternalistic dominance.
5. Assumptions	<ul style="list-style-type: none"> Integration of women into the mainstream will improve women’s position. Theory of the “trickle-down” mechanism will benefit women automatically. Emphasis on productive roles of women, assuming that enhanced economic participation will improve women’s position. 	<ul style="list-style-type: none"> Assumes that women’s position will improve only when international structures become more equitable and the dependency situation of the Southern countries is eliminated. Women’s subordination is subsumed under international structural inequalities. 	<ul style="list-style-type: none"> Assumes equal participation and cooperation by male counterparts in overcoming women’s subordination. Sees women as agents of change rather than as passive recipients. It sees the need for women to organise themselves for a more effective political voice.
6. Policy approach	<ul style="list-style-type: none"> Legal and administrative change to include women in development. Emphasis on egalitarianism. Promotion of women’s participation in productive sectors through skill development and income-generation programmes. Development of “appropriate technology”. Mass education. 	<ul style="list-style-type: none"> Like the WID approach, WAD emphasises income generation. 	<ul style="list-style-type: none"> Fundamental shifts in values, assumptions and attitudes. Emphasis on gender equality. Structural changes and power shifts. Empowerment and capability enhancement programmes for women to voice their needs and problems. Policies and programmes to address strategic needs and immediate practical needs. Strengthening of women’s legal rights.

racess, and ethnic groups – although they did point out the social construction of production and reproduction as the basis of women's subordination and began examining why women have been systematically assigned inferior or secondary roles. In doing so they question the sexual division of labour between women and men and their socially assigned roles. However, the WAD approach also does not adequately analyse the social relations of gender within the class structure. It focuses mainly on how the class structure and capitalist mode of production negatively impact women. It also stresses women's productive roles. Although the WAD perspective offers a more critical view of women's position than does WID, the policies and intervention strategies are not very different from the WID approach. The underlying assumption is that improvements in women's position will come about only when international economic structures become more equitable.

The GAD approach emerged during the 1980s, from frustration with the lack of progress of WID policy in changing women's lives and influencing the broader development agenda. The GAD approach aims to meet women's practical, productive, and strategic needs by changing the existing division of labour and power relations. It draws much of its theoretical base from socialist feminism, but concentrates primarily on why women's work is systematically devalued in all aspects of their lives, based on their experiences (Jaquette 1982). In attempting to answer this question, socialist feminists combine an analysis of the impact of patriarchy with some aspects of a more traditional Marxist approach. GAD takes a holistic view, looking at the "totality of social organisation, economic and political life in order to understand the shaping of particular aspects of

society" (Young 1988). It focuses on both men and women and analyses the social construction of gender and the assignment of specific roles, responsibilities and expectations of women versus men, showing the nature of women's contributions inside and outside the household, and recognising the household as an economic unit in itself, particularly in the global South, where the household so often comprises the family farm. The major thrust of GAD is that the subordination of women is rooted in the social and structural inequalities and the ideological value system emanating from patriarchal structures.

GAD also moved away from the portrayal of women as victims of change processes towards a full consideration of different forms of women's resistance. The approach perceives women as agents of change, rather than as passive recipients of development assistance and stresses a better understanding of women's agency in the developing countries. Increasingly, feminists throughout the global South indicate that the very conceptual base of the development process works against poor women. They see the true challenge as the transformation of subordination structures through the empowerment of individual women – enhancing women's capabilities to acquire skills, leadership qualities in democratic processes, equal participation in policy- and decision-making, and the application of women's techniques to resolving household conflicts to much broader areas of conflict, including disputes between nations.

The ideas outlined above make it clear that the development of the human development approach and the evolution of the GAD approach are founded on common principles

of social justice and gender equality/equity, rights to peoples' development, and disillusionment with the model of development based on the "trickle down" mechanism. It is therefore critically important to examine the compatibility or the adequacy of the "capability" approach, of human development for practical application in assessing and addressing gender issues.

The human development approach and gender inequalities

As indicated at the beginning of this chapter, achieving gender equity constitutes an important dimension of human development. Feminist scholars have studied – and, indeed, contributed to – Sen's conceptualisation of the capability approach and developed different versions of it in operation (Fukuda-Parr and Shiva Kumar 2003). Some have specifically explored its usefulness in assessing gender inequalities (Robeyns 2002; Prabhu 2003).

The concept of capability is based on the liberal theory of justice and human rights – concepts of substantial freedoms or expression of capabilities as such are universal values in human development (see chapter 1). Further, the conceptual perspective and the broad set of capabilities essential for achieving human development with gender justice, are similar to the GAD approach discussed above. The human development approach is quite useful for dealing with gender issues in a holistic view of the well-being of women and men as an end in itself. This enables us to focus on the concept of strategic gender needs in comparison with practical gender needs. Its utility may be outlined as follows:

- The capability approach improves upon standard well-being approaches in wel-

fare economics or political philosophy, which assume that gender relations within the family are homogeneous, co-operative, and altruistic, ignoring intra-household inequalities and conflict. By contrast, human development permits us to focus on individual well-being and therefore differences between men and women within the household. Empirical evidence has shown that increases in the income of women worldwide do not necessarily lead to their well-being.

- The capability approach permits analyses of well-being beyond market transactions. This allows us to measure inequalities between women and men in non-market activities such as family care, women's household work burden, and gender-based domestic violence, among other areas. This is crucial because women tend to spend much more time outside the market than men and make immense contributions to the household economy that usually go unrecognised and are undervalued. One of the main feminist concerns about mainstream development processes is that they separate the household economy from wider economic processes – and thereby exclude women automatically from mainstream development. human development therefore becomes compatible with GAD.
- Like GAD, the capability approach explicitly recognises human diversity as manifest in race, ethnicity, age, gender, sexuality and geographic location. In so doing, it permits an examination of the dynamics of the gender relations within each of the socio-demographic categories to assess the capability functionings of women relative to men.
- Like GAD, too, the capability approach emphasises the agency of human beings

as a capability functioning that allows people to choose the kinds of life they wish to lead and to exercise this right. The concept of agency therefore permits the portrayal of women as agents of change rather than victims of the process of development and allows social scientists to measure improvements in health, education, nutrition, fertility and child health in terms of women's well-being – and above all, their ways of resisting the social, cultural, political and institutional forces that have made them subordinate to men (Pradhan 2003; Presser and Sen 2000; England 2000). The agency conception thereby goes well beyond conventional measures of women's empowerment and brings into focus the qualitative aspects of empowerment in individuals and groups, as well as their vulnerabilities vis-à-vis those who dominate them.

- Further, the capability approach allows us to probe strategic gender needs by bringing into focus both women's productive and reproductive roles and capabilities in this resistance, as well as differing vulnerabilities.

While the capability approach provides an overall value-based framework, it nonetheless has several practical drawbacks, among them are the following:

- The capability approach does not specify which activities characteristically performed by human beings are central to achieving the life that is "truly human". We must also ask which key capabilities of women, as compared with men, appear central to women's quality of life that will bring them into an egalitarian relationship with their male counterparts both within and outside the household. Some empirical testing of the capability frame-

work has pointed to difficulties in operationalising the framework in the absence of specified capabilities related to being truly human (Robeyns 2002). To overcome these difficulties, a number of scholars have developed the capability approach further to specify essential capabilities for gender equality assessment (Robeyns 2002).

- The subjective perceptions of individual well-being used by the capability approach can be very misleading when applied to women because of the particular nature of gender inequalities in which women serve as "accomplices". Subordination and deprivation are internalised by women themselves; because they tend to see their inferior status as a part of normal life, it may not emerge in their perception of what they are missing in claiming their rightful possibilities and opportunities. This has important ramifications for practical policies and programmes (Sen 2003).
- Similarly, the importance attached to "individual choices" can also be misleading when applied to women. Socio-cultural norms and practices influence a woman's choices and behaviour. What may seem her choice may simply confirm societal expectations and pressures. Such social/cultural settings would limit women's putting forth their demands for a just and equitable life. This in itself could be an impediment to achieving gender equality.
- The use of conventional socio-economic measures, such as income/employment, education and life expectancy at birth – measures whose underlying perspectives are socio-economic in many ways – contradicts the broader conceptualisation of human development from a socio-cultural, institutional and political perspective.

Nonetheless, gender development and human development share much common ground. Both approaches are built on a human rights framework that transcends sectoral concerns. Both encompass the concept of well-being, equity and empowerment as facets of the rights of all people. Gender therefore constitutes an essential dimension of human development. The annual global HDRs amply recognise the importance of the issue and see the empowerment of women and their well-being as a “link to growth and human development” and a way of engendering human development. From methodological standpoint, however, feminist research on GAD could well contribute to the capability approach. Despite the recognition of gender issues and wide advocacy for women in human development publications, gender questions remain on the periphery of development processes.

CHARTING PROGRESS IN GENDER EQUALITY/EQUITY

Gender development varies significantly from one region to another and certainly among countries, whether in primary education access, health status or labour force participation. While a number of women may have benefited from economic growth, the majority remains marginalised, their options severely limited.

Policy discourse and actions at the international level

Between the First World Conference on Women, held in Mexico in 1975 and the international conference on population development (ICPD) held in Cairo in 1994 and the fourth world conference on women (FWCW) held in Beijing in 1995, there has been sig-

nificant rethinking on the viability of initiatives that deal with women in isolation from other major issues (box 4.2). The consensus reached at both Cairo and Beijing set the stage for two major strategic shifts in integrating gender into development programmes – first, a change in focus from “women’s issues” alone to the context of gender relations in which women functioned and, second, a rights-based approach that would enable women to participate actively in all spheres of public and private life, as well as secure and safeguard their reproductive and sexual rights. Several complementary approaches to achieving gender equality/equity were incorporated into the Beijing platform for action, among these, gender mainstreaming, the life cycle approach; human rights; and GAD. Many countries have initiated policy actions in line with these and other new directions:

- Measures to increase the representation of women in policy and decision-making processes, often involving affirmative action through the fixing of quotas for parliamentary and other political leadership positions with sensitivity to diversity among women.
- National plans of action for improving women’s status, formulated by more than two thirds of the Asian countries. Many have widely divergent goals and modalities of implementation. National institutional mechanisms for the implementation of action plans frequently include co-ordinating committees and the designation of focal points in various ministries.
- Poverty alleviation measures for women on the part of both governments – among them, Bangladesh, China, India and Nepal – as well as non-governmental organisations (NGOs), using various schemes such as micro-credit, livelihood skills development and food for work.

- Legal reforms (for example, in Cambodia and Myanmar) to make girls’ education compulsory, including the monitoring of compliance with policy directives; the provision of grants and scholarships for girls’ education; multigrade systems, non-formal schooling and functional literacy programmes.
- Gender-sensitive and client-oriented reproductive health programmes, developed to meet the differing needs of men and women.
- Gender-based violence (GBV), once a taboo subject, openly acknowledged, publicly stigmatised and made punishable by law (among the list, Argentina, Australia, Malaysia, Nicaragua, New Zealand, Romania, and the Republic of Korea). Public education campaigns on eliminating GBV have been launched to promote the adoption of a “zero tolerance policy”. Further, GBV has been recognised as a public health issue in many countries and integrated into reproductive health facilities in Cape Verde, Guatemala, Lithuania, Lebanon, Mozambique, Nepal, and Sri Lanka.
- CSOs have strengthened their advocacy and information efforts to make women aware of their basic rights and to work for reforms in institutional protection.
- Government and various groups in civil society worked on their own or in collaboration with governments to review, monitor and enforce measures.

Five years after ICPD and FWCW, special sessions of the UN General Assembly, popularly known as “ICPD+5” and “Beijing +5”, met in June of 1999 and 2000 to review and appraise the implementation of the ICPD Programme of Action and FWCW/Beijing platform for action respectively. Despite acknowledged progress, the reviews stated that:

- The mainstreaming of gender perspectives in policies and programmes had not been undertaken on a systematic basis. Technical skills for incorporating gender into policies and programmes, including their implementation and monitoring, are still inadequate;
- While laws and policies have been enacted for the promotion of women’s rights and

BOX 4.2 International conferences and consensuses on women and related areas	
<p>On women</p> <p>1975 Mexico City</p> <p>1979 CEDAW</p> <p>1980 Copenhagen</p> <p>1985 Nairobi</p> <p>1995 Beijing</p> <p>(1979-85 UN decade for Women)</p> <p>2000 Beijing+5</p>	<p>Related conferences</p> <p>1990 Education for all (EFA), Jomtien Children’s Summit, New York</p> <p>1992 Environment and Development, Rio de Janeiro</p> <p>1993 World Conference on Human Rights, Vienna</p> <p>1994 ICPD, Cairo</p> <p>1995 World Social Development Summit, Copenhagen</p> <p>1996 Habitat II on Human Settlement, Istanbul</p> <p>1999 ICPD+5</p>

Source: Adapted from human development in South Asia 2000.

the elimination of their discrimination, compliance and enforcement are wanting;

- Although national machineries and focal points have been established, ambiguous mandates, a lack of clear definitions of roles and responsibilities, and insufficient political support hamper their performance;
- Inadequate monitoring systems and indicators hinder efficient tracking of the progress made in the implementation of plans. These are aggravated by the inability to generate sex-disaggregated information on a timely basis. Monitoring was limited largely to narrative accounts of certain issues, such as sexual exploitation, trafficking and domestic violence;
- The exercise of reproductive rights has not been realized, owing to a lack of awareness and knowledge of the entitlements of women; public education campaigns have not focused on appropriate content and dissemination modalities.
- The full participation of women in decision-making processes at the political and administrative levels has not been achieved. In most countries, parliamentary representation of women has been less than 10%.
- Action plans developed were not clearly linked to the intended outcomes.

The main hurdle in implementing these plans lies largely in the fact that very little effort has gone into reforming social and institutional structures that implement the programmes of action. The result is that there is much change in language with little change in content. Gender relations are a product of the ways in which institutions are organised and reconstituted over time. Although the institution of family and kinship in households and extended family networks are the primary locus

of gender relations, the processes through which gender inequalities are socially constructed go well beyond these structures into a wide range of high-level governance institutions, whose organisation has changed little over time (Kabeer 1999). Despite significant efforts made in the policy, programme, and strategy formulation, we have yet to deal with the institutional construction of gender inequality, even as we make legal provision for equal opportunities.

Achievements in socioeconomic status

Closing the gender gap in education: Enrollment has improved for both girls and boys in regions where girls' enrollment had been significantly lower: Northern and sub-Saharan Africa, and South and West Asia. At the secondary level, the female/male ratio has exceeded 100 in Maldives and Sri Lanka in South Asia; in Brunei Darussalam, Malaysia, Myanmar and the Philippines in South-East Asia. At the tertiary level, female enrollment has exceeded that of males in Brunei Darussalam, Mongolia, Myanmar and the Philippines, and in Northern and Central Asian countries, as well some countries in the Pacific (tables 4.1 and 4.2).

While enrollment has been almost universal at the primary level, at the secondary and tertiary levels, girls still lag behind boys in most South Asian countries, in some East and South-East Asian countries (Cambodia, China, Indonesia, Lao People's Democratic Republic, Republic of Korea) and countries in the Pacific. While significant gains have been made in tertiary education, the enrollment levels are still below 20% in many countries of the region, with male levels exceeding those of females.

Gender differentials in economic participation: Women's participation in the labour force has increased in almost all regions of the world, largely because women's use of family planning has enabled them to spend less time on child care and more on work outside the home; attitudes toward the employment of women have changed; and new policies in some countries on family and child care favour working women. In addition, economic growth and the expansion of service industries (like finance, communica-

tions, and tourism) that tend to employ large numbers of women have increased. However, the increase in women's labour force participation has not led to an equal sharing of the work burden or market opportunities for women (figure 4.5). Nor has more paid work led to a reduction in unpaid work. Women still contribute most family work (figure 4.6) and are unpaid for these tasks – a reality irrespective of the socioeconomic development of the country. For instance, in Singapore, women contribute on average

TABLE 4.1 Ratio of girls to boys in primary, secondary and tertiary education

Selected countries/regions	Primary education		Secondary education	Tertiary education	Ratio of literate females to males		Net enrollment ratio of females to males
	1990/91	2000/01			1990	2000/01	
Afghanistan	0.52	-	-	-	-	-	-
Bangladesh	0.81	0.96	0.99	0.51	0.65	0.71	1.02
Bhutan	-	0.86	0.81	0.52	-	-	-
India	0.71	0.77	0.66	0.61	0.74	0.82	-
Iran	0.81	0.91	0.86	0.89	0.88	0.95	0.98
Maldives	-	0.95	1.05	-	1.00	1.00	1.01
Nepal	0.56	0.79	0.69	0.25	0.41	0.57	0.87
Pakistan	0.48	0.55	0.63	0.38	0.49	0.60	0.74
Sri Lanka	0.93	0.94	1.03	-	0.98	1.00	1.00
Southern countries	-	-	-	-	0.89	0.91	0.93
Least developed countries	-	-	-	-	0.72	0.81	0.90
East Asia and the Pacific	-	-	-	-	0.96	0.98	1.01
South Asia	-	-	-	-	0.72	0.80	0.84
Sub-Saharan Africa	-	-	-	-	0.80	0.89	0.92
Central and East Europe and CIS	-	-	-	-	1.00	1.00	1.02
OECD	-	-	-	-	-	-	1.00

Source: UNDP 2003.

TABLE 4.2 Gender inequality in education in selected countries and regions

Countries	Adult literacy		Net primary enrollment		Net secondary enrollment		Gross tertiary enrollment	
	Female rate (% age 15 and above 2001)	Female rate as % of male rate 2001	Female ratio (%) 2000/01	Ratio of female to males 2000/01	Female ratio (%) 2000/01	Ratio of females to males 2000/01	Female ratio (%) 2000/01	Ratio of females to males 2000/01
High human development								
Hong Kong (China)	89.6	92	98	1.00	72	1.02	26	0.99
Singapore	88.7	92	-	-	-	-	-	-
Korea, Republic of	96.6	97	100	1.01	91	1.00	57	0.59
Medium human development								
Bangladesh	30.8	62	90	1.02	44	1.05	5	0.55
Bhutan	-	-	-	-	-	-	-	-
China	78.7	85	95	1.03	-	-	-	-
Iran	70.2	84	73	0.98	-	-	10	0.93
Maldives	96.9	100	99	1.01	33	1.13	-	-
Myanmar	81.0	91	83	0.99	35	0.95	15	1.75
Philippines	95.0	100	93	1.01	57	1.18	33	1.10
Sri Lanka	89.3	94	97	1.00	-	-	-	-
India	46.4	67	-	-	-	-	8	0.66
Low human development								
Nepal	25.2	42	67	0.87	-	-	2	0.27
Pakistan	28.8	49	56	0.74	-	-	-	-
Mozambique	30.0	49	50	0.85	8	0.68	(.)	0.79
Selected regions								
Southern countries	67.1	82	79	0.93	-	-	-	-
Least developed countries	43.8	70	57	0.90	-	-	-	-
Arab States	48.8	68	73	0.90	-	-	-	-
East Asia and the Pacific	81.3	88	93	1.01	-	-	-	-
Latin America and the Caribbean	88.2	98	96	0.99	-	-	-	-
South Asia	44.8	67	72	0.84	-	-	-	-
Sub-Saharan Africa	54.5	77	56	0.92	-	-	-	-
Central and East Europe and CIS	99.1	99	91	1.02	-	-	-	-
High-income OECD	-	-	98	1.00	-	-	-	-

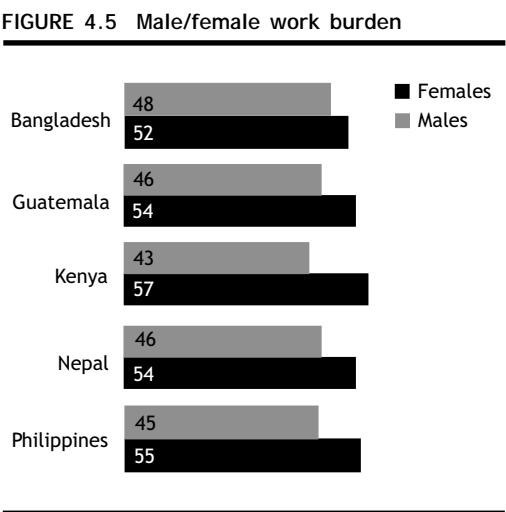
Source: UNDP 2003 and 2004a.

70% of family care, compared to 30% by men and, at the other end of the Asian scale, in Bangladesh 74% of the work is undertaken by women as family workers (table 4.3).

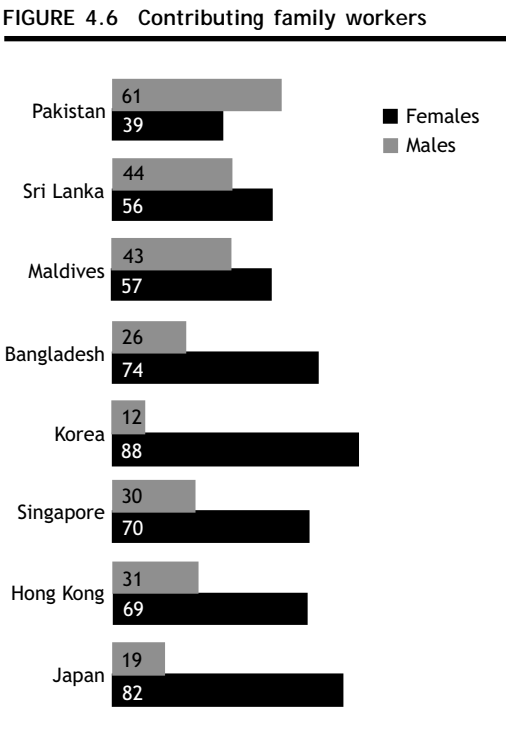
Further still, women are paid much lower non-agricultural wages than men, ranging from almost half to about 90% (table 4.3). This typically reveals that an increasing economic participation of women does not always translate into less discrimination or greater advancement. Indeed, globalisation has led to an increasing feminisation of wage labour; greater trade openness increases women’s paid employment, but at discriminatory wage rates and working conditions to keep production costs at competitive levels (UNDP 1999).

Health status changes: Remarkable progress has been made in increasing life expectancy at birth and reducing both maternal and infant mortality. Better diets, safer water, and the control of communicable diseases have improved health and longevity for both women and men in much of the world (table 4.4). Since 1970, average life expectancy has increased by at least 15 years in most regions. Women tend to live longer than men because of their biological advantage. Table 4.4 shows that in a number of developing countries, particularly in South Asia, life expectancy for women is either lower or about the same as for men. Where maternal mortality remains high, it reflects gender disparities in nutrition and health care, complicated pregnancies, and inadequate prenatal and obstetric care, as well as other social and environmental factors that reinforce gender inequality.

In this respect, many gender biases seem to be concentrated among the younger age groups (tables 4.5 and 4.6). In India, for example, gen-



Source: UNDP 1995.



Source: UNDP 2003.

TABLE 4.3 Women’s economic participation in selected countries and regions

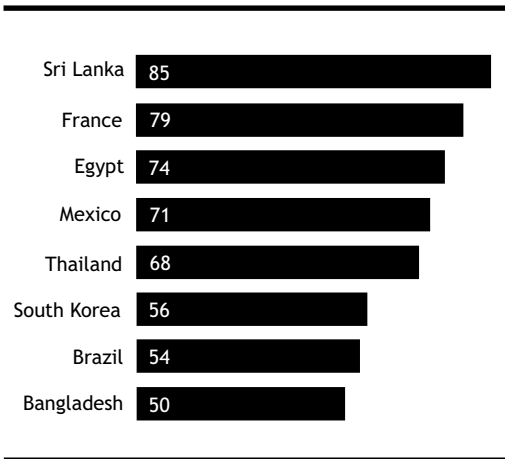
Countries/regions	Female eco. activity rate (15 yrs. and above) 2001			Contributing family workers		Female share of non-agri- cultural wage employment (%)		Women's non- agricultural wages as % of men's ⁴
	Rate	Index (1990=100) 2000	As % of male rate	Female as % of total 1995-01	Male as % of total 1995-01	1990	2001	
High human development								
Hong Kong (China)	50.9	104	65	69	31	41	46	69.5
Singapore	50.1	99	64	70	30	43	47	71.1
Korea, Republic of	53.6	110	70	88	12	38	41	53.5
Medium human development								
Bangladesh	66.4	101	76	74	26	18	23	53.5
Bhutan	57.1	100	65	-	-	-	-	-
Iran	29.5	134	38	-	-	-	-	-
Maldives	65.4	100	80	57	43	-	37	-
Myanmar	65.8	100	75	-	-	-	-	-
Sri Lanka	43.1	107	55	56	44	39	47	89.6
India	42.2	104	50	-	-	13	17	-
Low human development								
Nepal	56.8	101	66	-	-	-	-	-
Pakistan	35.8	124	43	39	61	7	8	-
Mozambique	82.7	99	92	-	-	-	-	-
Selected regions								
Southern countries	55.8	101	67	-	-	-	-	-
Least developed countries	64.2	100	74	-	-	-	-	-
East Asia and the Pacific	68.8	99	83	-	-	-	-	-
South Asia	43.6	106	52	-	-	-	-	-
Sub-Saharan Africa	62.3	99	73	-	-	-	-	-
Central and East Europe and CIS	57.8	99	81	-	-	-	-	-
OECD	51.1	105	71	-	-	-	-	-

Source: UNDP 2003.

⁴ HDR 1995.

der differences in the food intake of young children account for high female mortality. Some studies reveal that girls still receive less access to health care – particularly girls born later in the birth order and girls born to the rural families. Mortality, resulting from general illness and maternal health complications, is only one visible aspect of women's health problems. Morbidity, the other aspect of health, is generally related to women's reproductive functions, both biological and social (the reproduction of household maintenance and family upkeep), whose incidence is simultaneously more common, more hazardous – and largely invisible statistically. Micro studies reveal the magnitude of the problem that women bear in silence, notably diseases related to sex and sexuality, still stigmatised in many societies. Some studies in Nepal showed a wide prevalence of non – pregnancy-related health problems, gynecological or sexual disease. Studies reveal that every third Nepalese woman has health complications stemming from her reproductive functions (Pradhan 1995) – a finding supported by similar studies carried out in India,

FIGURE 4.7 Women's wages as a percentage of men's wages in manufacturing, 1992-97



Source: UN 2000.

Pakistan and Egypt (box 4.3) that point to a gross neglect of women's health.

Weak links between national income and women's nutrition status are another critical factor.⁵ India and Bolivia, for example, have similar GDP, but 36% of Indian women are underweight, compared to 1% of Bolivian women.

BOX 4.3

Gynecological and other diseases among women

- Pakistan - incidence of chlamydia trachomatis infection varied from 2% to 18% as detected among series of cases of pregnant women in different hospitals in Karachi; hepatitis E viral infection found among 21.6% of non-pregnant women in the reproductive age group (Hakim, et al 1998).
- India - a study in two villages in Maharastra found that 55% of women had one or more gynecological ailments (Bang and Bang 1989).
- Nepal — a study in 5 districts found that 82.5% of the women studied suffered from RH complications such as loss of weight/appetite, weakness/inability to work, headache/giddiness, constant fever, bleeding, uterus prolapse, vaginal discharge/burning and frequent micturition etc- averaging 2.2 diseases per women (Pradhan 2003).
- A community study of gynecological and related morbidity in rural Egypt among a sample of 500 rural women revealed a high prevalence of reproductive morbidity (96%). Half the women were found to suffer reproductive tract infections (RTI) and nearly two-thirds suffered from anemia (Younis, et al 1993).

⁵ Malnutrition, defined as ill health caused by deficiencies of calories, proteins, vitamins, and minerals interacting with infections and other poor health and social conditions, saps the strength and well-being of millions of women and adolescent girls around the world.

TABLE 4.4 Survival progress and setbacks in selected countries and regions

	Infant mortality		Life expectancy at birth		Probability at birth of surviving to age 65		Maternal mortality ratio reported (per 100,000 live births) 1985-2000
	1990	2001	Female	Male	Female	Male	
High human development							
Hong Kong (China)	-	-	82.6	77.1	92.3	84.4	-
Singapore	8	4	80.0	75.7	90.5	83.3	6
Korea, Republic of	9	5	79.0	71.4	89.0	73.9	20
Medium human development							
Bangladesh	144	77	60.9	60.1	61.1	57.9	400
Bhutan	166	95	63.8	61.3	66.1	61.1	380
Iran	72	42	71.3	68.5	79.5	71.8	37
Maldives	115	77	66.3	67.4	69.5	69.5	350
Myanmar	130	109	59.8	54.4	58.9	47.7	230
Sri Lanka	23	19	75.5	69.6	84.6	73.5	90
India	-	-	64.0	62.8	67.5	61.9	540
Low human development							
Nepal	145	91	58.9	59.4	57.6	56.4	540
Pakistan	128	109	60.3	60.6	61.9	60.0	-
Mozambique	235	197	40.9	37.4	26.3	19.8	1,100
Selected regions							
Southern countries	104	90	-	-	69.2	62.00	-
Least developed countries	182	160			44.7	40.7	-
East Asia and the Pacific	58	43	-	-	79.0	70.0	-
South Asia	126	96			66.4	61.4	-
Sub-Saharan Africa	180	172	-	-	36.1	32.0	-
Central and East Europe and CIS	37	36	-	-	-	-	-
OECD	22	13	-	-	-	-	-

Source: UNDP 2003.

EMERGING ISSUES IN GENDER INEQUALITIES AND GLOBAL CONCERNS

In addition to the gender inequalities in the conventional socioeconomic indicators of progress, new forms of exploitation and marginalisation of women have emerged. These are related to addressing social and gender inequalities, which stem from the ideological values of the social construction of gender that shape and reconstruct gender relations even under changed circumstances.

Globalisation and marginalisation of women’s employment: Significant changes in the world economy, such as the globalisation process, which involves open market economies, the free flow of capital and commodities, the unchecked power of transnational corporations, and a growing informalisation of work has resulted in uneven development and economic relations (Sen 1998). Globalisation has reinforced existing imbalances between and within countries, contributing to further impoverishment, particularly among Southern women. Women comprise an increasing share of the world’s work force – at least one third in almost all regions (with perhaps with an exception of North Africa and West Asia). The feminisation of employment in Southern countries includes self-employment and part-time and home-based work characterised by a lack of job security, lack of benefits and low income. Increasing numbers of women are entering into informal sector at low wages in exploitative work conditions. They remain at the lower end of a segregated labour market and continue to be concentrated in low-paying occupations at

TABLE 4.5 More girls die than boys at a young age (annual deaths per 1000 children aged 1-4 years, 1984-90)

Countries	Girls	Boys	Girls' death as % of boys'
Singapore	0.5	0.4	125
Maldives	9.3	7.8	119
Egypt	6.6	5.6	118
Grenada	1.6	1.4	114
Pakistan	9.6	8.6	112
Bangladesh	15.7	14.2	111
Suriname	2.2	2.0	110
Jamaica	1.5	1.4	107
Guatemala	11.3	10.6	107
Honduras	2.9	2.8	104
Syrian Arab Republic	2.9	2.8	104
Algeria	12.8	12.5	102
Peru	5.7	5.6	102

Source: UNDP 1995.

TABLE 4.6 Under-5 mortality rates

Countries	Male	Female	Ratio
Bangladesh	106	116	1.09
Bhutan	98	94	0.96
India	82	97	1.18
Maldives	53	80	1.51
Nepal	110	124	1.13
Pakistan	108	104	0.96
Sri Lanka	22	20	0.91
South Asia	86.9	99.0	1.14

Source: HDC 1995.

discriminatory wage rates. Employers see women as more manageable and subservient than men, more willing to accept lower wages, and easier to dismiss, particularly when economies experience recession.

Female-headed households: The proportion of female-headed households is rising globally; for a variety of reasons – including armed conflicts, men’s migration for work and widowhood among older women – these households are typically poorer than those headed by men. Female-headed households account for one-quarter or more of households in eastern and southern Africa, the Caribbean, North America, and parts of Europe and Central Asia. Women-headed households result from divorce, widowhood, men’s migration for work, war and other armed conflicts, and unmarried women who begin childbearing. Elderly women living alone account for a growing proportion of female-headed households.

Women who head households suffer from the triple disadvantage of supporting the household, gender discrimination and low socioeconomic status. However, female household headship does not always correlate with poverty, as some receive remittances from husbands working elsewhere and some exist in the higher socioeconomic brackets. A clear definition of household headship is needed: is it *de facto* or *de jure*?

The feminisation of poverty: The relationship between gender and poverty is both complex and controversial. After Dian Pearce’s work on ‘feminisation’ of poverty (1970), a large body of literature has appeared, debating the issue as well as challenging the validity of the concept in the absence of adequate data (Marcoux 1998; Staudt 1998). However,

human development has broadened the concept from “income” poverty to “human” poverty, which refers to the denial of opportunities and choices for living a “decent” or “tolerable” life (see chapters 1 and 8). From this viewpoint, a definite trend towards the feminisation of poverty is taking place both quantitatively and qualitatively.

Women’s increased participation in the labour force has resulted in a feminisation of wage labour, exploitative conditions and risks of dismissal evictions and so on. Socio-cultural and gender factors constrain women from enhancing their capabilities, among these the expansion of life expectancy, better health, higher levels of education, better quality of living, and improvement in their decision-making capacity to exercise their right to choices. This shows that even increases in the distribution of socioeconomic variables, such as access to income and employment, health services, resources/credit, and the provision of equal opportunities/affirmative action, result in unequal outcomes and deprivation of women compared to men.

Several scholars have used the female-headed household as an indicator of the higher incidence of poverty among women compared to men. However, this indicator is not straightforward and data are not easily comparable for assessing comparative poverty situation of women and men. Several studies have pointed out to the variability of female-headed-households, the methodological and data problems in determining the incidence of female poverty, and the extent of the feminisation of poverty worldwide. However, what is clear is a common agreement on women’s greater vulnerability to poverty within social

classes in association with the existence of gender inequalities and gender biases in household allocations of resources (including property rights), in public policies, and in legislation (Moghadam 1998). Lack of property rights in land or access to employment, lower wages/income, illiteracy, early marriage and early childbearing, divorce, continuing gender gaps in educational attainment, and higher life expectancy are among the reasons why women-headed households are most likely to be vulnerable to poverty and less likely to be able to cope with these circumstances without well-designed support programmes that, inter alia, promote self-esteem.

Further, women’s increasing concentration in subsistence agriculture also points to the feminisation of poverty because they have been bypassed by technological change and other forms of modernisation. Boserup was the first to examine these trends (1970). Since her analysis, statistical data and a vast body of feminist scholarship has amply documented evidence of the feminisation of agriculture. Jiggins (1998), using measures such as labour force participation, agricultural activity, allocational priorities, adjustment in the structures of economies in competition with world markets, and poverty profiles show a feminisation of agriculture. For instance, when women’s compensated labour and unwaged household production labour are aggregated, the general picture reveals that female participation in agricultural work outstrips that of men. Further, women farmers typically are concentrated in the low-input, low-return, non-export end of the production spectrum; essentially, they are not regarded by public sector agencies as farmers at all. Conversely, the increase in female agricultural labour participation

BOX 4.4 Percentage of women-headed households in different regions of the world	
Africa	
Northern Africa	12
Southern Africa	42
Rest of sub Saharan Africa	21
Latin America and the Caribbean	
Caribbean	36
Central America	22
South America	22
Asia	
Eastern Asia	22
South-eastern Asia	19
Southern Asia	9
Central Asia	24
Western Asia	10
Oceania	15
Developed regions	
Eastern Europe	27
Western Europe	29
Other developed regions	31
<i>Source: UN 2000.</i>	

rates is also in part a simple indicator of the increasing poverty among women. The rise in the number and proportion of rural households headed by women is one measure of this trend.

Increasing gender-based violence: The understanding of GBV has improved dramatically in the last decade. International instruments, such as the ICPD Programme of Action, the Beijing Platform for Action and the Convention on the Elimination of all Form of Discrimination against Women situated “violence against women” squarely within the human rights discourse. However, the magnitude of GBV cannot be adequately ascertained, owing to the “culture of silence” and the social stigma attached to it. It nonethe-

BOX 4.5 **Extend and forms of gender based violence (GBV)**

In every country where studies have been conducted, results indicate the following picture (including both Northern and Southern countries).

Domestic Violence (Physical Abuse) — from 16% to 52% of women have been assaulted by intimate. In Sri Lanka, 60% of women respondents reported being subject to violence Rape and Sexual Abuse — 40-58% of the women aged 15 or less.

Hit by Inmate	In industrialised countries	17-59%
	Latin America and Caribbean	20-60%
	Asia and the Pacific	38-60%
	Child Abuse and Incest	36-62%

Source: AIDOS 2004.

BOX 4.6 **Beliefs and practices resulting in GBV**

Prostitution, Slavery and Trafficking

2 million women in Prostitution in India
20,000 in Myanmar and Thai brothels
200-400 young women trafficked from Bangladesh every year
17,000 Nepali girls are trafficked to neighboring countries
8-10,000 girls are trafficked to Japan from Thailand
200 domestic workers seeking shelter in one month in Philippines and Sri Lanka

Traditional Practices

Dowry Deaths	11,259 in India (it is increasing)
Sex Selective Abortion	78,000 female (1983) i.e. 95.5% abortion cases were females
FGM in Middle East, Africa and Asia	85-114 million
Worldwide	130 million
Missing females in Asia	60 million

Source: Pradhan 2000.

less exists in many forms, including household beatings, marital rape and sexual assault, prostitution, trafficking and the sexual exploitation of women in armed conflict situations (box 4.5 and 4.6). The consequences are manifold, ranging from the denial of fundamental rights to adverse effects on reproductive and mental health, children's well-being and women's productivity.

As indicated above, an increasing recognition of GBV as a public health issue has recently taken place and efforts have been made to link GBV with reproductive health services so as to deal with the problem within health facilities. UNFPA, for example, piloted a project in integrating GBV with reproductive health facilities in ten countries.⁶ Clinical data recorded on the GBV victims in the four selected countries reveal the following (AIDOS 2004):

- Of the patients coming into the RH clinics/hospitals, victims of GBV ranged from 10.5% in Nepal to 47.7% in Mozambique.
- Across all cultures and countries, irrespective of socioeconomic development, women suffer from GBV.
- There was no age bar in the exposure of women to GBV, but those most at risk ranged from 20 to 35 years old.
- Unemployed women are more likely to face violence.

Women with a larger number of children face risks equal to those with fewer children or none.

Table 4.7 provides the forms, causes and health consequences of the GBV. In all four countries, most perpetrators are the

⁶ A Practical Approach to GBV: A Programme Guide for Health Care Providers and Managers, was developed and piloted in 10 countries in 2001: Cape Verde, Guatemala, Lebanon, Lithuania, Mozambique, Nepal, Romania, Ecuador and Sri Lanka. This is an innovative and practical strategy to assist victims of violence by integrating the assessment and treatment of GBV into RH services. At the end of the field-testing, an evaluation was carried out in the Lebanon, Mozambique, Nepal and Romania.

women’s own husbands and close family members; the main cause of violence is spousal conflict and the alcoholism of husbands and other male family members. GBV has serious health consequences for women – often multiple consequences ranging from gynecological problems, early and unwanted pregnancy, physical injury and severe depression. The children of those abused are also far more likely to become abusers themselves or to tolerate GBV. All in all, GBV leads to an intergenerational denial of capability enhancement.

Women in conflict situations: The growing militarisation and escalation of different forms of violence the world over has in-

creased GBV significantly. The growing violence in South Asia is pushing back the developmental agenda and people’s health and well-being at both the national and regional levels – the political conflict in Kashmir, as well as the violence against *Dalits* in India, the political and cultural conflicts between the Bangladeshi government and tribal communities in the Chittagong hill tracts, the conflict between extremist religious groups of the majority Sunni and minority Shia communities in Pakistan, or of Hindus and Muslims in India; and political conflict between the Nepalese government and the Maoist rebels. In addition, opposition to destructive development policies and projects and resistance to privatisation often erupts into violence.

TABLE 4.7 Socio-demographic background of gender based violence (GBV) clients in four countries (% in parenthesis)

Socio-demographic characteristic	Lebanon	Mozambique	Nepal	Romania
1. Number of persons screened	1419	899*	514	400
2. Number of GBV victims	495 (34.9)	429 (47.7)	54 (10.5)	48 (12.0)
3. Age of GBV Clients				
a) Age group 20-35	248 (50.0)	256 (59.7)	29 (53.7)	16 (33.3)
b) Age group >35	220 (44.4)	83 (19.4)	13(24.0)	21 (43.8)
4. Education				
a) Literate	-	-	23 (46.9)	1 (2.2)
b) Secondary/higher secondary	212 (42.8)	NA	18 (36.7)	36 (80.0)
5. Marital status: Married	407 (84.4)	290 (68.0)	41 (76.0)	18 (44.0)
6. Occupation of GBV clients				
a) Not employed/housewife	379 (85.0)	NA	28 (52.0)	10 (20.8)
b) Working	61 (15.0)	NA	25 (46.3)	38 (79.2)
7. Mean number of children	4.22	NA	1.5	1.1

Source: Pradhan 2004.
* Cases of any violence.
Note: Figures in parentheses are percentage of screened persons.

Moreover, the immense growth of religious fundamentalism in the region – particularly its union with party politics – has opened another arena of potential and actual violence. It also shapes popular perceptions that legitimise contestation, social tension and disruption. At the root of this violence lie the persisting inequalities and the widespread destruction and destabilisation of the subsistence base of a majority of women and men. These conflicts have impacted women and girls far more than men and boys; as livelihoods and incomes are threatened, families break up, general insecurity increases and those who occupy subordinate positions in either the household or society become far more vulnerable to additional threats of physical violence and/or dispossession. Gender oppression and violence is now a noted concern in many of the conflicts.

In cultures where honour is closely tied to women's sexuality, they systematically become GBV targets; rape and other sexual assaults have become acknowledged weapons of war or tactics to threaten the identities and structures of families and communities. Economic and social insecurity often compels women to engage in transactional sex to keep their families safe or to obtain water, food, or shelter. To take examples from South Asia, a 2003 study conducted in Nepal by women's rehabilitation centre, an NGO, showed the breadth of the impacts of the Maoist conflict and their multidimensionality for women: the loss of loved ones and the loss of livelihoods and family networks, as well as the increase in women's physical and social vulnerability. Rape, sexual assault, illegal arrest and kidnapping all lead to crippling individual women, psychologically and/or physically, destroying families and the social fabric of

whole communities. In Kashmir, decades of conflict have led to prolonged trauma with particular repercussions for women, socially the "half-widows". The social disruption has resulted in women's taking on new roles and added responsibilities without communal or public acknowledgement of the functions they have been forced to assume (SID-SAN Seminar, Kathmandu, 2003). In India, women's movements continue to grapple with the deep level of violence – indeed, open sadism – experienced by Gujarat Muslim women, where deep-seated ethnic and gender prejudice was fueled by economic and political inequities (SID-SAN Seminar, Kathmandu 2003).

Not only the immediate issues of the violence – whether perpetrated by women or men – but also the longer-term processes of economic, social and cultural disruption and the erosion of human capability need to be addressed. Essential services such as education and health care, including reproductive health, are disrupted or unavailable. Studies describe how women walk many kilometres to give birth or seek treatment, only to arrive at hospitals with no supplies or staff to provide adequate care.

Livelihoods are also threatened or destroyed. As one observer in southern Sri Lanka stated: "The lives of the women and mothers changed drastically. They could go about their daily business only while daylight lasted. The nights were spent hiding in the jungles ... Some men remained hidden in the village on the lookout for the rampaging Liberation Tiger of Tamil Eelam cadres, and the others were guarding the women and children in the jungle. The men got their sleep in the daytime. This put the burden of providing for the family on the woman. She became

the breadwinner” (SID-SAN Seminar, Kathmandu 2003; Wijayatilake 2004).

In short, there is a clear shrinkage of the space available for women to exercise their already limited rights. Patriarchal and structural conditions also compound the complexity of the issue as women – actively or by default – participate in subjugating or limiting other women.

To sum up, while significant conceptual shifts have taken place in the movement of WID to GAD, actual progress measured in socioeconomic terms has been mixed. The socioeconomic perspective and measures used for conceptualising gender issues and assessing its progress are inadequate in capturing the dynamics of gender relations and the reconstruction of these relations in emerging situations.

SOCIOECONOMIC MEASURES OF GENDER EQUALITY

The GDI, developed by UNDP to measure the comparative well-being of males and females in a country, considers life expectancy, education and earned income in its construction. For most countries in the region, an increasing trend in GDI was noted. In 2001, the range was from 0.341 in Mozambique, 0.469 in Pakistan, among the low HDI countries to 0.880 in Singapore and 0.886 in Hong Kong among those with high HDI (UNDP 2004a). There have been marked improvements in GDI levels, particularly in East and North-East Asia, South-East Asia and the Pacific. It is interesting to note that in the selected countries shown in table 4.9, the increase in GDI moved in line with the increase in HDI. The

TABLE 4.8 Forms, causes and consequences of violence (% in parenthesis)

Description of GBV	Lebanon	Mozambique	Nepal	Romania
1. Forms of violence				
a) Domestic	130 (26.8)	394 (91.8)	38 (70.4)	31 (64.6)
b) Multiple	351 (72.3)	-	9 (16.7)	7 (14.6)
2. Cause of violence				
a) Spousal conflict	NA	NA	19 (52.8)	19 (39.6)
b) Alcohol	-	-	6 (16.6)	16 (33.3)
3. Health consequences				
a) Gynecological	5 (1.1)	NA	17 (63.0)	18 (37.5)
b) Mental trauma	4 (0.8)	NA	1 (3.7)	-
c) Multiple consequences	464 (95.0)	NA	9 (16.7)	30 (62.5)
4. Perpetrator				
a) Husband	276 (65.0)	194 (46.4)	14 (40)	17 (35.4)
b) Family members	92 (21.7)	182 (43.5)	5 (14.3)	22 (45.8)

Source: Pradhan 2004.

Note: Figures in parentheses are percentage of GBV victims.

differences between the two measures consistently narrowed over the period 1995-2001, indicating progress in gender equality. This can be largely attributed to increases in literacy, educational attainment and life expectancy in these countries. However, the pattern of improvement in the GEM differs.

In 2001, GEM ranged from 0.218 in Bangladesh to 0.594 in Singapore. Although, GEM has increased in general, with the exception of a few countries like Bangladesh and Sri Lanka, it does not follow the HDI pattern as does GDI. The increase in GEM was higher among countries with lower levels of human development, such as Nepal, Pakistan and Mozambique than among countries with higher and medium levels of human development. This reveals that measures of empowerment do not necessarily correlate with income and education. In some countries like Bangladesh and Sri Lanka, GEM has decreased despite increases in GDI and HDI. This trend supports the findings of Seguino (2002) that gender equality in quality of life ratings is highest in those Asian economies that grew most slowly from 1995-2001. Women's bargaining power and spending on public education have a greater effect on relative female life opportunities than economic growth. These trends in GDI and GEM call into question the sensitivity of these measures to subtle gender inequalities and their robustness in reflecting the realities facing women and their general conditions of subordination, for the following reasons:

- Implicit in the human development indicators is the assumption that increases in the socioeconomic variables – the participation of women in employment, im-

proved health status, as measured by life expectancy at birth, and literacy and educational attainment of women – should necessarily result in improved conditions or the well-being of women. However, as discussed above, improvement in employment, health and the educational situation of women present a mixed picture. Moreover macro improvements have not necessarily resulted in concomitant improvements either in women's lives or their day-to-day living conditions.

- Both GDI and GEM assume that social inequalities and women's subordination derive from the social structure in which they exist and therefore that any marginal shift in the variables of each indicator will affect that overall structure. However, if agency is an important component in human development, change will come about not through a massive sum of individual choices, but the collapse of the very system that constrains this choice. The very construction of both GDI and GEM takes no account of agency, i.e. the exercise of any or all of the individual capabilities.
- Infant/child mortality and life expectancy at birth are taken as measures of general health status and people's quality of life. The rationale for using health as an indicator is that a reduction in mortality would indicate access to health services and adequate nutrition, i.e., that life expectancy at birth can serve as a proxy for the capability function of healthy individuals. While this is generally true, it applies only partially to women in developing countries, particularly in South Asia. Simply reducing average mortality rates does not necessarily indicate improve-

ment in health conditions or in raising the quality of life of women. Even with improved mortality and longevity, women may still be deprived of basic health services or nutrition because of

- a) women’s particular health needs in relation to their reproductive functions;
- b) gender biases in the formulation of

health policies and programmes; and

- c) gender biases in social and cultural practices that begin very early in life.

Average life expectancy cannot adequately capture the morbidity associated with a neglect of reproductive health needs or women’s responses to such adversities.

TABLE 4.9 Trends in HDI, GDI and GEM in selected countries

Countries	HDI		GDI		GEM	
	1995	2001	1995	2001	1995	2001
High human development						
Hong Kong (China)	0.875	0.889	0.854	0.886	-	-
Singapore	0.858	0.884	0.822	0.880	0.424	0.594
Korea, Republic of	0.848	0.879	0.780	0.873	0.255	0.363
Medium human development						
Bangladesh	0.443	0.502	0.334	0.495	0.287	0.218
Bhutan	0.305	0.511	-	-	-	-
China			0.578	-	0.474	-
Iran	0.690	0.719	0.611	0.702	0.237	0.300 ⁷
Maldives	0.554	0.751	0.522	-	0.294	0.312
Myanmar	0.457	0.549	0.448	-	-	-
Philippines	0.731	0.751	0.625	0.748	0.435	0.539
Sri Lanka	0.715	0.730	0.660	0.726	0.288	0.272
India	0.553	0.590	0.401	0.574	0.226	0.240 ⁸
Low human development						
Nepal	0.451	0.499	0.310	0.479	0.315	0.441 ⁹
Pakistan	0.472	0.499	0.360	0.469	0.153	0.414
Mozambique	0.325	0.356	0.229	0.341	0.350	0.428 ¹⁰

Source: UNDP 1995 and 2003.

⁷ Figure taken from Iran Human Development Report of Iran, 1999.
⁸ Figure taken from HDR 1999.
⁹ Nepal Human Development Report 2004.
¹⁰ Figure is From HDR 1999.

- GEM, introduced in the global Human Development Report 1995, attempts to measure women's empowerment by using as proxies their representation in parliament and their share of positions classified as managerial and professional. This tradition has been kept up and widely used as a measure of women gaining access to power and decision-making positions. Its practical definitional and measurement problems are the following: a) It is not clear whether "empowerment" is used in a loose sense to connote individual upward mobility in a hierarchical structure or as a process aimed at consolidating, maintaining or changing the nature and redistribution of power in a particular cultural context. b) In either case, the indicators of "empowerment" reflect the concept poorly. Some feminists have asked whether gendered bureaucratic organisations that are hierarchically structured will actually empower women, given the political and bureaucratic processes through which promotions are obtained (Staudt 1990). Further, as women are employed largely below the significant decision-making level, GEM cannot reflect whether their voices actually influence critical decisions, the more so as these are often determined in enclaves outside the formal structures themselves, such as men's sport or other social clubs (Burk 2005).

Thus, the composite indices of GDI and GEM, by using aggregate measures of socioeconomic variables, do not adequately reflect the agency of women. These conventional measures have been used throughout the history of economic development for conceptualisation and evaluating re-

sults, whether under classical or neoclassical models of growth. They continue to be used in conceptualising and assessing social and gender equality and equity within "human development", despite the paradigm shift. Whether gender inequality is approached from WID, WAD, or GAD perspectives, the measures used have not change. For this reason, both GDI and GEM need to be seriously reconsidered and used with caution.

WOMEN'S PROGRESS IN NEPAL

Since the 1970s, the Government of Nepal has committed itself to a variety of policies and strategies for promoting gender equity and equality, as well as women's empowerment in national development processes. It has endorsed the Beijing Platform for Action and ratified convention on eradication of discrimination against women (CEDAW). Most recently, it has adopted a rights-based approach to enable women to participate actively in all spheres and sectors of development. Figure 4.8 sums up the mixed gains of the last four decades of development in terms of women's participation and benefits, the blue indication women's share, the purple men's.

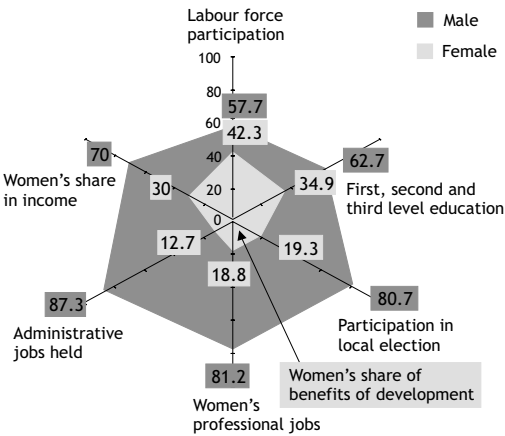
The efforts of the past decades of development to bring about gender equity and equality have resulted in "mixed gains". While there have been general improvements in the social and economic development of women and men, gender inequalities have persisted through time and space, and there have been some emerging forms of inequalities, such as the use of female labour giving rise to feminisation of waged work and subsistence agriculture, as well

as greater deprivation and poverty among women compared to men. Figure 4.8 provides an overview of the progress made and women's share of the benefits of development indicated by socioeconomic and empowerment measures such as the proportion of women's representation in administrative jobs, women's political participation – represented by women in the local elections – professional jobs, labour force participation, and their share of income earned. The purple area represents women's share of the benefits of development compared to the blue area that goes to their male counterparts.

If we look back over the last four decades of Nepal's overall development, we see remarkable progress. People live much longer; they are better educated, participate in the development process much more than they ever did, and have a greater voice in the decision-making process, as well as access to resources/credit. However, despite the years of effort to bring about redistributive change favouring women, outcomes have been, at best, mixed. Measured by standard socioeconomic indicators, women's share of the benefits of development has remained minimal. Different surveys and studies reveal a wide spectrum of gender gaps in health and education, the vulnerability of women to market forces and SAPs, pronounced inequalities in ownership and control over assets, and a comparative lack of access to income, employment, and decision-making positions. All these phenomena exist alongside a growing feminisation of poverty.

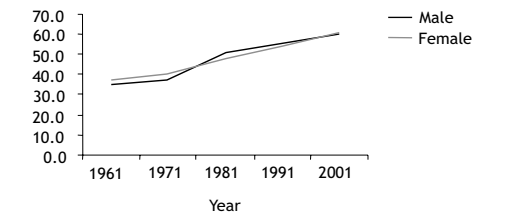
Health status: Although national censuses show a marked improvement in life expect-

FIGURE 4.8 Progress in gender equality



Source: HMG/N/CBS 2001.

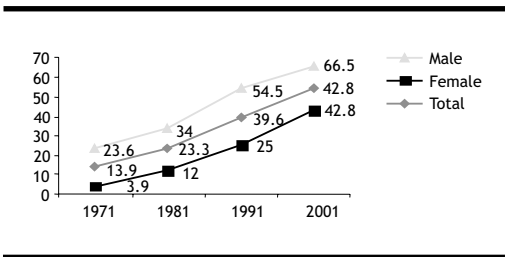
FIGURE 4.9 Life expectancy at birth



Source: HMG/N/CBS 1987, 1995 and 2004.

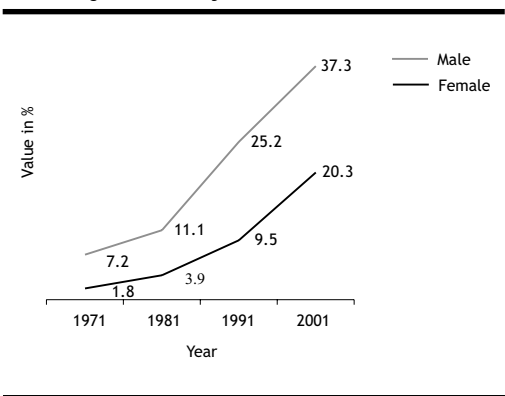
ancy at birth and infant and child mortality, women and girls remain exposed to greater health risks than men. Only recently has women's life expectancy reached parity with men's (figure 4.9). Given their biological advantage, infant mortality for girls is lower than for boys, but the picture changes as girls grow older. Child mortality becomes higher for girls than for boys. Health disadvantages for women and girls belonging to minority ethnic groups and *Dalit* castes remain even higher (table 4.10).

FIGURE 4.10 Trends in literacy rates in Nepal



Source: ICIMOD/CBS 2003.

FIGURE 4.11 Proportion of population in non-agriculture by sex, 1971-2001



Source: ICIMOD/CBS 2003.

Educational status: Nepal has also made significant strides in education since the first census in 1952/54. From the 5% rate of that census period, literacy rose to 54.1% in 2001 (figure 4.10). Both men and women have also advanced in their levels of education. Nonetheless, while male literacy rose from 23.6 % in 1971 to 65.5 % in 2001, the comparable female statistics were 3.9 % and 42.8 %. A similar gap exists in school enrollment and higher education.

Labour force participation: Women’s participation in employment in the non-agricultural sector has increased, according to inter-census data from 1971 to 2001 (table 4.11 and figure 4.11). But male/female participa-

tion in some selected occupations reveals a substantial increase in the participation rate of women in low-level, unstable work, while men’s participation in such employment declined substantially compared to other occupations between 1981 and 2001. During the inter-census periods between 1971, 1981 and 2001, women appear to have replaced men in labour-intensive and low- paid occupations, while men moved on to dominate technical/professional and higher production-oriented occupations. This suggests that Nepal is following the world trend of the feminisation of flexible, cheap wage labour, more so as it slowly integrates into global economic processes. Moreover, women are visibly concentrating in subsistence agricultural occupations (from 36.4% in 1981 to 49.3% in 2001, as table 4.11 indicates), as men increasingly leave the land (a decline from 64% in 1981 to 51.3% in 2001). Although the percentage of female participation is still lower than that of males in these occupations, their rate of increase is higher. This supports a trend of the encouragement of private sector enterprise that hires women because they accept lower wages than men and are more submissive otherwise, especially with regard to longer hours and unattractive working conditions, including sudden, unannounced terminations. The government’s liberal market policies, in support of economic restructuring, have simplified licensing and registration procedures and favoured the dismantling of regulations constraining business activities in the formal and informal sectors. Increasing numbers of women are also entering the work force in the manufacture of textiles, carpet and garment industries, concentrated in low-skill, menial and repetitive jobs. Most of these women workers are young, poor and either illiterate or with low levels of education.

Poverty: According to the Nepal Living Standard Survey (CBS 2004) estimates, the head count index of poverty was 31% at the national level using household consumption expenditure data. This index also shows that 34% of the country's rural households (86% of its population) and 10% of its urban population fall below the poverty line. The incidence of poverty varies spatially as well as among different ethnic groups – *Dalits* being the most disadvantaged of all. Women in each of these population groups are the hardest hit. Poverty in some social classes is as high as 46% against the national average of 31%.

As indicated above, Nepal seems to be exhibiting a feminisation of both agriculture and poverty in general, the more so because the country's economy remains overwhelmingly rural and agriculture-based. Its general work participation rate is particularly high for women as compared with other South Asian countries. Moreover, the bulk of these women are increasingly concentrated in family farms and therefore not counted as economically active. The national census data of 1971, 1981, 1991 and 2001 show that the proportion of the female labour force in agriculture has continuously increased – 30.4%, 36.6%, 45%, and 49% re-

TABLE 4.10 Difference in survival rate by caste/ethnicity

Sex	Infant mortality	Child mortality	Life at expectancy birth
Nepal			
Male	71.4	26.6	60.1
Female	70.8	35.6	60.7
Upper caste			
Male	67.3	24.1	61.1
Female	68.4	38.1	59.7
Ethnic groups			
Male	70.4	26.9	60.4
Female	69.8	35.6	57.0
Dalits			
Male	88.3	37.9	56.7
Female	84.5	45.5	58.7

Source: Population census 2001.

spectively, while that of men has progressively decreased for the same years (table 4.13). This means that with increasing male out-migration in the wider market employment sphere (both within Nepal and abroad), women are increasingly replacing men in

TABLE 4.11 Gender distribution of economically active population by occupation in Nepal, 1981-2001 (%)

Selected occupation	1981		1991		2001	
	Male	Female	Male	Female	Male	Female
Agricultural workers	63.6	36.4	54.9	45.1	50.72	49.28
Service workers	85.5	14.5	74.9	25.1	86.94	13.06
Production workers	89.8	19.2	81.2	18.8	59.60	40.40
Sales workers	85.4	14.6	77.4	22.6	75.31	24.69
Professional workers	83.4	16.6	84.9	15.1	80.33	19.67

Source: CBS/HMG/N 1984, 1993 and 2002.

subsistence agriculture. However, statistics also show that the participation of women in non-agricultural occupations has increased rapidly over the years. As to non-agricultural work, women's participation increased from 1.8% in 1971 to about 20.3% in 2001, while the percentages for men were 7.2% in 1971 and 37.3% in 2001 – an incremental rate of 3.1% per year for females against 2.7% per year for males. Between these two phenomena, an increasing number of women are being employed in the most vulnerable sectors of the economy – by implication, exposed to greater risks of poverty and deprivation and disadvantaged in comparison to their male counterparts.

The feminisation and localisation of poverty is exacerbated by the insurgency. Comparable variations are manifest in the incidence of poverty by gender, women in all groups being disadvantaged and deprived relative to men. The data on increasing the dependency ratio in the rural areas, female-headed households and the predominance of females among the internal migrant population also point to an emerging rural feminisation of poverty. In addition, SAPs and the market-led development strategy favour urban rather

than rural development. Over the years, too, female-headed households have increased from about 8% in the 1970s and 1980s to 13% in 1991 and 15% in 2001. These figures are likely to be higher if one takes households maintained by females de jure – generally the poorest, particularly in the rural areas (Buvinic and Rao Gupta 1997).

The urban growth of Nepal's population has been higher than that of the rural areas. Particularly, between 1981-91, urban growth reached new heights. This may be linked to the growth of private sector enterprises in the urban areas. The rapid shift from agriculture and traditional industries to modern enterprises (both within the country and outside) has resulted in increased migration to urban areas (table 4.14). This means that the young and able-bodied population is moving out of the rural areas and seems to be the overall trend, towards the nuclearisation of families throughout the Asia and Pacific region (FAO/RAP 1996). The result is that the absolute poverty level in the rural areas is higher than in the urban areas. According to the Nepal Living Standard Survey 2004, the incidence of poverty is three times higher in the rural areas

TABLE 4.12 Percentage distribution of total population in rural and urban areas of Nepal

Year	Number of urban areas	Urban population	Growth rate	Rural		Total	
				Population	Growth rate	Population	Growth rate
1961	16	336,222		9,076,774		9,412,996	
1971	16	461,938	3.18	11,094,045	2.01	11,555,983	2.05
1981	23	956,721	7.29	14,066,118	2.37	15,022,839	2.62
1991	33	1,695,719	5.72	16,792,431	1.77	18,488,150	2.08
2001	58	3,239,446	6.5	19,911,977	1.70	23,151,423	2.24

Source: CBS/HMG/N 1984, 1993 and 2002.

than in urban centres. . Since over 80% of the population lives in the rural areas, the incidence is overwhelmingly a rural phenomenon. Age, sex, and residential patterns show a larger proportion of females residing in the rural areas compared to males (51% versus 48.7%). Dependency ratios in recent years have increased quite significantly in the rural areas, whereas they shows a decline in the urban areas (table 4.14). Thus, massive rural to urban migration and an increase in dependency ratio in Nepal has put considerable stress on the agricultural production and intensity of work in the rural areas. Those who are left behind, often the women, in the rural areas as evidenced by their increasing concentration in subsistence agriculture, have to take care of children and the elderly. With the decline in the agricultural population, the intensity of farming also becomes greater. Most of the time, women come under pressure to increase production.

Women’s representation in public office and their access to other decision-making positions: Women’s share of seats in Parliament and in the local government bodies remains insignificant. Moreover, a decline has taken place in the number of women in senior administrative and professional positions: from 15% in 1998 to 12.7% in 2003. However, greater number of women have been contesting for local elections over the years (NESAC 1998 and UNDP 2004b).

TABLE 4.14 Urban/rural dependency ratio and sex ratio of population in Nepal

Year	Urban	Rural
1961	68.8	83.1
1971	73.6	86.0
1981	79.3	89.5
1991	73.4	95.3
2001	63.3	88.8
Sex ratio of Pop (15-59), 1991	1.10	0.93
Sex ratio 2001 of Pop. (15-59)	1.08	0.95

Source: CBS (Various Population Censuses).

CONCLUSIONS AND THEIR IMPLICATIONS FOR ENGENDERING DEVELOPMENT

The foregoing analyses of women’s progress worldwide and in Nepal reveal a complex set of interlocking and interactive factors that lead to the following conclusions:

- The patterns of gender disparities in socioeconomic development, women’s vulnerability to labour market changes resulting in a feminisation of wage labour for market competition and signs of increasing female poverty are phenomena experienced by women in almost all the countries of the South and South-East Asia, despite their great diversity in culture, religious beliefs and practices, ideological values and differing occupa-

TABLE 4.13 Agriculture and non-agriculture occupation by sex in Nepal

Sectors	1971		1981		1991		2001	
	Male	Female	Male	Female	Male	Female	Male	Female
Agriculture (%)	92.8	98.2	88.9	96.1	74.8	90.5	62.7	79.7
Non-agriculture (%)	7.2	1.8	11.1	3.9	25.2	9.5	37.3	20.3

Source: CBS/HMG/N 2003.

tional and social levels. These experiences of uneven development for women stem from both development strategies and the institutional construction of gender inequality. Although major shifts in thinking and conceptualisation, the shaping of approaches and the formulation of policy have taken place, there has been very little reform in the institutional structures and the mechanisms charged with making these changes operational. The implementation of even the most progressive and positive policy actions under the present institutional structures result in unequal opportunities for women and men.

- Paradoxically, the problems of WID are assumed to be their lack of participation in mainstream development. An increased “participation”, “integration” of women and their “empowerment” through “income-generating activities”, along with “awareness-raising” and “education” are conceived as natural responses to women’s problems, thereby influencing policies and programmes heavily. However, as indicated earlier, the issue is not a lack of participation in work or decision-making, but rather the level at which development strategies and structures limit or facilitate the women’s participation. It is also the lack of recognition of the kind of women’s “own work” in sustaining households as the fundamental units of both society and the economy. Macroeconomic policies and practices do not yet recognise the realities of household economies as economies in their own right nor take into account women’s “own work” as the economic contribution crucial to maintaining the household and therefore the economy at large.

- Although policies are assumed to play a dynamic role in bringing about gender equality, the current emphasis on policy measures and programme targeting is not a sufficient condition for bringing about redistributive change. It is the growth policies and development strategies that determine the employment opportunities and structures and the mechanisms of distribution process. Women’s experiences with free market policies, commercialisation/privatisation has been highly inequitable between countries, within countries and between genders and ethnic groups. These structures are still built on the capitalist mode of production, which in turn has the historical legacy of colonial domination. Gender and social equality-based human rights are noble objectives that have yet to be inclusive in the economic policies and strategies geared to redistributive change.
- Macroeconomic policies are not gender-neutral. They embody the ideological and attitudinal biases of those who make them and become important parameters in determining the kinds and level of development for women compared to men. This is revealed by the opportunities made available to women in the open market, along with intervention programmes – all of which continue to perpetuate stereotypes. Even the new employment opportunities and credit programmes fail to make women entrepreneurs, while social and political structures fail to make women leaders.
- Improvements in education and income, as well as increased participation in the labour market, tells us little about qualitative changes and the empowerment of

women. Policies and plans that purport to embody a GAD or the Human Capability Approach are still implemented within the parameters of the WID approach with structural limitations that result in uneven development.

The implications of the analysis above are the following:

- The preconditions and patterns of growth that are conducive to reducing disadvantages for women must be identified in gender- and minority- inclusive policies;
- Alternative approaches that will allow for a successful transition to engendered development through transformative advocacy and action need to be devised; and
- The implementation of gender development interventions must be approached from a management perspective to tackle the structural factors that result in uneven development for both women and men.

To this end, the following preconditions must be instituted:

- Macro economic policies must recognise and treat local household economies as economies in their own right. In Nepal, rural household economies constitute the base. Women in the local or sub-national economies play a dominant role in contributing to this base. Within these households the concept of “own work” that both women and men perform must be recognised and made rewarding activities that people “choose”, value, organise and control for themselves. This calls for a shift to a more self-reliant local/rural

development for which specific economic policies and strategies need to be devised, much as they are formulated for the national economy. Households should not be subsumed under national macro policies. This means changes in perception, gender ideology, values, norms and rules that govern not only household and community-level structures, but also development institutions. The recognition of household economies and “own work” will help bring about this change.

- The concepts of power and empowerment must be seen and conceptualised in the context of gender relations and the differences between women and men in different societies in terms of the degree of control they exercise and the autonomy they enjoy in various domains, including interpersonal relations such as marriage, conjugal relations (in which the bulk of GBV tends to take place), inheritance and women’s rights to property. Accordingly, measures should be taken to empower women in creating “collective” and “individual capacity” to make claims on institutional structures, whether governmental or non-governmental, so that bureaucracies and other power structures respond to women’s needs.
- So far, mainstreaming has been approached largely from a “gender equity”¹¹ perspective and less from “gender specificity”¹² point of view. When plans and programmes are approached from the gender equity perspective, analyses tend to focus on women at risk or disadvantaged groups needing special attention. This generally results in working with women

¹¹ “Gender equity” refers to the relational aspects of gender (male and female) and the concept of gender as a power structure that permeates human relationships and often facilitates or limits opportunities based on one’s sex.

¹² “Gender specificity” refers to examining specific development risks to women and men because of their biological sex and gender norms.

to improve their position in relation to men. For this reason, men are often ignored in plans and programmes that aim at behavioural change.

- It must be recognised that improvements in the status of women and women's empowerment can be achieved only by transforming the existing gendered social, structural/institutional delivery mechanisms that result in unequal outcomes for women and men. Current approaches need to go beyond providing equal treatment and equal opportunities to gender equality and equity. Therefore, There is a need to address the social and structural factors that result in unequal gender relations and the distribution of benefits even when equal treatment and equal opportunity for women and men are provided.
- There is also a need to work with multiple partners/stakeholders who can effectively contribute to achieving gender equality and equity by observing three reinforcing principles for change:

- **Empowerment** viewed not only from a socioeconomic perspective, but also from a capability perspective that includes control over resources, decisions and issues that affect one's life – in particular, having representation in political and decision-making bodies and control over the distribution of resources and benefits, and creating support systems that enable individuals to do and be what they wish.
- **Integration:** adopting a systemic approach to mainstreaming gender that aims at transforming the structures that create and perpetuate gender and other inequalities. This requires a high level of gender analysis, conscious efforts, coordination and the integration of efforts.
- **Accountability** that creates change within an organisation and within society, which requires action to motivate people to effect the necessary change.

Education and human development

Badri Dev Pande

During the past century, the perception of education as a whole has shifted from human capital formation to meet industrial labour market demands – certainly through the secondary level – to an end of development which leads an individual to a dignified and creative life. Nepal, too, has recognised the importance of this enlarged vision. Although much remains to be done in providing quality education to most public school students in the country, the achievements of the last 50 years are impressive. The challenge of providing equal access to education to girls and people from disadvantaged groups remains daunting. Given the growing awareness about the promise of EFA, efforts under way by government agencies, NGOs, community based organisations (CBOs) and the international community can be expected to bring positive changes.

EDUCATION AND DEVELOPMENT

Education and human development

Education is often perceived as the aggregate of all the processes by which a person develops abilities, attitudes and forms of behaviour with practical value to the society

in which he or she lives. The Latin word *educatio* is formed by the conjoining of two words: *E* and *Duco*. *E* means from the inside, while *Duco* means to draw or lead outside. In short, education means drawing out or enhancing the inherent potentials or abilities of a child. Similarly, the word *siksha*, which means “education” in Nepali, is derived from the *Sanskrit Siksh*, which means to teach. It is also interpreted as imparting knowledge, building character and developing skills in each individual.

The term school originated in ancient Greece and meant leisure, love of knowledge or lecture place, depending on the context in which it was used. Formal schooling in most pre-industrial societies was available only to those who had the time and means to enjoy it. In many of those societies, religious leaders or priests constituted the vast majority of the fully literate – with notable exceptions, such as members of the ancient Egyptian and Chinese civil services. In the latter, promising boys had to sit for formal examinations from the 7 century BCE on, starting in public primary schools. In addition, a good number of aristocrats and merchants throughout the ancient Middle East and North Africa, ancient South and South-East Asia, the Roman Empire and what are now Mexico and

Guatemala found literacy prestigious, often essential to their livelihoods. As commerce and banking became widespread in the Muslim and Christian worlds, the children of the emerging merchant class began going to school to attain literacy, numeracy and some mastery of the basic texts of their cultures. With the advent of industrialisation in Western Europe, demands for at least a few years of primary schooling increased for both girls and boys, along with training in what we now call vocational skills.

The conception of education keeps changing. It is no longer construed even as formal schooling, whether at the pre-school, primary, secondary or tertiary and higher levels. Nor is it limited to the knowledge of books. Instead, it is accepted as life-long learning, as wide as a person's experience from birth to death.

At times, human development is confused with human resource development, which aims at increasing the effectiveness and efficiency of personnel in a particular organisation. However, efficiency in the work environment is only one element of human development. Education enhances essential qualities in individuals by preparing them for jobs, for taking on responsibilities as family members and good citizens and for adapting to changing circumstances. The essential nature of education is developing a person's capabilities to lead a "creative" life.

Of the three components of the HDI, education and health, which lead to a creative, long and healthy life, have intrinsic values and are ends in themselves.

According to UNDP (Hallak 1990) education is one of the five "energisers" of human re-

source development, the others being health and nutrition; the environment; employment; and political and economic freedom. Indeed, education is considered a means for meeting all human needs. The social objective of education can be analysed in three areas: human relations, economic efficiency and civic knowledge. Education prepares a person to coexist with his neighbours and other members of the household; mutual cooperation and goodwill enable him or her to carry out a number of his responsibilities in this sphere more easily. Another task of education is enabling individuals to become efficient economically. By imparting skills training and instilling professional capabilities, education enhances the capacity of the people to obtain gainful employment. Finally, education creates civic awareness and knowledge of a society in terms of an individual's fulfilling his duties as a citizen.

Education and socioeconomic development

Education also opens up the way for equity in opportunities by maximising the capacity of each person. Through education, adult women as well as members of other disadvantaged groups get a chance to expand their knowledge, acquire marketable skills and secure highly paid technical and professional jobs. In addition, education enables mothers to take better care of their children. Indeed, educated women – particularly in urban and developed areas – tend to have fewer children; this frees them for employment, other gainful activities and further learning or leisure activities. The 1990 World Conference on EFA recognised education as the single most important factor in the struggle against poverty, protecting the rights of women and providing them greater opportunities.

Most economists believe that the human resources of a nation determine the nature and rate of economic and social development, the formal education system being the main institutional mechanism for developing skills and knowledge. Countries such as Germany, Japan, Switzerland – and, more recently, Mexico, Chile, Malaysia, Singapore and Thailand – have demonstrated that a healthy population with a high level of education increases the productivity of the national economy.

Towards the end of the 19th century, Alfred Marshall, in his *Principles of Economics*, stated that “although nature is subject to diminishing returns, man is subject to increasing returns... [k]nowledge is the most powerful engine of production; it enables us to subdue nature and satisfy our wants”. In his study entitled *The Distribution of Wealth*, J.B. Clark observed that “knowledge is the only instrument of production that is not subject to diminishing returns,” advancing the idea of social capital formation. More recently, in an article entitled “Human Capital and Human Capability”, Amartya Sen (2003) observes: “[C]onsider an example. If education makes a

person more efficient in commodity production, then this is clearly an enhancement of human capital. This can add to the value of production in the economy and also to the income of the person who has been educated. But even with the same level of income, a person may benefit from education, in reading, communicating, arguing, in being able to choose in a more informed way, in being taken more seriously by others, and so on”.

If education is to make a significant impact on the socioeconomic life of a country, quantitative increases alone would not suffice. The relevance of educational content to changing labour market needs are vital to economic growth, as demonstrated by South Korea, Hong Kong, Taiwan and Singapore, which built high university enrollments on high secondary-level completion rates in good schools. These countries and territories not only heavily invested in basic education, but also emphasised a technology-oriented curriculum at certain higher levels of secondary and tertiary education. Box 5.1 shows that Nepal can draw a number of lessons from the experiences of East Asia. In particular,

BOX 5.1 Orientation and content as important as resources – lessons from education strategies in East Asia

Over the past four decades, the East Asian “tigers” – Hong Kong, (China, SAR), Republic of Korea, Singapore and Taiwan (province of China) – achieved rapid development of human skills, equipping them for progress in adopting technologies. Their success suggests strategies that less developed countries could consider and adapt to their own circumstances.

One key lesson: the orientation and content of education are as important as resource allocation. These countries not only invested in basic education, but also emphasised a technology-oriented curriculum at many of the higher levels. These investments in skills were part of an export-led development strategy, which

provided demand signals for the skills required for improving competitiveness.

Public education spending had been fairly low in East Asia, around 2.5% of GNP in 1960 for most countries. In 1997 the regional average was still only 2.9%, far less than the 3.9% average for all developing countries and the 5.1% average for Sub-Saharan Africa. But as the region's countries grew rapidly, so did the absolute level of spending on education. And education spending has also expanded as a share of national income, partly through increased private spending.

Source: UNDP 2001.

Nepal can benefit from a more technology-oriented curriculum in certain subject areas at higher levels of education.

UNDP (2001) emphasizes the importance of primary EFA, as it develops some of the most basic capabilities for human development. The base of numeracy and literacy which it creates enables people to be more innovative and productive. In countries in the low human development category, net primary enrollment is generally lower than in countries in the higher category. Secondary and higher education are important for technology development. Highly skilled university graduates not only draw higher salaries but also create a national capacity to innovate, to adapt technology to the country's needs and to manage the risks of technological change.

Recognising the intrinsic value of education, many nations have made at least elementary or primary education compulsory for their school-age population. This level of education is considered as a right of the children and an obligation of the state to ensure that all children get their education either through a formal structure or through other flexible means. It is recognised that investment in primary education would have the following key benefits:

- poverty reduction,
- greater freedom of choice for literate and informed citizens,
- improvement in maternal and child mortality rates,
- reduced fertility rates over the long term,
- ability of future mothers to increase productivity through the adoption and adaptation of technology, and
- increased proportion of skilled workers in the labour force as per the needs of the market.

DEVELOPMENT AND EXPANSION OF EDUCATION IN NEPAL

Education in Nepal served the interests of the rulers, politicians, merchants, the richer sections of the society and various other groups at different periods of time. Only recently has the state geared its plans and programmes to the welfare of all its citizens, including women and disadvantaged groups. Earlier forms of education were associated with the Hindu and Buddhist religions and aimed principally at preparing priests.

Though limited to the aristocracy and *Brahmin* and Buddhist priests, education during the Malla era advanced further. In the 14th century King Jayasthiti Malla classified his subjects according to the work they did and arranged for their skill development. Their surnames indicated their livelihoods: those who handled flowers were called *Malakar*, those engaged in copper work *Tamrakar*, and those involved in the food trades *Tandukar*. Altogether, 67 occupational groups were designated (Sharma 1986).

The *Lichhavi* and Malla kings of Kathmandu Valley contributed significantly in promoting the visual arts, music and literature. The Shah rulers were too pre-occupied with internal conflicts to pay much attention to education. Most of the Rana rulers were afraid that an educated population would revolt against them. At the same time, they wanted to prevent young Nepalese men from going to India to pursue their education because protests against British rule were rising. In part for this reason, the Ranas allowed limited public enrollment in the Durbar School in 1885. Established in his own palace in Thapathali in 1853 by Prime Minister Janga Bahadur

Rana, the school became the first to offer recognisably modern education in Nepal.

However, during the 104 years of Rana rule, educational expansion took place at a snail's pace. By establishing the first Sanskrit school in 1877 and a few hundred schools in and outside the Kathmandu Valley, a group of Rana rulers wanted to impress upon the general public their supposed sense of care. While a more liberal Rana Prime Minister, Dev Shamsher, is known to have favoured mass education, Prime Minister Chandra Shamsher is reported to have shut down hundreds of schools established by his predecessors. Ironically, during his reign, Nepal's first institution of higher education, Tri-Chandra College – named for King Tribhuvan as well as the Prime Minister –

was established in 1918. For 30 years thereafter, no other institution of tertiary education came into existence.

In 1951, the number of students at the College was estimated at a mere 200 (Pande 1978). However, in 1950, a total of 288 secondary school students appeared for the School Leaving Certificate examination; only 125, or 43% passed. Despite the establishment of some schools and colleges during Rana rule, the number of students enrolled remained very small. Only after the dawn of democracy in 1951 did enrollment begin accelerating (table 5.1).

Still, by 1951, the number of primary, secondary and higher education institutions totalled only 321, 11 and two respectively.

TABLE 5.1 Schools and enrollment, 1951-2003

Schools and colleges	Year						
	1951	1961	1970	1980	1991	2001	2003
Primary	321	4,001	7,256	10,130	19,498	24,943	27,268
Lower secondary	-	-	-	3,501	4,055	7340	8,249
Secondary	11	156	1,065	785	2,079	4,113	4,741
Higher secondary	-	-	-	-	-	-	856*
Higher education	2	33	49	68	-	268	-
Enrollment							
Primary	8,505	182,533	449,141	1,067,912	3,034,710	3,418,923	4,025,692
Lower secondary	-	-	-	391,427	378,000***	927,629	1,210,059
Secondary	1,680	21,115	102,704	121,007	395,000***	385,551	511,092
Higher secondary	-	-	-	-	-	141,353	119,151**
Higher education	250	5,143	17,200	38,450	111,172	144,333	-

Source: MoES 1971.
 * Data for 2004.
 ** Private school enrollment included.
 ***Does not include private school enrollment.

The education reforms initiated by His Majesty's Government are set out in box 5.2.

The slow growth of modern education prior to 1951 stemmed from political rather than economic factors. Some of the well-to-do and enlightened families had their children tu-

tored at home or sent to schools in India. Given the unfavourable policy of the Ranas, education was simply inaccessible to the children of ordinary Nepalese. Because they were uneducated, their income levels also remained low; they had to make special arrangements for educating their children. Due

BOX 5.2 Historical evolution of education reforms in Nepal			
Date	Major initiatives	Date	Major initiatives
1951	<ul style="list-style-type: none"> ➤ Establishment of the MoE. ➤ Division of the country into seven zones with an Office of the Divisional Inspector of Schools in each of them. 		<ul style="list-style-type: none"> ➤ Establishment of regional education directorates and district education offices. ➤ Appointment of school supervisors. ➤ Establishment of district education committees. ➤ Transfer of decision-making authority from SMCs to district education committees and to district education offices.
1959	<ul style="list-style-type: none"> ➤ Creation of the Office of the District Inspector of Schools in 28 districts of the country with complete authority over the secondary and primary schools of the district. 		
1960	<ul style="list-style-type: none"> ➤ A major reorganisation in educational administration with the creation of 14 zones and 75 blocks for the purpose of administration of public works. ➤ Reorganisation of the inspectorate system with a Zonal Education Officer in each zone and Block Development Officer in each block under the Village Development Department of the government. ➤ Appointment of a school sub-inspector to look after primary education in the district. 	1976	<ul style="list-style-type: none"> ➤ Reestablishment of SMCs with limited functions.
		1982	<ul style="list-style-type: none"> ➤ Piloting of school clustering in Seti zone.
		1984	<ul style="list-style-type: none"> ➤ Piloting of clustering system in 6 districts.
		1991	<ul style="list-style-type: none"> ➤ Enactment of District Development Act of 1991.
		1992	<ul style="list-style-type: none"> ➤ Publication of the National Education Commission report.
1964	<ul style="list-style-type: none"> ➤ Creation of a separate office of the district school inspector in each district. 	1995	<ul style="list-style-type: none"> ➤ Adoption of clustering arrangements in 40 districts.
1966	<ul style="list-style-type: none"> ➤ Enforcement of the Local Development Act, which divided the country for administrative purposes into 14 zones and 75 districts. 	1998	<ul style="list-style-type: none"> ➤ Publication of the Report of the High Level National Education Commission.
1970	<ul style="list-style-type: none"> ➤ Abolition of the Office of the Zonal Education Officer. 	1999	<ul style="list-style-type: none"> ➤ Establishment of the Department of Education.
1971	<ul style="list-style-type: none"> ➤ Introduction of the NESP. ➤ Assumption of the sole authority by the MoE for the management of all schools. 	2001	<ul style="list-style-type: none"> ➤ Publication of the Report of High Level Education Task Force. ➤ Revision of the Education Act (Seventh Amendment) with the provision of SMC elected by parents.
		2002	<ul style="list-style-type: none"> ➤ Introduction of the policy of handing over school management to SMCs.

to a lack of transportation and communication facilities, the level of awareness of the mass population was also low.

The next 50 years saw a rapid increase both in educational institutions and in enrollment. The number of primary, lower secondary/secondary, and higher-education institutions increased by 78, 1,041 and 134 folds respectively. Enrollment in primary, secondary and higher education institutions increased by 453%, 376% and 502% respectively. This was largely because of increased consciousness, the effect of globalisation, political commitment, increased expenditure in the education sector, special enrollment campaigns, and recognition of the importance of education for human development.

THE STATE OF EDUCATION IN NEPAL

Education is one of the major sectors in which Nepal has made remarkable progress over the past 50 years. It has been one of the most rewarding fruits of democracy. Impressive gains have been made on all fronts of formal education, from early childhood development (ECD) to advanced levels of higher education.

Non-formal and informal education

Non-formal education (NFE) covers the following learning objectives:

- literacy for the illiterate adult population
- early childhood and pre-school education
- second-chance opportunities for basic education for older adolescents, not enrolled in school, or drop-outs
- life-long learning opportunities for personal fulfillment, the acquisition of new

productive skills and life skills, and the enhancement of knowledge and skills as a citizen and community member

- non-formal training in vocational, entrepreneurship and employment-related skills, and
- enhancement of the informal learning environment through the widening availability of reading materials, information dissemination by the media, particularly in non-print forms, and the encouragement of cultural expression in the form of reading centres, multi-media centres, and self-learning and interest groups in the community

Non-formal and informal education provide numerous opportunities for learning in ways that meet the needs of individuals or diverse groups of learners. They also promote literacy in addition to imparting knowledge and skills for intellectual growth and improving livelihoods.

The concept of NFE has been influenced by humanistic concerns for the value of the individual, his learning capabilities and his potential for self-direction and development. The American philosopher, John Dewey, argued against authoritarian teaching; in his 1899 work, *The School and Society*, he put forward the idea that formal education should stimulate children to look critically at themselves and their surroundings with the teacher as their guide and co-worker rather than as a taskmaster assigning a fixed set of lessons. In Latin America, during the 1950s and 1960s, Ivan Illich and Paolo Freire contributed to adult and NFE, particularly among the poor, by raising questions about the traditional educational methods and formal education systems. They believed that the domination of teach-

ers in most formal education rendered students passive recipients of knowledge. Illich contended that in adult and NFE, the learner was able to establish a new relationship with his environment and could choose what he wanted to learn – and from whom. In Friere’s view, adult education should raise an awareness of selfhood, so that its participants could begin examining their own social situations and taking steps to change the societies in which they lived.

NFE refers to those educational and extension programmes that emphasize information and skills for self-enhancement, community development and, above all, the improvement of people’s quality of life. Non-formal educational establishments differ from formal educational institutions in that they are not rigid in their curricula, programme requirements, schedules, boundaries and rules as to who learns, from whom learning is received and where learning takes place. NFE includes literacy as well as functional adult education, which provides livelihood-related skills in agriculture, cottage industries, health care, and other technical education and vocational training in wide-ranging areas.

Literacy and continuing education

The progressive political climate of the 1950s, the infrastructural development of the 1960s, the growth of educational facilities under the national education system plan (NESP) during the 1970s, liberal policies for the privatisation of education in the 1980s and decentralisation and more favourable conditions for the participation of the disadvantaged groups and the mass population in the 1990s all provided impetus for the promotion of NFE. Within a span of 50 years from 1952-54, when Nepal’s literacy rate was mere 4.4%, 53.7% of its citizens attained functional literacy (table 5.2). The female literacy rate during this period jumped from 0.7% to an impressive 42.49%. However, much remains to be made to increase women’s literacy.

The 2001 census of Nepal defines a literate person as one “who can read and write”. According to that census, 53.7% of the population (6+years) was literate in 2001. The average adult literacy level of 15+ years was 44% – 10% lower than that of the 6+ years population. In only four districts (Kathmandu Valley and Kaski) did the literacy rate exceed 60%. As many as 36 dis-

TABLE 5.2 Literacy situation by census years 1952 – 2001

Census year	Population	Literate		
		Total	Male	Female
1952-54 (5 yrs. and above)	7,146,147	316,119 (4.4)	290,277 (8.2)	25,842 (0.7)
1971 (6 yrs. and above)	9,453,846	1,312,273 (13.9)	11,302,045 (23.6)	182,519 (3.9)
1981 (6 yrs. and above)	12,179,688	2,833,435 (23.3)	2,117,025 (34.0)	716,410 (12.0)
1991 (6 yrs. and above)	15,147,590	6,006,342 (40.0)	4,100,336 (54.1)	1,906,006 (24.7)
2001 (6 yrs. and above)	19,255,808	10,348,432 (53.7)	(65.08)	(42.49)

Source: Central Bureau of Statistics Census Reports.
 Note: Numbers in parentheses indicate percentages.

tricts had a literacy status of less than 40%. Table 5.3 presents ALRs (15 years +) by census years.

The literacy rate among the 75 districts varied widely, ranging from a low of 26.6% in Humla to a high of 77.1% in Kathmandu (table 5.4).

A closer examination indicates that 40% of the districts with low literacy levels are classified as remote districts with limited infrastructure and difficult living conditions. By contrast, the districts with high levels of literacy enjoy transportation, health, education and communication facilities to a much greater extent.

The contribution of formal education, however, remains far greater than that of NFE to literacy. As is indicated by table 5.5, 83.8% of the 15+ age group became literate through formal education, as compared to 16.2% in

TABLE 5.3 Adult literacy rate (%)

Year	1952-54	1961	1971	1981	1991	2001
Male	10.0	16.8	22.4	30.7	48.2	62.2
Female	0.6	1.5	2.6	9.1	17.2	34.6
Total	5.1	8.9	12.5	20.6	32.4	48.0

Source: CBS census reports.

the same cohort who acquired literacy through NFE. Government agencies, NGOs and CBOs have been organising out-of-school programmes for those not enrolled in formal schools. However, studies show achievements falling short of expectations: targeted children are not enrolled in the programme, classes are not held regularly, and few programmes are monitored.

In spite of the significant achievements of adult and NFE, many problems persist. Nearly half of the literacy-level population

TABLE 5.4 Spatial distribution of literacy in selected districts in 2001

High level literacy status (>60%)		Middle level literacy status (45% to 60%)		Low level literacy status (25% to 44%)	
Sunsari	60.4	Bardiya	45.4	Humla	26.6
Baglung	61.4	Pyuthan	46.6	Rautahat	32.5
Tanahu	61.7	Darchula	49.4	Achham	33.4
Makwanpur	63.2	Baitadi	51.5	Rasuwa	34.0
Rupandehi	66.0	Nawalparasi	53.0	Mahottari	34.4
Ilam	66.2	Gorkha	53.9	Sarlahi	36.2
Syangja	66.3	Panchthar	55.3	Rolpa	37.2
Chitawan	70.8	Morang	56.7	Ramechhap	39.0
Lalitpur	70.8	Banke	57.4	Kapilvastu	41.5
Kathmandu	77.1	Manang	59.9	Dhading	43.5

Source: CBS 2003.

TABLE 5.5 Literacy rate by source of literacy in 2000

Age group	Formal	Non-formal	Total
6+	51.3(89.1)	6.3(10.9)	57.6(100.0)
10+	49.0(89.1)	7.0(10.9)	56.1(100.0)
15+	42.2(83.8)	8.3(16.2)	50.5(100.0)

Source: BECHIMS/CBS 2000.
Note: Figures in parentheses indicate percentages. Literacy rate estimates indicated by the sample survey in 2000 are substantially higher than the ones provided by the census 2001.

has yet to attain literacy. Wide discrepancies exist in the literacy status of major population groups. According to the 2001 census, the literacy percentage of *Brahmin*-hill population is 74.90% as compared to 34.72% for Muslims (table 5.6).

Literacy rates in several pockets of the far western and mid-western regions and the Tarai belt are lower than in most other parts of the country. The literacy percentage in rural areas (50.7%) is about 20% lower than in urban areas (71.6%). The literacy rate of women and disadvantaged groups is also low. Only 42.5% of females were literate in 2001, compared to 65.1% of males. Between 1991 and 2001, Nepal’s literacy growth stood at 14%. At this pace, it will take many more years to achieve universal literacy.

The NFE quota distribution to all 75 districts has not made a notable contribution in raising literacy levels. Many international non-governmental organisations (INGOs), NGOs and CBOs are also involved in adult literacy and NFE programmes; they, too, have been unable to make a breakthrough. If the neo-literate population has no opportunity to practice the skills acquired, they are quite likely to relapse into illiteracy. The post-lit-

eracy programmes in the country have not been able to ensure that those once literate will remain so.

Since NFE is a powerful means of imparting lifelong education, the efforts made by the agencies under ministry of education and sports (MOES), the NFE programmes of other ministries and those run by INGOs, NGOs and CBOs call for closer examination. While many of these programmes are making meaningful contributions, their effectiveness and relevance need periodic review as the contexts change over time.

Informal education is a lifelong process whereby each individual acquires attitudes, values, skills and knowledge through the educational influences and resources of his or her environment. These include the family, neighbours, workplace, leisure sites, market, library and mass media. In other words, informal education includes all learning that an individual acquires in ordinary life from birth to death outside an organised instructional system. It is practical education that a person acquires of necessity in the course of his or her daily life; she or he also absorbs the values of the surrounding culture and perhaps thinks about trying to change those values to shape a more equitable and creative society and/or enable further personal development.

This does not mean that no arrangement can be made for informal education. In Nepal, opportunities for such education are more widely available in urban and market centres than in remote rural areas. In many rural pockets, radio is just about the only means of obtaining information. By contrast, the residents of urban areas have access to multiple mass communication chan-

nels, including FM stations, television, newspapers and magazines. Government and non-governmental agencies have tried to reach rural populations, though to a limited extent, through wall newspapers, street theatres, mobile libraries and FM radio. More such efforts are needed to meet the needs of disadvantaged and diverse population groups.

Early childhood development

As a measure to improve efficiency at the primary level, Nepal has been promoting ECD programmes. The first of the six goals of EFA 2001-2015 is to expand and improve comprehensive early childhood care and education, especially for the most vulnerable and disadvantaged children. At the government level, Nepal is committed to realising this goal. Studies show that ECD centres have resulted in several positive changes. First of all, many children in primary schools are freed from having to bring their siblings to the classroom and thereby detract from the learning environment of their immediate peers. Second, the promotion rate for children with ECD experience is higher than for those without it; a study by Save the Children in 2003 revealed that the promotion rate for children with ECD experience in grade 1 was 83% compared with 42% for those without it. Third, ECD experience seems to have a positive impact on lowering the repetition rate. The same study indicated that the repetition rate for children with ECD experience was 6% compared to 37% for those without it. Fourth, as a result of the ECD experience, the dropout rate also diminishes. The Save the Children study showed a dropout rate for children with ECD experience as 11% compared to 22% for those without it. Finally, ECD cen-

TABLE 5.6 Estimated literacy status of major population groups, 2001

Population group	Literacy percentage
Brahman-hill	74.90
Chhetri	60.11
Gurung	59.79
Limbu	58.12
Magar	55.90
Muslim	34.72
Newar	71.22
Rai	58.19
Tamang	45.04
Thakuri	63.39
Tharu	47.12
Yadav	40.83

Source: CBS 2003a.

tres help alleviate poverty by freeing parents from caring for small children, thereby enabling them to engage in income-generating activities.

Through private-sector initiatives, day care centres, nursery schools, kindergartens, pre-school, and pre-primary schools have operated for some time, their main objective being the preparation of children for primary school. The number of pre-primary classes in the country is estimated at roughly 5000 (MoES 2004). They are criticised, however, on the grounds that their curricula are cognition-based or content-oriented rather than focused on the holistic development of the child (mental, physical, social and emotional development). Moreover, most children from lower-income families and rural areas have no access to such centres. Realising the need

for community-based ECD centres to meet the requirements of potential public school enrollees, the basic and primary education project of MOES initiated ECD in schools throughout the country. At present, more than 5,700 community-based ECD centres are supported by the government with donor funds. Their sustainability has therefore been a major issue.

In view of the low performance of public school children as compared to those in private schools, as well as for the reasons mentioned above, the number of community-based ECD centres and other child-care centres is likely to increase in the years to come. According to the Education Statistics of Nepal 2001, enrollment in pre-primary and ECD centers had reached 259,065.

Primary education

Primary education is the first level of the formal education system; the formal establishments differ from non-formal or informal education because of their hierarchic structures and chronological succession of grades from primary school to university. In addition to general academic studies, formal education comprises a variety of specialized programmes and full-time technical and vocational training institutions. In Nepal, the structure of formal education consists of primary (1-5 grades), lower secondary (6-8 grades), secondary (9-10 grades), higher secondary (11-12 grades) and post-secondary or tertiary education.

Since the establishment of Durbar School in 1853, primary education in Nepal has advanced significantly, although Nepal remains one of the few countries not to make

primary education compulsory. Though primary education has been made tuition-free, parents have to bear other direct and indirect costs. Of the total number of children in the 5-9 age group 83.5% were enrolled in school in 2003 – meaning that 16.5% of school-age children were not enrolled. Among those enrolled, the wastage rate is considerable (table 5.7). In 2003 promotion, repetition and dropout rates for grade 1 were 50.8%, 34.0% and 15.3% respectively. Low internal efficiency is caused largely by the high repetition rate at grade 1, itself largely a result of the absence of pre-primary or ECD centres.

Despite the large number of children and relatively low efficiency rate, the achievement made in primary level cannot be underestimated. Both the state and the people in general are now aware of the importance of education.

The 2005 Progress Report on the MDGs casts doubt on Nepal's ability to achieve universal access to primary education by 2015. The slow annual growth in primary enrollment (1.0%), insurgency, mother tongue, caste and culture related constraints, and an uneven distribution of access to primary education by region and district, caste status, income level and gender featured prominently among the concerns of the MDG Report.

Secondary and tertiary education

The transition rate from primary to lower secondary school in 2003 was 75.2 percent. Private schools enrolled a significant percentage of students at primary, lower secondary and secondary levels (11%, 13% and 15% respectively) (table 5.8).

The failure rate in the School-Leaving Certificate (SLC) Examination, popularly known as the “Iron Gate”, is very high for public or community schools. While the overall pass percentage in 2003 was 46%, only 26% of public school students succeeded in getting through the SLC test.

The failure of 54% of the candidates is evidence of an inefficient educational system. Of the 175,417 regular candidates, only 81,008 passed. This means 94,409 boys and girls are required to reappear for the examination. Some of the students meeting specified criteria, however, will be allowed to sit for the supplementary exam. Compared to the 34% success rate in 2003, the result in 2004 is encouraging. One of the factors is the implementation of reforms introduced under the education act seventh amendment (EASA), 2001, concerning the formation and functions of school management committees (SMCs).

As the pass percentage in the SLC examination is low, higher secondary schools in many parts of the country find only a few students

TABLE 5.7 Efficiency rate in primary schools, 2003

	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
Promotion rate	50.8	74.9	77.7	76.9	73.0
Repetition rate	34.0	19.4	15.3	15.7	13.5
Dropout rate	15.3	5.8	7.0	7.5	13.5

Source: MoES 2004.

to enroll in their schools – or none at all. One of the objectives of higher secondary schools in rural areas has been to provide access to those who cannot afford to pursue their studies away from home.

In Nepal, there are two isolated and parallel public higher secondary education (grades 11-12) streams using different curricula, neither of which is integrated into the education system as a whole from grades 1-10. One of the streams, intermediate-level education or proficiency certificate level, is provided by Tribhuvan University (TU) on its own cam-

TABLE 5.8 Public and private section school enrollment, 2003

Types of schools	No. of schools			Enrollment	
	Total	Public	Private	Total	Private
Primary	24,746	21,888	2,858	4,030,043	425,099
Lower secondary	7,436	5,664	1,772	1,444,996	148,702
Secondary	4,547	3,258	1,289	587,566	78,287
Higher secondary					
HSEB	-	-	856*	74,319	-
TU	-	-	347**	67,034	-

Source: MOF 2005.
 * Data for 2004.
 ** Includes affiliated colleges.

pus and others affiliated with it; several other universities do likewise. The other stream is provided by MOES, through the higher secondary education board (HSEB). Although HSEB-affiliated schools are located in both urban and rural areas, poor students in rural areas generally cannot afford to attend them because of their high tuition fees. Proficiency certificate level affiliated institutions charge lower tuition fees per student per month, but are located largely in urban areas; students from rural areas cannot afford the high living expenses of towns and cities. Of the 110,000 grade-11 students, the HSEB stream caters to about 77%, and the proficiency certificate level stream 23%. However, as both streams suffer from low quality, they have become a constraint to improving secondary education for two reasons: their incongruity with one another as well as with the education system as a whole; and lack of sufficient support from MOES, which provides financial support to only one teacher per HSEB-affiliated school. Consequently, these schools cannot find and retain qualified teachers. The current Tenth Plan (2002–2007) has made a commitment to integrating higher secondary education with the entire education system, as well as providing full support to 225 HSEB-affiliated schools. Nonetheless, shortfalls in funding impede implementation. Without firm government commitment and availability of funds, higher secondary education will remain a bottleneck to improving the overall secondary education system.

After the establishment of Tri-Chandra College in 1918, 30 years elapsed before a second institution of higher education came into existence. After 1951, however, the numbers of colleges rapidly increased. By 1969, their total number had reached 56. But 22 of these

were located in the Kathmandu Valley and most were established through private initiative. However, under the NESP, all colleges were nationalised in 1972. TU, the country's first, was established in 1959.

Today, the number of universities has increased to five, with TU enrolling most of the students. TU encompasses 60 constituent campuses and offers academic programmes ranging from the Proficiency Certificate to doctoral studies. It also provides accreditation to private institutions; Pokhara University, Kathmandu University and Purbanchal University also provide accreditation to dozens of colleges – most of which, however, are concentrated in large cities. Mahendra Sanskrit University is devoted to the study of the ancient language. The combined enrollment in higher education in 2001 was 144,133.

Technical and vocational education and skill training

Technical and vocational education in Nepal ranges from skills acquired in on-the-job training at the household level to advanced technical training at the Institute of Engineering of TU. Secondary schools require one vocational training course for each student, although it involves little or no practical training. Many NGOs and INGOs also provide technical and vocational education for their particular areas of activity. In addition to MOES, several other ministries also offer occupational and technical training. Under the MOES, the council for technical education and vocational training, established in 1989, is responsible for policy formulation and the coordination of technical education and vocational training programmes. In addition to providing technical education and

vocational training through its nine training centres across the country, council for technical education and vocational training has recognised nearly 100 institutions throughout the country. These affiliated institutions offer education and training in medicine, engineering and tourism, as well as other technical specialties.

EDUCATIONAL CHALLENGES AND POLICY RESPONSES

The report of the Nepal National Education Planning Commission, prepared in 1956, emphasised the need for introducing an educational system that fostered individual capability as well as economic growth of the nation. Since then, a number of commissions, committees, advisory groups, and periodic (five-year) plans have tried to respond to the challenges of contemporary education. The most significant was the NESP for 1971-1976, implemented almost in its entirety, with the government taking charge of policy formulation and the management and funding of all educational institutions from the primary to university level. All educational institutions were nationalised. The NESP represented the first comprehensive effort to give Nepal's education system a national form. It tried to ensure a minimum standard of learning by providing uniform curricula at the primary and lower secondary levels, in part to raise student awareness of the positive linkages among the country's different ethnic groups, micro-cultures and small communities, thereby promoting faith in the Crown, love of the country and an esteem dignity for labour and self-reliance (Mohsin 1974). The other objective was redressing the shortage of Nepal's technically trained

manpower. Accordingly, technical and vocational education was given high priority. One of the Plan's distinct features was the provision of the national development service for higher education students, with a view to making them more cognisant of the country's realities and the promotion of education as an integral part of national development. Within less than a decade, the Plan fostered many innovative schemes, such as the national development service and the termination of the semester system and the high weight accorded to internal examinations. At the university level, however, the NESP is considered a failure; the reasons range from low public support to a lack of resources and political will.

Soon after implementation of the NESP started under the Education Act of 1971, the need to alter some of the impractical objectives was realised. Accordingly, some fundamental policies were changed during the five-year implementation period. Primary education was extended from three to five years, as the achievement of literacy alone was considered inappropriate as the sole objective. The concept of education's production of low-level manpower was emphasised; the four 400 marks of vocational subjects at the secondary level was replaced by one subject of 100 marks. Another major policy shift was the discontinuation of a standard entrance examination for admission to institutions of higher education. Similarly, the policy of enrolling over 50% of higher education students in technical education was not even implemented. As a result, about 80% were enrolled in general education institutions.

Over the past three decades, the Education Act of 1971 has been amended seven times,

most recently in 2002. With each amendment, changes were made at every level of education. Not long after the restoration of multi-party democracy in 1990, His Majesty's Government formed a National Education Commission to recommend reforms in light of the new Constitution. In its 1992 report, the commission proposed new national goals and the restructuring of education as a 5+3+2+2-year system, for primary, lower secondary, secondary and higher secondary education respectively. For general higher education, it recommended a three-year bachelor's programme. The present educational system is largely based on these recommendations. The current national goals of education, very similar to the commission's proposals, are as follows:

- to nurture and develop the personalities and innate abilities of each individual
- to instill respect for human values and national cultures
- to enhance social unity
- to help the individual develop his or her identity in both the national and international contexts and to lead a socially harmonious life in the modern world
- to aid in the modernisation of the nation by creating capable human resources for its development
- to teach the thoughtful protection and wise use of Nepal's natural resources
- to help disadvantaged citizens enter the mainstream of national life

It is important to note here that the very first goal concerns human development. A new goal became the protection and wise use of Nepal's natural resources.

The High-Level National Education Commission was formed in 1997 to review the existing education system and offer sugges-

tions for appropriate reforms. Some of the principal highlights of this report, submitted slightly more than a year later, are as follows:

- one year of pre-primary education for children under 6 years of age
- a policy of NFE programmes in a campaign for the eradication of illiteracy
- a clearer policy for equality of educational opportunities for women
- emphasis on access to education for special groups, such as the disabled, *dalits* and children from disadvantaged groups
- a policy of making primary education compulsory on a gradual basis

In 2001, a High-Level Education Task Force on quality education specified key areas for reforms that became the basis of amendments to the 1971 Education Act. This Seventh Amendment of 2002 resulted in a number of changes, among them the following highlights:

- Schools were classified as community (receiving government funds) and corporate (privately supported). Corporate schools fall under two headings: those registered under a company act (for-profit), and those registered as trusts (not-for-profit)
- Provision was made for one year of pre-primary education for four year-olds.
- A village development committee (VDC) or a municipality was authorised to grant permission for the establishment of community-based ECD centres.
- Education through grade 5 was made tuition-free, with cost-sharing at the lower secondary and secondary levels.
- Provision was made for primary education in the child's mother tongue.
- Mobile schools were authorised for remote and Himalayan regions.

- The interests of teachers were to be safeguarded by central and district-level teachers' unions.
- SMCs could be established by the majority of parents in a particular vicinity.

Although Nepal now pays more attention to educational development and allocates more resources for this purpose, immense challenges remain with regard to access, equity and quality.

Access to education

There has been a steady progress in school enrollment over the years. Primary school net enrollment rate increased from 64 percent in 1990 to 84 percent in 2004 (CBS 2004). However, there are two critical issues behind this. First, the household survey data show a much lower net school enrollment rate than that of the MoE. In 2003/04, the net enrollment rate as per the survey data was only 72 percent, thus indicating that more than one-fourth of the school-age children have never attended school. The net enrollment rate in lower secondary and secondary levels is much lower – 29 percent and 15 percent respectively. Second, disparities in school enrollment rates across sex, caste/ethnicity, and geographical region are very high. Low income level and poverty make access to education all the more difficult. The household survey data (CBS 2004) shows that in 2003/04 64 percent of the people in the poorest consumption quintile never attended school, compared with only 26 percent of those in the richest consumption quintile. The gender dimension within this is more pronounced. In the poorest consumption quintile, a little over 50 percent of males had never attended any school; the same for females was more than three-fourth. The gender bias in access

to education persists even when income or affordability is not an impeding factor. The survey data (CBS 2004) shows that 37 percent of the females in the richest consumption quintile have never attended school compared with 15 percent for males. In the age group of 6-9 years, nearly 27 percent of girls have never attended school compared with 15 percent of boys. This clearly calls for non-formal or out-of-school education, without which attainment of higher literacy for women would be extremely difficult.

Whereas low income is cited as the major reason behind parents' not sending children to school, physical access and family attitudes are also behind the disparity in enrollment. The disparity widens as one moves on to higher level of education. Of those with SLC-and-above education in 2001, more than two-thirds were from the so-called "higher and middle castes"; *dalits* comprised less than two percent and religious minorities just one percent (TPAMF 2005). The attitudinal factor is clearly visible considering that 54 percent of the population in East Tarai never attended school compared with 47 percent in the mountains and hills of the same region. Physical accessibility and income seem to be less relevant in this case.

More than one-fourth of the school-going-age children have never seen school or have dropped out so early that formal education has made no difference to their lives. To bring them into the mainstream of education, these children need special arrangements such as mobile schools, non-formal structures, scholarships, and remedial tutoring.

Since girls have particular needs, they require women teachers with whom they can

talk about their problems and aspirations. Though the MOES has adopted a policy of hiring at least one female teacher in each primary school, roughly 11,000 have none. Girls also need separate toilets, especially at the secondary level. As many schools have no sanitary facilities at all, separate toilets for girls are a luxury.

Policy measures to promote education for girls have either been adopted or have been proposed. Primary education has already been made tuition-free both for boys and girls. However, no reliable mechanism exists to ensure that schools are not charging some kinds of fees. The budget for fiscal year 2004/2005 allocated Rs. 1,588 million to scholarships for girls with a proposal that each girl receive Rs. 100 per month, provided she does not marry, attends classes at least 75% of school days and scores at least 50% in her substantive study subjects. But the distribution mechanism is so weak that many needy girls would not be able to receive this minimal scholarship.

Quality and relevance

While Nepal has made significant progress in terms of numbers, much remains to make schooling stimulating, enjoyable and rewarding. Existing curricula and textbooks do not address the needs of Nepal's diverse ethnic groups, many of whom have mother tongues other than Nepali as well as distinct cultures. A *Tamang* child from the mid-hill finds it extremely difficult to understand his Tarai teacher, who has his own language, but teaches in Nepali. Moreover, the content taught may not be relevant to his life. Rote learning remains widespread with little or no opportunity to acquire practical knowledge and skills.

Secondary education has been generally perceived as preparation for the tertiary level. Since SLC graduates acquire no skills for earning a living, most seek admission to an institution of higher education within the country or outside. As a result of the liberal policy of universities and private colleges, almost everybody seeking admission becomes enrolled – but not necessarily to her or his programme of first choice. Those who cannot afford to continue post-secondary education try to obtain a teaching position within a school or employment elsewhere.

In recent years, an increasing number of graduates have found jobs in the Gulf countries, Malaysia and South Korea. In addition, most who receive college degrees prefer not to continue their family business in agriculture or other traditional occupations. Unemployment is therefore high among college graduates, as livelihood opportunities for those without saleable skills are limited.

Educational management

The management of education is highly centralised in Nepal. The Department of Education (DOE), created in 1999, is charged with supervising the implementation of programmes by district and regional education offices. In practice, the MOES, together with the DOE, is heavily involved in formulating and implementing educational policy. Though the EASA envisaged the decentralisation of education management to the school level, SMCs have not been empowered to take up the challenges.

Investment in education

Education has both investment and consumption components. Economists have in-

creasingly recognised that education is predominantly an investment, which provides future satisfactions or enhances the future earnings of a person as a productive agent. Investment is defined as an economic activity that forgoes consumption today with an eye to increasing output or income in the future. Alternative approaches to educational investment may broadly be classified as follows:

- **The social demand approach**, which seeks to maximise social welfare and social demand in determining public expenditure on education.
- **The manpower requirement approach**, in which educational investment in different types and levels is guided by the human capital requirements of an economy. A common feature of this approach is the projection of manpower and training needs, usually between five years (medium-term) and 20 years (long-term) into the future. These projections are generally estimated based on
 - employers' estimates of future needs,
 - international comparisons of the manpower and educational structures of countries at different stages of development,
 - ratios of manpower to population, and
 - the extrapolation of input-output ratios.
- **The rate of return approach**, which stems from an essential concern with the scarcity of resources and their efficient allocation among investment alternatives. This approach relies on labour market signals and cost-benefit assessments to identify the priorities and seeks to push educational expenditure in different types and levels to the point where marginal

rates of return on investments in all types and levels of education are equalised. The estimates of private and social rates of return guide the policy-makers to decide upon public subsidies by levels of education and a corresponding expectation of cost-sharing by households.

Several studies conducted since the 1970s have shown the contribution of education to economic growth, agriculture productivity and earnings in Nepal. A recent estimate of private rates of return to education based on the statistical data obtained from National Labour Force Survey (CBS 1999) and National Living Standard Survey (CBS 1996; 2004) reveals the following (Parajuli 1999):

- Each extra year of schooling yields an overall private rate of return of 9.7%. Females enjoy a nearly two-point advantage over males, and rural workers have a similar edge over their urban counterparts. The agricultural and non-agricultural sectors do not differ in their rates of return to education.
- Overall private returns to primary schooling are high-17.4% compared to secondary schooling (9.8%) and university schooling are (13.8 %).
- Girls have higher returns at both the primary and secondary levels, but a relatively low return at the university level, implying that moderately schooled girls are significantly more productive than their uneducated counterparts.¹ Boys show much higher returns at the university level.
- In rural areas, primary education has the highest return. By contrast, university education has a higher return in urban areas.

¹ Another implication is that girls marry and drop out of the formal labour market during their child-bearing years simply because employers make no provision for society's needs at this time; if Prof. Pande doesn't want to provoke feminist rage, a footnote to this effect had better be written.

- In non-agricultural sectors, university education has the highest return. However, the agricultural sector seems to value secondary education; secondary education shows the highest return in this sector, even though differentials are minimal across different levels.
- Overall formal vocational and/or professional training has a 12% return advantage over no training.
- Only two percent of those who have attained education with more than 11 years of schooling are in absolute poverty compared to 45 percent of the illiterate.

This estimate of private rates of return included only the costs of forgone earnings (indirect costs). The following observations could be made about the comparison of private and social rates of return estimates.

- As expected, the high cost estimates of private rates of return and social returns are lower than the low cost estimates for all levels of education.
- The social rates of return to primary education are estimated to be 15.9%, ignoring external benefits such as health improvement, technological innovation and a better society for all.
- The social return to university education is only 9.3%.
- Both the private rates of return and social returns are low for secondary education.
- The estimates of the public subsidy index indicate that this subsidy is highest for higher education and lowest for secondary education.

The findings suggest that both the private and social rate of return to education in Nepal is rather modest. The current system of Nepalese education exhibits a differential degree of external efficiency across educa-

tion levels. Empirical evidence shows higher returns to primary and university education. Secondary education in Nepal, however, shows symptoms of low external efficiency. Government subsidy is also the least at this level. The implication of these findings can be summarised as follows:

- Higher social returns at the primary level would provide justification for further increasing public investment at this level.
- As private returns to primary education is highly profitable, there is also a potential for increased private financing at the primary level.
- Higher returns to female education imply that women's education should receive high priority.
- Low private returns at the secondary level means that few job opportunities exist for secondary school graduates. A comprehensive structural reform may be required to improve the quality of secondary education with appropriate skills so as to raise the profitability of private investment at this level.
- Current subsidy of higher education is too high and benefits only the rich. High private returns, together with the highest government subsidy rate at the university level, clearly indicate a need for introducing a cost-recovery strategy here through increased private financing and a reduced public contribution. In addition, a merit scholarship system and student loan schemes, among other measures, should be introduced to support the cost-sharing strategy.

Private education

DOE/MOES education statistics for 2004 show that private schools accounted for 11.0% of school (1-10 grades) enrollment in 2004.

The roles and contribution of private schools run on a commercial basis have increased in recent years, especially in urban areas. In 1981, the government adopted the policy of encouraging the private sector to come forward in the delivery of educational services. The amendment to the Education Regulation in 1981 allowed the establishment and operation of private and boarding schools and stipulated minimum conditions to be met by the private sector. These included:

- meeting certain conditions in order to obtain a permit,
- Providing certain minimum physical facilities,
- following the government curriculum by gearing instruction to the students' passing the national grade 5 examinations,
- hiring teachers whose qualifications and compensation were at least comparable to those of teachers in government-aided schools, and
- specifying the composition of the SMC such that the government has strong influence on the committee's membership.

In response to this policy, there was a substantial growth of private schools – increased in part by the deterioration of the quality of education in government-aided schools. The private growth helped meet demand pressures and also helped satisfy the differing interests groups.

The education regulations of the past had also made some provisions to monitor fee levels, the qualifications of teachers and the content of curricula in the private schools. However, in the absence of a well-defined regulatory framework and effective implementation mechanism acceptable to both the government and the private providers, these provisions were not implemented. The suc-

cessive reports of the Education Commission, Study Group and Task Force made a number of recommendations to regulate the private sector, but none were implemented. A number of private and boarding schools have also recognised many issues. The MOES recently fixed the fee structure for the private schools, but there is reluctance from the private school boards in complying with public regulations.

As indicated above, the EASA distinguishes between community schools (that receive government grants-in-aid) and corporate schools (that cannot receive any regular government support). The private and boarding schools, now categorised as corporate schools, must operate as either profit-making or as trust schools that make no profits. More than 90% of the private schools have registered themselves in the profit-making category under the Company Act. The ownership issue disappears, as a school under Act is owned by the company and governed by the rules and regulations stipulated by the Act. In principle, MOES becomes free of administrative tasks and concentrates on educational issues.

Private school associations have raised questions about many of the provisions of EASA and the Education Regulation, 2002, that might well militate against the development of private education in Nepal. First, in connection with the requirement that each private school deposit 1.5% of its gross income into a fund to benefit rural education, they ask if this is justified in the case of private schools registered under the Company Act, which requires them to pay taxes on their profits. It is also unclear how much of this fund would be collected or how it would be used to improve rural education.

Moreover, the costs of managing such a fund would probably absorb much of its resources. Second, these associations voice concerns about the formation of SMCs by the DOE. If private schools registered under the Company Act do not have autonomy in forming their SMCs, their managing directors will play no role in running the school. Similarly, the inclusion of a school supervisor in a private school SMC violates the principle of autonomy. Further, such a supervisor's role at SMC meetings should extend to monitoring or regulating the private education system.

Because many of the EASA regulations appear to be confusing, it is necessary to develop, announce and disseminate a "White Paper" on private education detailing a comprehensive regulatory framework to facilitate competition and innovation, as well as protect parents from commercial exploitation. The framework should also include strategies to encourage corporate financial sector to share with other private sector partners in terms of financing at a lower interest rates and providing grants from their profits to build up the infrastructure of private secondary schools.

Meeting the millennium development goal on education

Although Nepal is committed to attaining the MDG of achieving universal primary education – a prerequisite for laying the foundations of human development at an early age – many challenges remain. Box 5.3 sets these challenges in detail.

The MDG has set the third goal of promoting gender equality and empowering women – eliminating gender disparities in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015. Given the low percentage of girls in relation to boys at the primary, lower secondary and secondary levels of education, set out in table 5.9, meeting this Goal within the stipulated timeframe will indeed be an uphill battle.

The challenges include:

- Enrollment retention and promotion, especially during the early years of education;
- Provision of female teachers, separate toilets and other girl-friendly initiatives;
- Additional incentives for the parents of girls children; and
- Changing the social and cultural outlook of girls.

BOX 5.3 Challenges to be met for the attainment of MDGs

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ➤ Overcoming the severity of income-poverty among a significant proportion of households. ➤ Making primary education more relevant to local, rural and agricultural modes of life. ➤ Reducing the household work and other work burdens of children. ➤ Raising the quality of education by enforcing regularity in school hours, training of teachers, making education more relevant to local life conditions and | <ul style="list-style-type: none"> enforcement of existing administrative regulations. ➤ Shifting school management initiatives from the bureaucracy to school boards. ➤ Generating and investing additional resources for the promotion of primary education. ➤ Promotion of retention and completion rates. ➤ Recognition of primary education as a fundamental right of all children. |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Source: HMG/N and UN Country Team 2002.

His Majesty’s Government is keenly aware of the need to provide access to quality education to the entire population of Nepal and has adopted several policy measures to this end.

Education for all

One of the principal policy responses is the preparation of a national plan of action for EFA, launched at the World Conference of Jomtein, Thailand, in 1990 and reinforced by Nepal’s commitments at the Dakar Conference on EFA in 2000, which encompass six major goals for the year 2015.

- Expanding and improving comprehensive early childhood care and education, especially for the most vulnerable and disadvantaged children.
- Ensuring that by 2015, all children, particularly girls, children in difficult circumstances and those belonging to ethnic minorities, have access to and complete free and compulsory primary education of good quality.
- Ensuring that the learning needs of all young people and adults are met through equitable access to appropriate learning and life skills programmes.
- Achieving a 50% improvement in levels of adult literacy by 2015, especially for women, and equitable access to basic and continuing EFA adults.

- Eliminating gender disparities in primary and secondary education by 2005 and achieving gender equality in education by 2015, with a focus on ensuring girl’s full and equal access to and achievement in basic education of good quality.
- Improving all aspects of the quality of education and ensuring excellence of all so that recognised and measurable learning outcomes are achieved by all, especially in literacy, numeracy and essential life skills

In view of the ethnic, social and linguistic diversities one more goal has been considered in the preparation of the National Plan of Action: to ensure the rights of indigenous people and linguistic minorities to quality basic and primary education through their mother tongue.

Nepal has set targets by core EFA indicators, presented in table 5.10. To meet the goals, a multi-donor-funded EFA Programme (2004-09) has been prepared and implemented since 2004/05.

The Tenth Plan/Poverty Reduction Strategy Paper

The Tenth Plan/the Poverty Reduction Strategy Paper (PRSP) is the major policy strategy

TABLE 5.9 Ratio of girls to boys in education

Indicator	1990	2000	2004/2005 Actual	2015 Target
Ratio of girls’ enrollment (gross) to boys enrollment in primary education	0.56	0.79	0.86	1.0
Ratio of girls enrollment (gross) to boys’ enrollment in secondary education	0.43	0.70	0.82	1.0
Ratio of women to men at tertial level of education	0.32	0.28	-	1.0

Source: UNDP/HMG/N 2005.

that has set targets for accelerating the pace of human development. Its focus is on increasing the access of the poor to social service through decentralization and skill development programmes.

In light of the experience of the Ninth Plan and in response to the current challenges confronting the education sector, the Tenth Plan has set seven goals as follows:

- Assist in raising living standards, especially those of disadvantaged communities and women, through literacy, post-literacy and life-related NFE programmes;
- Develop and expand quality education to meet the country's needs and make quality primary education accessible to all;
- Prepare basic and middle-level skilled technical manpower to meet the country's requirements;
- Make use of education as a means of eradicating poverty through economic and social development and producing highly competent manpower that can compete internationally;
- Develop a definition of quality education and instruments to measure it so as to create system-wide improvements in education;
- Make special arrangements for women's access to education, and of other target groups.

To meet these goals, the plan specifies detailed policies and strategies for all levels and types of education. The government's policies for universalising primary education and enhancing the quality of life of the disadvantaged and poverty-stricken population are supported by numerous NGOs, CBOs and private sector enterprises. Poor education – quantitatively and qualita-

tively – has played a major role in relegating Nepal to its current low position in the global HDI. With heightened awareness and efforts on the part of the government and non-government sectors alike, there is good reason for optimism for raising the status of human development.

Community transfer of school management

A major concern in making education responsive to human development needs is increasing people's participation in the management of schools. After the NESP nationalised schools and colleges, the level of community participation in school infrastructure development, teacher support and the overall management of educational institutions decreased substantially. As part of the government's efforts to restore people's participation in developing education throughout the country, the government is currently implementing several policy measures, including the local self-governance act (LSGA). This Act promotes the participation of local politicians, social workers and consumers in health, education, drinking water improvement and other areas of community interest. The Act also provides for the involvement of VDC in the management of primary schools.

The other policy measure transfers school management to communities, providing full financial and technical support from the government. Over the past three years about 2,000 schools have been handed over to SMCs. The Tenth Plan target is 8,000. Community-managed schools necessarily involve parents/guardians and those interested in the development of education. SMCs are authorized to recruit, manage and evalu-

ate teaching personnel. As an incentive for school takeover, a lump sum amount of Rs. 100,000 is provided for each level (primary, lower secondary, secondary) of management responsibility. Studies have already indicated several positive impacts – increased

regularity of student attendance and greater teacher involvement, as well as that of SMC members and parents/guardians, in infrastructure development and improved learning. The community school national network, an umbrella organization of SMCs which

TABLE 5.10 Targets by core EFA indicators

Indicators	2000	2005	End of 10 th Plan 2007	End of 11 th Plan 2012	End of 2015
1. Gross enrollment rate (GER) for ECD	13	20	32	60	80
2. % of new entrants at grade 1 with ECD	10.5	30	40	65	80
3. Gross intake rate at grade 1	141	125	123	111	102
4. Net intake rate at grade 1	53.7	67	73	89	98
5. GER at primary grade 1-5	119.8	110	110	110	105
6. Net enrollment rate (NER) (primary grade 1-5)	80.4	88	90	95	100
7. Primary expenses/GNP	1.8	1.9	2.0	2.3	2.5
8. Primary expenses/total education expenses	56.7	60	62	65	65
9. % of teachers with required qualification and training	15.4	50	100	100	100
10. % of teachers with required certification	-	60	100	100	100
11. Pupil/teacher ration	37	34	34	31	30
12. Repetition rate					
Grade 1	42	30	24	14	10
Grade 2	11	9	8	8	8
13. Survival rate up to grade 5	63	71	75	86	90
14. Efficiency	55	63	67	76	80
15. % of learning achievement at grade 5	40	52	57	70	80
16. % of literacy age group 15-24	70	76	79	86	95
17. % of literacy:					
Age group 6 + years	54	65	75	85	90
Age group 15 + years	48	58	63	70	75
18. Literacy GPI (15+ years)	0.6	0.7	0.8	0.9	1.0

Source: EFA national plan of action Nepal (2001-2015).

have now assumed management responsibility, has taken a prominent place in the NGO sector to support the government programme of transferring school management to communities and increasing access to education, along with its quality at the grassroots level.

Financing education

From the standpoint of financing, four parallel systems exist:

- a subsidised education provided through government-aided schools,
- a partially subsidised education provided in the facilities of government-aided schools with community support,
- private schools opened and operated on a not-for-profit basis (trust schools) and
- private schools opened as profit-making enterprises.

Under the free education policy of the government, the entire salary of teachers, as well as partial operating costs of government-supported schools have been met by the government. The community-supported schools are now largely those proposed for government support; some have received one or two government-paid teaching positions. The Education Act and Regulations define private schools as those which are not eligible for any government support and are therefore financed by student fees. In the case of higher secondary schools (grade 11 and 12), the HSEB requires local communities and schools to deposit Rs.800,000 to obtain permission to run such institutions. A high-priced higher secondary education system has been developed, especially in urban areas.

The present financing modality in Nepal, which supports schools and higher education institutes (not students and households directly), basically embodies a supply-side approach. But many of the problems and challenges in the education sector – notably in quality, equity, efficiency and relevance – have resulted from this approach. Its disadvantages are:

- not all members of society benefit equally, as it does not target the groups that need support;
- the schooling offered may be inappropriate for children from certain backgrounds;
- girls, indigenous people, tribal groups, disadvantaged minorities and the poor may be left out;
- a widening gap opens between urban and rural areas in terms of educational services;
- public spending on education resulting from the misallocation of resources decreases its efficiency; and
- the government probably will not be able to meet the increasing costs of the public education system.

Demand-side financing is based on the assumption that households and individuals determine the demand for schooling by an implicit cost-benefit analysis. The costs to households are direct costs such as fees, books, and materials, the indirect being opportunity costs or income foregone. The benefits are a return to schooling to the individual household as well as society at large. Public support to households through demand-side financing reduces the overall cost of schooling, thereby increasing the participation of poorer households. Its tools are stipends, community financing, targeted

scholarships, vouchers, subsidies to private institutions and student loans. The main advantage of demand-side financing is that it makes the education system more efficient, improves quality, increases access, and enhances equity. The argument for public finance is equity in terms of resources, student achievement, future income or opportunity. Demand-side financing has also proved effective in addressing the equity issue. It encourages choice and schooling investment is made in order to attract parents. It can be used to help poor families invest in schooling by reducing tuition charges.

Cost-sharing means meeting the costs of schooling by households, community and the government jointly. If the education providers (government or the private sector) charge fees to the students to meet their full costs, it is called full cost recovery approach. On the other hand, if education providers meet full costs by other sources such as government subsidies or community contributions and do not collect funds from the household, it is called the "zero cost" recovery method. In the zero-cost recovery approach, there is no sharing of direct schooling costs by the households whereas in the full cost recovery, households bear all costs. As the private service providers may earn profit, they may include profits in their costs and operate in a full-cost recovery model. The support of the community to the education providers would reduce the burden for both households and the government. Cost-sharing arrangements are possible in both the demand-side and the supply-side financing approaches.

The estimates of private and social rates of return would guide policy-makers in arriv-

ing at decisions regarding public subsidies by levels of education and the corresponding anticipated cost-sharing by households. Generally, the social payoffs are highest for primary schooling, followed by general secondary schooling. Therefore the share of the government should be higher at these levels than for secondary vocational education and higher education. The government subsidy to education would cause a private rate of return that exceeds social returns. Consequently, heavy subsidies (for example, higher education in the case of Nepal) tend to encourage a strong demand for education. Although cost-sharing policy demands have generally increased private financing in education, the objectives of increasing private contributions should not be recovering costs fully, particularly when there are economies of scale and when the education produces externalities.

Government-aided schools and higher education institutions in Nepal have been financed by grants provided by the government (grants in aid), support from externally funded government projects such as basic and primary education project, SEDP, the Higher Education Project, projects under the ministry of local development, local elected bodies such as district development committees and VDCs, local communities and contributions made by households.

The national education account estimates reveal that Nepal invested Rs 9.82 billion in the education sector in 1994/95, Rs 12.17 billion in 1995/96 and Rs 13.97 billion in 1996/97. The share of the education sector in GDP increased from 4.7% in 1994/95 to 5.1% and 5.3 % in 1995/96 and 1996/97 respectively. Households were the major contributor to educational expenditure in

1994/95 – more than two-fifths (41.4%) – while the share of the government and donors were 38% and 20% respectively. By contrast, the government made the major contribution to education expenditure in 1995/96 and 1996/97, as its share rose from 38% to 40% in 1995/96 and, further, to 40.25% in 1996/97. National account tables show that most of the household expenditure on education has gone to secondary education (55%), followed by primary education (38%) and higher education (10%). There has since been a reduction in the contribution of households to secondary education from 72% in 1994/95 to 64% in 1996/97 with the increase in funds from government and donors.

Steady growth has taken place in government expenditure on education, particularly in the primary and secondary education (grade 1-10) sub-sectors in recent years. The government education expenditure/GDP ratio has shown a continuous rise (with little fluctuation) from 1.8% to 2.8% between 1990 and 1999. This share increased to over 16% in 2004/05, as compared to its level of 8.8% in 1990/91. The major portion of educational expenditure goes to recurrent costs, which include wages and salaries, along with other expenses. Almost all expenditure under grants-in-aid (GIA) is used to finance the salaries of teachers.

Donor contribution to financing the education sector has been increasing. Nepal received Rs. 122.2 million from external sources in 1990/91, which accounted for 5.9% of total education expenditure. This proportion increased to 26% in 1994/95, 24.8% in 1996/97 and 30.1% in 2004/05. Loans constitute the major portion of total

foreign assistance (43% in 2004/05), the major donors being the International Development Association, the Asian Development Bank, the Danish International Development Agency, Swiss Development Cooperation, the World Food Programme, the Department for International Development (UK) and the Japanese International Cooperation Agency. The increased aid flows for education have contributed in large measure to the rising share of the sector in total expenditure.

Following the restoration of multiparty democracy in 1990, the elected government increased its commitment to education by initiating the policy of free secondary education. The head teachers of public schools, as well as most education experts and planners, feel strongly that the government cannot continue its free education policy up to Grade 10 if standards are to improve. On average, the total revenues of public schools have declined since the declaration of the free education policy because it funds mainly teacher salaries. Schools that were already struggling for resources to finance quality inputs prior to the free education policy are now unable to arrange for these inputs. Hence, it is widely believed, the proliferation of private schools, which are able to spend significant amounts on non-salary inputs critical to quality improvements.

The MOES provides GIA to government-supported schools and is the main source of income of public schools. The present GIA policy, provided by the DOE as part of the centralised management system, provides little control of resources to those responsible for implementation at the field level. The GIA has become an entitlement for

which no justification is required. It does not encourage teachers to aim at a higher level of performance, as their salaries are not linked to their performance and school outcomes.

The government budget allocation gives little emphasis to activities directly related to improving classroom instruction. Most schools have been established through local initiatives and support from local communities. Once the government starts supporting them through grants, communities find themselves marginalised. Government support, therefore, has not added to the resources available to schools. District development committees, VDCs and local communities are not involved in the process. GIA is allocated at a point far removed from the local context, on a uniform basis, leading to lower motivation for local resource mobilisation and creating dependency. One result of the present GIA policy is teachers see themselves as employees of a distant parent organization.

Although public expenditure on education has increased in recent years (table 5.11), most of the schools lack adequate physical facilities, adequate faculty and a congenial environment for learning. Despite the fact that primary education consumes about half of the government budget allocation to education sector, much remains to be done to make school attendance attractive to children; a large number can hardly find a comfortable seat in their classrooms. Playgrounds, extracurricular activities, tiffin facilities and transportation to school are luxuries to an overwhelming majority of stu-

TABLE 5.11 Government expenditure on education

Year	Total budget (in billions of Rs.)	Percent allocated to education	Education budget as % of GDP
1993/94	33.60	13.58	2.3
1996/97	57.60	13.48	2.8
1999/00	77.24	13.17	2.7
2000/01	82.40	15.60	3.1
2004/05	111.68*	16.05	3.7

Source: MoES 2000 and 2001.

*Budget for 2004/2005.

dents. Obviously, far more expenditure on the part of both the government and parents/guardians is required before minimum needs are met for making learning comfortable and enjoyable.

The budget allocation by type of education reveals that the amount allocated to literacy, technical and vocational education, women's education and scholarships and student welfare is too small to make a significant impact (table 5.12). These are the very areas that improve literacy, generate employment and provide incentives to the disadvantaged and needy segments of the population. Public spending in education in Nepal is typically enjoyed by the non-poor as 46% of education spending accrues to the richest fifth, and 11% to the poorest. If the government policy of equality of opportunities is to be translated into reality, there is a clear need for increasing the existing level of budget allocated to the programmes that target the poor.

TABLE 5.12 Sectoral distribution of the educational budget

Rs. in Thousand

Types of education	Year									
	1995/96		1997/98		1999/00		2001/02		2003/04	
	Total	%	Total	%	Total	%	Total	%	Total	%
Primary education	3,558,512	49.2	3,880,168	47.82	5,599,833	55.03	7,790,981	55.4	8,507,380	58.8
Secondary education	1,206,361	16.68	830,510	10.23	2,101,767	20.65	2,971,033	21.1	3,159,845	21.8
Higher secondary education	8,500	0.12	13,905	0.17	26,600	0.26	48,092	0.3	40,000	0.3
Higher education	533,027	7.37	13,050	0.16	1,915,382	18.82	1,680,413	11.9	1,675,722	11.6
Non-formal education (includes literacy)	74,093	1.02	120,000	1.48	-	-	133,528	0.9	+	-
Technical and vocational education	296,029	4.09	133,751	1.65	106,055	1.04	193,235	1.4	152,524	1.1
Women's education	20,235	0.28	20,240	0.25	-	-	261,754	1.9	+	-
Scholarship and student welfare	47,200	0.65	15,361	0.19	66,256	0.65	50,400	0.4	-	-

Source: MoES statistical reports for various years.

+ Included in primary and secondary education. Along with low level of financing, education system is warred by poor governance like teachers' absenteeism, frequent disturbances in teaching-learning process, lack of adequate monitoring, and parents' indifference to school operations. Without improving governance, quality and universal school education can not be attained even if sufficient budget is allocated to education.

Health and human development

Bina Pradhan

INTRODUCTION

Health is regarded as an important component in measuring overall development outcomes. Until recently, most have assumed that progress in economic development would lead to better health, indicated by levels of mortality and life expectancy at birth. This assumption is based on socioeconomic-biomedical perspectives that increases in income, employment and access to health care will lead to overall health improvement. Efforts to improve health status, as such, have targeted increase in life expectancy at birth and reduction in mortality – in particular, infant/child and maternal mortality from a bio-medical perspective of improving health care services. Although impressive increases in life expectancy and dramatic reduction in mortality have taken place during the last three centuries, development efforts characterised by increases in growth as well as improvements in health care services, have not resulted in the outcomes anticipated. Inequalities in health persist between and within countries, among different population groups, and between the rich and the poor.

Existing unequal health trends and studies on the relationships between mortality and income levels (Carr 2004; Gwatkins 2002;

Whitehead 2000; Preston and others 1975) have shown that today's health issues go well beyond simply living longer. We live longer and healthier lives on average than at any time in history. Overall, life expectancy increased faster in the last 40-50 years than ever before. But not all groups of population have benefited equally. The overall improvement in longevity has not meant better health for all. Key concerns have been:

- bringing about qualitative improvements in the lives of people through equity and equality
- a re-examination of the assumption that increases in income, employment and the supply of health care services will actually produce that improvement.

It is in this context that the human development approach emerged as an alternative to address existing inequalities in economic development that focused on income and utility functions

Health is an essential component of human development which emphasises qualitative improvements in a person's ability to lead a healthy and decent life. Health, thus conceived, is the right of every individual. The human development approach links one's health conditions with one's capability to

function efficiently and effectively so as to contribute to one's own "well-being", as well as to public welfare and development in general. Health is thereby seen both as a consequence and determinant of development. Sen for example, stresses health as a contributive factor to development and the need for "basic recognition that deprivation of health is an aspect of underdevelopment, because people's productivity depends on their level of nutrition and health. The functioning of the economy suffers from illness-related absenteeism" (<http://www.iadb.org/idbamerica/English/JUL01E/jul01e2.html>). Poor health is regarded as impediment to progress in human development.

The concept of health and approaches to improve health have evolved significantly since the 17th century, when health was seen primarily as a struggle for survival against deadly diseases and calamities ranging from famine and epidemics to war. We have consequently evolved from the question of survival through the epidemiological-demographic perspective of viewing health as a bio-physical phenomenon, to the present perspective of health as a right of every individual to enjoy "the highest attainable standard of health".

Contemporary perspectives examine not only bio-medical phenomena, but the roles played by non-medical factors such as socioeconomic, cultural and political processes in the etiology of the multiple determinants not only of death, but also of the debilitating health conditions we call morbidity. Accordingly, health policy/strategies and approaches adopted to promote the health of people at different times have also differed. They have comprised:

- medical services that emphasised costly high-technology, urban-based, curative care;

- comprehensive approaches to the provision of basic health services that would engender social equity in health care;
- the comprehensive PHC approach founded on the idea of health as a basic human right – a concept envisioned at the Alma Ata conference of 1978, which had strong socio-political implications;
- the health sector reform strategy (HSRS) for promoting efficiency and effectiveness in health service systems;
- the reproductive health approach that recognises women's reproductive rights and their need for empowerment; and
- the MDGs, which focus on poverty reduction strategies for sustained healthy lives.

Since the modern health transition of the 1800s to the present, different initiatives undertaken at the international as well as national levels have recognised health as a fundamental human right. This recognition implies a need to go beyond the bio-medical aspects of health so as to deal with factors that constrain the health of individuals and groups – among these constraints, socio-cultural, economic, political, and gender factors. From the perspective of human development, it is therefore imperative to address the non-medical factors that impact health and thereby thwart the enhancement of capabilities and freedoms for fulfilling the entire spectrum of human rights.

Inevitably, prevailing macroeconomic and political environments, both internationally and nationally, influence health concerns, health policies, and health intervention strategies. To take only one example, the ICPD, held in Cairo in 1994, represented the broad shift to making human well-being the focus of national and international activities de-

signed to address population and development issues. ICPD therefore emphasised the reproductive health approach to population and development – in contrast to the conventional confines of promoting family planning through demographic targets and incentives (as well as coercive measures) to meet these targets. Reproductive health is broadly defined to include reproductive health services as interventions for promoting women’s reproductive rights – an essential element of their empowerment as full-fledged citizens. .

More recently, the declaration of the MDGs signifies the commitment of international agencies and national governments to promote, among other factors, health as the right of everyone.

Improving maternal health is the fifth MDG. Its target is reducing the maternal mortality rate by three-quarters between 1990 and 2015. Other MDGs, such as the second, which concerns gender equality and the empowerment of women, also support this goal, as box 6.1 demonstrates.

Along with changes in health concepts, the assumptions underlying the health indicators – longevity, measured by mortality and life expectancy at birth, employed as a measure of progress – have also undergone substantial modifications. For instance, from the epidemiological-demographic perspective, “mortality” as an indicator of health was understood as a critical component of examining demographic change. The underlying assumption was that longevity indicated

BOX 6.1 Millennium development health goals

Millennium development goal

How improving the nutrition of entire populations through agricultural policies that promote the production of nutritionally rich crops, fish, and livestock, the provision of clean water and sanitation, and improvement of women’s status helps.

Goal 1: Eradicate extreme poverty and hunger

Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

- Well-nourished population are better able to provide for themselves, live a healthy life and contribute significantly to the process of development.
- Well-nourished women are better able to provide for themselves, their children, and their families. This has far-reaching intergenerational effects that can help countries develop.

Goal 4: Reduce child mortality

Reduce, by two-thirds, between 1990 and 2015, the under-5 mortality rate.

- Well-nourished mothers are less likely to bear low birth-weight babies, who are more likely to die in infancy.
- Well-nourished mothers are more likely to have healthy babies who can survive childhood illnesses.

Goal 5: Improve maternal health

Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

- Women with adequate stores of iron and other micronutrients are less likely to suffer fatal infections and are more likely to survive bleeding during and after childbirth.
- Well-nourished adolescent mothers are less likely to experience obstructed labour than their undernourished peers.

Source: Elizabeth I. Ransom and Leslie K. Elder, “Nutrition of Women and Adolescent Girls: Why It Matters” PRB.

The underlying assumption behind the health goals are that “Women’s deprivation in terms of nutrition and health care rebounds on society in the form of ill-health of their offspring – males and females alike.” – Siddiq Osmani and Amartya Sen.

progress in human survival and hence the need to survive. However, from the human development and human rights perspective, health measured by the value of longevity (life expectancy at birth) is regarded as a means of capturing those aspects of human development that address social inequalities and their bearing on the quality of life. The underlying assumption here is that longevity necessarily entails improvements in diet and nutrition, hygiene and sanitation, improvements in access to health care and in living conditions. Hence, an increase in life expectancy is taken as a proxy for qualitative improvements in health.

Despite changes in concepts and underlying assumptions – along with the motivation for using health as an indicator – mortality and life expectancy at birth have remained basic measures of progress. Further, health and health reforms aimed at achieving equality have focused on access to medical care as the most important determinant of health. Yet though access to health care is crucial, even with equal access to health care, racial/ethnic minorities, socially disadvantaged groups, and people with low incomes and limited education would still have worse health and higher mortality than privileged members of society. Social, economic, cultural conditions of life affect health and well-being in ways that access to technical and medical care can neither prevent nor correct. Consequently, human development practitioners examine issues beyond medical care in their efforts to improve health. They also try to develop measures/indicators that will capture qualitative and non-economic changes that affect health.

For these reasons, this chapter looks at the following issues:

- Historical changes in the concept of health and the use of health as an indicator of development, health policies and their links to macroeconomic and political environments;
- Inequalities in health and the different factors – socioeconomic, cultural, and behavioural – that influence health and health-seeking behaviour;
- The relevance and adequacy of conventional measures of health - life expectancy at birth and mortality - in capturing the “well-being” and quality of life envisaged by the human development approach. This concern is particularly important because underlying concepts of health and the survey instruments used to generate data have not changed;
- Whether the human development concept and its approach to improving health as a vital component of enlarging human choice can be implemented within the existing institutional mechanisms that are “top-down” and pervaded by sectoral mandates shaped by the biomedical perspective.

HEALTH IN HUMAN DEVELOPMENT

The sustained health of a population is a major objective of development, irrespective of the changes in development model and approaches. Even during the 19th century, reducing mortality and health risks was a major concern; as Prime Minister of England, Benjamin Disraeli termed public health a prime objective of domestic policy. But the main issue surrounding health in development is setting societal values for equity objectives or the extent to which health is prioritised in development; the approach

pursued in promoting health – whether through the general process of economic growth, or through the advancement of health as a separate goal. Further, do the process of development and the advancement of health necessarily go together? These are several of the many questions examined by development professionals as early as 1970s (Preston 1975; Sen 1999; Caldwell 2003; Whitehead, et al 2002). We have since learned from country experiences that exclusive concentration on economic growth does not automatically lead to better health and equity in human progress. That link has to be made through social policies with strong ethical dimensions and the management of growth. An exclusive concentration in economic growth has resulted in the failed trickle-down system and missed opportunities for human development (UNDP 1990; 1996). Further, the root causes of health inequalities must be identified and ways of tackling these causes determined. It is in this context that we now examine the links between the place that health occupies in human development, the evolution of concepts of health, and both health policies and development approaches pursued, as well as the relationship between reproductive health and human development.

Links between health and human development

Human development emerged as an alternative approach to economic-centred development, putting “people” at the center of development. A fundamental concern of the human development model is the social and gender inequalities that exist between nations and within them. Wealth is regarded as a means for achieving the well-being of people; well-being, in turn, is equated to health of

people, including the “freedom to live long” and to “live well”. The basic objective in human development is to “create an enabling environment for people to enjoy long, healthy and creative life” (UNDP 1990). It addresses the issue of how best to promote health and how to capture the aspects of human development that are not reflected in income.

Human development practitioners maintain that national income, although useful, does not a) reflect the inequalities between different population groups; nor b) show qualitative aspects of life achievements, such as better health and nutrition, secure livelihoods, work conditions, or access to knowledge/information – in short, “human good”. The HDI was conceptualised and developed to capture the aspects of human development and the inequalities that are not reflected by income or monetary measures alone. HDI is expected to provide a comprehensive measure of people’s well-being by including life expectancy at birth in conjunction with education and income. Health as such is viewed as an enhancement of capability functioning to alleviate poverty and prevent both premature mortality and escapable morbidity, including under-nourishment. Consequently, in human development, health occupies a particular place and is considered critical. Its proxy is a composite of life expectancy plus infant and maternal mortality.

Further, health in human development is considered as more than living longer and being healthy in the sense of an absence of disease or malnutrition. As noted above, it is the enhancement of one of the human capabilities that enables individuals to act and be what they desire to be. Its importance may be viewed at two levels: first, physical health

as a single dependent variable connoting the health condition of living longer and being relatively free of physical and psychological disabilities and, second, on a broader scale, attaining the quality of life connoted by the other human development measures, namely per capita income and one's level of education (Philipson and Soars 2001).

Although this is a marked improvement in the way health is conceptualised, it is hardly flaw-free. Another proxy that reflects the life experiences of the people rather than averages of the indicators at a macro level needs to be developed.

With the construction of HDI, the global Human Development Report each year attempts to show inequalities between coun-

tries by ranking them numerically according to their respective HDI levels. This type of ranking shows that achievements in income growth alone do not reflect inequalities in health (including life expectancy, infant and maternal mortality) or education. Table 6.1 indicates that countries with modest national GNP per capita have achieved significant progress in social indicators. Conversely, countries with high GNP per capita still lag behind in human progress. Even with modest income growth, health and education can be achieved through deliberate policy/programme interventions. HDR 2004 supports this observation; an increasing number of Southern countries with low GDP per capita income have progressed in human development – mainly in the area of education and improvements in life ex-

TABLE 6.1 GNP per capita and selected social indicators

Countries	GNP (per capita income in US \$)	Life expectancy (in years)	Adult literacy (%)	Infant mortality decline*	Maternal mortality**
Countries with high human development and modest per capita income					
1. Sri Lanka	3,570	72.5	92.1	65 to 17	92
2. Georgia	2,260	73.5	100	36 to 24	32
3. Costa Rica	8,840	78.0	95.8	62 to 9	43
4. Jamaica	3,960	75.6	87.2	49 to 17	87
Countries with high per capita income and modest human development					
5. Equatorial Guinea	30,130	49.1	84.2	165 to 101	880
6. Bahamas	17,280	67.1	95.5	38 to 13	60
7. Brazil	7,780	68.0	86.4	95 to 30	260
8. Oman	13,340	72.3	74.4	126 to 11	130

Source: UNDP 2004a.

* number per thousand births.

** number per 100,000 births.

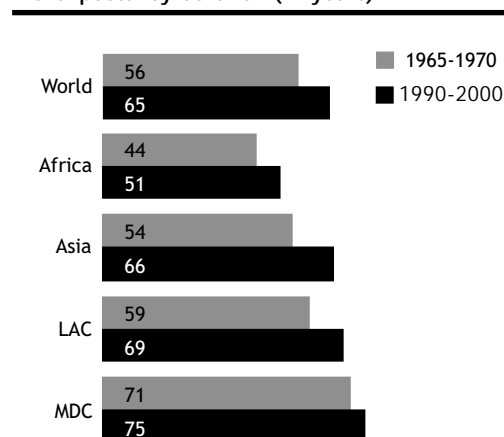
pectancy. Bangladesh, Bhutan and Nepal have moved from the ranking of low human development countries to that of medium human development countries. The development experiences of numerous countries underline the need for paying attention to the links between economic growth and human development.

Further, human development reports also show that many of the fast-growing developing countries have failed to reduce socioeconomic deprivation, thereby pointing to the erroneous assumption that income will automatically lead to a betterment of people's lives and better health. The fact that increases in income do not guarantee good health is evidenced by the rapid spread of drug addiction, alcoholism, HIV/AIDS, violence and many other morbidities that result from socio-cultural, behavioural and gender factors (UNDP 1996). Human development underscores the importance of a proper utilisation of income for investments in health as a human right, rather than as the distribution of welfare benefits.

The changes in the concept of health and health approaches, and mortality trends

As indicated in the introductory section of this chapter, the concept of health itself has undergone substantial change from the epidemiological perspective of the struggle for survival to the view of health as a fundamental human right within a sociocultural, economic and behavioural perspective. This change signifies a need to treat health as a human and behavioural issue that goes well beyond medical measures of health care and the socioeconomic concept of health. We must look instead at the evolution of the con-

FIGURE 6.1 Regional trends in life expectancy at birth (in years)



Source: PRB 1999.
LAC = Latin America and the Caribbean.
MDC = More developed countries.

cept of health in relation to the different health policies/strategies developed over the last few centuries and their links to the overall macroeconomic and political climate. The links among the three – health concepts, policies on/influencing health, and macro economic/political environment – are depicted by figure 6.1.

Health as a biological phenomenon in the human struggle for survival: Before the mid-18th century, life in Europe and elsewhere was characterised by high mortality from famines and epidemics, among these smallpox, measles, typhoid fever, cholera, yellow fever, influenza and bubonic and pneumonic plague (Haines 1999). Average longevity was only 30 years and at least 50% of children died before reaching maturity (UNDP 2000). One result was slow population growth. Consequently, issues of improving health as such were equated with reducing mortality levels and increasing life expectancy at birth.

However, mortality began decreasing in the middle of 18th century. The ensuing transition that spanned the later 1700s well into the 19th century was one of the outstanding achievements of the modern era. By 1800, the number of births exceeded deaths and human populations began to grow. The 19th century saw this rise primarily in the industrialising countries of Europe and North America. By the early 1900s, life expectancy had increased dramatically: In the USA, it rose to 56 years by 1920 and further increased to 68 years by 1950. For Western Europe, it was even higher, despite the terrible tolls of World Wars I and II. Average life expectancy for these parts of the world, along with Canada, reached 75 years between 1995 and 2000. After World War II, remarkable progress was made in reducing mortality so that by 1990-1995, global life expectancy was estimated at 65 years. Table 6.2 and figure 6.1 illustrate this pattern, life expectancy for females increasing at a slightly faster rate than that of males.

Crude death rates for the world as a whole declined from almost 20/1000 in 1950s to

9/1000 in 1990s (UN 2000). This remarkable progress is attributed to life-saving advances in medicine, public health and hygiene, and improvements in nutritional status resulting from agricultural development.

However, mortality patterns were quite different among Southern countries over the past 50 years. Life expectancy rose from 41 to 62 years between 1950 and 1995, Asia experiencing the largest increase since the late 1960s: from 54 to 66 years. Progress was much slower in sub-Saharan Africa, with a life expectancy of only 51 years (PRB 1999).

As disease patterns change, the average age at death shifts from childhood and young adulthood to later age brackets, with corresponding increases in life expectancy. These improvements in survival selectively favour the young more than the old, women more than men and the privileged more than the poor. All in all, the modern mortality transition of the mid-18th to mid-20th century was seen largely as a struggle for survival. Any change in mortality was viewed as a vital process with profound impacts on human

TABLE 6.2 Mortality trend since 1750

Approximately date	World population Growth	Life expectancy (W. Europe and U.S.)	Crude death rate (Sweden)	Infant mortality rate	Life expectancy (Latin America)
1750	-	-	-	204	-
1800	0.42	37.4	26	200	-
1850	0.51	41.5	20	149	-
1900	0.54	54.3	16	98	27.2
1950	0.82	69.8	10	22	46.4
1965	1.08	72.3	10	14	55.8
1990	1.92	76.4	12	6	67.0

Source: Haines 1999.

demographic history. The primary concern was saving lives and increasing longevity through curative and preventive measures. The policies pursued were health promotion through public health interventions and specific disease eradication programmes.

Although the pace has been uneven, the phenomenon has rapidly spread from the Northern to the Southern world. Mortality levels were therefore taken as good indicators of development and access to basic minimum health care. The period between 1945 and 1975 was also the peak of decolonisation. The newly independent countries inherited health care systems modeled upon those of the industrialised countries, and most pursued development in the image of the West. Economic development was seen as a means of ending misery and increasing longevity. Planners assumed that increases in per capita income and economic growth would lead automatically to better human health and well-being.

The epidemiological and demographic perspective: Based on mortality trends and the debate surrounding the ramifications of increased longevity for quality of life and well-being, the concept of epidemiological transition was first formulated by Abdel Omran (1971), who attempted to integrate epidemiology with demographic changes in human population in explaining the complex changes in patterns of health and disease and their interactions. The theory focused on these patterns; their demographic, socioeconomic and biologic determinants; and their consequences for population groups. It also discussed their health-care implications and identified mortality as the fundamental force in population change. In this view, the life

expectancy transition occurred in three successive stages:

- pestilence and famine, associated with a rise in infectious diseases that accompanied the Neolithic Revolution;
- receding pandemics, which involved a shift from infectious to the chronic diseases associated with industrialisation; and
- degenerative and man-made diseases characterised by aging, chronic diseases, emerging new scourges (such as HIV/AIDS) and the resurgence of older diseases (such as tuberculosis). The recent resurgence of the old and new infectious diseases drew attention to the deadly pathogens. The works of Lederberg, et al (1992) and Morse (1994) reported an ominous resurgence of morbidity and mortality from these infectious diseases and also showed the eroding effects of antimicrobial therapies in the face of growing multidrug resistance. Among the recently emerging infectious diseases, HIV/AIDS has become the second leading cause of death among adult males of 25 years and above in the USA and the main contributor to a 40% increase in infectious disease mortality over the past 15 years.

Yet mortality and births were seen as “events” determining the size of population. A mortality decline – or rise in the life expectancy at birth – is perceived as widening the gap between birth and death rates. Population growth, therefore, becomes increasingly sensitive to fertility changes. The patterns, pace, and specific dynamics of these transitional changes vary in different historical, political, socioeconomic and cultural settings. The formulation of models of the epidemiological transition for societies at different levels of social and health development pro-

vides a basis for predicting future changes in population and health. Thus, mortality and life expectancy per se was of particular interest as a determinant of population change. However, increases in longevity did not mean improvement in the quality of life.

The general reduction in deaths after 1950 led to an explosion of population growth in many Southern countries. Births remained high and the rate of natural increase (more births than deaths) shot to new heights. Birth rates declined very slowly in these countries. By 1987, world population reached its fifth billion and today has crossed the 6 billion mark – the most rapid increase in world history within just 17 years. This led international agencies and national governments to pursue policies to control fertility, focusing on restraining population growth because of widespread concern with the threat to economic development, public health and the environment. Health policy as such focused on maternal and child health and family planning (MCH/FP) programmes to reduce birth rates and slow population growth, while concerns for general health were manifest in increasing life expectancy at birth through curative and preventive measures – public health interventions and disease eradication programmes.

MCH/FP programmes were closely linked to population policies that tried to reduce population growth as a means of promoting social and economic development. These policies, adopted by a great number of governments, aimed at improving the quality of life in terms of the resources available in a given country. India's population control measures during the 1960s and China's continuing one-child policy illustrate coercive measures adopted to control fertility so

as to slow down population growth in the interests of general socioeconomic development. South Korea, Thailand and Brazil also followed policies aimed at achieving fertility rates close to or below 2 children on average.

These few examples indicate that despite a general aim at qualitative health improvement, these measures and the programmes pursued to implement them were very much influenced by the prevailing development environment.

The health equity and rights perspective:

The progress in global health achieved during the 19th century was a mixed blessing. Despite gains in longevity, reductions in infant mortality and the control of several deadly communicable diseases, there were major setbacks. Aggregate improvements in life expectancy and child mortality resulted in mortality gaps between the rich and poor, both between and within countries. In some countries of sub-Saharan Africa, infant mortality actually increased during the 1990s under SAPs, coupled with drought, armed conflict, the upsurge of HIV/AIDS and the resurgence and spread of old communicable diseases once thought to be well under control – among these, cholera, tuberculosis, malaria, yellow fever, trypanosomiasis and dengue fever. Several of these new and old diseases, notably HIV/AIDS, threatened health gains in many other Southern countries, too, as well as transitional countries in Central and Eastern Europe.

The emphasis on economic growth in the development process during the 1950s and 1960s had added to health inequalities and the perpetuation of the power of the global North, giving birth eventually to the "Health for All" movement of the 1970s. Governments

and international and national agencies widely recognised the need to improve the health of the poor. Health differentials between nations and different population groups, along with relative deprivation and a denial of basic needs and opportunities were considered important aspects of health. During the 1970s, for instance, instead of aiming primarily at mortality reduction and increasing longevity, world health organisation (WHO) led a global effort to achieve “Health for All” by the year 2000.

The 1978 international conference on PHC, held in Alma-Ata, Kazakhstan, under WHO auspices, resulted in the commitment of 134 countries to a declaration that stated: “Inequalities in the health status of people, particularly, between developed and developing countries as well as within countries, is politically, socially and economically unacceptable” (WHO 1978). PHC consequently had strong socio-political implications. It explicitly outlined a strategy that would respond not only more equitably to basic health needs, but also address the underlying social, economic and political causes of poor health. From an equity perspective, it had a strong community orientation with emphasis on universal accessibility and coverage on the basis of need (WHO 2003).

However, this movement was short-lived. After six years, international donors turned their attention from PHC to redirect funds into programmes that promised quicker solutions for more narrowly targeted problems. These had negative impacts at the community level and set back the implementation of PHC for both economic and political reasons.

The market-oriented health perspective: By the 1980s, the PHC approach to health care

BOX 6.2 Definition of health

“Health is a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity. The enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being without distinction of race, religion, political belief, economic or social condition”.

Source: WHO 2002.

faced serious problems, in large measure because of three broad factors on the global scene (Health for All 2003; Gwatkin 2002). First, the overall development picture had become complicated by the severe economic difficulties of many Southern countries following the World Bank/IMF imposition of SAPs for debt servicing. This policy package aimed at reducing public expenditure. In the public sector, real wages were held down or cut and subsidies to essential goods, notably foodstuffs, were removed or reduced. Second, the collapse of the socialist system in Central and Eastern Europe, as well as economic liberalisation in China, had led to a loss of confidence in the state-led approach to development. The market-led approach became dominant in all sectors of the economy, including health. Third, the poor performances of PHC programmes, particularly in the areas of immunisation coverage between 1990-93, the reappearance of diphtheria in several former colonies, the limited coverage of pregnant women (only 50%) with tetanus anti-toxin and declines in nutritional status shifted emphasis towards health sector reform and the sustainability approach, emphasising the efficiency and effectiveness of health services. Ability of PHC as an approach was seriously questioned in being able to deliver the benefits expected. Health of the poor was no longer the area of atten-

tion during the time. The attention shifted away from “Health for All” towards “health sector reform” with greater concern for sustainability, as reflected in the intensive activity on health financing that took place with concerns of efficiency and cost effectiveness. The World Bank publication, *Financing Health Services in Developing Countries*, in 1997 had a great influence.

Neo-liberal free-market ideology, “top down” approach based on market orientation with its emphasis on liberalisation and privatisation had a profound influence on health policies of the developing countries leading to adverse consequences on people’s health, particularly of the poor. By the 1980s, WHO, UNICEF and the World Bank had launched the global initiative for selective public health care focusing on immunizations, AIDS and tuberculosis, based on the cost-effective and efficiency criteria.

Equality in health and health services rather than overall increase in survival were the focus of the movement, which currently has regained greater concern.

Renewed concern with health inequalities:

As the third millennium began, there was a renewed concern for poverty and equity in health because of several developments in the international health community. First, a number of inter-country research projects emerged on health, poverty, and equity, supported by a wide range of donors (Carr, et al 1999; Whitehead 2000). Findings from such research works raised awareness and renewed concerns for improving the situation from equity or social justice perspective that goes beyond the socioeconomic perspective of assuming that increase in income or technological improvement in the health services

will lead to better health of the people. Second, the World Bank’s sector strategy of working with countries to improve health, nutrition and population (HNP) outcomes, adopted in 1997, highlighted the importance of improving the health of the poor and doing away with health inequalities in the development process (World Bank 1997). To this end, the Director-General of WHO, then Dr. Gro Harlem Brundtland stressed the challenge to “reduce the burden of mortality and morbidity suffered by the poor” in her preface to the Organisation’s 1999 annual report. This emphasis was further reinforced by the HDR 1997 with a new poverty measure, the HPI. Amartya Sen gave further visibility to the issues of poverty and health inequalities. These renewed emphases spurred a greater awareness of social exclusion and its role in people’s health.

Two distinctive concepts of “health” emerged in the public arena – the gender dimension of health inequalities and a broadening of the understanding of health’s contribution to development, from a basic service that helps mitigate the impact of poverty to a prerequisite of growth for poverty reduction. The gender dimension of health, exemplified by the ICPD held in Cairo, in September 1994, brought about a fundamental shift in the concept of population and health – from a biomedical and socioeconomic perspective to a reproductive health (RH) approach. It took a holistic view of women’s health encompassing both the biological aspects of women’s health and their roles in social reproduction within a life cycle approach. This meant that one had to consider the context of health, i.e. existing structural inequalities in both social and gender spheres. It set out an ethical base for promoting population and health issues in the framework of human development, gen-

der equality and equity and human rights, particularly women's reproductive rights and their right to empowerment. The conference set a new paradigm for population and health policy with shift away from demographic target fixes, incentives and coercive measures of promoting family planning towards the provision of broadly defined reproductive health services that recognise women's reproductive rights and their need for empowerment. At the core of this new thinking lay the contributions of women NGOs, health advocates and women activists. The women's movement for mainstreaming gender into the development process provided the climate for change in population and health policies from a gender perspective.

ICPD had a major influence on the 179 participating countries. Almost all Southern countries adopted a reproductive health approach to development in the context of PHC. In the five years that followed, NGOs, the UN and other donors and international agencies worked in a number of ways to advance these goals. The Cairo Programme of Action, reaffirmed by the Beijing Platform, also provided momentum and direction to post-Cairo government policies and women's health advocacy. Accordingly, most Southern countries adopted a broader approach to reproductive health within the context of PHC with the following essential components:

- family planning counseling, information, education, communication and services emphasising the prevention of unwanted pregnancy
- prevention and management of complications of abortion
- prevention and management of RTIs, STDs, HIV/AIDS and other reproductive health conditions

- adolescent reproductive health which include information, education and counseling on human sexuality
- prevention and management of sub-fertility
- life cycle issues including breast cancer, cancer of the reproductive system and care of the elderly.

Nonetheless, gender inequalities persist with unacceptably high maternal deaths and low maternity services, a feminisation of reproductive health, continued stigmatisation of women's health related to sex and sexuality, the structural limitations of health care systems in integrating broader concerns in reproductive health, –particularly those related to social-cultural aspects of RH. ICPD + 5 identified the following reasons for these setbacks as

- The estimated requirement of US \$ 17 billion to cover the cost of core family planning and RH programmes by the year 2000 did not materialise. The donor community delivered only \$2 million of the \$5.7 billion they had pledged. Southern countries, however, met more than two thirds of their commitments, despite the crushing debt burdens of Africa, Latin America and parts of South Asia.
- Globalisation and privatisation policies and the free-market ideology precipitated a global economic crisis that rocked many countries of Southeast Asia, Russia and the former Soviet republics, Brazil and Argentina between 1997 and 1999. The crisis in Asia led to drastic cuts in social sector spending. Further devaluations of national currencies placed food, medicine, and other essentials beyond the reach of large segments of the population, pushing up malnutrition rates among women and children.

- Lack of conceptual clarity and the persistence of demographically driven approaches have impeded the integration of comprehensive reproductive health within the life cycle approach into the conventional bio-medical system.

The MDGs of 2000 not only reflect the current issues and concerns of poverty and health inequalities, but also represent changes in health perspectives. The goals have been set in support of the human development aimed at ending human deprivation. Of the eight goals, four are directly related to health. These goals and targets to be achieved by 2015 have been set for monitoring human development. The elimination of poverty is assumed to bring about an improvement in people's overall health through improvements in nutrition, drinking water and sanitation as well as improvements in agricultural policies and production. Most Southern countries have incorporated the MDGs into their national plans and are committed to achieving the targets within their country-specific contexts.

More recently, the report of the Commission on Macroeconomics and Health (WHO 2001) stressed the importance of health in the context of current global economic trends and the need to address health inequalities in terms of the cost of continued ill-health and the burden of disease among the poor on overall development. The economic costs of avoidable disease are staggeringly high: "... dozens of percent of GNP of the poorest countries each year, which translates into hundreds of billions of US dollars". The Commission's key recommendation was the commitment of massive additional financial resources by both donors and national governments for scaling up

health intervention programmes – a response to the adverse impacts of SAPs, the economic costs of avoidable diseases and the renewed articulation of the positive effect of improved health on gains in growth in per capita income (WHO 2002).

Reproductive health and human development

As indicated earlier, reproductive health, as delineated by ICPD, represents a new dimension of health care and also a change in the perception of population issues – from family planning to a rights perspective that links reproductive health to human development and reinforces values of social and gender justice in development processes. Reproductive health concerns not only biological reproduction, but also all the social tasks involved in maintaining human families and communities. It contributes to population dynamics not only because it involves changes in women's "fertility" and mortality, but also factors bound up with maternity, including a woman's age at marriage, her age at the birth of each child she bears and her status within her family – all factors related to marriage rights, maternal age, and parity – that determine the well-being of human populations. In addition, gender equality and the empowerment of women contribute significantly to the regulation of fertility and therefore to achieving population stability. Further, if women are to contribute to human development, reproductive health care enhances her capability functioning. All in all, the role of reproductive health is critical in balancing the reproduction of the human population with its quality of life.

In view of this spectrum of population issues, women's health advocates became in-

Chart 6.1 Change in the concepts of health, policies on/influencing health and their links with macro economic and political environment

Change in health concepts and approaches	Policies on/influencing health	Macro economic and political climate	Institutional articulation
<p>Health as a bio-physical phenomenon of struggle for survival: High mortality from wars, famines and epidemics. Mortality decline started only from mid 17th century in industrialized countries and spread to developing countries later.</p>	<p>Primary concern was saving lives and increasing longevity through curative and preventive measures. Policies pursued were health promotion through public health interventions and specific diseases eradication programmes such as smallpox, yaws, and malaria.</p>	<p>Many developing countries emerging from colonial rule inherited health care system modeled after industrialized countries (1950s and 1960s). Countries pursued development in the image of the west. Economic development was seen as a remedy for ending misery and increasing longevity.</p>	<p>National governments and international agencies.</p>
<p>Epidemiological and demographic perspective: 19th century saw the great health transition from high to low mortality - transforming the structure of populations and contributing to economic growth by 20th century where mortality was seen as fundamental force in population change.</p>	<p>Population growth with decline in mortality called for policies to control fertility - maternal and child health and access to family planning + concern for general health was increasing e(0) through curative and preventive measures. Health promotion activities were carried out through public health interventions and diseases eradication programmes (1950s-1960s).</p>	<p>Development modeled in the image of the industrialized countries with emphasis on economic growth and increase in per capita income. Population growth seen as serious threat to development.</p>	<p>UN and donor agencies and national governments.</p>
<p>Equity and rights perspective: Progress in global health achieved with persistent inequalities gave rise to concern for equity and justice culminating in the "Health for All" movement.</p>	<p>Health for all movement was accelerated by the International Conference on PHC held in Alma-Ata (1978) - resulted in adoption of the comprehensive PHC approach. It explicitly outlined a strategy to respond more equitable basic health needs; addressed the underlying social economic and political causes of poor health; and had a strong community orientation with emphasis on universal accessibility and coverage on the basis of need. PHC had a strong socio-political implication.</p>	<p>In the field of economic development, the focus on overall growth was vigorously challenged by advocates of "trickle up" development - shift of emphasis from growth- oriented to people-oriented development with particular emphasis on needs of the people.</p>	<p>UN and other donor agencies, national governments, civil society, Health Network consisting of different health groups and NGOs supporting PHC.</p>

Contd....

Chart 6.1 Change in the concepts of health, policies on/influencing health and their links with macro economic and political environment

Change in health concepts and approaches	Policies on/influencing health	Macro economic and political climate	Institutional articulation
Market-oriented perspective on health: with people's participation (1980s)	<p>Structural adjustment programmes (E early (1980 onwards):</p> <p>Health sector reform- It recommended a combination of privatisation, cost-recovery schemes and other measures that tend to place health care out of reach of the poor. (1980-1990s).</p> <p>Sector wide approach adopted as a part of the health systems reform - Due to crisis in health sector spending, need to protect the most vulnerable incorporated in the reform measure-1997.</p>	<p>Neo-liberal responses to economic crisis due to "state failures".</p> <p>Restructuring of health systems in line with its neo-liberal free-market ideology. - Donor driven reform measures.</p> <p>Donor Agencies as "partner-ship" with national governments and CBOs/ NGOs, defining priorities within a "sound macro-economic" / "institutional framework" (relatively lenient measure due to tacit recognition of the failure of reforms in a number of countries).</p>	<p>IMF/World Bank.</p> <p>WHO/European bilateral/World Bank (Sector Investment Programmes).</p> <p>Many of the developing countries adopting SAP with cut in social sector spending for debt relief.</p>
Renewed concern/ interest in health inequalities: Renewed emphasis on health as a fundamental right of people and the elimination of health gaps between and within nations. Deepening poverty seen as affecting health of the poor.	<p>Strategy to improve the health of the poor through work on HNP - adopted in 1997. World Bank's first HNP priority is to "work with countries to improve the health, nutrition and population outcomes of the world's poor" WHO emphasis on the need to "reduce greatly the burden of excess mortality and morbidity suffered by the poor".</p>	<p>Through the 1990s, governments implementing economic reform measures designed by WB/IMF. Macro- economic environment and health trends showing increasing poverty affecting health of the poor; Asian financial crisis leading to drastic cuts in social sector spending in countries</p>	<p>Researchers and Development Professionals; Network of World Bank Group; WHO, UNICEF and UNDP; 'Health for All Now' campaign by Global People's Health Movement; and developing countries subscribing to elimination of health inequalities;</p>

Contd....

Chart 6.1 Change in the concepts of health, policies on/influencing health and their links with macro economic and political environment

Change in health concepts and approaches	Policies on/influencing health	Macro economic and political climate	Institutional articulation
<p>Gender and social inequalities as the root of the existing health inequality: concern/interest in gender disparities in health and the need to treat health from a holistic perspective, taking into account socio-cultural and economic contexts and the multiple factors influencing health of women (1995).</p>	<p>Reproductive health approach to population policies and programme adopted. The main thrust of this approach is elimination of gender inequalities as the key to improving health, reducing poverty and empowering women. The ICPD held in Cairo, September 1994 set the ethical base for promoting population issues in the framework of human development, gender equality/equity and human rights.</p>	<p>Efforts to mainstream gender in development - largely due to the women's movement and feminist lobby for gender equality/equity and social justice in development particularly in health sector; recognition of gender biases in macro economic policies with adverse impact on women. Exploitation and use of women's cheap and flexible labour to support structural adjustment policy and global market economy; feminisation of poverty and serious gender inequalities in health/sharing of resources.</p>	<p>UNFPA, UNIFEM; Women's groups and NGOs working on gender and health issues at national and international levels.</p>
<p>Health as a contributory factor in development: Need for time- bound achievements in health; good health seen as contributing to the overall development and health deprivation seen as an aspect of poverty.</p>	<p>The recent UN declaration of the time bound MDGs with a particular focus on poverty for a sustained healthy life - It contains a core list of eight goals and targets, directly or indirectly related to health, to be achieved by 2015 through improvement in nutrition, drinking water and sanitation and overall improvement in the agricultural policies and production. They reflect the current issues and concerns of poverty and health inequalities.</p>	<p>Globalization is under trial - despite the potentials of benefit of globalization the result is yet to be realized. Wide recognition of adverse impact of market led development, free trade, and privatisation on health and lives of the world's poor. Recognition of this global interdependence and renewed commitment of the world's political leaders towards reduction in poverty and improvement in health Economic growth with human face.</p>	<p>National Governments adapting reproductive health approach to population and development and empowerment of women. UNDP and other UN agencies; National governments adopting MDGs in their national contexts and carrying out poverty reduction strategy (preparation of PRSP at national level by governments).</p>

BOX 6.3 Definition of reproductive health

Cairo document defined reproductive health as: “a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity, in all matters relating to the reproductive system and to its functions and processes. Reproductive health therefore implies that people are able to have a satisfying and safe sex life and that they have the capability to reproduce and the freedom to decide if, when and how often to do so”.

Source: UN 1994.

creasingly concerned about narrowly conceived population policies and programmes that focused on contraception.

The change brought about by the Cairo Conference of September 1994 amounted to a paradigm shift:

- It placed population issues squarely within the ethical framework of human development, gender equality and equity and human rights.
- It recognised women’s reproductive rights and their need for empowerment (box 6.3).
- Its reframing of population issues enlarged the constituency for population programmes that encompass the elimination of gender inequalities as key to improving general health and reducing poverty.
- It has brought to the forefront of population thinking a growing body of scientific evidence that improving the status of women in itself contributes above all other factors to lowering birth rates.
- It moves well beyond past policies confined to family planning and fertility control by showing that population growth can be stabilised and economic growth enhanced by advancing women’s education,

their access to assets and their control over resources, and their scope for decision-making, along with improvements in meeting the broad range of women’s health needs throughout their lives, not merely during their reproductive years.

Finally, the process launched by ICPD also showed that men must participate in promoting reproductive health – in short, that family planning is not simply a responsibility of women.

Within the broad perspective schematised in box 6.4, reproductive health encompasses:

- maternal health related to pregnancy and its consequences resulting from women’s role of biological reproduction; and
- other reproductive health needs that are not pregnancy-related: health complications resulting from women’s role in social reproduction.

Women’s health, therefore, is influenced not only by bio-medical factors, but also by non-medical factors such as gender roles and norms, and socio-cultural beliefs and practices. This new thinking has had profound influence in policy changes in many developing countries.

ICPD brought about a definite change in the policy environment. It attracted the attention of high-level policy-makers, and religious leaders, as well as health professionals and advocates for women’s empowerment. For these reasons, the media gave the Conference enormous visibility. The international consensus that resulted from the Cairo debate committed the governments of many developing countries to implementing the ICPD plan of action.

Current patterns and issues of health inequalities

Despite the significant progress in public health and evolving health concepts and approaches on how best to reach and serve interests of the people, progress in health status of the people around the globe has been uneven in access to health care. Overall gains in health often hide the inequalities and worsening health outcomes for some groups of population. Such inequalities are increasingly recognised as violations of the individual's right to health as well as an issue of general ethics (Evans 2001), especially within the human development and equity perspective. Currently, an increasing number of studies on health inequalities probe the magnitude and nature of inequalities and the factors that contribute to these situations (Carr 2004; Whitehead 2000; Gwatkin 2000). Almost all this research examines differences in average health status across groups of people, focusing on different kinds of inequalities and using different measures. For example, the studies that concentrate on economic in-

equality use income as a measure to show the health gaps. Researchers with a sociological focus examine inequalities in average health status among social classes, such as ethnicity or race, while demographers focus on the differences in health status via demographic variables such as age, sex, and education. Others have studied gender or individual population groups.

Health gaps between rich and poor: Health services and modern medicines remain out of reach for the poor and socially disadvantaged. Millions of people continue to die prematurely from diseases that are preventable and/or curable. Still more live in debilitating health conditions that affect their productivity and efficiency. For these reasons, poverty has become the central focus of recent development efforts. Improving the health of the world's poorest people is a priority concern of all international development agencies and national governments. The magnitude of the health divide between the rich and poor is documented yearly by the global Human Development Report.

BOX 6.4 ICPD paradigm shift in population

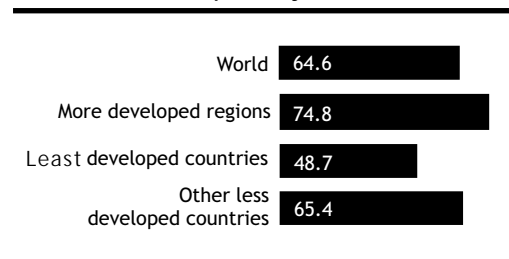
Family planning approach

- Targets reduction in population growth through fertility control and family planning.
- Population of interest mainly women of reproductive age (15-49 years).
- Health care services from supply side with emphasis on family planning through promotional means-incentives and disincentives - supply-driven.
- Emphasis mainly on maternal/child health and control of fertility (in lowering number of births).

Reproductive health approach

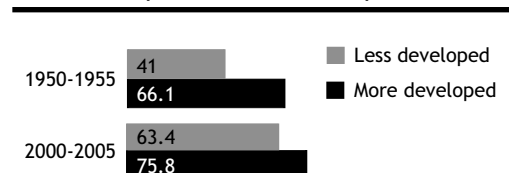
- Target-free, emphasis on improving quality of life and individual needs and choices.
- Life cycle approach - concerned with meeting the individual needs of women of all ages, and with priority group health needs.
- Provides health services including family planning + quality RH services from the clients' perspective and their health needs - demand-driven.
- Emphasis on the right of women to remain in good health - both sexual, physical and mental - emphasis in reproductive rights.

FIGURE 6.2 Life expectancy at birth, 1995-2000



Source: Carr 2004.

FIGURE 6.3 Life expectancy at birth in more developed and less developed countries



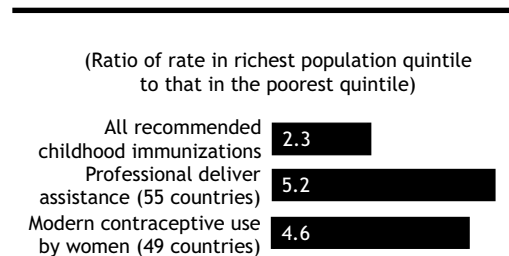
Source: PRB 2004.

FIGURE 6.4 Health inequalities in less developed countries



Source: Carr 2004.

FIGURE 6.5 Inequalities in the use of health services



Source: Gwatkin 2000.

Figures 6.2 and 6.3 show the wide disparities in life expectancy at birth between countries with different levels of development. Between 1995 and 2000, people in the industrialised and post-industrial world lived much longer (26 years more) than those born in the least developed countries. However, although the gap has narrowed over the years, the difference in average life expectancy is still more than 13 years between the rich and poor countries. The health gap between less developed and least developed countries – over 17 years – is also very significant. But the health divide between the poor and rich countries remains an enduring health issue. Preventable and treatable diseases continue to take enormous tolls in the developing countries. Recent research reveals that in Africa, infectious and parasitic diseases account for more than half of all deaths (Carr 2004) that could have been avoided. Further, the health gap between the developed and developing countries persists through time and space with respect to their survival/mortality, access to health care, and nutritional status.

Figures 6.4 and 6.5 depict these discrepancies. On average, a child from the poorest quintile is twice as likely to die as a child compared to those belonging to the richest quintile. Similarly, women in the poorest quintile are twice as likely to be malnourished than those in the richest quintile measured by body mass index. The same trend is manifest in stunting among children. Likewise, services among the poorest quintile and richest quintile reveal wide disparity. People in the poorest quintiles are less likely to access health services such as immunisations, medical assistance during delivery and modern contraceptive use. Similarly, figure 6.6 is an illustration of wealth inequalities in under 5 mortality rate

in selected countries, which reveal the magnitude of the mortality difference between countries and within countries.

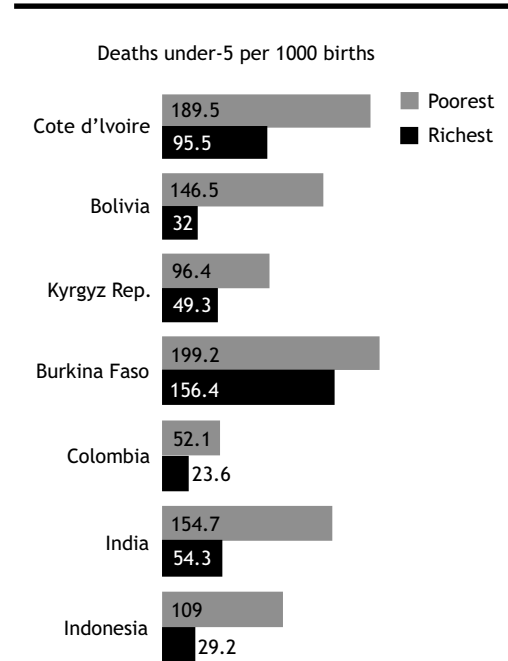
Health disparities between social groups:

In addition to the health divide between rich and poor, research has also demonstrated that people's socio-cultural contexts, as well as their beliefs and practices, determine health behaviours. Although health care and affordability remain extremely important, increasing research shows that socio-cultural factors could have worse effects on health and how people access health care. For example, in 1993 under apartheid, black children in South Africa were 5 times more likely to die before reaching the age of 5 compared to poorer white or mixed-race children. Current interest in health differences between social groups stems from their covariance with other socioeconomic variables. It is therefore important to understand and distinguish health issues that relate to distribution issues and those related to social inequalities (non-health factors), requiring broader multi-level social and economic interventions.

However, systematic documentation on the social conditions of life affecting health is scanty because of the difficulties of collecting such data. At best, data on health differentials based on ethnicity and race/language may be taken as representative of many socio-cultural effects on health.

The development of the Calvert-Henderson Health indicators by a group of scholars and practitioners (Calvert-Henderson 2000-2004) provide revealing data on trends in health differentials between race and ethnicity in the US from 1983 to 2001, as shown by figure 6.7. Despite the fact that United States has

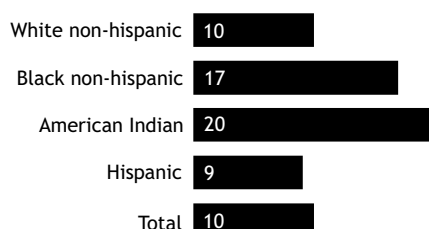
FIGURE 6.6 Under-5 mortality and income status in selected countries



Source: Cote d'Ivoire DHS 1994; Bolivia DHS 1998; Kyrgyz Rep. DHS 1997; Burkina Faso DHS 1992/93; Colombia DHS 1995; India National Family Health Survey 1992/93 and Indonesia DHS 1997.

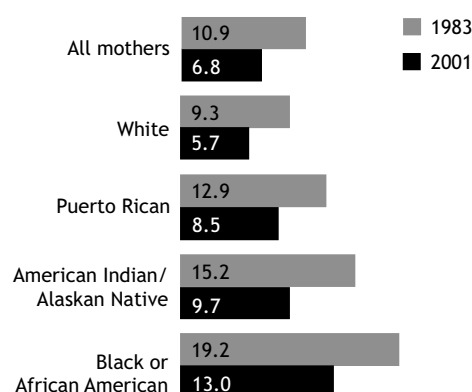
the highest cost health care services per capita worldwide, it ranks below most of the wealthy nations and even some of the poorer countries in basic health statistics, such as infant mortality, and life expectancy at birth. The benefits of health care are distributed unevenly across different groups of population with large disparities depending on race/ethnicity and education level. Further, figure 6.8 reveals higher percentages of American Indian and African-Americans in fair or poor health than white or Hispanic populations. Similarly, infant mortality rates per thousand in 2001 have been persistently highest among African-Americans (13) and American Indians (9.7).

FIGURE 6.7 Percent of Wisconsin residence reporting fair or poor health by race/ethnicity



Source: Roberts 2002.

FIGURE 6.8 Trends of infant mortality by mother's race/ethnicity



Source: Accessed on online at www.calvert Henderson.com/health.htm.

Gender disparities in health

Although women and girls comprise half of world population, it is only recently that gender issues in health have been treated as a priority concern by health planners and policy-makers. This led to focusing on women's health and its multiple determinants and adopting a gender approach to health and development. This approach has, in turn, attracted greater attention to gender-based inequalities that adversely affect women's health, as well as that of their children and families. Such gender inequities are generally

due to political, economic and societal forces hindering development at large. In many of the developing countries, this has at times led to serious deprivation of girls and women. As Amartya Sen remarked in his inaugural lecture for the Radcliffe Institute at Harvard University, there exist "many faces of gender inequality". The deeply unequal sharing of adversities between women and men persists worldwide in health as well as other spheres of life. Because of prevailing socio-cultural and economic conditions, many girls suffer from malnutrition, anemia and other forms of debilitating health conditions. All these factors profoundly affect their health in their reproductive years, when, in addition to the normal difficulties of both sexes during adolescence, girls face early marriage, early pregnancy and life-threatening health risks, among them those highlighted below.

Maternal mortality: According to WHO (2001), over one-third of all the healthy life lost among adult women in poor countries stems from reproductive health problems – as compared to only 12% among men. Nearly 600,000 women die every year (over 1,600 every day) from complications of pregnancy or delivery. Of this total, 48% occurs in Africa, 31% in Southeast Asia, 4% in Latin America and the Caribbean, and less than 1% in the world's more developed regions (figure 6.9 and annex table 6.1).

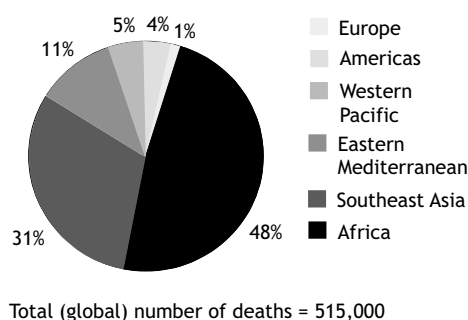
In the past, reproductive health strategies focused primarily on maternal health. Although there have been marked decreases in infant and child mortality in all countries, no comparable trend holds for maternal mortality. The proportion of deliveries attended by skilled personnel is less than 20% in some countries. The lifetime risk of maternal death ranges from 1 in 9 to 1 in 500 despite a drop

in fertility from 4.7 children in 1970 to 3 in 1990-1995, due to the use of contraception among nearly half the women of childbearing age. These indicator values reflect the varying social status of women, as well as their access to essential obstetric care.

In addition, 100,000 maternal deaths result from the 20 million unsafe abortions that occur every year; 80 million pregnancies are said to be unwanted or unplanned. Figure 6.9 shows the wide disparities in maternal deaths (see also annex table 6.1).

Mortality inequality: In addition to high maternal mortality and inadequate access to trained medical services during pregnancy, women and girls often face discrimination in health and special obstacles in accessing health care from birth onwards. This is reflected in gender disparities in life expectancy and adverse sex ratios. In societies where women are treated equally, average life expectancy is 65 for females and 62 for males and the sex ratio is about 106 females to 100 males. Any reversal of this ratio indicates gender discrimination and a neglect of girls and women resulting in unfavourable health outcomes (see chapter 4). Gender discrimination in a glaring form manifest in a marked imbalance in sex ratios – particularly in East and South Asian countries such as China, Taiwan, South Korea, India, Nepal, and Pakistan. The high juvenile sex imbalance has been historically documented in these countries, along with the phenomenon of missing women and girls (box 6.6; Sen 1992; Sajeda 1990; UNDP 1995). Tables 6.4 and 6.5 show, respectively, sex ratio trends in China, the Republic of Korea and Taiwan and the phenomenon of missing girls. The male/female composition of population has been increasing in favour of men despite the

FIGURE 6.9 Maternal deaths by WHO regions



Source: Hill, Abou and Wardlaw 2001.

TABLE 6.3 Skilled care at delivery and maternal deaths, regional comparison, 1995

	% births assisted	MMR
Sub Saharan Africa	45	967
South Asia	59	430
East Asia and Pacific	73	189
Middle East and N. Africa	77	175
Latin America/Caribbean	83	146
Central, Eastern Europe	97	45
North America	100	9

Source: Hill, Abou and Wardlaw 2001.

TABLE 6.4 Trend of sex ratio in China, Taiwan, Korea, and India

Year	Sex ratio at birth			
	China	Taiwan	Korea	India
1961		106.5		106.3
1971	105.2	106.2		107.5
1981	107.1	107.0	103.9	107.1
1991		110.0	116.8	107.9
2001	107-120			107.2

Source: Chaudhury 2002.

BOX 6.5 Calculation of missing women

"For example, if we take the ratio of women to men in sub-Saharan Africa as the standard (there is relatively little bias against women in terms of health care, social status and mortality rates in sub-Saharan Africa, even though the absolute numbers are quite dreadful for both men and women), then its female-male ratio of 1.022 can be used to calculate the number of missing women in women-short countries. For example, with India's female-male ratio of 0.93, there is a total difference of 9 per cent (of the male population) between that ratio and the standard used for comparison, namely, the sub-Saharan African ratio of 1.022. This yielded a figure of 37 million missing women already in 1986 (when I first did the estimation). Using the same sub-Saharan standard, China had 44 million missing women, and it was evident that for the world as a whole the magnitude of shortfall easily exceeded 100 million". Amartya Sen (extracted from inauguration lecture, Radcliffe Institute at Harvard University, on April 24, 2001).

"female advantage" due to genetic hormonal differences (Lemaire 2001). This imbalance indicates son preference and gender biases against daughters because of the ideological values attached to sons and their socially ascribed economic, social and religious roles. These become a strong enough motivation for couples and families to resort to sex-selective abortion and infanticide, as well as

discrimination against girls through nutritional neglect and unequal care compared to boys during infancy and early childhood. Sex-selective abortion is rising in parts of Asia where parents can now have pregnancies scanned. Amartya Sen estimated in 1992 that some 100 million women were eliminated from the global population because of such activities. Indeed, such trends have increased since 1961 in China, Taiwan, Korea and India. The number of excess deaths of girls in China is 13 per 1,000 live births and, in India, 36/1,000. The number of excess abortions per 1,000 female live births is estimated to range from 9 in India to 48-81 in China.

Inequalities in nutritional status: The social practice of discrimination against surviving girls tends to manifest itself in a lower nutritional status of girls and women, which is the most proximate cause of ill-health compared to boys and men. Available information and research in India, Pakistan and Bangladesh show that girls are deprived of adequate nutrition and health care (Das Gupta 1987; Pande 2000; Basu 1989; Chen, Haq and D'Sonza 1981). The strength and persistence of such discriminatory practices in South Asia, particularly in India, stem from

TABLE 6.5 Numbers of girls missing per 1,000 live births

	China 1989-90	South Korea 1992	India 1981-91
No. of excess deaths age 0-4 per 1,000 female live births ¹	13	-	36
No. of excess abortions per 1,000 female live births ²	48-81	70	9
Total No. of girls missing per 1,000 female live births	61-94	70	45
Total No. of girls missing per 1,000 live births (m+f)	30-46	34	22
0-4 mortality rate 1991	61	14-17	109-119

Source: Das Gupta, et al 2001.

¹ Computed from the sex differential in recorded mortality, compared with West model life tables for the prevailing life expectancy.

² Computed from the recorded sex ratio at birth, assuming a normal ratio of 106.

the perceived value of boys and the cost of social obligations involved in the marriage of girls.

Nutritional deficiencies can be detected early among girls, so that they need not persist into their reproductive years and later life. However, a recent study of family composition effects on nutritional differentials and immunisation in India (Pande 2000) shows that gender differentials may be selective; girls with other sisters may experience more discrimination than those with no siblings or sisters (see also chapter 4). Therefore the sex composition of siblings and their birth order are also factors to be considered. As table 6.6 shows, parents appear to prefer balanced sex composition.

Similarly, nutrition deficiencies are also found among older women, both mothers and non- mothers. Country level surveys and studies (Gwatkin, et al 2003) show the extent of malnourishment among women, as well as the disparities between women who belong to poor and rich families (table 6.7). On average, women from the poorest quintile of the population are twice as much likely to be malnourished than those in the richest quintile. Similarly, children from the poorest quintile are likely to be more than three times stunted than children from the richest.

Other gender-based violence, reproductive health and HIV/AIDS: Discussed in chapter 4, GBV is a cultural manifestation of how socially ascribed norms of behaviour and role expectations subordinate women to men. GBV may be seen as a mechanism for reinforcing and perpetuating unequal gender relations through the exercise of force to keep

TABLE 6.6 Proportion of girls and boys severely stunted, by sex composition of surviving sibling(s)

Sex composition of surviving sibling(s)	Stunted		Fully immunised	
	Boys	Girls	Boys	Girls
None	0.31	0.30	0.38	0.36
One sister	0.34	0.36	0.35	0.31
2+ sisters	0.27	0.38	0.35	0.31
1 brother	0.29	0.34	0.35	0.32
2+ brothers	0.40	0.36	0.22	0.26
Mixed	0.37	0.39	0.23	0.20

Source: Pande 2000.

TABLE 6.7 Malnutrition among women/mothers in selected countries

Countries	Malnutrition among women/mothers	
	Poorest quintile	Richest quintal
Cambodia	24	17
Dominican Republic	10	6
Haiti 1994-95	25	9
Haiti 2000	17	8
Yemen	39	13
Bangladesh 1996-97	65	33
India	50	15
Nepal (2001)	27	15

Source: PRB 2004.

women under men's control. Until recently, such behaviour was regarded as normal. Only recently has GBV been recognised as a public health problem and a human development issue to be brought into development discourse as a gross violation of human rights.³

³ (CEDAW, General Recommendation No. 19, A/47/38, 1992; UNIFEM, online www.undp.org/unifem; UNFPA 2001; WHO 2002; Interagency Gender Working Group 2002; Kishore and Johnson 2004).

BOX 6.6 Definition of GBV

"Any act of GBV that results in or is likely to result in physical, sexual, of psychological harm or suffering to women, including threats of such acts, coercion or arbitrary deprivation of liberty, whether occurring in public or private life".

Source: UN general assembly, declaration on the elimination of violence against women 2003.

BOX 6.7 Abuse and violence

"Abuse and violence are major causes of disease burden world wide and there are many types: violence between individuals, including inmate partner violence, and collective violence orchestrated as part of wars and genocides - In 2000, violence caused 70,000 deaths in the world: about 50% by suicide, 30% by interpersonal violence, and 20% by collective violence".

Source: WHO 2002.

The serious health consequences of GBV are increasingly being documented and ways to deal with it within health sector services are being explored. WHO, for example, estimates that at least one in five women has experienced violence during her life (WHO 1997). Other studies estimate the figure as one in three (Heise, et al 1999). GBV can have long-term psychological and physical consequences. Its frequently devastating effects on the lives and health of women and children need to be related to both women's reproductive health and HIV/AIDS (box 6.7).

It is generally agreed that GBV: (a) is a serious, pervasive problem that undermines progress in RH and curbing the spread of HIV/AIDS; (b) directly affects women's access to services, specifically their ability to

obtain contraceptives; (c) hinders informed choice; (d) handicaps sexual negotiations, particularly in the use of condoms; (e) is a factor in spreading HIV/AIDS; and (f) increases the likelihood of maternal deaths and contributes to poor birth outcomes.

GBV takes place in different degrees and forms in all parts of the world, irrespective of the cultural diversity and levels of economic development (box 6.8 and 6.9). Figure 6.10 shows the incidence of GBV in 13 countries.⁴ According to the DHS survey, the prevalence of GBV among women between 15-49 years and the percentages of married women who have experienced violence in the 12 months preceding the survey ranges from 21% in India to 58% in Zambia. Similarly, the recorded cases of violence in Lebanon, Mozambique, Nepal and Romania, among the nine countries where the pilot project on GBV was carried out, the incidence of GBV ranged from 11% in Nepal to 48% in Mozambique. Other prevalence estimates show similar results; an overall review of available estimates in more than 30 Southern countries shows rates between 8% and 70% of women who reported violence by a family member, (Heise, et al 1999), the majority being spouses/partners. The violence ranges from domestic beatings and spousal rape through sexual abuse, including that of children (see annex tables 6.4 and 6.5). The health consequences reported in the DHS ranges from bruises and aches through emotional trauma to pregnancy/abortion requiring hospital treatment (annex table 6.6).

Although systematic documentation of the RH consequences of GBV is still lacking, sev-

⁴ Incidences of GBV in nine countries are drawn from Demographic Health Survey (Kishore and Johnson 2004) and others are from a recent evaluation of pilot project on integrating GBV in health facilities (Pradhan 2003) (see annex).

eral studies show a close linkage between GBV and RH. Other studies also link RH consequences to GBV in that GBV has a negative effect on RH outcomes where GBV increased the risk of fatalities (homicide, suicide, maternal deaths, AIDS-related deaths) and non-fatal (physical and mental, high-risk behaviors) outcomes (Heise, et al 1999). Similarly, a recent study undertaken by WHO on women's health and domestic violence in Peru, Brazil, Japan, Thailand, Bangladesh and Namibia, shows a severe RH effects where: (a) forced sex was common in marriage; (b) women were frequently abused sexually in childhood; (c) violence led to unwanted pregnancies, as well as evidence of abused women having more children than others (www.who.int/en/).

Although the links between GBV and HIV/AIDS is less clear, recent studies have shown complex dynamics between the two. Violence is a risk factor for HIV/AIDS. A study in Nicaragua (Heise, et al 1999) shows that childhood sexual abuse leads to a younger age for girls' first sexual experience and increases the chances of risky behavior in terms of numbers of partners and unprotected sex. In Nicaragua, 15% of all adolescent pregnancy was associated with histories of sexual abuse. Further, sexual violence also limits women's ability to practice safer sex and protect themselves from STIs as well as unwanted pregnancy. The study revealed that 30 % of women who have been abused reported that their husbands refused to use condoms to prevent diseases – compared to 10% of non-abused women.

Recent figures on the spread of HIV/AIDS (box 6.10) show that women bear unequal burden of the disease. In 2000, 1.3 million women died of AIDS and over 16.4 million are currently

BOX 6.8 Violence and discrimination

Gender based violence is a serious violation of human and women's rights. It continues unabated in many parts of the world. Thousands of "honour killings" take place every year, mainly in Western Asia, North Africa and South Asia. Thousands of women are also subjected to genital mutilation. Some 25,000 women are burned to death each year in India as a result of dowry disputes.

Source: International women's day. Accessed online www.msstate.edu/president/oped/dm/diversity_matters.

BOX 6.9 Rape and physical abuse

Rape and physical abuse are also on the increase, but many cases go unreported because of the shame and stigma attached. In the USA, one woman is battered every 15 seconds, usually by her intimate partner. Every year two million girls, between 5 and 15 years old, are introduced into the commercial sex market. Over 100 million girls suffer genital mutilation every year, resulting in at least 2 million deaths.

Source: UNFPA 2000.

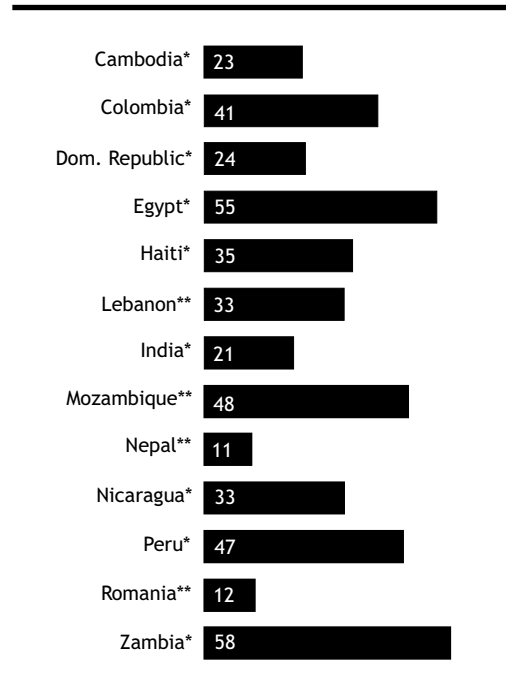
living with HIV/AIDS. Of those infected in sub-Saharan Africa, 55% are women. In certain African countries, 80% of women cannot protect themselves from unsafe sex.

The transmission of HIV is twice as great in women as in men. Teenage girls are five times more likely to be infected than boys of the same age. It must also be remembered that women are the principal caregivers of those dying of AIDS, as well as of AIDS orphans.

Criticisms of current health measures in human development

Mortality statistics have been widely used by development professionals and practitioners as indicators for assessing development. Amartya Sen (1998), for example, ar-

FIGURE 6.10 Incidence of gender based violence



Source: Pradhan, Kishore and Johnson 2004.

gued that mortality data are essential indicators of economic development. Data on how long different groups of people live reflect vital aspects of their quality of life and effectiveness of economic policy. Such information permits the measurement of both overall performance and distribution related to class, gender and race. However, as Amartya Sen also noted that longevity depends on the social as well as physical conditions in which we live. Increasingly, as chapter 4 has indicated, the inadequacies of the use of mortality statistics are being debated. Numerous studies have endeavoured to develop alternative measures of the health of populations. One that has attracted wide interest is the summary measure of health, which combines information on mortality, along with non-fatal outcomes

within the life span. It measures the differences between what is and what could be. The WHO annual report of 2000, devoted to improving the performance of health systems, breaks new ground in presenting an index of the performance of national health systems to measure attainment of three health goals: good health, responsiveness to people's expectations, and fairness in financial contributions. Similarly, other researchers question the use of the life expectancy indicator to measure quality of life and well-being (Murray, et al 2002; Raya 2001). However, as the human development model continues to use life expectancy at birth, along with mortality, as a single dependent variable in the composite HDI, it is necessary to examine the appropriateness of these indicators as measures of health. Some of the critical issues are the following:

- **Insufficient information:** Average life expectancy at birth is an aggregate measure of the number of years of life lived by population groups that does not reflect improvements in the quality of life or the conditions under which people live. Gains in life expectancy index tell us little about nutritional status or the disabilities of individuals and population groups. It simply assumes that longevity entails adequate food, nutrition and medicine. However, as Table 6.8 indicates, large numbers of children and populations in general who are nutritionally deprived live longer than they did earlier. Similarly, some studies show that malnutrition interacting with infections and other poor health and social conditions saps the strength and well-being of millions of women and adolescents (Ransom and Elder 2003). As Sen himself has pointed out, mortality does not provide a full picture; once one is

dead, agony disappears. The agony of those living in illness needs to be captured. The longevity indicator alone cannot reflect morbidity.

- **Lack of a measure of well-being:** As indicated above, health in human development has a particular place in reflecting not only bio-physical aspects of health, but also its quality: how human development affects the overall well-being of people – a normative notion of health plus well-being. By contrast, life expectancy at birth, being an aggregative measure of the length of time one is expected to live, measures only mortality i.e. number of years lived. It does not tell us whether the life lived is free of disease or disability or the individual's experience of the extent of her or his capabilities. The health of population should reflect the health of individuals throughout the life course, taking into consideration both mortality and morbidity conditions and their weight in overall well-being. From the human development perspective, health should reflect the full range of individual experiences including the “non-health dimensions” that influence health. Life expectancy as such is inadequate in capturing the qualitative aspects of health.
- **The calculation of life expectancy:** Another point at issue in the use of life expectancy at birth is its method of calculation. Normally, life expectancy is calculated from census figures and birth registration. However, in many countries, a complete registration system usually does not exist. Life expectancy estimates are calculated from models of adult to child mortality levels that are problematic. This is difficult because of the markedly different ratios of adult

BOX 6.10 HIV/AIDS demographics, South/Southeast Asia

Composition of the infected population 2001:

Women	36%
Men	61%
Children	4%

People living with HIV/AIDS

As of end of 2002 an estimated 42 million adults and children worldwide were living with HIV/AIDS, of which 95% of the world HIV/AIDS population lives in less developed countries and 71% of the population lives in Sub-Saharan Africa.

Source: UNAIDS 2002.

and child mortality levels found in different countries. Consequently, different sources, such as data on parents reporting the “proportion of their children dead” or mothers' reports of their histories of child birth and loss are taken as proxies for mortality levels. However, such surveys are infrequent and their generalisations fail to capture actual mortality fluctuations. There is therefore a need to look behind national averages to understand the variations in levels of mortality across areas and population groups.

- **Difficulty in identifying factors that contribute to mortality decline:** As discussed above, simply looking at events of births and mortality patterns do not explain the reasons for the general decline in mortality or increase in life expectancy. It does not tell us whether these stem from improvements in modern medicine, increases in living standards, increases in income and education, or change in cultural attitudes and behaviours. Throughout the last few decades, as we have seen, development professionals and researchers have tried

to identify reasons for the worldwide decline in mortality and increase in life expectancy and have come up with various explanations. The debate continues culminate with the most plausible explanation. Population characteristics are related to their setting, the context in which people live. Therefore, context variable becomes an important factor in explaining for the decline and differences in mortality. Deaths and births are events; they do not have much meaning outside of the context in which they occur. Only when the events are related to the social, economic and cultural environments in which they take place does their meaning and importance become apparent. Life expectancy at birth as a measure of health has little relevance unless it is linked to its contextual variable.

It is evident that while the concept of human development has broadened, the narrow proxies of the HDI have not changed. According to Fukuda-Parr (quoted in UNDP 2002a), HDI has reinforced the narrow, oversimplified interpretation of the human development concept as merely the expansion of education, health and a rise in standards of living.

DETERMINANTS OF HEALTH STATUS AND HEALTH DISPARITIES

Most of the health interventions undertaken thus far have focused on access to medical care as the most important determinant of health. However, despite the policy shifts and emphasis on improved quality health services outlined above, health inequalities remain widespread and persist through time and space in the countries of South as

well as the North. Numerous theories have been advanced to explain differences in health and access to health care to achieve social justice. Farr's work during the 18th century represents the earliest study on the social inequalities of health (Whitehead 2000). He identified contextual variables – the particular civilization, occupation, the physical environment, hunger and sanitation – as important determinants of health inequalities.

More recently, several studies have pointed to a variety of social, cultural, economic, and behavioural factors, in addition to those of the prevailing health system. A whole body of literature has been developed in "health transition" work, much of it derived from a seminal series of workshops that began in 1985, supported by Rockefeller Foundation, on the subject of Good Health at Low Cost (Caldwell and Santow 1989; Caldwell, Findley, et al 1990). The major interest of the health transition scholars is the role played by social, cultural and behavioural factors – as distinguished from health interventions or economic or nutritional factors – in determining levels of mortality or morbidity. During the ensuing 20 years, compelling research in health transition has been carried out, which provided: (a) analytical and theoretical framework for the analysis of health changes and (b) evidence of how non-biomedical factors, such as the role of education, household and cultural factors in determining the health of children and women (Mosley and Chen 1984; Basu 1989; Simons and others 1989). Caldwell (1986), in a celebrated work on achieving low mortality in poor countries, identified education as a critical factor in lowering infant mortality and raising life expectancy at

birth. He studied four poor countries – India (Kerala), Sri Lanka, Costa Rica and China – and the relative cost-effectiveness of such measures in promoting health.

A surge of new research focuses on health inequalities within and between countries (Gwatkin 2000). Five technical papers that illustrate approaches to dealing with different aspects of poverty. They are expected to contribute enormously to our understanding of the magnitude and nature of the problems that affect the underprivileged and separate them from the better-off. However, no new strategies have yet emerged for tackling these problems,

Also in response to the renewed concern about health inequalities, the World Bank has initiated a programme entitled “Reaching the Poor” with support from the Gates Foundation and the governments of the Netherlands and Sweden. The programme will (a) take stock of how well or poorly existing health programmes and initiatives have reached needy population groups; and (b) begin identifying the reasons why some do not (Gwatkin 2001; World Bank, www.worldbank.org/poverty/healthdata/discussion2.htm).

Further, research work undertaken through the Population Reference Bureau points to the need for a long-term comprehensive pro-poor approach that can address multiple social and economic determinants of existing health disparities and improve access to vital services.

All these works reveal that many of the causes of inequalities are social, cultural, economic and behavioural in origin. However, this literature says little about processes

TABLE 6.8 Nutritional deprivation and longevity

Countries	Under-weight children age 5 years (% of total)	Under-nourished population (% of total)	Improvement in life expectancy at birth (in years)	
	1995-2000	1997-2000	1975	2000
Medium HDI				
Maldives	43	...	51	68
India	47	23	50	65
Jamaica	33	8	69	75
Philippines	30	24	58	70
Sri Lanka	33	23	65	73
Viet Nam	33	19	50	69
Low HDI				
Bangladesh	47	35	45	61
Nepal	38	23	43	60
Pakistan	48	19	49	61

Source: UNDP 2002a and 2003.

through which these non-health factors, including gender, create inequalities.

In Nepal some studies provide a framework for mapping sequence of the health of people in various social, cultural, economic and environmental settings and the influence of these factors on health outcomes (Pradhan 1995; 2003). These analyses derive from the premise that the health of both women and men – particularly those belonging to socially and economically disadvantaged groups – is “rooted in social and gender inequalities”. Consequently, a largely biomedical framework for providing health care is inadequate to bringing about improvements in the health conditions of the poor and the disadvantaged.

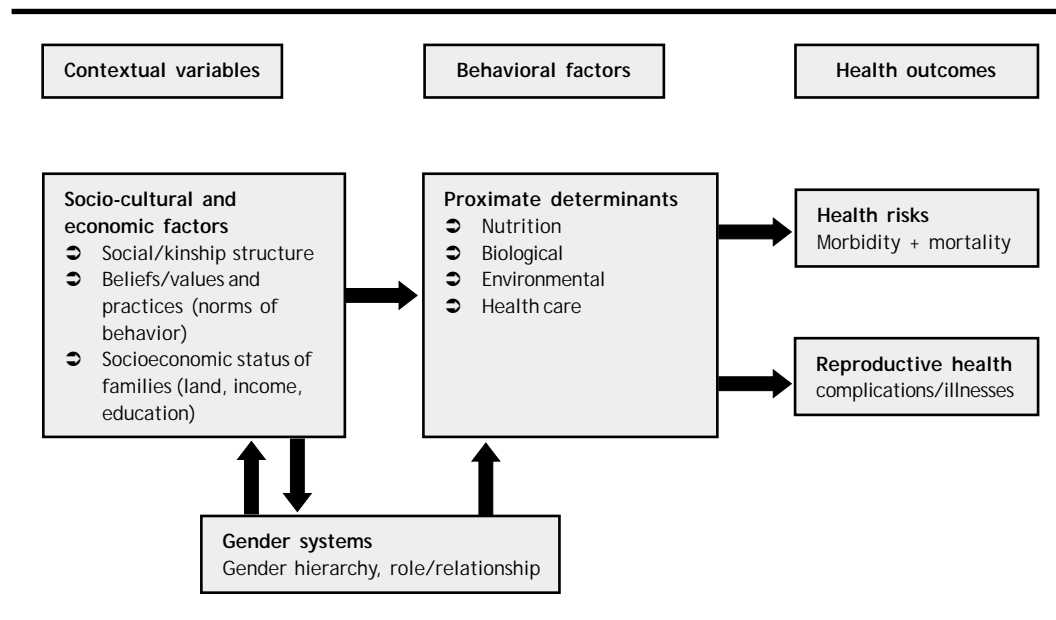
This framework, set out in figure 6.11, shows the sequential influence of factors affecting health. It incorporates sets of socio-cultural, economic, gender, biological and behavioral factors. It also provides for the measurement of morbidity and mortality as health risk factors in overall health – particularly reproductive health. The key is the identification of the proximate variables that are biological and environmental, including nutrition, sanitation and occupational conditions, along with maternal and health care factors. Figure 6.12 elaborates the indicators of the proximate variables. All socio-cultural, economic, and gender determinants necessarily operate through a common set of biological mechanisms or proximate determinants to create impacts on mortality/morbidity in reproductive health. It is hoped that this framework will stimulate further thinking and research in conceptualising health from non-biomedical and gender perspectives.

THE HEALTH SITUATION IN NEPAL

Nepal has undertaken a series of initiatives to address health issues at the national and district levels that have resulted in significant progress over the last three or four decades, particularly in reducing mortality rates (including maternal and infant/child deaths), preventing and controlling endemic diseases such as small-pox, measles, malaria, tuberculosis and extending the immunisation coverage of children. However, the country still faces some of the most formidable challenges in meeting basic minimum health standards and tackling the health disparities that exist between different population groups. Further, the current widespread violence poses new challenges.

Trends in policy development: Trends in health policy development show that

FIGURE 6.11 Determinants of health outcomes



Nepal's health concerns and have been guided by trends in global health policies/strategies. Following the declaration of the Health for All Strategy in 1978, HMG/N undertook policy measures and programmes for promoting health at the national and district levels. In 1991, a national health policy (NHP) aimed at enhancing the health status of the country's rural population (86%), addressing service delivery as well as the administrative structure of the health system was adopted. It also contains elements of the PHC approach, as well as the HSRS.

The Eighth Health Plan (1992-1997), the Ninth (1997-2002) and second long-term health plan of 1997-2017 were developed in keeping with the NHP. Its main features are:

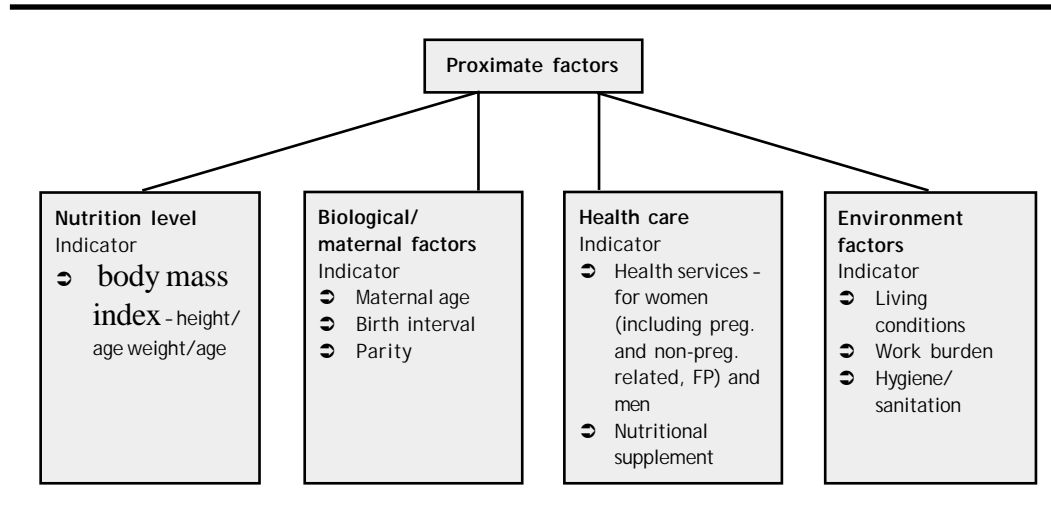
- developing integrated and essential health care services at the district level and below,
- encouraging active community participation and the mobilisation of the private sector to develop general as well as specialised health services,

- ensuring quality assurance in health care
- making MCH/FP an integral part of PHC services,
- promoting inter- and intra-sectoral coordination,
- decentralisation of health administration
- developing the traditional system of medicine, and
- promoting the participation of national and international NGOs, private enterprises and foreign investors.

In practical terms, its achievements include the adoption of an integrated approach to all programmes, and the implementation of special programmes such as district health systems development, safe motherhood, community drug schemes, the health management information system, and special surveys to re-evaluate the achievements in the implementation of the health policy (HMG/N/MoH 2004; HMG/N/DHS 2003).

Following ICPD in 1995, the NHP was adapted to recognise the reproductive and

FIGURE 6.12 Proximate determinants



sexual health rights of women, adolescents and youth. A Comprehensive Reproductive Health Strategy was developed, along with a multi-sectoral and incremental approach to strengthen the existing Safe Motherhood and Family Planning Programmes that contained the following seven components of RH (MoH/HMG/N 1998):

- Family Planning
- Safe Motherhood including child health (newborn care)
- Prevention and management of the complications of abortion
- RTI/STD/HIV/AIDS
- Prevention and management of sub-infertility
- Adolescent reproductive health; and
- Problems of elderly women.

Components such as RTI/STD/HIV/AIDS and adolescent reproductive health were added to the existing service programme. Further, various policy documents, strategies and guidelines have been developed by the MoH to strengthen safer motherhood initiatives in Nepal, especially after the ICPD Conference. The interest in reproductive health grew in the aftermath of ICPD; governments and NGOs had developed a number of new programme initiatives, largely supported by external development partners.

Further, HMG/N is committed to bringing about tangible changes in the health-sector development processes. The Nepal health sector programme implementation plan (NHSP-IP) (2002-2009) and Tenth Five Year Plan (2002-2007) aim to provide an equitable, high quality health care system for the people. The Tenth Plan, in line with the Poverty Reduction Strategy, incorporates the MDGs. All in all, HSRS aims at moving the

health sector towards strategic planning and a sector-wide approach. It provides operational guidelines for implementing the outputs of the HSRS (such as those related to improvement in supply of health care services and sector-wide management issues, including the management of financing and resource mobilisation, physical assets and human resource development, as well as an integrated information system) during the first five years. The goal of the health sector strategy is to achieve the health sector MDGs in Nepal with improved health outcomes for the poor and those living in remote areas and a subsequent reduction in poverty. Support for the formulation of HNRP-IP has received support from Nepal's external development partners. However, policies remain largely bio-medically oriented with a focus on strengthening the supply of health services. Socio-cultural factors have yet to be addressed. The main constraints are frequent changes of government, limited national resources for the development of health services, centralised administration, ineffective management and supervision, difficult geographic conditions, slow economic growth, and the lack of a socio-cultural and gender perspective grounded in the actual experiences of women and men.

Health status in Nepal: Significant quantitative achievements have taken place in terms of an increase in overall longevity, a reduction in mortality, an increase in the distribution of health services, improved access to MCH/FP services, resulting in a significant reduction in fertility, and a general awareness of population and health issues. However, a closer look at the health experiences of the Nepalese from a human development perspective shows that the

country still has a long way to go in improving basic quality of life and humane conditions. The vast majority of the people in the rural areas continue to live in poverty, deprived of even minimum requirements. Socioeconomic and gender inequalities in health persist. Maternal mortality is unacceptably high.

Life expectancy and mortality trends: The trend in life expectancy at birth, and mortality levels show that impressive progress in health has been made overall during the last 30-40 years. Life expectancy at birth increased from a mere 35 years in 1961 to over 60 years in 2001. Similarly, the infant mortality rate declined from 172 per 1,000 in 1971 to 64/1,000 in 2001 (figures 6.13 and 6.14). However, average improvements in longevity diverge widely between different population groups and geographic areas, as well as between women and men. Further, the existing poverty situation, including nutritional levels, reveal acute human deprivation in terms of capability to survive and the quality of life itself.

Social and ethnic variation: Among the ethnic groups, life expectancy varies widely, with the Muslim population having shortest life span (only 48.7 years) compared to *Newars* and *Brahmins* (62 years and 61 years respectively). Similarly, the hill groups – *Gurungs*, *Magars*, *Limbu*, *Rai*, and *Sherpa* – are comparatively disadvantaged in their chances of survival. Measured in terms of HDI, these popularion groups rank significantly lower than higher caste groups.

Gender disparities in health: Despite the overall improvement in health, gender disparities are evident in all the health indicators: mortality, life expectancy, nutritional

FIGURE 6.13 Trend in life expectancy at birth

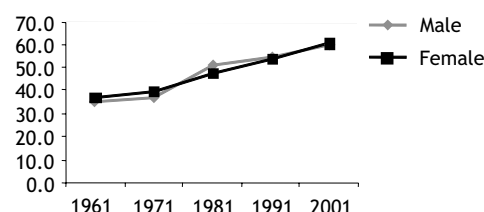
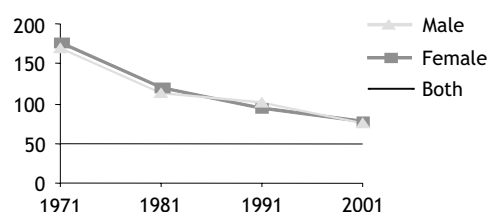


FIGURE 6.14 Trend in infant mortality in Nepal



intake, and access to health care services, as well as information.

Nepalese women marry early, and have children early – a proportion that has increased since 1991. The majority (53%) marry by the age of 19; those who bear children by that age constitute 42%. Both factors drain their nutritional health; 64% suffered from anemia in 1996. Maternal mortality in Nepal is one of the highest in the world and second highest in the SAARC region. Despite all the efforts that have gone into making pregnancy and childbirth less risky, women continue to die of avoidable obstetric complications. Maternal mortality as shown by the 2001 census stands at 415/100,000 – almost a 30% reduction from the previous level of 530/100,000, but still highly unsatisfactory. Access to health care

TABLE 6.9 Infant/child and maternal mortality 1996-2001

Year/ sex	Infant mortality rate	<5 mortality rate	Maternal mortality	Sex ratio
1996	78.5	118.3	539	99.5
Male	101.9	142.8	-	-
Female	83.7	135.5	-	-
2001	64.4	91.2	415	99.8
Male	79.2	104.8	-	-
Female	75.2	112.4	-	-

Source: UNDP 2004b; ICIMOD 2003.

TABLE 6.10 Infant and child mortality by sex and ethnicity

Sex	Infant mortality	Child mortality	Life expectancy at birth
Nepal			
Male	71.4	26.6	60.1
Female	70.8	35.6	60.7
Higher group			
Male	67.3	24.1	61.1
Female	68.4	38.1	59.7
Ethnic Group			
Male	70.4	26.9	60.4
Female	69.8	35.6	57.0
Dalit			
Male	88.3	37.9	56.7
Female	84.5	45.5	58.7

Source: The figures are computed from the match cases of household census and individual survey of 2001 population census. x-is strictly used for comparison purpose.

is also limited: on average, only about 10 % of Nepalese women have access to medically trained attendants during delivery. Similarly, only 26% of the women have access to modern contraceptives, although about 70% of them have access to health information. The vast majority of the women (92%) still deliver at home. If we look at the differences in access to these services between the rich and the poor, the gap is even wider; even the meagre services available to women are largely used by those in the richest quintile of the population (tables 6.9, 6.10, and 6.11).

Gender inequalities in mortality: Mortality estimates show gross inequalities between women and men both in infancy/childhood and as adults. Such inequalities exist not only at the aggregate level, but also between different population groups. Although the past adverse sex ratio and uneven life expectancies at birth have been corrected during the inter-census period, resulting in near-equality between the sexes, they nevertheless still reflect gender disparities in mortality. According to the biological “female advantage” over males, as shown above, females should have a biological advantage of at least 4-5 years over men. Any reversal of the sex ratio – even equal ratios – indicates gender discrimination and a neglect of girls and women. Consequently, despite the improved sex ratio and equal life expectancy for girls and women, discrimination persists and prevents them from realizing their natural “female advantage”.

The discrimination against girls and women is still better reflected in child mortality rates. Under-5 and child mortality is higher for girls than for boys. The advantage of girls’ chances

of survival over boys as infants (a lower mortality rate for girls compared to boys) is soon offset by higher child mortality for girls. Further, the gender differentials in mortality rates vary widely at the aggregate level as well as by ethnicity. Infant mortality among ethnic groups and the *Dalit* population is much higher than the national average and higher caste groups. Moreover, among these two groups, mortality for girls is higher than that for boys. Similar disparities in child mortality also exist among different ethnic groups. All in all, the gender disparity in mortality is pronounced at all levels – national as well as between different groups, indicating significant social and cultural discrimination against girl children, irrespective of their group membership.

Reproductive health and nutritional inequalities among women: Nutritional status is a good measure of health, representing access, use and enhancement of basic human capabilities essential to survival. It also conveys the level of well-being of people. Inadequate nutrition therefore measures morbidity as well as the extent of inequality between people and groups of people. The reproductive health of women includes their marital status, age at marriage, age at first birth, fertility, and their nutritional condition during pregnancy/child birth and access to health care. Early marriage, early childbearing and lack of adequate health care are a drain on the nutritional status of women. Both the nutritional deprivation of girls and the reproductive health status of mothers show an acute bias against girls and women in Nepalese society. Further, the pre-existing health condition and nutritional status to a large extent determine both reproductive and maternal health.

TABLE 6.11 Reproductive health status of women in Nepal

Indicators	1991	1996	2001
% of women married by age 19 years	47.3	44.0	53.0
% of women married who give birth by age 19 years	38.3	42.4	
% of women with anemia	33.0	64.0	
% of women with TT2	26.8	32.6	
% of births attended by trained person/TBA	17.7	32.6	24.5

Source: <http://siteresources.worldbank.org/INTPAH/Resources/Publications/Country-Reports/nepal.xls>

TABLE 6.12 Nutritional deprivation of girls by income levels

Indicators	Male		Females	
	Poorest	Richest	Poorest	Richest
HNP Status Indicators				
IMR	105	71.8	87.5	55.5
U5MR	160.9	88.2	151.5	76.8
Children Stunted (%)	59.3	28.2	58.8	35.9
Children Underweight (% moderate)	53.4	26.4	53.1	30.5
Children Underweight (% severe)	20.2	3	20	5.9

Source: <http://siteresources.worldbank.org/INTPAH/Resources/Publications/Country-Reports/nepal.xls>

An overwhelming proportion of Nepalese children are stunted, and underweight, with a wide gap between the poorest quintile and significant gender disparities. Although the disparities between boys and girls in the poorest quintile are marginal, it is significant in the richest quintile. For instance, the pro-

portion of boys stunted in the richest quintile constitutes 28%, while it is 36% for girls in the economic bracket. Similarly, girls are twice as much likely to be severely underweight in the richest quintile.

Unfortunately, the proportion of women marrying early and having children has increased since 1991. The proportion of women with anemia has also increased, indicating that the nutritional situation for women has worsened.

CONCLUSIONS

Based on the presentation made on the evolution of concepts of health and changes in existing socioeconomic conditions, including gender inequalities, one must bear in mind the following points:

- Health in human development is more than an increase in longevity or reduction in mortality. It is a process of human capital formation that may be viewed at two levels – that of physical health or physical capacity to sustain activities that of developing /enhancing capability (health + education). Health may be seen as a gateway for achieving one's own well-being and that of society. It implies that achieving good health calls for addressing all the socio-cultural, economic, and political constraints that prevent individuals from attaining the highest quality of life. It is therefore no longer possible to view health from a purely bio-medical perspective. It goes beyond the confines of physical health and health care to a broad spectrum of social and gender inequalities.
- From a human development point of view, people's health needs to be perceived as a) a bio-medical physical phenomenon; and b) a non-medical phenomenon. We need to recognise poverty, socio-cultural and gender factors – GBV in particular - as public health issues.
- Changing concepts over time have evolved with the dominant health experiences of people
- Persistent socioeconomic and gender inequalities in health show that current health care systems cannot address social and gender issues that are non-medical, but nonetheless have a profound influence on health.
- There is an urgent need to improve the health of the world's poor, its socially deprived and its women. We must deal with the social and structural factors that exclude all these groups from basic care and medical technology because of the constraints they face as members of particular disadvantaged populations. Their exclusion has taken a high toll on families, communities and societies.
- Although there is wide acceptance and agreement at the governmental and international levels of the need to improve the health of the poor, the programmes designed to benefit the poor and the underprivileged have been at best only partially successful.
- Many health systems are unresponsive to the needs of the poor and increase their vulnerabilities in access to the services. Services developed for the poor lack quality care.
- The health of the poor, particularly of poor women, is multifaceted, requiring multi-sectoral approach to addressing their needs. However, current health sys-

tems operate within a sectoral mandate geared to the confines of medical care and hence fail to reach the root causes of the health problems of the poor and the disadvantaged. In addition, existing health systems have neither the mandate nor the capacity to deal with social problems and gender inequalities.

- However, the weight of the evidence to date suggests that health disparities and particular health problems can be addressed, provided that
 - A reorientation of health policies and programmes specifically designed to ca-

ter to the needs of the poor and the underprivileged, along with better-managed growth and investment priorities for the health of the poor, takes place;

- A broadened health policy that includes a non-medical perspective is worked out so as to provide an environment for health sector responses to social and gender inequalities.
- Inter-sectoral and inter-agency collaboration through referral services in country programmes to cater to the non-medical factors impacting health is fostered.

ANNEXES

TABLE 6.1 Estimate of maternal mortality ratios, number of maternal deaths, and lifetime risk by UNICEF regions (2000)

	Maternal mortality ratio (maternal deaths per 100,000 live births)	Number of maternal deaths	Lifetime risk of maternal death 1 in	Range of uncertainty on MMR estimates	
				Lower	Upper
Sub-Saharan Africa	940	240,000	16	400	1,500
ESARO	980	123,000	15	490	1,500
WCARO	900	118,000	16	310	1,600
Middle East and North Africa	220	21,000	100	85	380
South Asia	560	205,000	43	370	760
East Asia and Pacific	110	37,000	360	44	210
Latin America and Caribbean	190	22,000	160	110	280
CEE/CIS and Baltic States	64	3,400	770	29	100
Industrialised countries	13	1,300	4,000	8	17
Developing countries	440	527,000	61	230	680
Least developed countries	890	236,000	17	410	1,400
World	400	529,000	74	210	620

Source: Calvert-Henderson 2000-2004.

TABLE 6.2 Skilled care at delivery and maternal deaths, regional comparison, 1995

Regions	% births assisted	MMR
Sub-Saharan Africa	45	967
South Asia	59	430
East Asia and Pacific	73	189
Middle East and N. Africa	77	175
Latin America/Caribbean	83	146
Central, Eastern Europe	97	45
North America	100	9

Source: PRB, using data from maternal mortality in 1995: estimates developed by WHO, UNICEF and UNFPA.

TABLE 6.3 Trends in life expectancy at birth (years) by sex in the SEA region, by country, (reported 1996-2001, estimated 1975-2000)

Country	Reported			Estimated					
	1996-2001			1975-1980			1995-2000		
	Male	Female	Both	Male	Female	Both	Male	Female	Both
Bangladesh	60.7	60.5	60.8	47.1	46.4	46.7	58.1	58.2	58.1
Bhutan	-	-	60.7	44.5	46.5	45.5	59.5	62.0	60.7
DPR Korea	63.0	70.9	67.1	64.4	69.8	66.9	60.5	66.0	63.1
India	62.4	63.4	-	53.3	52.4	52.9	61.9	62.6	62.3
Indonesia	61.9	65.7	63.9	51.5	54.0	52.7	63.3	67.0	65.1
Maldives	70.7	72.2	71.4	55.9	53.2	54.6	66.3	64.5	65.4
Myanmar	61.0	63.9	62.5	48.6	52.8	50.6	53.6	58.3	55.8
Nepal	-	-	58.9	47.0	45.4	46.2	57.6	57.1	57.3
Sri Lanka	70.7	75.4	73.0	65.0	68.5	66.4	69.0	74.7	71.6
Thailand	69.9	74.9	-	58.0	65.1	61.4	66.7	72.6	69.6
World	-	-	-	58.0	61.5	59.8	62.9	67.1	65.0

Sources: UN 2003.

TABLE 6.4 Percent of all women who have experienced any violence at any time

Countries	Taken from DHS*	Countries	Taken from UNFPA pilot project**
1. Cambodia	23	11. Lebanon	35
2. Colombia	41	12. Mozambique	48
3. Dominican Republic	24	13. Nepal	11
4. Egypt	35	14. Romania	12
5. Haiti	35		
6. India	21		
7. Nicaragua	33		
8. New Peru	47		
9. Zambia	58		

Source: *Kishor and Johnson 2004.

**Pradhan 2004.

TABLE 6.5 Percentage of ever-married women age 15-49 who report various types of health outcomes as consequence of acts carried by their husband/partner

Violence status	Had injuries and bruises	Health Outcomes		Others	Had at least one	Had none
		Had injury or broken bone	Had to Hospital treatment			
Cambodia Reported violence	36.5	6.5	6.3	u	38.0	62.0
Colombia Reported violence	53.3	10.2	27.5	4.6 ¹	54.1	45.9
Dominican Republic Reported violence	47.5	12.9	20.7	u	50.0	50.0
Egypt Reported violence	18.0	u	u	10.2 ²	19.0	81.0
Haiti Reported violence	15.5	7.7	9.2	u	18.9	81.1
Nicaragua Reported violence	22.7	4.9	4.9	u	23.8	76.2

Source: Kishore and Johnson 2004.

¹ Includes pregnancy aborted and loss of function.

² Required medical attention.

TABLE 6.6 Recorded numbers of GBV cases with health consequences under pilot project for addressing gender based violence in RH clinics (% in parenthesis)

Health consequences	Lebanon	Nepal	Romania
Gynecological disorders	5 (1.1)	17 (63.0)	N
Mental trauma	4 (0.8)	1 (3.7)	18 (37.5)
General medicine	16 (3.3)	2 (7.4)	N
Multiple consequences	464 (95.0)	1 (3.7)	30 (62.5)
Unwanted pregnancy and abortion	N	6 (22.2)	N

Source: AIDOS/UNFPA 2003.

The environmental perspective in sustainable human development

Mahesh Banskota

INTRODUCTION

The purpose of this chapter is to briefly present the evolution of integration between human development and environment in general and in the context of Nepal in particular. The focus is on better understanding the two concepts, identification of appropriate indicators to measure the changes and impacts, assessing the role of different policy measures, and an advocacy for improving the harmony of human development with the environment.

The concept of human development has become widely accepted and is being used as a comprehensive measure of development performance on account of the conceptual and practical work supported by UNDP both at the global and national levels. Together with GNP measures, UNDP- supported annual exercises on preparation of the HDI incorporate previously neglected dimensions of development. The exercises to incorporate the environmental concerns have only begun. Integration of the environment with different components of human welfare, with national income accounts and with sectoral performance indicators have a long way to go. Environmental statistics in most countries are still rela-

tively limited, both in content and coverage. While it may be easy to report on the status of some environmental variables, there are many gaps regarding the continuity and coverage of the data. Environmental data has strong area specificity because of the wide heterogeneity in environmental conditions. There are many changes going on in nature all the time. Given this, it is necessary to monitor the human contribution to environmental changes as well as the human impact of changes in the environment. Better understanding of environmental processes is critical if appropriate policy and institutional responses are to be generated.

THE ENVIRONMENT AND SOCIETY

“Civilised man has marched across the face of the Earth and left a desert in his footprint” (Gill and Dale 1974). While this statement may not be wholly true, throughout a long stretch of history, humans beings have relentlessly changed their environments, destroying forests, denuding grasslands by overgrazing, killing wildlife, recklessly mining resources, applying inappropriate inten-

sive agricultural techniques to very poor soils and engaging in many other activities that can hardly be called a “wise” use of natural resources or the environment. After short-lived grandeur, many civilisations have perished or found themselves forced to move into new lands – often because they had exhausted the natural resource base that had sustained their societies. Although some of the major religions have advocated harmony with nature (box 7.1) and many indigenous groups have continued to put this concept into practice in their livelihood strategies, they face significant difficulties in continuing their traditional relationships with nature because of numerous external pressures (Miller, et al 2001).

Human behaviour lies at the root of both conservation and environmental damage. Poor people have not always destroyed their environment, nor have the rich always protected it. Different actors, time scales and natural conditions interact in complex ways to produce certain types of human responses, which constantly change. However, to assume that nature will always accommodate human needs is a clear misreading of natural forces.

Human knowledge and technologies may help alleviate particular conditions of scarcity and other difficulties, but as long as human survival demands air, water, food produced on the basis of natural resources, including biodiversity, nature will always have the upper hand. With or without human beings, nature itself changes continuously, “repairing” parts of the ecosystem – up to a point – because of in-built regulating processes. However, after that point, significant changes will take place, many of them inimical to human societies. It is

therefore up to us to decide how we wish to interact with nature – antagonistically or harmoniously. Human devastation of natural resources has now reached dangerous global proportions.

Environmental impacts are being seen almost everywhere on the planet. (UNDP 1998; UNEP 2002a) Increase in greenhouse gases (GHGs), pollution of water bodies, increased dependence on pesticides and many other problems now pose dilemmas for most countries. The significant difference today is that along with many important local changes in the ecosystem, we have a number of major global problems that did not exist before or were not recognized as such.

The issue of overpopulation

Rapid population growth is considered one of the most important factors in environmental degradation. World population is expected to stabilise only around 2050 at approximately 8.9 billion. Much of that increase has been – and will continue to be – in the less developed countries, where people depend on subsistence agriculture and the use of natural resources for their livelihoods (UN 2003). Demands for agricultural land has compelled many societies to cultivate marginal areas, thereby increasing soil erosion, deforestation, and a number of other environmental ills. The sheer increase in human numbers is likely to outstrip available food supply and the capacity of natural systems to support human needs (Brown 1978; Ehrlich and others 1977).

However, other scientists argue that the growth rate (2.2%) of human populations peaked in 1962/63 and that growth rate has continued to fall; in 2001, it was only 1.2%

(UN 2003). If this trend continues, human population will stabilise sooner than expected. However, this does not mean that all environmental pressures will decrease. If size is one factor behind the increasing use of natural resources, the other is increasing demand through over-consumption.

Consumption patterns

Rapid income increases throughout many parts of the world have made it possible for people to substantially increase their consumption of different types of natural resources. Under subsistence conditions, people are forced to depend on the resources available within their local ecosystems. However, with increases in income, people can afford to pay for all sorts of resources from different parts of the world. Today's industrial economies consume unsustainable quantities of energy and raw materials and also produce large volumes of wastes and polluting emissions (UNEP 2002a). In many instances, the problems created by these demands do not take place in the areas where these resources are consumed. With many developing countries seeking to emu-

late the life-styles and standards of living of industrialised countries, future pressures on the environment from over-consumption and its effects are likely to be more significant than those of population increase.

Effect of climate change are expected to include (1) flooding in low lying coastal areas (2) weather warmer winter and dryer, hotter summer in the northern hemisphere and more extreme weather conditions world wide (storm, drought heavy rain fall).

Energy, environment and global warming

Emission of anthropogenic GHGs, mostly from the production and use of energy and affecting the global climate, conventional energy production and consumption are closely linked to environmental degradation that threaten human health and quality of life and affect ecological balance and biological diversity.

Fossil fuel consumption produces more carbon dioxide than any other human activity and this is the biggest source of the anthropo-

BOX 7.1 Religions and biodiversity

Hinduism is permeated by a reverence for life and an awareness that the great forces of nature – earth, sky, air, water, and fire – as well as various orders of life, including plants, trees, forests and animals, are all bound together within the great rhythms of nature. Hindus believe that all plants and animals have souls, and that people must do penance even for killing plants and animals for food.

Islam believes that the entire universe is God's creation; Allah makes the waters flow, upholds heaven, makes the rain fall, keeps the boundaries between day and night, creates all biodiversity and gives it the means to multiply.

Buddhism teaches that behaviour has a natural relationship to its resulting consequences in the physical world. Buddhism is a religion of love, understanding and compassion, and is committed towards the ideal of non-violence. As such, it also attaches great importance to wildlife and the protection of the environment.

Christianity believes that all of creation is the action of God. The very nature of biodiversity is seen as giving glory to God. It also teaches that humanity may not disorder biodiversity and destroy God's creations. If it does so it risks destroying itself.

Source: Religions, traditions and biodiversity: religious development initiatives by Jeffrey A. McNeely, COMPASS magazine - March 2001.

genic greenhouse gas emission that is changing the composition of the atmosphere.

Global warming is the greatest environmental challenge facing the world today. Much of the warming is due to human emission of GHGs. Over the past 140 years the earth's surface temperature has increased on average by $0.6 \pm 0.2^{\circ}\text{C}$ (Jones, Phil and Palutikof n.d). Global warming is caused by increase in the levels of six GHGs attribute to human activities. Carbon dioxide is the main contributor responsible for 80% of emissions from industrialised countries (ucsusa n.d). Other GHGs coming from a range of industrial and agricultural activities are methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbon (HFC_p) perfluoro carbon (PFCs) and sulphur hexafluoride (SF_6).

Two major transboundary air pollution problems are stratospheric ozone depletion and global warming. The Montreal Protocol on Ozone Depleting Substances is an international agreement that limits the production of refrigerants and other chemicals depleting the ozone layer and provides penalties for countries that violate the agreement. A second agreement is the Kyoto Protocol negotiated by most countries in 1997 to control emission of gas leading to climate change. This agreement calls for stabilising world emission by 2010 at roughly 5% below 1990 levels (wikipedia n.d).

The protocol defines the limits in terms of the full range of six GHGs and allow emission reducing project in other countries through Clean Development Mechanism (in developing countries) or joint implementation (in developed countries) to generate emission credit that can be used towards compliance.

Market failures and policy distortions

Human activities do not take into account the true environmental costs for many reasons, including government subsidies, lack of knowledge about environmental impacts especially if these are ex situ, the absence of laws and regulations to control environmental damage, undefined access rights to natural resources, conflict situations in which both parties ignore or destroy environmental safeguards, poorly developed markets for environmental goods and services and a lopsided development system that forces large numbers of people to depend on scarce natural resources for their livelihoods.

Market failures occur where resources are not used efficiently. In many instances, current market systems are unable to price the outputs or impacts of activities, the most glaring examples being the disposal of wastes in water bodies, the dumping of toxic substances and the pollution of the atmosphere. This happens either because the polluters think they can get away with it or because the costs of proper disposal are too high. The social costs in both cases usually far outweigh the costs to the private producer.

Solutions lie in making price signals work more effectively, usually by taxing the producer for pollution or other depredations. Permits provide quotas of pollution beyond which fines are imposed. In some instances where pollution levels fall below the permission threshold, the industry can sell part of the permit to another polluter.

One area of policy distortion is the subsidies and protection given to certain industries that cause environmental damage. Many public-sector industries with a high degree

of pollution continue to operate only because of the huge subsidies and protection provided by the government. Other forms of distortion arise because of bureaucratic inertia and the subsequent creation of huge transaction costs in obtaining government approvals, including the paperwork required for licenses to export, import, or transport goods.

RETHINKING DEVELOPMENT AND THE ROLE OF THE ENVIRONMENT

Development thinking has been strongly influenced by both economic and environmental groups. Until the mid-1960s, when a number of Western thinkers began publicly airing their fears about the dangers of chemical pesticides and other ecological disruptions, development thinking was dominated by political and socioeconomic considerations, to the neglect of a number of other issues, such as the environment and the role of culture in development. However, with the convening of the Stockholm Conference on the Human Environment in 1972 and the founding of the United Nations Environment Programme a few months later, environmental issues became firmly inscribed on the international agenda and fierce debates began on whether environmental protection could ethically – or practically – be undertaken at the expense of economic growth, especially in poor countries. The fierceness of this discussion has not abated, though the arguments on both sides have become increasingly complex.

Economic vs. environmental issues

Ecological/environmental groups point to the need for greater harmony with nature. Economic thinkers still maintain that human needs take precedence over other is-

ues, pointing out that nature changes constantly and that in the long run, scarcity will determine how resources are used. Ecologists, however, state that the scale of natural self-correction no longer operates as it did even a century ago and that there now exist many serious local, regional and global problems, such as reduced biodiversity and increasing toxic wastes in the natural system. (UNDP 1998; UNEP 2002a) Further, they attribute such damage to rapid population increases and exploding consumption patterns worldwide. “As things deteriorate,” states Terry Rambo, “countries and individuals that have wealth and power will find ways to protect themselves. Those who don’t have the money and the power will live worse and worse lives. But they will survive and continue to compete for scarcer and scarcer resources” (Rambo 1997).

Economists respond by pointing out that Malthusian predictions about a population disaster, discussed ever since the late 18th century, have not come to pass; technological advances have always intervened to prevent it. Thus, fuelwood crises led to the widespread use of coal and, later, to drilling for petroleum. Present efforts to develop renewable alternatives to fossil fuels are developing rapidly. Some maintain that fossil fuels still abound and that price will regulate demand, as it has in the past. The Sceptical Environmentalist, (Lomborg 2001) has attempted to calm ecological fears by pointing out that the evidence to date does not support the contention of human defilement of the earth, that biodiversity loss is still a very small fraction of what has been predicted and that many reports of pollution have been exaggerated. It argues that economic growth remains the best cure for rem-

edying environmental problems – even global warming, which, the author says, is a very long-term process that probably will not be devastating for humanity.

The introduction of sustainable development

Sustainable development has become a key term in the current development discussion that seeks to bring environment and development together (box 7.2). The word sustainable is defined as being able to “support, endure, given strength to do so, or to maintain continuously over a long period” (Oxford 1995). An activity is sustainable if it can be carried out for a reasonable time without disruption. It is also presumed that sustainable uses of resources exist if these resources are utilized at rates within their capacity for growth and renewal. Consequently, a sustainable economy is one in which economic improvements are accompanied by improvements in the human and physical environment. Sustainable development is improvement in human life within the “carrying capacity” of the life support systems. Sustainable human development is the development of human capability to fulfil people’s requirements without damaging the environment. A sustainable society is one that respects and cares for the community of life, improving the quality of human life while conserving Earth’s vitality and diversity, minimising the depletion of non-renewable resources, keeping changes within Earth’s carrying capacity, changing personal attitudes and practices to enable communities to care for their own environments, adopting frameworks for integrating environment and development and creating a global alliance to implement these frameworks. The list could be much longer.

The word sustainable is being used in many other contexts as well, such as sustainable tourism and sustainable harvesting practices; the term has become an environment-friendly “hat” for all, including governments and businesses that have not been particularly environment-friendly in the past – which, in fact, characterised the environmental movement as anti-development. Earlier uses of the term sustainable were found mainly in ecology and agriculture.

As Conway (1983) describes it, “Sustainability is the ability of a system to maintain productivity in spite of a major disturbance (intensive stress)”. The non-governmental organization environment “treaty” of 1993, following the 1992 World Conference on Environment and Development (UNCED 1992), states “Agriculture is sustainable when it is ecologically sound, economically viable, socially just, culturally appropriate and based on a holistic scientific approach” (quoted in Becker 1997).

The world commission on environment and development (WCED 1987) provided the now-popular definition of integrated environment and development: “Development that meets the needs of the present generation without compromising the needs of the future generation.” That definition first appeared in 1987 in *Our Common Future*, the WCED report, often called the “Brundtland Report” because the Commission was chaired by Gro Harlan Brundtland, then Prime Minister of Norway. The subsequent 1992 Conference, often called the “Earth Summit,” adopted Agenda 21, an environmental agenda for the 21st century, which became the basis of many concepts advocated by the UN system, including the MDGs. The MDGs incorporate several en-

vironmental aspects, notably in the three targets of Goal 7, “Ensure Environmental Sustainability”; this goal includes reversing the loss of environmental resources, ensuring sustainable access to safe drinking water and improving the lives of slum-dwellers (HMG/N/UNDP 2002). Other developments in this respect include the Quality of Life and Environment concept, which was developed in response to the limitations of the HDI (Prescott-Allen 2001).

Equity dimensions

While the debate about the global ecosystem and the place of human beings within it continues, a consensus that favours meeting present and future human needs has emerged. However, future needs cannot be discussed in isolation from the natural capacity to meet these needs. Limited supply and changing natural conditions intrinsically affect decisions regarding the relative access of different groups of human beings to natural re-

sources. Important issues of intra- and inter-generational equity also arise. The issue of equity has therefore become critical in the discussion of sustainability. In a departure from the past, intra- and inter-generational choices have to be made quite explicit.

The WCED definition of sustainable development highlights equity. How do we decide on the needs of future generations? What weight do we give today’s needs among different groups, some of whom are deprived and need special attention? Such decisions are not easy without some agreement on the ethical principles that underlie sustainable development and necessarily entail changing human values, notably deciding upon some particular action at the expense of another – or its postponement.

This discussion has focused on the numerous attempts to “redefine development and the dissatisfaction with the notion that it is mainly expansion in material prosperity”

BOX 7.2 Sustainable development

Ethical/cultural values

The diagram consists of three overlapping circles. The top-left circle is labeled 'Economic viability', the bottom-left circle is 'Environmental quality', and the right circle is 'Socio-economic well-being'. The central area where all three circles overlap is labeled 'Sustainable development'. The entire diagram is enclosed within a light gray rectangular area. Above the circles, the text 'Ethical/cultural values' is written. Below the circles, the text 'Policy environment' is written.

Policy environment

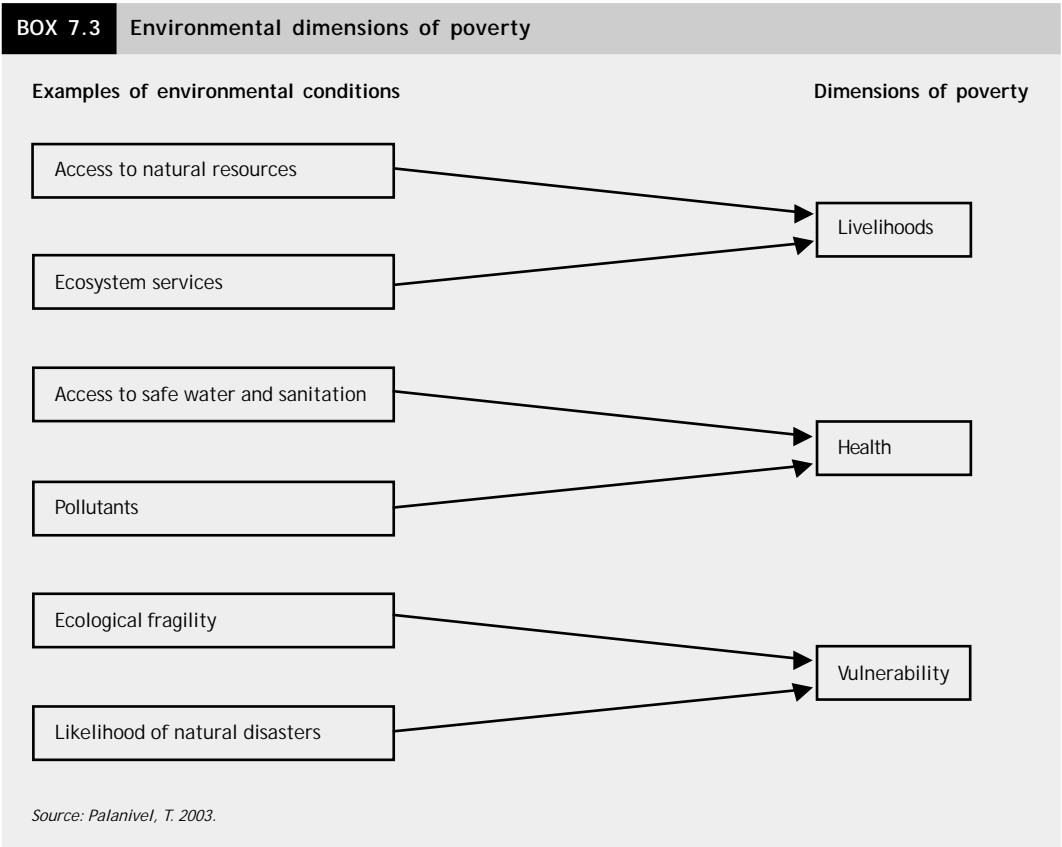
Source: Becker, Barbara 1997.

(Qizilbash 1996). However, developing nations argue that moving away from aspirations to material prosperity is simply unfeasible, given the high levels of poverty and deprivation of their general populations. They argue, too, that development in poor nations must aim at improving the satisfaction of basic needs, including those of health and education and the infrastructure required to provide such services. As the South Centre (1991) stated “It is imperative that the developing countries should claim the right to an adequate ‘environmental space’ and strive for the recognition of this right by the international community. They must stand firm on the principle that the development of the South can in no way be compromised by the North’s pre-emption

of the global environmental space.... ‘sustainable development’ does not mean only that the needs of the present have to be met without prejudice to the satisfaction of future needs. It means also that the needs of the North should be met in ways that do not compromise the satisfaction of the present and future needs of the South”.

The poverty/environment nexus

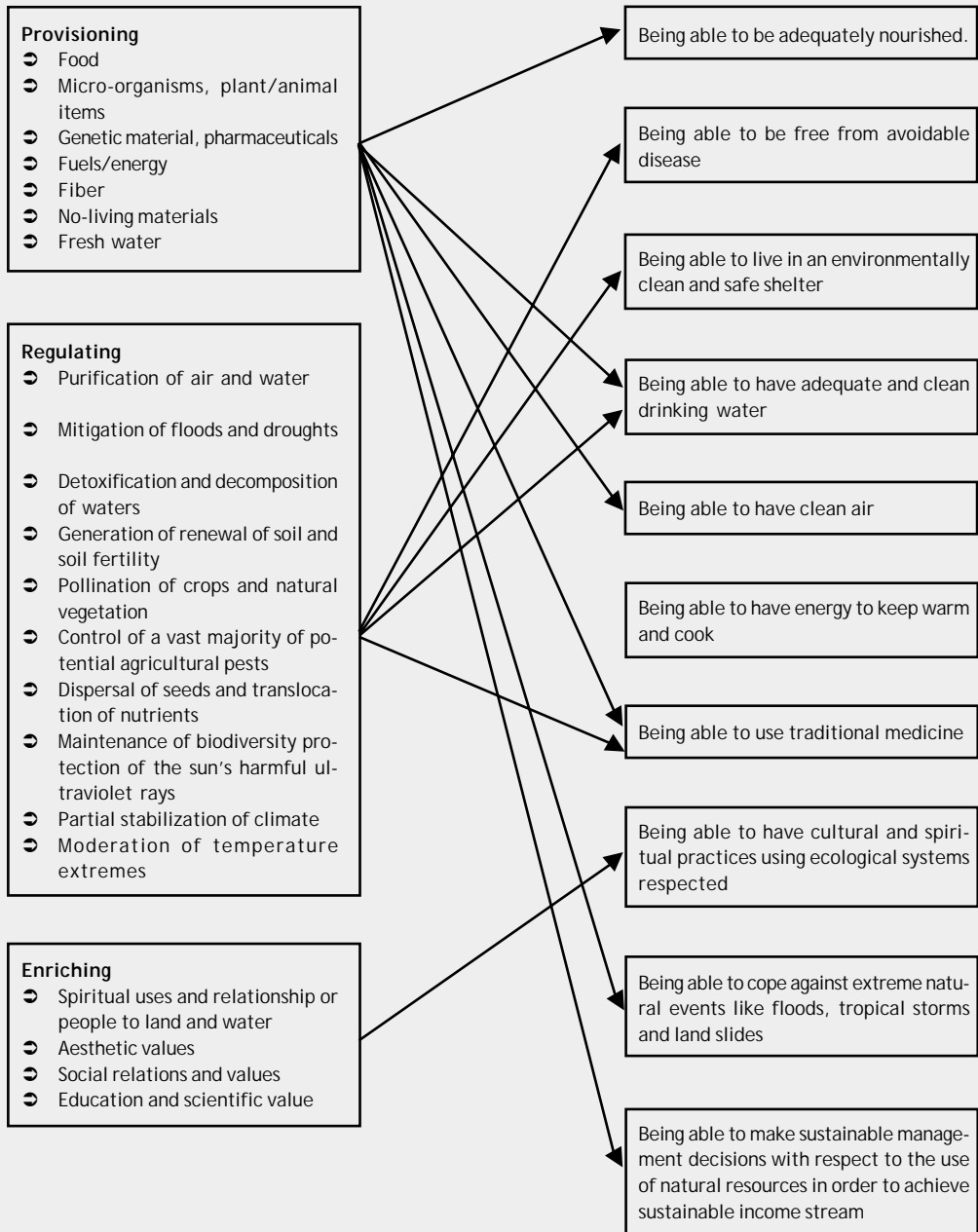
The relationship between poverty and the environment is complex (boxes 7.3 and 7.4) On the one hand, many see poor people as the major cause of environmental damage. However, others argue that the poor are also the victims of environmental changes. Many rural societies have developed highly so-



BOX 7.4 Links between ecosystems services and poverty

Ecosystems services

Poverty/human well-being



Source: Palanivel, T. 2003.

phisticated community-based conservation efforts; others have denuded hillsides and degraded watersheds. Past observers assumed that the dimensions of poverty were similar among all poor households and that they all interacted similarly with the environment, largely destructively. This assumption is patently false: some households and/or communities may face fuelwood problems, others may confront floods, wildlife and other pests. The type and severity of these problems usually determines differing household responses (Reardon and Vosti 1995). It is therefore essential to understand how poverty affects different environmental conditions and how they, in turn, affect poverty.

Each society must decide upon its priorities for the future. There are opportunities to work together at the regional and global level on key problems, such as global warming, the protection of tropical rain forests, the conservation of biodiversity, biopiracy, and intellectual property rights.

Vulnerability and environmental change

The issue of vulnerability in the ecological as well as economic context has recently received a fair amount of attention. Vulnerability refers to exposure to physical threats to human well-being and the capacity of a society to cope with these threats. Natural events such as floods, droughts, fire, storms, volcanic eruptions, earthquakes and insect swarms have always posed threats to humans. Humans themselves have added to this list with new dangers, such as chemical and radioactive contamination and spread of new diseases in animals and humans (UNEP 2004b). Global climate changes

resulting from increasing GHGs and greater frequency in extreme weather events pose yet another type of threat to human society. In addition, particular groups – notably among the poor – are especially vulnerable because of top-down policies that tend to ignore them and sociocultural conditions that marginalise them physically.

Worldwide discussions of vulnerability to the dumping of toxic waste have further developed the concept of environmental justice. The application of this concept, along with assertions of the rights of vulnerable groups, especially those in developing countries, has led to the notion of environmental entitlements (Forsyth and Scoones Leach 1998).

In a number of cities of the United States of America, where many environmental problems have affected marginalised racial and ethnic groups relegated to slums inside and on the fringes of metropolitan areas, a number of non-governmental organizations sprang up during the 1970s to defend these minorities legally against environmental threats that arose from the decayed buildings they occupy and neglected neighbourhoods unserved by municipal garbage collection and other normal public services. Occasionally, special interests – often involved with criminal networks – bribed such groups to accept the dumping of toxic wastes. This gave rise to the concept of environmental justice, defined as “the rights of people to a safe, healthy, productive and sustainable environment” (Panos 2002). It is also used interchangeably with environmental “equity”, which also refers to “fairness” and “rights”.

Worldwide discussions of the dumping of toxic wastes during the 1980s and 1990s,

particularly in the rural areas in the developing countries, gave rise to the concept of environmental entitlements. These are simply the potential benefits from the environment and its resources over which people living in a particular environment have legitimate command (Forsyth, et al 1998). Poor and marginalised communities, generally unaware of the protections provided by law for various environmental entitlements, cannot enforce their rights to these resources or their products, such as non-timber forest products, now under legal discussion in a number of countries in South and South-East Asia. Environmental justice seeks to ensure livelihood security for these groups (Panos 2002).

Operationalising sustainability

Efforts are also under way to operationalise sustainability and its components so as to improve the measurement of different variables for evaluation over time (box 7.5). The systems approach to sustainability seeks to predict changes in different ecosystems by extrapolating variables in their distinct components. Based on past observations about the performance of the systems and some *ex ante* assumptions about feedback mechanisms, cumulative effects, time lags and other issues, scientists make projections to show how the system behaves under different scenarios. Normally, verification establishes the robustness of the model for its predictability. The first of these types of exercises was car-

BOX 7.5 Different indicators	
Economic indicators <ul style="list-style-type: none"> ➤ Modified GNP ➤ Discount rates ➤ Depletion costs ➤ Pollution costs ➤ Total factor productivity ➤ Total social factor productivity ➤ Willingness to pay ➤ Contingent valuation method ➤ Hedonic price method ➤ Travel cost approach 	Environmental indicators <ul style="list-style-type: none"> ➤ Yield trends ➤ Coefficients for limited resources ➤ Depletion costs ➤ Material and energy flows and balances ➤ Soil health ➤ Modelling <ul style="list-style-type: none"> - empirical - deterministic - analytical - deterministic - numerical ➤ Bioindicators
Social indicators <ul style="list-style-type: none"> ➤ Equity coefficients ➤ Disposable family income ➤ Social costs ➤ Tenure rights 	Composite indicators <ul style="list-style-type: none"> ➤ Scoring systems ➤ Integrated system properties ➤ Unranked list of indicators

Source: Becker, Barbara 1997.

ried out in 1972 by the Club of Rome (Meadows, et al 1972). The International Union for the Conservation of Nature (IUCN 2003) has examined the impact of different policies on protected areas while UNEP (UNEP 2004a) has looked at the impact of different policy scenarios on the environment.

Economic analyses of sustainability have focused, *inter alia*, on the valuation of natural resources as a limited resource, like labour and capital (Aires, et al 1996; Costanza 1991). There exists several types of valuation techniques of environmental resources economy-environmental nexus modelling together with their underlying indicators (box 7.5). Commonly used ones are willingness to pay, contingent valuation, hedonic pricing, travel cost approaches, and the precautionary principle (box 7.6).

Although the conversion of sustainability aspects into monetary values constitutes a major contribution to environmental studies, it has a number of critics, some of whom say that economists know the price of everything and the value of nothing. This kind of critique misses the practical point that there is no free lunch. Because any decision has quantifiable costs that someone has to pay, one must find out who has to pay what to whom in terms of the environment. While the answers are usually imperfect, they provide good guides to looking at different options.

Efforts have been made to build on the idea of human development further by integrating human welfare with ecosystem welfare (Prescott-Allen 2001). The HDI does not show how far a country has depleted its stock of natural resources in trying to realise human development objectives. There is no negative HDI to reflect losses in natural resources by

type or degree. If human development has taken place at the expense of natural wealth, one cannot possibly say that a country is on the path to sustainable development.

The Well-Being of Nations presents a Well-being Index as a barometer of sustainability (Prescott-Allen 2001). In terms of Human Well Being, the report ranks 3 countries as good (2%), 34 as fair (19%), 52 as medium (29%), 51 as poor (28%) and 40 as bad (22%). By contrast, the Ecosystem Well-being Index shows that no country is good, 27 are fair (15%), 81 are medium (45%), 68 are poor (38%) and four are bad (2%) (Prescott-Allen 2001). As this has not been a continuing exercise, the value of this exercise is greatly limited. However, it presents many considerations well worth follow-up.

Environmental awareness and assessment

Significant efforts have been made since the late 1960s to promote environmental education, in part through the UNESCO's Organisation's Man and the Biosphere Programme and the development of such tools as the strategic environmental assessment and the environmental impact assessment (EIA). These have shown immense value in examining projects and programmes and, often, correcting decisions in different sectoral projects and programmes. Individual countries and international organisations have also developed a considerable body of environmental law to address ecological conditions. In addition, in many countries, an active pro-environment judiciary has played an important role in ensuring that these statutes are carefully implemented and enforced. This growing body of law, general action to increase awareness and specific instruments

for assessments are converging under the broader theme of environmental governance (HMG/N/UNDP 2002).

In the human development approach, the end of all development is to improve choices for human beings and to develop their capacity make such choices (Sen 2003). The focus of much environmental action has been on promoting greater harmony with nature so that the bounty of nature remains available for generations to come. Agenda 21 emphasises under Principle 1 that “Human beings are at the centre of concern for sustainable development. They are entitled to a healthy and productive life in harmony with Nature” (UNCED 1992).

A better understanding of what is happening to the natural environment because of human activities should be encouraged; without knowing what is changing or being affected where, how and by whom, it is very difficult to shape meaningful responses. As environmental processes can be both local and non-local, they often have differing implications at different levels. As the scale of impacts increases, complexities also grow

significantly, especially when the benefits and costs are not equitably distributed between the parties affected and those that originate the process, whether harmful or beneficial. Changes in nature take place over long time frames. As the debate on climate change has revealed, even where parties agree that global warming is taking place, debates on measures to deal with the phenomenon are often acrimonious. Any consensus action requires vastly improved understanding, because the resources required for meaningful action on one front will mean lesser expenditures on others (Kumar 2003). Neither the environmentalist nor the economist is likely to be fully satisfied.

THE HUMAN DEVELOPMENT PARADIGM AND APPROACH

Equity, sustainability productivity and empowerment

Mahbub ul Haq identified the four pillars of human development as equity, sustainability, productivity and empowerment. Any discus-

BOX 7.6 Valuation techniques of environmental resources

Willingness to pay is the maximum amount of money one would give up to levy some good.

Hedonic Pricing Approach derives values by decomposing market prices into components encompassing environmental and other characteristics through studying values, wages and other phenomena.

Contingent Valuation Method directly asks people what they are willing to pay for a benefit and/or willing to receive in compensation for tolerating a cost through a survey. The aim is to elicit valuation or bids which are close to what would be revealed if an actual market existed.

Travel Cost Method derives values by evaluating expenditure of recreators. Travel costs are used as a proxy for price in deriving demand curves for recreation site.

Precautionary Principle has been introduced with the objective of protecting the environment and public health even when scientific information was considered insufficient regarding the potential impact of the product or technology. It was introduced in the World Summit in Rio 1992. Rio Principle 15 says where there are threats of serious or irreversible damage, lack of scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

Source: UNCED 1992.

sion of environmental issues in relation to human development must examine them with regard to each of these pillars.

Equity requires improvements in access to environmental assets and their distribution as far as possible.

Sustainability appears to echo the Brundtland proposal that future generation should enjoy the same level of well-being as that of the present. However, Haq points out the common mistake that equates sustainability only with the preservation of natural capital – essentially calling for the preservation of all natural resources and species, which is not only unfeasible, but a perspective whose limitations distort the entire human development concept. Human development requires sustaining physical, human, financial and environmental capital, he argues; depleting any one of these will compromise the potential of sustainable development (Haq 2003).

Productivity focuses on economic growth as well as the enabling environment that promotes human productivity. Enabling environment refers to living conditions that are not environmentally harmful. Air, water and noise pollution adversely affect human health and therefore productivity. Exposure to toxic compounds has damaged the health of many workers in industrial cities. Some have confused human development with mainly improvements in the skills of human resources but not on the overall factors contributing towards being a physically, mentally and environmentally sound being.

Empowerment, which deals primarily with participation, requires improving opportu-

nities for decision-making about environmental matters by every citizen of a country at different levels and ensuring that they are sufficiently aware and informed on such questions to make rational decisions.

To highlight the role of the environment in the human development paradigm, Haq points out that ecological resources must be correctly priced (Haq 2003); that some resources call for mandatory quotas and compulsory audits; and that a framework for safe technologies must be developed, along with a “green” GNP. He adds that improving national capacity to undertake all these tasks will require significant resources (Haq 2003).

NEPAL'S ENVIRONMENTAL PROFILE

Overall changes

Nepal's rapidly growing population is putting pressure on its natural resource base, particularly water, land and forests. Much of the forestland between the Himalayas and the Tarai has been cleared for crops, livestock, and human settlement. Landslides, erosion, and slope instability are common, particularly during the monsoon, exacerbated by vegetation loss, ill-managed water, and haphazard construction. As a result, huge amounts of hillside topsoil are washed away every monsoon season. All these negative developments, together with haphazard urbanisation and spreading transport links, have contributed to the overuse of the country's limited agricultural land and, consequently, rural poverty. In addition, the disposal of solid wastes and increased fuel emissions has increased pollution, particularly in the Kathmandu Valley, despite its limited industrial base.

As people find it more and more difficult to meet their basic resource needs in a sustainable manner, especially in rural areas, they put additional pressures on the natural resource base, leading to further degradation. Given this intertwining of environmental degradation and poverty, sustainable use of natural resources is essential to poverty reduction in Nepal.

Since the early 1980s, the government has made several efforts to integrate environmental concerns into national development plans and programmes. An Environment Protection Council was established in 1993 and a separate ministry of population and environment was set up in 1995. In 2005 the Ministry was dissolved and environment activities transferred to the Ministry of Environment, Science and Technology. There has since been some progress: the introduction of EIAs, the promulgation of the Nepal Environmental Policy and Action Plan, the implementation of the Environment Protection Act and its Rules in 1997, and the development of standards to minimise the adverse effects of development activities on environment and health.

In addition, the government has committed Nepal to Agenda 21 and to the MDGs, establishing a National Commission for Sustainable Development and developing new policies and strategies. Among them: the National Wetland Policy, the Tarai Arc Landscape Strategy, the Code of Conduct for Biodiversity, and the Action Plan for Herbs. The government has adopted the agenda of sustainable development as its development strategy. Despite these measures, progress in mainstreaming environmental considerations is limited and Nepal's environment remains fragile. Monitoring the enforcement of environmental laws, regulations, and stan-

dards is weak, environmental capacities throughout the government and the private sectors are low and public awareness is limited. A lack of coordination also contributes to the fragmentation of data collection on areas vital to environmental planning and therefore to development.

Development, from an environmental point of view, must become distinctly rural and urban in its targeting. In the rural areas, where over 80% of the population live, the problems are primarily the loss and degradation of renewable natural resources. While these resources can be restored through conservation – depending on the nature of the ecosystem – that restoration often takes a very long time. By contrast, urban problems arise from the pollution of air, water and land from industrialisation and the inadequate, often improper, disposal of wastes. Experience from other cities around the world suggests that solutions need money, organization, environmental education and some degree of political will.

Land degradation in Nepal

Land degradation implies decline in productive capacity of land due to processes induced by natural and human activities. The problems of land degradation in rural Nepal stem from both natural and human factors: abandoned terracing, gullied soils, denuded uplands with or without scrub or poor vegetation, shifting cultivation areas, overgrazed pastures and meadowlands and degraded forest areas (Banskota 2002; Carson 1985; 1992). According to one study, most of the degradation is taking place in the rural areas of the middle mountains, the Class III lands that are categorised as are “mostly steep” and “very steep” (LRMP 1986b). Most of these

problems stem from continuing land hunger in a rapidly growing population that has few alternatives. The person/land ratio in areas suitable to cultivation area increased from 3.4 persons to 7.5 persons per square hectare between 1952/54 and 2001 – more than a doubling of pressures (CBS 2003b). Another major factor is the removal of forest cover on sloping land and land in other categories with high rainfall rates, especially during the monsoon. Deforestation rates have grown to over 100,000 ha per annum in the country-side (CBS 2003b).

Deforestation in Nepal has continued not only because of land clearance for agriculture, but also because of over-collection of firewood and fodder, along with other NFTP, cutting timber, uncontrolled grazing and inadequate care in the implementation of development projects such as roads, transmission lines, hydro-electric projects and other activities involving substantial construction (LRMP 1986b; Mahat 1987). One early study maintained that under traditional agriculture, 2.5 ha of forest area (with good forest cover) was necessary to maintain 1982 yield levels of every hectare of agricultural land (Wyatt-Smith 1982). This deforestation has significant adverse impacts on agriculture productivity – which influences food availability, nutrition levels and, ultimately, livelihood conditions.

Soil erosion processes in the hill and mountain areas constitute yet another major factor in land degradation and also stem from both natural and human sources (Carson 1985). Natural erosion is high because of the fragile mountain environment with its high-intensity monsoon rains, mass wasting, rock failures, landslides, and riverine cutting and gulling (LRMP 1986a). Man-made factors include intensive farming with poor soil pro-

tection and improvement measures, over-grazing, forest fires and cultivation in highly erosion-prone slopes, far more suitable to tree crops rather than other agricultural uses. Flooding and riverine cutting of flatlands are also very common in low-lying areas in both the hills and the plains, resulting in losses of arable land. In the Tarai alone, more land has probably been degraded by changing river courses and flooding than the land lost in the hills through the combined effects of soil erosion and deforestation – a subject so far inadequately examined. The critical role of conservation in large parts of the Tarai is only now being recognised, as the damage to Churia hills may well become an endless cause of flooding and debris flow, seriously affecting agricultural activities, settlements and infrastructures in the plains and rapidly growing urban areas near rivers.

Loss of biodiversity

The loss of biodiversity is yet another major – and worsening – environmental problem correlated to rural land degradation. Because of Nepal's enormous variations in topography, climate conditions and geophysical endowments, the country is relatively rich in biodiversity: despite representing only 0.1% of the global land surface, Nepal contains 20.7% of the world's flowering plants, 9.14% of its birds, 1% of its amphibians, 1.6% of its reptiles, 2.2% of its aquatic life, 4.2% of its butterflies and 4.5% of its mammals (MOFSC 2002). This diversity is distributed in three horizontal East-West ecological belts of the country – the high mountains in the North, bounded by the Chinese frontier, the middle hills south of the high mountains, and the Tarai plains in the south (45.3%) bordering India and a part of the Indo-Gangetic plain.

Within this broad physiography, 20% of the area belongs to forests and about, 10.6% to shrubs; about 21% is cultivated and some 18.3% has been set aside as National Parks, Wildlife Reserves and other conservation areas. Nepal also contains 242 wetlands, distributed in a different ecological belt, that support rare and largely endangered wetland-dependent fauna and flora (CBS 2003b). Of the country's 118 ecosystems, 80 are located in protected areas. Despite the efforts made to protect this huge natural wealth, Nepal's biodiversity losses through deforestation alone threaten 2.8% of its reptiles, 2.3% of its birds, 3.8% of its mammals and 0.1% of invertebrates (CBS 2003b). The figures for floral diversity are lacking and the problems cited here could be even more serious, given the extensive destruction of ecosystems caused by expanding agricultural development, deforestation, reckless harvesting practices and development interventions (MOFSC 2002). Unlike animals, plants are literally rooted in their environments and therefore unable to flee threats with relative rapidity.

Systematic documentation of this variety of plants, insects, butterflies and other species is dangerously lacking in both environmental and human development terms. Any discussion of the land at the macro level masks the extent of heterogeneity in Nepal's ecological belts. Each belt, especially in the high mountains and the middle hills, is home to myriad micro climatic zones and ecosystems, each with its unique resources, including their interactions in environmental services. This land mass also benefits from a wide variety of relatively favourable climatic conditions – summer rainfall from the southwest monsoon (small parts in the North are not influenced by these winds) and extensive seasonal and temporal variations in rainfall,

temperatures, and humidity that significantly influence water flows, flora, fauna and, of course, human livelihoods.

Water shortages, floods and pollution

Nepal has over 6,000 rivers with a combined length of almost 45,000 km, mostly fed by snowmelt from the Himalayas. The country also has 660 lakes with an area of more than 1 hectare (DHM 2001). The mean annual rainfall is about 1700 mm, of which 75% falls during the monsoon.

Rainfall decreases as one moves from East to West. In 2001, 53.4% of the population had access to piped drinking water, 9.1% had access to a well and 28.6% used tubewells (CBS 2003b). Little is known about the quality of this water or its distribution among different groups. Many settlements in the high mountains and middle hills now face freshwater shortages because of extensive ecosystem deterioration. The use of groundwater for drinking and other purposes has increased significantly over the years; in areas like the Kathmandu Valley, water tables are declining fast (CBS 2003b). Excessive pumping, deforestation, and the increase in built-up areas probably play significant roles in the low recharge and declining levels of ground-water.

The quality of drinking water, both surface and groundwater, is deteriorating because of the direct discharge of domestic and industrial wastes into rivers and improper uses and disposal of agro-chemicals. Only 40% of Nepalese households have access to sanitation facilities. The Bagmati River in Kathmandu Valley stands out glaringly in any serious consideration of the degradation

of water bodies near large urban areas. In Kathmandu Valley alone, 20,846 kg of domestic sewerage is discharged directly into the river (Pradhan 1999; CBS 2003b). A new problem of arsenic poisoning has become a serious issue in the Tarai, where arsenic levels are fairly high in those districts that use shallow tubewells (Pradhan, et al 2003).

Air quality

Air quality is also changing rapidly in parts of Nepal. In rural areas, the main problem is indoor air quality, pollution that arises from the burning firewood in improperly ventilated rooms (CEN/ENPHO 2003). In urban areas, overall air quality is beginning to deteriorate because of vehicular emissions, industrial exhausts, dust pollution arising from the reckless and poorly managed construction of buildings and roads and the adulteration of fuel (IUCN 2004). For areas like Kathmandu, reports have identified temperature inversion because of special physical conditions limit the rapid dispersal of pollutants and particles (Tuladhar 2003). There is also increasing concern about Nepal's contribution to various GHGs - which are relatively small, but nevertheless increasing. Another important issue is the identification of the atmospheric brown cloud that has hovered over parts of Nepal and Asia and is raising concerns about its long-term effects on people, the environment and the economy (UNEP 2002b).

Global warming

While Nepal is a small contributor to GHGs at present, the adverse impacts of global warming on the country's environment and economy requires systematic analysis (IUCN 2004). Receding glaciers, melting glacial

lakes, warmer days and changing weather events will have far-reaching effects on agriculture, water supply and health. Just what these changes will be demands study so that possible responses can be carefully identified. The government ratified the Kyoto Protocol in 2005.

ENVIRONMENTAL PROBLEMS AND THEIR IMPACT ON HUMAN DEVELOPMENT IN NEPAL

How have the environmental changes discussed above affected human conditions? What adjustments have been made? Current levels of understanding of the interaction between changing environment and human conditions are still quite limited. If certain impacts, such as changes in farming practices, have been looked into, others such as the health effects have only recently aroused interest.

Poverty and livelihood impacts

The degradation of land, losses of biodiversity, increasing shortages of water, and extreme weather events have adversely affected rural household in fragile mountain environments, where the use of external inputs in agriculture have so far been quite limited (Jodha, et al 1992). The majority of the people still depend heavily on such common property resources as forests, grasslands, water bodies and the species populations of the area. Mountain livelihoods are supported by a complex set of linkages among agriculture, livestock, forestry and water. Any disruptions in any single component could jeopardise the system's equilibrium (Mahat 1987; Banskota 2002). The pace of change is now far more rapid than in the

past; serious forest losses, with corresponding losses in biodiversity, as well as increasing external linkages, have severely disrupted traditional livelihood systems. In areas that have improved access to markets, farming has taken a turn towards substantial increased dependence on external inputs (Banskota 2002). However, where such access remains difficult, hill and mountain people are sinking into deeper and deeper poverty (Sarkar 1998).

A recent study in Nepal discussed some of the livelihood questions regarding community forestry user group (CFUG) households and drew the following conclusions.

Membership in local institutions other than CFUGs is limited. CFUGs are a highly regarded institution by more members and may be the single most important institution for community development. The majority of CFUG households are very poor in asset ownership. CFUG households have limited access to group loan schemes and pay high interest rate. Forest-based income generation activities remain a relatively unexploited livelihood strategy for most CFUG household. The typical CFUG household has very small land holdings and is not able to meet its normal food requirements though agriculture. Community forests play a vital role in supplying goods to CFUGs; however, the issue of the inequitable ratio of households to community forest size should be addressed. Despite some problems managing community forest, the majority of users felt that forest conditions are improving and that managing community forest is a worthwhile endeavour (LFP 2003).

To sum up, additional inputs and resources are necessary if rural households are to over-

come their poverty (Banskota 2002). It is also evident that their environmental needs differ; some need increased access to land, others to forests, some to irrigation and still others to more water (LFP 2003). In short, sustaining livelihoods in these remote areas means sustaining ecosystems in their full diversity.

Disaster and displacement from loss of access to natural resources

Extreme weather events and other disturbances in the environment displaced 41,000 hill and mountain households in 2002 alone. Floods, fires, wind and hail storms, lightning bolts, earthquakes and, above all, landslides resulted in the destruction of some 20,000 homes over 10,000 ha, with comparable livestock losses (CBS 2003b).

Land has been acquisitioned for varied development interventions – ranging from protected areas to roads, hydroelectric projects, research stations and security outposts. While in some cases forest areas were cleared, in many others, existing settlements have been removed or traditional access rights curtailed. Households dependent on wetlands resources in the Koshi Tappu area were displaced after the land became an official Wildlife Reserve. Fishing, mat-weaving, and collection of wild vegetables and snails have disrupted the livelihoods of some 3,600 households among the Mallah, Mushahar, Satar, Mukhiya, Kumal and Tharus, although some official assistance measures were implemented to assist these people (IUCN 2002). The issue here is not one of development per se, but inadequate attention to suitable alternatives for disadvantaged groups who have been generally invisible to policy-makers.

Public health impacts

Water pollution has become Nepal's most serious public health hazard. As indicated above, rivers that run through urban areas have become sewers for untreated household wastes. Similarly, industrial effluents are directly discharged into rivers by factories that could have easily installed treatment facilities (MOPE 2000). Diarrhoea among children below five years of age is still as high as 131 per thousand children and the mortality rate of this age group in 2002 was 0.34 per 1000 (HMG/N/UNDP 2002) simply because local streams are used by farmers for cleaning green vegetables destined for market and children swim in these polluted waters during the hot summers.

Respiratory illnesses top the list of the five major diseases reported by Kathmandu hospitals – probably because of prolonged exposure to smoke and dust particles – children and the elderly being the most vulnerable (CEN/ENPHO 2003). Kathmandu is now said to be among the most polluted world capitals in terms of air quality, solid wastes and water supply. The quality of edible food is also increasingly substandard – particularly milk, edible oils, and cereal grains. In Kathmandu and other Nepalese cities, the past dangers of household wastes are now rivalled by a mixture of medical, industrial and discarded materials, some of which need very careful handling procedures. Hazardous and obsolete pesticides continue to be a problem in some of the areas, while dry cells and used batteries for electric machines and cars are likely to pose increasingly serious disposal problems.

Urban problems increasingly affect rural citizens because of increased commuting and

migration. If Nepal is to avoid a slow poisoning of its ecosystems and ultimately its people, it must urgently undertake a massive environmental clean-up.

ENVIRONMENTAL LAWS, POLICIES, PLANS AND PROGRAMMES

Nepal's early focus on the conservation of forests and its formulation of forest policies became vastly expanded by the elaboration of the Nepal Conservation Strategy. The Eighth Plan (1992-1997) and the Ninth Plan (1998-2002) have both emphasised environmental considerations. The 1990 Constitution also identifies the need to conserve and make wise use of the country's natural resources; provisions to this end must be adopted by two thirds of the Members of Parliament. New initiatives such as the Nepal Environment Action Plan 1993, the Solid Waste Management Policy of 1996, the Nepal Biodiversity Strategy of 2002, and the Sustainable Development Agenda of 2003 have been introduced. The PRSP and related programmes need further strengthening with regard to environmental and natural resource concerns because of the evident environment-poverty nexus throughout the country. Although the LSGA of 1999 includes mandatory provisions for integrating environmental concerns into local planning and implementation, many anomalies demand removal for effective implementation.

Environmental impact assessments

The application of EIA, earlier a donor requirement, became a national requirement as well following the enforcement of the En-

Environmental Protection Act (EPA 1996) and the Environmental Protection Regulation (EPR 1997).

In many countries, scoping exercises are carried out at the initial stage of the EIA process to determine whether or not the proposed project requires the application of EIA or Initial Environmental Examination. This is not practical in Nepal, as current scoping practices do not allow for an adjustment of local conditions (a communication problem), do not indicate the minimum contexts of a scoping report and do not have time-bound approval processes. All these needs add to private sector costs. In addition, Nepal lacks sufficient trained staff for effective EIA. Whether or not EIA recommendations are actually integrated into a project remains unclear. Worse, if EIA recommendations are not implemented, the entire exercise becomes largely useless (Khadka, et al 2000).

Controlling air pollution

The government has taken many initiatives to control air pollution in the transport sector – the introduction of emission testing, the banning of two-stroke motorcycle engines, the regulation of movements of heavy vehicles in the urban areas of the Kathmandu valley, the introduction of unleaded petrol and the provision of tax relief for various types of environment-friendly measures. However, the consumption of petrol and diesel continues to grow rapidly, increasing the difficulties of measuring the effects of different policy measures on air quality, particularly in areas like Kathmandu valley (IUCN 2004).

Nonetheless, it is now clear that direct environmental measures, such as those related

to pollution control, must be supplemented by policies related to, among other things, energy use, banking loans for different consumer items, the regulation of older, highly polluting vehicles, traffic management and a systematic handling of construction materials. Better integration with other sectors is also becoming critical to air pollution control. At the same time, careful monitoring of health impacts is also essential to bettering our understanding of effects and identifying social costs within long-term human development policy.

Nepal's MDG activities under Goal 7 are protecting and maintaining biodiversity, maintaining forests and improving energy use. The 2005 national report that tracks these goals states that environmental goals are likely/potentially achievable with fair supportive environment.

Sustainable development and the attainment of MDG targets go hand in hand. "The overarching goal of sustainable development in Nepal is to expedite a process that reduces poverty and provides to its citizens and successive generations not just the basic means of livelihood, but also the broadest of opportunities in the social, economic, political, cultural and ecological aspects of their lives" (HMG/N/NPC/UNDP/MOPE 2003). It is a vision of the country until 2015 and builds on past achievements and is in conformity with the major strategies of development such as PRSP, the Tenth Plan (NPC 2003) and the MDGs.

CONCLUSION

"When we are hungry we eat the elephants
When we are full, the elephants are beautiful"

The main message of this old African proverb is straightforward in its emphasis on human needs. Its implications are not equally obvious. What happens if there are no more elephants? What will people eat? Human beings also must think about preserving the elephants at a certain level so as to meet their future needs. Further, is it safe to depend on elephants alone? In the long run, there is a clear need for greater diversification so that problems created by changes in the availability of any resource are buffered by the availability and use of others.

Gandhi said the Earth had enough for everyone's needs – but not enough for our greed. Today, greed itself is considered a good and promoted through emphasis on high profits, an inequitable distribution of resources and policy distortions that favour certain activities and groups. The overall impacts of these values are an excessive harvesting of natural resources with consequent damage of the environment. As Mahbub ul Haq argued, within the human development paradigm, all resources must be suitably priced and policy distortions removed.

We still know relatively little about the environment. After UNCED in 1992, a significant increase took place in international and national prioritisation of environmental issues. That emphasis has conspicuously diminished and, with it, international funding for research as well as appropriate action. This is all the more unfortunate at a time when critical environmental issues face countries, regions and the world as a whole. Better awareness and better education and training in environment are urgently needed in both industrialised

and developing countries; new environmental problems arise constantly and few recognise any political frontiers. A better aware, more participatory, more educated, and skilled society – and one far less hungry – is ultimately the best hope for working towards greater harmony between environmental conditions and the satisfaction of human needs. The implications for Nepal are obvious.

In Nepal, where the majority of households live in rural areas and directly depend on the in-situ natural resources for their livelihood, there can be no alternative but to improve both the quantity and quality of the natural environment. In many areas community-based conservation and development are restoring the biodiversity and also benefiting the community in many different ways. Just as being totally dependent on available natural resources is no longer viable for the rapidly growing population and alternatives must be promoted in other sectors, it is also quite evident that in the long run a degrading environment costs far more to the society than the one that is well managed. Striking the right balance raises many issues – economic political, institutional and ethical.

Nepal still has a long way to go in terms of successfully exploiting the full potentials of its available natural resources. Many of the development activities can be productively linked with the development of its natural resources potentials in forestry, water resources, ecotourism and high value commercial crops. Conservation of the environment in Nepal must be an integral part of its overall development strategy for development to be sustainable.

Economic policies, poverty and human development

Shizu Upadhya

INTRODUCTION

There is greater recognition now than ever before of the need to place poverty reduction at the centre of the development process. More than 50 years after its founding in the wake of the Second World War, the UN convened the Millennium Summit in 2000, when more than 160 countries pledged themselves to halving world poverty by 2015. According to the Millennium Declaration, the world committed itself to “making the right to development a reality for everyone and to freeing the entire human race from want”. Identifying the nature of a problem is, surely, the first step in its resolution. In the meantime, a historic consensus to achieve the MDGs has also emerged within the donor community and global civil society actors.

Coming a decade after the first Human Development Report, the MDGs outline an attempt by the UN to put forward a strategy for the pursuit of human development. The process of human development – increasing men’s, women’s and children’s control over resources, strengthening their ability

to take decisions and exert basic authority over their lives – is also what the MDGs seek to achieve. Moreover, this expansion of people’s choices and freedoms in functioning is now firmly positioned as a contributory factor for the realisation of human rights – thereby capturing a more matured and, in many ways, bolder understanding of human development in 2000 as compared to 1990. The imperative of addressing poverty has been made a moral as well as legal responsibility. At the international level, the eighth MDG aims to alter aid, trade, business and debt-related policies in developed countries that now obstruct poverty reduction efforts in developing countries. At the national level, the achievement of Goals 1-7 (see chapter 1) requires the intensive empowerment of poor people. While the MDGs do not propose a blueprint strategy, their targeted approach within a strict timeframe requires the pursuit of growth with equity and of action by states as well as markets to promote both collective and individual freedoms – the same approach taken by countries that have made substantial progress in reducing poverty and furthering human development so far.

The years prior to economic reforms in Nepal were marked by resource constraints that impeded investment in human capabilities and the pockets of moderate expansion in production and consumption since 1990 did not significantly touch the vast majority of the Nepali people. As the 10th Five Year Plan/PRSP reflects an alignment with the MDGs, poverty appears to have come to the forefront of the planning process far more than ever before. The statistics from the Rural Household Survey 2001 and the NLSS of 2003/04 point to a reduction in the proportion of people living below the poverty line since 1995/96. However, poverty incidence still remains high at 31 percent. Some analysts speculate that this reduction has derived in large measure from the remittance economy. At the same time, recent human development indicators confirm that human poverty and disempowerment remain deep and unevenly distributed among groups of poor people.

A more widespread and sustainable enlargement of human development in Nepal will require bringing to an end the violent aspects of the present conflict. At the same time, policy-makers need to come to a consensus on a long-term programme of action for economic and social transformation based on a commitment to participatory and democratic governance. Specifically, this should entail a new design for macroeconomic policies so that they better encourage both public and private investment alongside specific sectoral policies in industry, agriculture, infrastructure and financial markets – and for the further generation of work opportunities. A programme for land reform and well-designed targeted programmes in the supply of essential goods and services for men and women who have been marginalised over

centuries will redistribute assets and incomes to rural areas and thereby contribute to the enlargement of poor people's economic and social capabilities – the purpose of development. In the present context, conflict-ridden areas will require additional relief. Against this backdrop, Nepal's further engagement with global and regional markets will improve the prospects for expanding people's capabilities.

Though predictions hold that Nepal is unlikely to meet all of the targets of the MDGs on schedule, this should not detract from the more immediate process of redefining the purpose of national public policy, and designing and implementing a policy agenda for human development. In emphasising the significance of local poverty analysis and strategising, the Millennium Declaration also acknowledges the political nature of decision-making processes concerning resource distribution. Further, the human development perspective on poverty goes well beyond traditional notions of inadequate income. Poverty is, in fact, the denial of opportunities and choices most basic to human development. At the beginning of the new century, it is clear that removing poverty is therefore a much longer-term and complex enterprise than past propositions of simple formulae have implied.

The task of expanding people's choices should not be restricted to states or markets alone, but must build on interactions between both. Moreover, these interactions best contribute to poverty reduction when they are informed and decided upon with the participation of a nation's citizens. Not only does this build the public stake in difficult decisions about resource distribution that are inherently intertwined with poverty; it

also strengthens people's sustainable agency in shaping both their own and their community's destiny – without which poverty cannot be reduced.

Human development indices do not yet fully capture all the constitutive elements of human development. This is further affirmed in the recognition of the reciprocal nature of human rights and human development. According to this concept, it is necessary to expand people's choices so that they can live lives of dignity as defined in the international human rights framework. At the same time, realising people's civil and political as well as economic, social and cultural rights is itself necessary to expand human development. As such, the expansion of people's freedoms, and the opportunity for open thought and action that this allows becomes not just the means, but also the end of public policy-making for human development. At the end of the Cold War and in the era of globalisation, it is clear that the sustainable protection of individual rights as well as social equity depends on new forms of capitalism rooted in systems of democracy – not democracies in the sense of electoral politics alone that we see today, but real democracies that ensure participation and inclusion. As an area of social science enquiry, a deeper understanding of the complexity of the human development concept, including its perspective on poverty, will require far more interdisciplinary analysis in addition to current economic and quantitative analysis.

From income to capabilities

The evolution of economic thought is the framework within which conceptualisations and measures of poverty emerged. In economic terms, poverty came to focus on the

scarcity of the means of development, rather than the achievement of ends. The application of the poverty line, one of the most widely used measures of poverty, exemplified this approach. It identified poverty with shortfalls in household purchasing power and was represented by the average amount of income necessary to purchase enough food for all members of an average sized household to meet their average daily-recommended calorie requirements. Households came to be classified as poor or non-poor depending on whether their income was below or above the poverty line. To address the problem of comparability, the World Bank introduced an international poverty line of one dollar-a-day (World Bank 2001). Based on national poverty lines from a sample of developing countries, the international poverty lines assumed that after adjusting for the cost of living, US\$ 1 at PPP values – a conversion of the composition of the basket of goods to cost the same dollar amount in different countries – was the average minimum consumption required for daily subsistence in the developing world.

An expenditure measure such as \$1 was appealing, since it is a simple marker to separate the poor from non-poor, allowing an aggregation of the poor into a scaled measure. But there are many limitations of the poverty line and exclusive reliance on such a narrow indicator is likely to lead to faulty understandings. As these arguments have been well documented elsewhere (e.g., UNDP 1997) only five are recapitulated here:

- First, the poverty line added up people and households with diverse characteristics and heterogeneous environments within which they made their living. It revealed nothing about the divergent experiences of poverty and hunger.

- Second, it concentrated on purchasing power rather than achieved consumption, which would depend on factors other than income, including the supply of public goods and services and the guarantee of human rights.
- Third, it was insensitive to changes in the absolute levels of poverty, as well as to changes in the distribution of poverty on either side of the poverty line.
- Fourth, it measured only household income, ignoring intra-household welfare considerations.
- Fifth was the belief that whatever people's needs were, they could be satisfied through a sufficient level of purchasing power, drawing an inevitable line of causation from commodity consumption to well-being.

Amartya Sen's distinction between relative poverty and absolute poverty laid part of the groundwork for the later elucidation of his capabilities perspective on poverty (Sen 1983). This distinction emerged from the recognition of the limitations of absolute definitions of poverty (the poverty line, for instance) in capturing the ability of a person to be a full participant in his or her community. This capability required more than a command over commodities; it called for some understanding of relative poverty: the things a person can do rather than what they have, depending on the local context. The state of relative poverty could be captured, in turn, by an absolute value of capabilities, the sequence of things a person is able to do and become. Income definitely contributed to capability deprivation – but only as one of several factors. The notion of capability was later defined essentially as one of freedom, the range of economic, social and political options a person has in deciding what kind of life to lead. It was through

the expansion of freedoms that lives became “richer and more unfettered” (Sen 2000). Within this perspective, poverty was a lack of real opportunity – created by social constraints as well as personal circumstances – to choose other ways to live. The capability understanding of poverty thus imparted considerable value to the freedom of choice or opportunity.

If we shift attention from means to the ends people have reason to pursue, we see the corresponding freedoms they require to be able to satisfy those ends. This illuminates far better the nature of poverty and its causes. Unlike the abstraction of the income poverty line, the capabilities approach located poverty in social and institutional environments. Given each person's characteristics, social background and economic circumstances – and the prevailing legal context – each person had different basis of claims (entitlements and endowments) on resources available in a society. These claims were often intangible – striving for autonomy, perhaps, or self-esteem. They were embedded within the social relations and practices that govern possession, distribution and use in that society. Poverty would occur when the basis of household or individual claims to the social product was inadequate to covering basic needs. In most instances, this was caused by institutional processes that had effectively disenfranchised certain groups from participating in decisions about the distribution of these claims. Thus socio-political factors that restricted people's access to resources influenced the extent to which poor people were able to move out of poverty. By this understanding, the importance of the supply of more goods, prime products of an economic growth-oriented strategy, were not as important as the configuration of entitlements that determined who gets to own these goods.

The acknowledgment of the inherent resources of poor people themselves – their agency – was central to the freedom perspective to development, as was the recognition of the need to significantly complement poor people's resources with what they lack. The freedom of people's thoughts and actions was considered not just the primary end of development, but also one of its principal means. Development, therefore, not only led people's agency, but also demanded it. Moreover, the different types of freedoms were considered to be not just mutually reinforcing but also equally important. The freedom of exchange and transactions allowed for by markets, for instance, was as basic to social living as a person's liberty to participate in social choice and in making public decisions to further pursue the progress of development. Since access to both economic and political opportunities and choices influenced what people could positively achieve, poverty reduction within this conception required the interplay of states as well as markets, institutional arrangements that themselves functioned most appropriately and sustainably

when open to the influence of the exercise of people's freedoms.

Human development

When the UNDP's human development perspective defined poverty as the denial of choices and opportunities for a tolerable life, it sought to highlight those factors that restrict poor people from improving their conditions. It examined different features of the quality of life, not just income, and assessed policies to the extent that they had fostered tangible gains for poor people in the pursuit of different options. The deprivation focus of human poverty, which took as its starting point denial rather than achievement, emphasised equity. Human deprivation was reduced to three key indicators: longevity, literacy and living standard to construct the Human Poverty Index for detailed explanation of concept and measurement of HPI, see chapter 2 (box 8.1).

UNDP itself acknowledged that the HPI did not capture critical dimensions of human

BOX 8.1 Three perspectives on poverty

Income Perspective. A person is poor if — and only if — his or her income falls below the defined poverty line. Many countries have adopted income poverty lines to monitor progress in reducing poverty incidence. Often the cut-off poverty line is defined in terms of having enough income for a specified amount of food.

Basic Needs Perspective. Poverty is deprivation of material requirements for a minimally acceptable fulfillment of human needs, including food. This concept of deprivation goes well beyond the lack of private income because it includes the need for basic health, education and essential services that the community must provide to prevent people from falling into pov-

erty. It also recognises the need for employment and participation.

Capability Poverty. Poverty represents the absence of some basic capabilities to function — a person lacking the opportunity to achieve some minimally acceptable levels of these functionings. The functionings relevant to this analysis can vary from the physical (being well nourished, being adequately clothed and sheltered and avoiding preventable morbidity) to more complex social functionings, such as partaking in the life of the community. The capability approach reconciles the notions of absolute and relative poverty, since relative deprivation in incomes and commodities can lead to an absolute deprivation in minimum capabilities.

Source: UNDP 1997.

poverty, namely the lack of political freedom, the inability to participate in decision-making and the lack of personal security. In response, in Nepal, for instance, UNDP went on to further widen the types of information included in a poverty measure. The HEI measures equity in the distribution of economic, social and political assets and capabilities (UNDP 2004b). Other indices that aim at better capturing all the dimensions of the human development concept will surely appear over time. The challenge of the further evolution of quantitative poverty measures will be to recognise the inherent complexities of the state of being poor, while remaining in basic ways usable and practical for actual assessment of living standards (Kanbur and Squire 1999). Moreover, social scientists are now increasingly accepting the role of qualitative information to gain a fuller understanding of the hardships of poverty. This trend is unlikely to subside in the future.

Qualitative empirical approaches to measuring poverty increasingly involve asking how poor people themselves describe poverty in whatever dimension they choose (e.g., World Bank 2001). According to many of these descriptions, poverty is not only the failure in ability to command market-purchased goods; it is limited life expectancy, low literacy and poor health, it is the regular encounter with livelihood risks and income volatility and the denial of opportunity for the exercise of “voice” and political rights. The gradual deepening of understanding of poverty over time, and its increased accuracy in measure, has gradually expanded notions of the very purpose of economic development. It has also widened the options available in policy-making. When we compare HPI measures with measures of per capita income, we are

comparing measures of relative and absolute poverty – and both are important. This comparison reveals different ratings for different countries, as there are multiple ways in which claims on resources may be distributed contingent upon, but not only upon, a nation's wealth. The core achievement of successive HDRs, therefore, has been to alter the focus of poverty policies from an overwhelming emphasis on increasing economic growth to addressing economic inequity and social disempowerment as well. For these constitute more significant causes of poverty in many societies than purchasing power.

The equity concern of the human development paradigm clearly challenged the market efficiency foundations of neoclassical economics. Not only does human development acknowledge the many forms that markets and states can take; it also recognises the relative merits of both – which are in fact wholly interdependent. The development experiences of the past have shown that the relative contribution of domestic institutional arrangements differ from one context to the next. Today, states remain the institutions of greatest political legitimacy. That said, in an age of globalisation, states own and command far fewer resources than do markets. The eventual selection of policy choices for economic development is, as it turns out, less a value-neutral, technical exercise than an outcome of a nation's political philosophy (Upadhyaya 2000). Because of the potential contribution in this selection of open debate between states, markets and citizens, the expansion of participatory and democratic politics has come to be considered an inherent element of human development and, indeed, efforts at poverty reduction.

INTERNATIONAL POVERTY STRATEGIES

Poverty today

Poverty trends over time are most correctly discerned by monitoring the progress of the multiple poverty measures that now exist. One of the great achievements of the 20th century that thus emerges is the dramatic reduction of income poverty. Income poverty has fallen faster in the past 50 years than in the previous 50 decades. And by the end of the 20th century, the number of people deprived in other dimensions of life was reduced to some 1-2 billion, from some 2-3 billion three decades ago. For parts of the developing world, the gains in recent decades have been unprecedented. Some of the more recent poverty reduction has grown out of increased global economic integration, a process that gained momentum in the 1980s and 1990s. During this time, total world income may well have increased by an average of 2.5% annually (UNDP 2000). However, it appears that progress in poverty reduction in the latest 10 years has been slower than in the 20-year period between 1970 and 1990 (IFAD 2001). The number of people living in extreme poverty has also increased in this time, by almost 100 million. The reasons for this slowdown are attributed to the types of economic policies that were pursued, by governments around the world, an issue discussed in the next section of this chapter.

The proportion of people living on less than \$1 a day at the global level has dropped from nearly 30% in 1990 to 23% in 1999 (table 8.1). But with a growing world population, the number fell by just 123 million, a small fraction of the progress needed to eliminate poverty. And, excluding China, the number of

TABLE 8.1 Changes in the share and number of people living on \$1 a day

Region	Percentage		Number (000)	
	1990	1999	1990	1999
Sub Saharan Africa	47.4	49.0	241	315
East Asia and the Pacific	30.5	15.6	486	279
Excluding China South Asia	45.0	36.6	506	488
Latin America and Caribbean	11.0	11.1	48	57
Central and Eastern Europe	6.8	20.3	31	97
Middle East and North Africa	2.1	2.2	5	6
Total	29.6	23.2	1,292	1,169
Excluding China	28.5	25.0	917	945

Source: UNDP 2003.

extremely poor people actually increased by 28 million (in the 1990s China itself lifted 150 million people, 12% of the population, out of poverty, thereby halving its incidence). Only in East Asia did the number of people in extreme poverty decline significantly during the 1990s. In South Asia, the proportion of poor people has fallen, but the actual number of poor people has hardly changed at all. In other regions, notably Sub-Saharan Africa and even Latin America, the number of poor people rose. In Eastern Europe and the Commonwealth of Independent States (CIS) the number of poor people more than tripled – from 31 million to almost 100 million (UNDP 2003). Applying the much broader perspective of human development than just a measure of income, some 54 countries had become poorer in 2003 than they were in 1990, while life expectancy in 34 countries had fallen. Twenty one countries were hungrier in 2003 than in 1990.

Where the conditions for growth have existed, the increased opportunities for trade have allowed real GDPs and trade shares to rise, increased per capita incomes and reduced poverty in large parts of the developing world. Per capita real GDP has been increasing in the world as a whole, as well as in developing countries on average (table 8.2). However, their fare has been mixed. The world's two biggest nations - India and China, containing huge numbers of the world's poor - have accelerated their growth rates over the last two decades. Many of the poorest countries in Africa have either stood still or experienced negative growth. Real GDP per capita in high trading developing countries has overtaken that in low trading developing countries. As a result, a polarisation process has taken place in the developing world, whereby the shrinking overall proportions of the global poor are increasingly found in some of its non-trading parts. These countries show falling or stagnant real GDPs and trade shares, stagnant per capita incomes and increasing poverty (Maajis 2003).

The outcome of globalisation therefore has not been predetermined; rather, it has depended on the policy options available to governments, as well as those adopted by international institutions and the private sector. Its outreach has indeed been inequitable. The least developed countries, where 10% of the world's people live, have had access to only 0.3% of world trade (UNDP 1997). Tariffs remain high on goods with the greatest potential for the poorest countries, such as textiles, leather and agricultural commodities. Agriculture subsidisation in the rich countries has hit developing countries hard. It has kept world prices low, so these countries receive little for their commodities. In

addition, foreign direct investment (FDI) – of which 2/3 goes to only eight developing countries – has bypassed more than half of all the developing countries. Within countries, too, the benefits of economic openness and globalisation have been skewed, depending most of all on the extent to which trade has increased intra-country inequalities – between poor and rich, rural and urban areas, women and men and among ethnic groups.

The pursuit of growth

The limitations of the current global policy agenda hinge foremost on the fact that they are still production-oriented strategies based on unrealistic assumptions of market functioning rather than policies for reducing poverty and expanding people's opportunities and freedoms. This constraint dates back to the years when many former colonies were becoming independent – the two decades after 1945 – when the formulation of public policy in such countries for the first time became an issue for consideration. It was assumed that developing countries would follow the same transitions pioneered by the industrialised “first world” towards development. However, the relative weakness of a national entrepreneurial class in the “third world” was considered to mean that the state should play a much greater role in promoting change, than the case had been during earlier industrialisation. The American economist Walt Rostow in his influential book “The Stages of Economic Growth: A Non Communist Manifesto” (1960) attempted to generalise “the sweep of modern economic history” in a linear set of stages of growth that emphasised investment in particular sectors of the economy. The import substitution model,

known for its critique of free trade, heavy industrialisation and centralised planning models up to the late 1970s were subsequent policy products of the thinking of the time.

In the 1980s, international recession and the debt crisis challenged basic assumptions of the developmental role of the state. The state, as it had evolved in many parts of the global South, came to be seen as part of the problem. Governments were criticised on many grounds, ranging from lack of accountability to being unrepresentative. While new theoretical insights did not emerge, the world witnessed the initiation of a set of policies informed by a late twentieth century variant of classical economic liberalism. The rapid ascendancy of this new approach was in large measure due to the absence of competing alternatives. For instance, though dependency theory had acted as a powerful critique of the first world-third world relationship and the assumptions of modernisation theory up to that time, it offered little practical policy advice. Formally adopted by the World Bank and the IMF, these policies were considered the prime means of overcoming the financial crisis of the time. Thereafter, the IFIs began imposing a host of free trade and free market-oriented economic policy reforms as binding conditions on access to loans for low-income countries.

Structural adjustment programmes, as they came to be known, were primarily an attempt to correct massive imbalances in the balance of payments and used tight fiscal and monetary discipline in an effort to lower inflation. The claim was that such structural readjustments would also lead to higher rates of economic growth. Although the hyperinflation that plagued many countries in the early 1980s was successfully brought under

TABLE 8.2 Real GDP per capita for the world/developing countries 1970s-1990s

	World	Developing countries
1970s	3,350	1,452
1980s	3,816	1,771
1990s	4,308	2,148

Source: Maajis 2003.

control, the set of market-oriented policy reforms known as the Washington Consensus were highly controversial and unpopular in many countries during their 25 years of implementation, as they did not promote national economic development in dozens of the world's poorest countries and actually worsened inequalities in most poor countries. Tight monetary policies led to reduced government spending, resulting in cutbacks in basic services and higher prices for the remaining public services. Currency devaluation led to increasing the costs of imports and lower consumption, as well as increased export-oriented agricultural production, which led to the use of more arable land for export crops rather than production for local food markets. An increased reliance on volatile international commodity prices and the removal of price controls led to rapid price rises for basic goods.

On hindsight, one notes that no clear-cut evidence exists to demonstrate that trade liberalisation indeed leads to economic growth and, subsequently, poverty reduction (Kanbur and Squire 1999). According to economic theory, a country's integration into world economies causes growth and this growth is equitable; it is the growth that trade produces that in turn reduces poverty. However, opening up a national economy

comes at a price, especially for countries with weak domestic markets, negligible support for domestic producers and in which a significant proportion of the population is engaged in subsistence production. Moreover, SAP prescriptions for economic growth ignored the internal capacity-building of domestic economies, which would have been vital for equitable outcomes. The overt reliance on exogenous factors, e.g., the demand for exports, commodity terms of trade and inflows of FDI paid inadequate attention to local endowments and internal economic capacities. For instance, SAPs institutionalised policies that shrank direct government responsibilities for a significant redistribution of assets and benefits. Public support and subsidies were systematically demolished, and market-based price systems were made the primary determinants of allocation and distribution. Interestingly, as box 8.2 shows, SAP policies varied greatly from the economic policies generally pursued by developed countries; the European Union's Common Agricultural Policy, to take one example, withstood the trade liberalisation mandate of the general agreement on tariff and trade from 1948-1994 up to the establishment of world trade organisation (WTO) in 1995.

In the 1990s, World Bank Chief Economist Joseph Stiglitz began to challenge the free market ideology that underpinned the Washington Consensus of the prior two decades and openly acknowledged the prevalence of market imperfections, claiming that the simple, competitive supply and demand economics that lay at its foundation was misguided. His comments generated a new interest among economists to revisit basic "rational" economic theory (Stiglitz himself went on to win the Nobel Prize in Econom-

ics in 2001). At about the same time, studies began to put forward empirical evidence of the damaging effects of pursuing liberal growth models in the global South. A 2001 study by a think tank based in Washington DC, for instance, suggested that the 20-year globalisation era had brought about substantially less progress than that achieved during the two decades that had preceded it. In particular, over the 20 years of neoliberal reforms, per capita output growth on average had been markedly lower than during the previous 20 years (ActionAid USA/ ActionAid Uganda 2004). In 2003, the UNDP Human Development Report called for a broader policy view than the pre-eminent focus on the acceleration of economic growth that had marked the 1990s. "Growth can be ruthless or it can be poverty reducing – depending on its pattern, on structural aspects of the economy and on public policies", it said, and that this needed to be taken into account in order to achieve the first MDG of halving 1990 rates of world poverty by 2015 (UNDP 2003).

Poverty reduction strategy papers

Having borne witness to the unilateral damage in the livelihoods of hundreds of millions of poor people in the North as well as South, the World Bank and IMF, both under pressure from global civil society actors and some governments, promised in 1999 that SAPs would no longer be a condition for their lending to Southern countries. Instead, loan candidates would now have to submit PRSPs and plans for poverty reduction and growth facilities (PRGFs), respectively.

The PRSP process had begun as a by-product of the international debt-relief programme developed in the late 1990s, in which 42

heavily indebted poor countries could qualify for partial debt cancellation, but were required first to show that they would use the savings from foreign debt payments “responsibly”. Poor countries hoping to obtain debt-cancellation through the heavily indebted poor countries programme were required to produce a strategy paper describing how the saved revenue would be directed towards poverty-reducing goals. Later, the number of borrowing countries required to produce PRSPs expanded well beyond those seeking the cancellation of foreign debt to include those opting for all the lower-interest loans issued by the international development association (IDA) countries.

Most significantly, the IFIs stated that policy reforms would be opened to public consultations. At the same time, PRSPs were to be approved by IFI boards based on country joint staff assessments and country policy and institutional awareness surveys, in which IFI staff would judge the credibility of the proposed frameworks. Several years

down the line, and many PRSPs on, it is now clear that this basic contradiction between national ownership on the one hand, and, on the other, conditional approval in Washington DC, lies at the heart of the PRSP/PRGF phenomenon. Moreover, the PRGF was originally intended to allow for a new degree of fiscal flexibility by presenting alternative policy scenarios for poverty reduction in each country. These alternative macroeconomic scenarios – which contained terms that markedly resembled the most controversial elements of earlier structural adjustment loan conditionalities – would enable public assessment of different policy choices and would be the basis for PRSP financing frameworks. These frameworks would then be used for signalling needs and mobilising higher aid commitments from donors and the poverty-reduction spending to be programmed from the outset.

Since 1999, the new (theoretical) focus on poverty has not actually changed the basic (practical) framework of the policy reforms.

BOX 8.2

A comparison of WB/IMF conditionalities under structural adjustment and policies pursued by the highly industrialised and industrialising countries (Japan, the East Asian “tigers”, Western Europe, USA, Canada)

IMF/WB loan conditionalities	Successfully developed countries
➤ Trade liberalisation	➤ Trade protection
➤ Foreign investment liberalisation	➤ Foreign investment regulation
➤ Privatisation of states companies/utilities	➤ Public companies/utilities
➤ Deregulation	➤ Regulation
➤ Tight fiscal and monetary policies	➤ Keynesian fiscal/monetary policies
➤ Export-led growth model	➤ Domestic investment and export-led growth
➤ Primary goods production	➤ Processing and industrial diversification

Source: ActionAid USA and ActionAid Uganda 2004.

Experience has shown that a number of subjects have not been opened for public consultation, among them:

- industrial policy
- trade protection
- subsidy support to domestic industries
- domestic investment
- levels of deficit spending
- price support
- regulations on foreign investment
- achieving lower interest rates and subsidies credit for domestic industry
- bolstering public health, education and agricultural services

In the final “policy matrix” that is translated into a loan document for submission by the borrowing countries to the funders, there has been a separation of the problem of poverty – on which there has been some consultation – and discussion on the nature of the growth process itself, which has not occurred (Chandrashekar 2003). This has been reaffirmed in the practice of aligning PRSPs within the PRGF budget constraints set by the IMF. Not surprisingly, a 2002 report by the United Nations Conference on Trade and Development noted that the IFI model for poverty reduction strategies shows strong continuity with the structural reform and liberalisation agendas pursued for more than 20 years.

The MDGs

In a context in which the IFIs still show reluctance to cede control over the macroeconomic policies of borrowing countries, the UN adopted the MDGs (see chapter 1). Their greatest value, as indicated at the beginning of this chapter, is a focus on equity in national and international economic policy so that resources are generated for poverty-re-

ducing expenditures. Simple as the goals, targets and indicators may appear, they embody a complex policy agenda. The hard choices entailed therein require strong political will inside countries and cooperation among nations globally. In 1970, for instance, the world’s rich countries agreed to provide 0.7% of their gross national income for development assistance. Only five countries have met or surpassed the target – Denmark, Luxembourg, the Netherlands, Norway and Sweden. The MDGs’ Goal 8 reminds high-income countries of the need for meeting their commitments, so that the total amount of aid annually increases substantially in the remaining years until 2015. In 2002, the UN estimated that achieving the MDGs would require an extra \$50 billion per year – the equivalent of doubling aid levels at the time. As the International Fund for Agricultural Development (IFAD) pointed out in 2001, if the trend of the declining donor support for agriculture continues, it will severely damage efforts to reduce poverty and hunger and achieve the first MDG goal (IFAD 2001).

Goal 8 targets aim at increasing developed country commitments to relax trade restrictions to enable market access, especially for developing country agricultural commodities and labour-intensive manufactures, along with expanded provisions of debt relief and transfers of technology. The MDGs thus embody a new international economic paradigm. The perceived legitimacy of the UN certainly makes it the right proponent of such a paradigm shift; some would argue that this shift has been rather late in coming. Although envisaged as part of the same system of global governance as the IFIs at the end of the Second World War, the relationship between the UN and the IFIs institu-

tions has often been one of tension rather than cooperation. As the roles of the IMF, WTO and World Bank have expanded, the influence of the UN on economic and social issues has declined. In part, this reflects the ability of rich countries to pursue their interests through the less democratic IFIs, which have voting systems heavily weighted to favour the rich countries. The relevance of the policy agenda addressed by the MDGs is perhaps a first step in the revival of the UN in the global debate on economic equity and poverty.

More can be done by strengthening the international role of UN institutions such as United Nations Conference on Trade and Development, UNDP and the ILO, particularly on matters related to economic globalisation and poverty reduction. Much will also depend on the extent to which governments and citizens of the South utilise in their favour existing policy-making fora, such as the regular meetings of the G-20, the G-24, the G-77, the UN General Assembly (including its High-Level Committee on South-South Cooperation), the World Bank and IMF, as well as ministerial meetings of the WTO.

The UN must also begin to put more pressure on the world's rich and powerful nations to follow through on commitments made, resolutions passed and decisions taken. The current debate about the reform of the governance of the UN system will begin the process of re-shaping the body as an institution that works towards the ideas of universality and global justice evoked by its 1945 Charter. In the meantime, the UN needs to pursue further the human rights agenda. A series of UN conferences during the 1990s have revived an existing body of international human rights legislation that now provides a basis of accountability by states and markets to uphold people's economic, social and political rights (box 8.3). Particular emphasis is given to the promotion of non-discrimination, the interests of disadvantaged groups, participation, empowerment and good governance. According to this framework, the realisation of human rights contributes to the poverty eradication agenda and is also its outcome (Sengupta 2001 and UNDP 2000). The Millennium Declaration, on which the MDGs are based, for example, commits governments to making the "right to development" a reality for everyone.

BOX 8.3 Some highlights of the international human rights framework

The core human rights treaties as norms and standards of human development are:

1. Universal Declaration of Human Rights (1948).

Articles 3-21 set forth civil and political rights.

Articles 22-27 set forth economic, social and cultural rights; Articles 28-30 recognise that everyone is entitled to a social and international order in which these human rights may be fully realised.

2. Covenant on Civil and Political Rights (1966) with effect from 1976.

3. Covenant on Economic, Social and Cultural Rights (1966) with effect from 1976.

4. Vienna DRD 1993.

Article 1: The right to development is an inalienable human right by virtue of which every human person and all peoples are entitled to participate in and contribute to and enjoy economic, social, cultural and political development in which all human rights and fundamental freedoms can be fully realised.

Source: Sengupta 2001.

The UN's enunciation of the declaration on the right to development (DRD) in 1996 affirmed the right to development as a universal and inalienable right and an integral part of fundamental human rights. Adopted almost 38 years after the Universal Declaration of Human Rights, according to which human rights constituted both civil and political rights and economic, social and cultural rights, it was mooted from the mid-1970s on. The consensus on the unity of civil and political rights and economic and social and cultural rights had broken down in the 1950s; the spread of the Cold War led to the promulgation of two separate covenants in the 1960s – one covering the civil and political rights (the so-called “negative rights” that imply government non-interference in the lives of their citizens) and another covering economic, social and cultural rights (the so-called “positive rights” that entail the obligations of governments to provide or ensure certain services for their citizens).

The DRD's reunification of economic with political rights is both its value-added, as well as the reason for the controversy that still surrounds it. During the Cold War, the promotion of economic rights was considered by USA and the western world as symptoms of socialism. By contrast, the USSR and its allies did not consider the guarantee of civil and political rights the foremost obligation of governments. Hence the adoption of the DRD only in 1993. The Declaration is now just a fairly generally worded statement of intent that lacks the binding legal power of a Convention or Covenant – not unlike the Universal Declaration of Human Rights in 1948. However, backed with national-level laws, it can open up new opportunities for the global eradication of poverty.

DRD endows rights-holders seeking development with the basis for legal claims. Governments became duty-bearers mandated by international law to design their development policies so that they respect, protect and fulfil human rights. At the national level, DRD can induce an exploration of the justifiability and institutionalisation of economic and social rights. The 1996 Constitution of South Africa, for instance, regarded as one of the world's most progressive, commits the state to the progressive realisation of socio-economic rights, such as health, housing, social welfare and access to water (Allan 2003). At the international level, DRD can therefore be used by developing country governments to seek greater equity in decision-making in the international economy. DRD can also serve as an international guide for the provision and evaluation of official development assistance – for instance, in pressing claims for debt relief and in transforming decision-making in the governance of the world economy within WTO and the World Bank and IMF, as well as within the UN. For more than a decade, policy-makers in both Northern and Southern countries have been discussing the potential of better using the international human rights framework and in particular, the concept of economic rights, for human development and poverty reduction; they will continue to do so. These are ideas whose time has come.

States, markets and citizens

At the beginning of the 21st century, and more than two hundred years after the beginning of Industrial Revolution in Western Europe, social and economic inequalities remain the major concern of the countries of the South. With democratisation sweeping the world, for the first time there is a semblance of the begin-

nings of a dialogue between North and South, between donor and borrowing countries and between governments and civil society. Policy debates about what worked, what went wrong and why have become more open – one manifestation being the growing movement for more “fair” globalisation, which some consider the most significant social phenomenon in present times (Fukuda-Parr 2002). In this plethora of voices, one message comes out with stark clarity and it is difficult to refute: that the types of macroeconomic policies implemented in developing countries have, to a great extent, failed to increase per capita incomes for all and have increased inequality. This argument is particularly powerful because it targets the very purpose of structural adjustment programmes – economic growth – on the basis of which short-term instability and loss in people’s lives had been justified (Kanbur 2001).

Understandably, the world’s attention has been shifting more and more to comprehending successful experiences of poverty reducing growth. Parts of East Asia, Singapore, for instance, and South Korea, recorded the most rapid poverty reduction in history, prior to global economic integration. China has accounted for three-quarters of all the people in the world lifted out of abject poverty in the last 25 years (Watts 2004). What is significant is that the substantial part of poverty reduction in China had already taken place by the mid 1980s – before more substantial links with foreign markets and capital were established. Even thereafter, liberalisation did not preclude strong support to small-scale agriculture pursued between 1978 and 1985 (likewise in Malaysia since 1971 and in India during the early 1980s). Today, China is the largest recipient of FDI among developing countries while its public spend-

ing on health is 2.1% of GDP, as compared with India’s spending of 1.3% (UNDP 2003). As a whole, therefore, the East Asian experience offers the world a lesson on using economics to reduce poverty through a powerful alternative to the neo-liberal model of development. Many of these policies would today be deemed inconsistent with the standard policy advice of the IMF and World Bank and even with the conditions of the WTO. Importantly, too, most of the East Asian reforms occurred in one-party states.

The first round of human development indices that appeared in the early 1990s did not include measures of political and civil freedom. For example, the HPI index did not capture specific dimensions of human poverty including the inability to participate in decision-making, the lack of personal security or the inability to participate in the life of a community (UNDP 1997). Much progress has been made in the interim. The 2000 HDR reaffirmed the centrality of human rights in attaining human development. Additional indices, such as the gender empowerment index and the HEI (the latter was first introduced in the Nepal Human Development Report 2004 now attempt to measure people’s political participation. The limitations of quantification techniques, however, have tended to allow policy-makers to avoid posing hard questions about the types of political system most conducive to human development. Some academics have been more assertive in this respect. Amartya Sen, for instance, compares the experiences of East Asia and India to draw some conclusions on the political dimensions of human development.

On the one hand, South Korea and China had created conditions of equity – through

land reform, for instance – and the initiation of labour-intensive non-agricultural production, prior to more aggressive pursuit of economic growth thereafter. On the other hand, India had implemented much fewer equalising reforms at the onset of economic liberalisation in the early 1990s. As an outcome, India experienced a much slower decline in poverty alongside trade liberalisation than did China. However, when more recent intra-country achievements are taken into account, social indicators such as life expectancy in the southern state of Kerala compare favourably with those of China – and often outstrip the Chinese indicators. Sen credits such achievements to India's competitive, multi-party system of government. The opportunity to dissent and defer, to determine who should govern and on what principles, and to have an uncensored press that accompanies democratic politics are all part and parcel of those things that people can positively achieve. According to Sen, "The real issues... involve taking note of the extensive interconnections between political freedoms and the understanding and fulfillment of economic needs. The connections are not only instrumental (political freedoms can have a major role in providing incentives and information in the solution of acute economic needs) but also constructive. Our conceptualisation of economic needs depends crucially on open public debates and discussions, the guaranteeing of which requires insistence on basic political liberty and civil rights" (Sen 2000).

Analysis today concerning the MDGs is largely economic. According to some, the current rate of global economic growth is much slower than that needed to achieve the first Goal - halving the numbers in absolute poverty by 2015 - on schedule. The reasons for

this include the overall recession of world markets in recent years and the continued barriers imposed by developed countries on labour intensive exports in the form of export quotas and enormous subsidies to domestic producers, especially in agriculture and textiles. FDI, too, remains largely concentrated in middle-income countries and donor countries are not making available the amounts of development assistance they have pledged. Current projections imply that Nepal, too, is unlikely to meet several MDGs targets, in part because of poor rates of economic growth limited to urban areas, the poor implementation of public services and support mechanisms and low agricultural productivity.

Much less is being said about the politics of MDG policy-making at both national and international levels. This concerns requiring accountability from states and markets in furthering the global agenda for poverty reduction and human development. Taking greater account of the dynamics of the local political constructs will play a part in determining whether the MDGs are realised. This task would be most constructive were it to revisit the larger debate about capitalism and its alternatives - concepts that earlier thinkers grappled with – in the context of present realities.

POVERTY AND HUMAN DEVELOPMENT IN NEPAL

Lives and livelihoods

For hundreds of years until the mid-19th century, economic exchange in Nepal took place in subsistence terms, encompassing only a severely restricted interaction at the level of the household and community for

commodities and services. A segregated society precluded the development of a more extensive economic organisation and King Prithvi Narayan Shah, Nepal's founder, favoured domestic self reliance as an economic policy objective. Eventually, subsequent rulers were more expansionist and ensured that capitalist production modes began to take shape, imported from British-ruled India. Bartering slowly gave way to a centralised monetary economy controlled by landed classes and caste groups. Community institutions that had evolved for the management of local public resources became disempowered, as such power was acquired by the state. Arable land remained the livelihood-sustaining asset for all and became the most valued form of property. Over time, land ownership solidified a new social and economic differentiation within the agrarian community, particularly between indigenous and migrant Hindu communities (Caplan 2000). This differentiation perpetuated inequities in opportunity and achievement between poor and non-poor people and underlay perpetuated feudal relations of production between the different caste and ethnic groups, as well as between women and men. These inequities have gone on to obstruct the gradual modernisation of Nepal's economy from improving the quality of life for all.

Planning processes specifically focused on improving people's standards of living began only in 1950 after the fall of the Rana regime. Alongside the first inputs of foreign assistance the mission for acquiring "development" started, first under a multi party setup and after 1960 in the context of the Panchayat regime. However, available data does indicate slow progress in generating economic dynamism. Growth rates hardly

exceeded 2.5% for much of the 1960s and 1970s. GDP grew at an average rate of 5% during the 1980s, during which time agricultural performance also improved. On average, however, agriculture, virtually the only source of income and employment for a growing population, grew at an estimated 2.2% only from the 1970s onwards. The influence of international trends led eventually to the formulation of the Basic Needs Plan in 1986. The reduction of poverty was made the prime objective of the Ninth Plan and its successor, the ongoing Tenth Plan.

Poverty measures

Just prior to the start of the Sixth Plan, in 1976/77, the National Planning Commission conducted the first large-scale national survey on employment, income distribution and consumption patterns. Deriving a subsistence income level of Rs. 2 per person per day, the absolute number of poor people was estimated at 37.2% in rural areas and much lower, at 17%, in urban areas. The national average of poverty was estimated at 36.2% of the population. The next large-scale survey, a multipurpose household budget survey conducted by the Nepal Rastra Bank during 1984/85, followed a "basic needs" income approach to estimate poverty incidence. This estimated that 43.1% of the rural population and 19.2 % of the urban population, and 42.55% of the total population, was poor. The poverty incidence was found to be highest in the rural hills (52.9%) and in the Tarai (35.4%), and much lower in urban Nepal.

The most recent data available derives from the NLSS conducted by CBS in 2003/04. The first NLSS (table 8.3) uses a poverty line of Rs. 5,089 per person per year to establish that 42% of the population (43% in rural

TABLE 8.3 Trends in the incidence of poverty in Nepal

Source	Year	Population below poverty line (%)			Number of poor population (000)
		Urban	Rural	Nepal	
NPC	1977	17.0	37.2	36.2	4,897
MPHBS	1985	19.2	43.1	42.5	6,852
NLSS/CBS	1996	21.6	43.3	41.8	8,560
NLSS/CBS	2004	9.6	34.6	30.8	7,640

Source: NESAC 1998; CBS 2005.

and 22% in urban areas) is poor. The second NLSS uses Rs 7,696 as the poverty line income per capita per year to arrive at 31 percent absolute poverty. Importantly, the data finds wide disparities in the incidence of poverty between areas as well as within them. The incidence of poverty is found to be highest in the hills (35%), followed by the mountains (33%), a reversal from the past. What builds on previous findings is the fact that the proportion of the poor in rural areas is found to be significantly greater – more than three-fold – than that of urban areas. The more remote mid and far west and the mountain belt are much poorer than other rural areas. Poverty in those regions is also deeper; the poorest in remote areas are further below the poverty line than the poor elsewhere.

Estimates of poverty have varied according to the definition of the poverty line. This has made it difficult to reach definitive conclusions about poverty over time. The World Bank applied different methodologies to the 1995/96 data to try to replicate as closely as possible the methodologies used in the past (Prennushi 1998). The tentative conclusion that emerged was that no evidence of substantial reductions existed in the rate of pov-

erty over the last 20 years. Changes in the incidence of poverty result from two forces: changes in average incomes and changes in the distribution of income. In 1996, it was also calculated that the bottom 90% of households shared only 43% of total income, while the top 10% on shared the remaining 57%. The Gini coefficient calculated for that year was 0.43 for urban and 0.31 for rural areas with 0.342 on average. In 2004, the Gini coefficient stood at 0.414, indicating a widening of income inequality. This is evident from the reduced share of the bottom 20% of the population to total consumption from 7.6% in 1996 to 6.2% in 2004. Overall, the findings pointed out that the very poor, particularly in rural areas, were worse off now – in absolute, not just relative terms, than they had been 20 years ago.

Deep exclusion

Equally importantly, the NLSS and more recent human development-related calculations provide data on poverty distribution by caste/ethnic groups and gender. Socially, poverty is markedly more pronounced among the lower castes in particular in the *dalit* community. The incidence of poverty ranges from a highest of 45.5% in the *dalit* category to a lowest of 14% in the *Newar* category, though the sample size was not sufficient to derive a reliable estimate of poverty incidence among all socio-economic groups. The result further indicated that female-headed households in general and widow-headed households in particular are much more likely to be poor if there is no adult male, family member present. Poverty variance found among caste groups and between women and men is matched by HDI measures disaggregated by caste groups and the ratio of GDI to HDI, a verification of

the close proximity of economic and social indicators (NESAC 1998 and UNDP 2004b).

This closer integration of the economic and social aspects of deprivation, the multiple combinations of factors that limit people's ability to exercise functionings of their choice, lies at the heart of the capability perspective on poverty. The focus on deprivation, as opposed to achievement, narrows on the situation and available choices of the most marginalised population segments. A milestone in this process was the calculation of Nepal's first Human Poverty Index (HPI) in 2001 using 1996 data (UNDP 2002b). Nepal's HPI was estimated at 39.2, a value almost twice as high in rural than urban areas and highest in the central mountains, followed by the Tarai and then the hills. HPI measures were not always lowest where income was highest, to the extent that income poverty measures were underestimating poor men's, women's and children's human poverty conditions. This meant that poor people were more capability-poor than income-poor, and that in fact, both adults and children were relatively more capability-poor as one ascended the income scale (NESAC 1998).¹

In 2004 the HPI was again calculated, this time for 2001. Some adjustments were made to the 1996 figures for the purposes of comparability. Overall, HPI has fallen from 48.1 in 1996 to 39.6 in 2001, with rates slightly higher and lower for rural and urban areas, respectively. By region, HPI has fallen across the board (table 8.4). The decline has been highest in the mid-western, western and central development regions, with the least progress

TABLE 8.4 Distribution of HPI by region 1996 and 2001

	1996*	2001**
Urban	23.9	25.2
Rural	41.4	42.0
Nepal	48.1	39.6
Mountains	58.0	49.8
Hills	47.6	38.8
Tarai	47.0	39.6
Far Western region	50.7	45.9
Mid-western region	54.8	46.3
Western region	45.6	36.7
Central region	48.2	39.7
Eastern region	44.0	37.1

Source: UNDP 2004b.
* Figures adjusted in 2004.
** Figures calculated in 2004.

in the far western development region. According to the figures, there has been least progress in poverty reduction in the Tarai and the mountains as compared to the hills. These are interesting findings. While the persistence of high human poverty in the far west can be explained at least in part by geography, this is not the case for the Tarai region, where human poverty has not decreased in the same period as it has in the hills.

One means of further understanding the HPI index is by considering values of the new HEI, calculated for Nepal for the first time in 2004 (UNDP 2004b). The HEI includes more information than the HPI and thus assists in the causal analysis of pov-

¹ With 0.342 average. In 2004, the Gini coefficient stood at 41.4 indicating a widening of income inequality one years. This is evident from the reduced share of bottom 20% of the population to total consumption from 7.6% in 1996 to 6.2% in 2004.

erty. The HEI's measure of economic empowerment is defined as the extent to which people have access to productive assets – including land, non-agricultural employment and credit – to pursue economic capabilities. Compared to social and political empowerment, rates of economic empowerment are lower, a reflection of the lack of income-earning opportunities, limited access to productive assets and lack of gainful employment in Nepal today. Moreover, rates of economic and social empowerment are closely related, indicating clearly the gender, caste, ethnic and religious dimensions of poverty. Further, levels of economic empowerment – more than social and political – appear to affect levels of the HPI as well as the HDI. It can be concluded, then, that persistently high rates of literacy, malnutrition among children, and low life expectancy, per capita income and access to safe drinking water are in large part the result of people's particularly low access to production and work opportunities.

Agricultural dependence

The HEI measure of economic empowerment seeks to gauge the extent of poor people's access to livelihood opportunities. It measures opportunities by region for non-agricultural wage employment, Gini corrected land size per household, access to credit, and per capita income. Considering each of these criteria in turn, it is not surprising that the economic empowerment index is lower than the others. According to the 2001 Population Census, just 34% of Nepal's labour force is employed in non-agricultural work (CBS 2003a). The proportion falls further in specific geographical regions – in mountainous regions less than 20% of the labour force is engaged in economic activities outside the home. By gender, 48% of normally economically active women of 10 years and above were engaged in the agricultural sector in 2001, which indicates a falling proportion compared to 90.5% in 1991 (table 8.5). The parallel proportion for men was 60.2% in 2001 compared to 74.9% in 1991. A caste

TABLE 8.5 Economically active population of 10 years of age and over by major industry

	1991		2001	
	Male %	Female %	Male %	Female %
Agriculture, forestry and fishing	74.9	90.5	60.2	72.8
Manufacturing and mining	0.7	1.2	8.3	9.8
Electricity, gas and water supply	0.3	0.0	0.6	2.7
Construction	0.7	0.1	4.2	1.2
Concern	4.5	2.0	10.7	8.9
Transport, storage and communications	1.1	0.1	2.8	0.1
Financial and business service	0.4	0.1	1.2	0.3
Community and personal services	13.6	5.3	9.6	2.9
Others	1.8	0.7	2.4	1.3

Source: CBS 2003.

breakdown of these figures would probably throw further light on other dimensions of this phenomenon. However, overall, the shift from agricultural to non-agricultural employment is pronounced. The latest NLSS data, for instance, indicate that the share of non-agricultural wage employment in overall wage employment across Nepal has increased from 47% in 1995/96 to 63% in 2003/04.

Where close to 70% of the total workforce depends on agricultural work, the significance of land access in enhancing people's human capabilities cannot be over-emphasised. According to latest figures, the largest proportion of landowning households in Nepal are marginal cultivators, with just over 27% operating land holdings of between 0.0021 and 0.01 hectares (UNDP 2004b). Further, given the proportions of small cultivators (operating holdings of up to 0.2 ha) and the semi-landless (holdings of less than 0.002 ha), an estimated 55% of households in Nepal survive on land holdings of less than 0.02 ha. Data from the 1991 Agricultural Census showed that an estimated 43% of landed households operated less than 0.5 ha. It also found that the top 10% of households owning three or more ha accounted for an estimated 42% of the total cultivated land in Nepal (Sharma 2003a). According to the Agricultural Census of 2002, the top 5% of landed households now own approximately 37% of total land (UNDP 2004b). Detailed analysis of trends in land distribution over time would be necessary to make better sense of these figures. However, overall land distribution does not appear to have changed significantly during the last decade, and the average size of already small landholdings appears to have further diminished.

TABLE 8.6 Poverty incidence by farm size

	Poverty incidence (%)
Mountains	
Below 0.5 hectare	77.8
Between 0.5 - 1.0 hectare	67.3
Below 1.0 hectare	73.1
Above 1.0 hectare	39.7
Hills	
Below 0.5 hectare	70.3
Between 0.5 - 1.0 hectare	64.3
Below 1.0 hectare	67.5
Above 1.0 hectare	51.0
Tarai	
Below 0.5 hectare	39.7
Between 0.5 - 1.0 hectare	32.3
Below 1.0 hectare	37.6
Above 1.0 hectare	23.6

Source: Sharma and Chhetry 1997.

Evidence worldwide indicates a close correlation between the size of a holding and poverty. In 1996, the MIMAP research project found for Nepal a high poverty incidence among landless/marginal and small landholders in Tarai, hill and mountain areas (table 8.6). The concentration of poverty was higher in landholdings below 0.5 ha as compared to those up to 1.0 ha. However, due to low agricultural productivity overall, poverty was also found to be substantial among medium and large holders in the hills, mountains and, to a lesser extent, in the Tarai. Small farms were particularly disadvantaged in their access to irrigation facilities; they also

tended to use fewer purchased inputs and cultivate more traditional cereal crops as compared with large farms. Further, farm size was positively related to reliance on institutional credit, as well as access to service sector income-earning opportunities. Since the incidence of female-owned land holdings was found to be higher among small farms below one ha, and the average size of female landholders was found to be slightly lower overall compared to that of men, MIMAP pinpointed an additional constraint, on average, of women in acquiring returns from small holdings. Finally, certain caste and ethnic groups were found particularly prone to landlessness. Most recent data show that, on average, approximately 24% of the total population is landless (UNDP 2004b). This figure rises to almost 44% with regard to the total Tarai *dalit* population. Additionally, landlessness in Nepal appears to have increased over time (SAAPE 2003).

According to the HEI, the other two indicators of economic empowerment are access to institutional credit and per capita income. The latest figures indicate that just under 20% of households across Nepal have access to credit from formal sources. This proportion is lower in the mountain regions (about 14%) and the hills (just under 15%). In rural areas overall, an estimated 23.5% of households have access to formal credit. The proportion of credit accessed by female-headed households depends on whether or not the holding is landed. Landless holdings are clearly disadvantaged in acquiring formal credit, an estimated 86% of which currently requires collateral based on land or other forms of property (UNDP 2004b). Access to sources of per capita income, the other indicator, is related in part to access to land, and the size of land holding as far as it

affects rates of agricultural productivity and access to credit.

There are other reasons as well for inefficient production in Nepal's agricultural sector, whose growth rate has ranged around 3% in recent years. These include weak physical infrastructure reaching out to remote and outlying areas, lack of storage facilities, weak and fragmented output markets, the poor outreach of irrigation facilities and low utilisation of fertilizer. The commercial production of fruit and vegetables is hampered by poor knowledge and lack of roads in the hills. The availability of cheap imports in the plains, including rice, has reduced the profitability of domestic food product, while consumers in remote parts of the country face exceedingly high prices for particular food products. Indeed, food shortage is a daily experience and an additional dimension of poverty not easily captured by income-based indicators. It is estimated that 62% of Nepal's districts have officially food deficits, it size being highest in the mountain regions (Sharma 2003a). In the current context, there is little doubt of the positive role of land reforms of some sort in reducing poverty. However, the other causes of poor agricultural productivity, the specific needs of female-headed households and the needs of the landless – including women who generally are forbidden to own land – will also need to be addressed.

The multi-dimensional nature of poverty

The HEI takes a leap forward in capturing the many dimensions of poverty, which permits deeper causal analysis of poverty processes. The experience of deprivation – poverty's essence – also emerges strongly in qualitative assessments carried out with

small farmers, poor and low-caste women, sharecroppers, landless tenants and formerly bonded labourers (e.g., Poudel and Niraula, 1998 in box 8.4). The severity of poverty, sustained over several years – often from one generation to another – comes across starkly, adding an important temporal perspective pinpointing the need to perceive poverty not as an isolated phenomenon, but as a product of the historical evolution of relations between the individual, her commu-

nity and society. The capability to access the resources required to pull oneself out of poverty, temporarily or permanently, is constrained by multiple factors.

Under such circumstances, poverty is not merely the failure to possess the commodities required for survival, but a failure of entitlements, and in particular, endowments, over time. Inadequate income is an important causal factor, as is insufficient access to

BOX 8.4 Deprivation trap of the Kamaiya

Poverty

- Lack of income, wealth
- Own land and housing
- Precarious economic condition
- Economic insecurity, often seasonal

Physical/social weakness

- Forefather's loan/debt burden
- Large family size
- Expensive social practices
- Lack of risk-bearing capacity
- Lack of access to institutional credit

Isolation

- Uninformed
- Lack of education
- Undeveloped creativity/skills
- Lack of access to services and information
- No alternative employment opportunities

Powerlessness

- Inability to cope with exploitation
- Lack of legal rights and provisions
- Lack of political representation or access to it
- Hesitation in arguing for conflict and complications
- Lack of association
- Feelings of social inferiority

Vulnerability

- Danger of becoming poorer and more deprived
- Forced to work hard
- Forced to negotiate as bonded labour
- Trading of *Kamaiyas*
- Difficulties in changing one's present conditions

Source: Poudel and Niraula 1998.

physical and financial assets, vulnerability caused by short-term shocks, deep indebtedness and a denial of information, public services, social security and political representation. The distribution of resources and opportunities and indeed, feelings of dignity and confidence in expressing one's beliefs and opinions, are determined by institutional arrangements established a long time ago for the benefit of the few, and sustained by current practices and their prevalence. The depth of dependence incurred by poor people was manifested, among other conditions, in the relations of bondage between high-caste landlords and Tharu workers under the *Kamaiya* system prevalent in the far western Tarai until mid 2000. Qualitative poverty analysis can help to reveal this multitude of overlapping factors that cause and result from poverty experiences and should be considered alongside poverty statistics such as those revealed by the Living Standards Survey exercises.

Such analysis also highlights the lack of state support received by poor people. Apart from land, disadvantaged caste groups have difficulties in accessing services like health care, education, electricity and loans. In 1998, the Nepalese Nepal Human Development Report estimated that *dalit* and disadvantaged ethnic groups lagged behind others in access to education; only 30% of their children attended school as compared to the national figure of 66%. The Nepal Human Development Report of 2004 adds that in 1996, immunisation coverage for *dalit* children was 20% lower than the national average. Also, differences in literacy rates, education and opportunity to develop talents, nutrition levels, and health and survival rates persist between the women and men of Nepal. Manifestations of women's addi-

tional vulnerabilities experienced inside the household – thus, not immediately apparent, difficult to quantify and probably still very much underestimated – include their unequal access to resources and income flows, greater exposure to HIV infection and higher susceptibility to physical and psychological abuse. Thus largely disconnected from the state, the fundamental inability of poor men, women and children to exercise their inherent agency, the intent and capacity to act, stands out all the more. Living in economic and social hardship and in the past decade increasingly fearful for their very lives, poor people constantly deploy a number of strategies to protect their levels of consumption from deteriorating. Only by understanding these poverty dynamics, can policy-makers increase their ability to achieve their poverty objectives (Parasuraman, Gomathy, Raj and Fernandez 2003).

ECONOMIC POLICIES AND POVERTY IN NEPAL

Poverty policies prior to 1990

Planned development first began in 1950 with the First Five Year Plan. Development expenditure during the plan period was entirely financed by foreign assistance, though this ratio declined somewhat in successive plans. Planners initially emphasised finding economic and administrative structures and policies to deliver goods and services to citizens. The approach was technocratic and centralised, strongly influenced by global trends in growth theory because of dependency on foreign assistance (NESAC 1998). In addition to an attempt at land reform in the 1960s, the government initiated some subsidisation programmes for education,

kerosene and food supplies, along with credit targeted at those households that did not have land or that lacked savings. The 1980s were characterised by the adoption of a series of Integrated Rural Development Programmes that focused on regional poverty. In 1986, again influenced by the international policy agenda, the government adopted the Basic Needs Plan in the context of the Seventh Five Year Plan (1985-1990).

Much has been written about the outcomes of the early policy years. Land reform remains an unfinished agenda. The performance of the targeted credit programmes during this time (box 8.5) is perhaps representative of the overall trend. Most programmes were effective to an extent. However, from the standpoint of sustainability, they suffered from a variety of problems including the high cost of service delivery, low rate of loan recovery,

BOX 8.5 Targeted credit programmes in Nepal

Name	Starting year	Donors	Objectives and activities	Remarks
Small Farmers' Development	1975/76	FAO, GTZ, IFAD, UNICEF, UNFPA, ADB, NRB	Small farmers (farmers with small holdings, landless labourers, tenants, sharecroppers, cottage industry, artisans etc.) are organised into groups and credit and other support services provided, including family welfare and environmental protection activities.	Weak targeting and small coverage. Programme Collateral-based recovery rate low (up to 60%) and high overhead costs. Problem of staff motivation and efficiency.
Production Credit for Rural Women	1982	IFAD/ADB/N, UNICEF/SNV, Peace Corps.	Delivery of Intensive Banking Programme credit to rural women by forming women's groups. Other assistance also provided to help save labour and time through access to water, child care centres, health/ nutrition, family planning and improved stoves as well as environmental protection.	Very high overhead costs in credit delivery alone, low coverage, staff problems, problems of marketing technology and raw materials not resolved recovery rate above 80% yet delivery cost very high (42%).
Intensive Banking Programme (IBP)	1974 as Small Sector Credit, 1976 as Priority Sector Credit and 1981 as IBP	NB Ltd. RBB and Nabil Bank	Provide credit to those low-income families that could not afford collateral, on project viability and group guarantee.	Spread over 74 districts and about 340 bank branches but coverage (beneficiaries) still small and targeting weak, recovery rate of only 44%.
Regional Rural Banks for the Poor or Grameen Bikas Bank (GBB)	1982	HMG/N, NRB and other financial institutions	A prototype of the Grameen Bikas Bank of Bangladesh for assisting the poorest women living in rural areas through credit provision on group guarantee.	Well-targeted and 100% recovery. But overhead costs in the initial few years very high. As yet, mostly Tarai villages covered.

Source: Gurugharana 1998.

high dependence on foreign resources for continuity and inadequate commitment of the concerned institutions (Khatiwada 2003). To this day, informal credit continues to be used by as much as 80% of rural borrowing households, with only 20% accessing credit from financial institutions. Further, of this 20%, most also resort to informal sources of financing. The distribution of formal sector credit remains unequal, as it benefits only 9% of landless households as compared to 38% of large farm households accessing this facility. Despite efforts to target asset-poor women during this time, they largely remain deprived of institutional credit today.

Economic reforms

A combination of high-cost investment and poor economic performance increased fiscal deficits to unsustainable levels. Persistently deteriorating internal and external balances led to the adoption of a stabilization programme in 1985, accompanied by an 18-month stand-by agreement with the IMF, promoted serious consideration of partnerships with the private sector for the first time. Eventually, Nepal entered into a structural adjustment programme in 1987/88 supported by the IMF and World Bank – one of the first countries in South Asia to receive a SAP loan. Independent analysts hesitant to determine to what extent the government voluntarily accepted the packages or whether they were imposed e.g. (Sharma 2003b and Deraniyagala 2003). During 1993-95, Nepal took on an enhanced structural adjustment facility. Economic reforms accelerated after 1990 and have since covered almost all sectors, including fiscal and monetary policies, trade policies, as well as industrial, investment, foreign exchange and financial policy reform.

Overall, these reforms aimed at stabilising the economy, reorienting production structures towards the market, creating the correct incentives for private sector involvement in economic activity, limiting state involvement in the economy and, generally, increasing openness. In the financial sector reforms, conditions for industrial investment were considerably liberalised for both domestic and foreign capital. NGOs and cooperatives, too, were allowed to undertake banking activities, albeit within limits. Agricultural inputs and fertilizer distribution were partially privatised and the distribution of agricultural products was opened up to the private sector. Licensing procedures, too, were streamlined, fiscal incentives and other facilities provided, and a liberal industrial policy adopted. The social and infrastructure sectors were also opened to private and foreign investment and the privatisation of state-owned enterprises initiated. Strengthened fiscal management entailed downsizing the government and expanding and strengthening public resource management. A Value-Added Tax replaced the domestic sales tax and a new Income Tax was introduced. Interest rates were liberalised.

External sector liberalisation, perhaps the most far-reaching part of the reform process, introduced full convertibility of the rupee on the current account by early 1993, the removal of quantitative controls on imports and a drastic downward revision of tariff rates. These reforms purportedly ensured easy access for the import of industrial raw materials and machinery and the repatriation of investment proceeds from foreign investment. Average tariffs declined to 6% in 1995 from more than 15% in 1987/88. Tariff and sales taxes on imports diminished substantially and additional taxes on imports were with-

drawn. With the gradual depreciation of the Indian currency against the American dollar, the Nepali rupee depreciated against the dollar by 40% on average in the late 1980s, 47% during 1991-95 and by 27% in the late 1990s. With regard to foreign investment, the government waived license requirements for imports and exports on all goods except those related to defence, public health and the environment, liberalised interest rates and simplified customs duties. In FDI, licensing requirements were abolished for industrial investment, and the infrastructure, education and health sectors were opened to private investment. A “one-window” investment facility was introduced for foreign investors for the registration, operation of duty drawback facilities and repatriation of investment income.

The emphasis of the SAP model on containing public expenditure to attain low inflation and encourage private investment is well known the world over. During the period of the SAP, public expenditure, 18% of GDP, remained below the international norm of 25% throughout the 1990s. However, the fiscal ceiling set by enhanced structural adjustment facility resulted in a restructuring of public expenditure in three main respects (table 8.7).

An assessment of reforms

During this time, Nepal has achieved broad macroeconomic stability overall, with stable – though not high – economic growth rates averaging 4.8% (per capita growth of 2.5%) per annum during 1996-2001. 2002 was an exceptional year, when GDP recorded a negative growth rate of 0.6% largely because of the Maoist insurgency. In 2003 GDP again grew at 2.6%. One factor underlying growth

has been the structural change that has occurred in the economy since 1984/85. The share of agriculture in GDP has come down by more than 10 percentage points in 10 years, though it remains significant at around 40%. Production is increasingly becoming commercial and units of production in the manufacturing sector are shifting from homes to factories. The proportion of the urban population has increased. However, the changed economic structure has had a much smaller effect on the structure of employment. In 1995/96, 86.1% of the employed population (78.9% of employed men and 93.7% of employed women) still engaged in agriculture. Although more recent data from 2001 indicate a further shift of the labour force to the non-agricultural sector, agriculture remains of foremost importance for rural livelihoods. Yet agricultural growth has been very slow, only 2.2 % on average per annum during the past three decades – lower than the rate of population growth during this time. In recent years (2001-05), agriculture has grown by average (table 8.8); but this has more to do with smoother monsoon than with reforms.

Nepal’s production structure shows that unless economic growth results in increases in incomes and productivity in agriculture, it will not reduce poverty. Expanding work opportunities in the formal non-agricultural sector is important as is improving the conditions of work in the large informal sector. Neither has occurred so far. It is, therefore not surprising that calculations of the impact on poverty reduction of each percentage change of growth in the post-reforms period confirm that economic growth was only moderately pro-poor during the reform period, its benefits limited to the small formal sector and parts of the urban, business and industrial communities (UNDP 2002b).

TABLE 8.7 Sectoral classification of government expenditure (growth in %)

Heading/fiscal year	Nominal growth rate			Real growth rate (at 1990 prices)		
	1991-1995	1996-2000	1991-2000	1991-1995	1996-2000	1991-2000
General services	17.0	13.4	15.2	5.7	6.5	6.1
Of which: police	19.8	15.6	17.7	8.3	8.6	8.4
Social services	19.7	14.4	17.1	8.0	7.6	7.8
Education	23.8	13.3	18.6	11.8	6.6	9.2
Health	18.2	19.6	18.9	6.8	12.6	9.7
Drinking water	26.7	17.3	22.0	12.5	10.4	11.4
Local development	49.9	12.0	31.0	36.5	5.2	20.8
Other social services	-7.2	24.5	8.6	-15.9	17.3	0.7
Economic services²	11.7	8.5	10.1	1.3	2.0	1.6
Agriculture and forestry ³	14.6	0.7	7.6	3.7	-5.3	-0.8
Irrigation	24.6	4.2	14.4	11.7	-2.2	4.7
Industry and mining	-4.4	25.9	10.7	-14.2	19.0	2.4
Transportation and Communication	20.1	5.4	12.7	8.6	-1.1	3.8
Electricity	1.3	28.8	15.1	-8.5	20.8	6.2
Others ⁴	162.5	18.1	90.3	140.5	10.8	75.7
Defence	14.5	11.8	13.2	3.4	5.0	4.2
Debt servicing	23.0	10.6	16.8	10.8	3.9	7.4
Foreign	22.9	12.5	17.7	10.8	5.8	8.3
Domestic	23.6	9.7	16.7	11.3	3.0	7.1
Miscellaneous⁵	32.4	15.4	23.9	21.7	8.6	15.2
Total	14.8	11.2	13.0	3.9	4.5	4.2

Source: UNDP 2002b.

² Includes general administration, economic administration and planning, constitutional organs, revenue administration, judicial, and foreign services.

³ Includes agriculture, land reform and forestry.

⁴ Includes survey and other economic services.

⁵ Includes loan and investment extended by government.

There are many reasons for this. In hindsight, three are particularly apparent. First, a relatively weak market structure and an unequal distribution of productive assets – on whose existence, however, the structural adjustment model depends. Second is the failure to implement parallel sectoral policies, in agriculture and industry in particular, that would have resulted in the productivity gains envisaged by the restructuring programme overall and trade liberalisation in particular. Finally, public spending diminished to the point that growth itself was retarded.

In Nepal, trade has always accounted for a relatively small percentage of GDP. Following liberalisation and the devaluation of the rupee in the early 1990s, foreign trade recorded an impressive growth characterised by the export of carpets, garments and manufactured products in particular. While trade in goods was 24.1% of GDP in 1990, it increased to 39.7% of GDP in 2001. While exports accounted for 11% of GDP in 1990, they made up 22% of GDP in 2001. Likewise, while imports constituted 21% of GDP in 1990, this ratio had risen to 32% in 2001. This means that though the trade deficit initially improved, it gradually worsened after 1995, both with India and with third country trading partners. In fiscal year 2005, the trade deficit stood at 14% of GDP. The growing deficit has been offset to some extent by rising labour exports that have translated into an increase in the balance of payments. Remittances have helped maintain savings and investment. But the relative underdevelopment of Nepal's agricultural and industrial base has so far impeded the potential profitability of trade liberalisation.

In agriculture, Nepali farmers have also found it difficult to benefit from the produc-

TABLE 8.8 Economic growth performance, 1971-2005

	1971/ 1981	1981/ 1991	1991/ 2001	2002/ 2005
GDP growth (real)	3.1	5.1	4.6	2.8
Agriculture	0.8	3.7	2.7	3.1
Non-agricultural	7.3	6.9	6.6	2.7
Popn growth	2.7	2.1	2.2	2.2
Per capita GDP Growth (real)	0.4	3.0	2.4	0.6

Source: Khatiwada 2005.

tion opportunities emanating from trade liberalisation with India – though exports to India consist mainly of agricultural products. This would have required farmers to sustain diversification in production and increase productivity. However, cheap Indian food imports now crowd out local markets for which Nepalese farmers produce, damaging prospects for agricultural growth and rural poverty in the medium-term – whereas the liberalisation of prices in output and input markets in agriculture, increased openness to the private sector, and contracted state investment initiated in the early 1990s had aimed at increasing agricultural productivity. Among other factors, price subsidies in fertilisers and capital subsidies in shallow tubewells were abolished. However, low levels of commercialisation, still predominantly subsistence-oriented, characterise Nepal's agricultural sector. Much production takes place in inaccessible rural areas at low rates of productivity in the face of land fragmentation, the absence of irrigation facilities, and a poor supply of fertiliser and credit services. This, added to the virtual absence of private players, output markets and information makes it almost

impossible for risk-averse farmers – increasingly women – to respond to higher production costs that result from greater openness. Commenting on the elimination of subsidies on chemical fertilisers, the Asian Development Bank recently acknowledged that outcomes have remained “fragile” and “are not homogeneous countrywide” (ADB 2003).

Increased productivity in the industrial sector is both an impetus for further growth in agriculture as well the generation of employment opportunities for poor people, particularly in the labour-intensive sectors of manufacturing and services. Evidence worldwide indicates that income from non-farm employment plays an important role in moving the poor above the poverty line. That said, since the estimated proportion of the labour force employed in the manufacturing sector has been relatively small compared to other Asian countries – at 5% – poverty effects have also been much smaller. Indeed, the performance of the manufacturing sector following reforms, as well as its poverty impact, was disappointing. Production was overly concentrated on garments, carpets and pashmina – all industries operating out of urban industrial centers – creating few backward links between urban and rural production. Policy incentives offered to domestic producers were also insufficient; many industries collapsed because of high transaction and infrastructure costs.

While the share of manufacturing production within trade increased in the post-liberalisation period, marked by new types of export industries such as food processing, paper and paper products, footwear, iron and steel, it was constrained by a limited domestic market, the lack of infrastructure, skilled human resources, capital and stiff

competition with Indian goods. Equally serious from the human development perspective, the local employment impact of manufactured production in Nepal remained minimal: the garment and carpet industries have had very little value-added, as indicated in the declining trend of total employment in the manufacturing units that employ more than 10 workers. In fact, in the period 1984/85-1995/96, an overall decline took place in the combined role of the manufacturing and construction sectors in employment generation (Acharya, Khatiwada and Aryal 2003). Since 1996-97, manufacturing output has slowed down; even though employment in these industries expanded by over 16% per annum before 1991/92, the labour intensity of production of output has fallen since. Similarly, manufacturing sector wages have not kept up with prices and the real wages of workers, as indicated by the price index and its change in relation to the wage index.

Foreign private investment can generate much-needed capital and employment for human development. While incentives for FDI were introduced during 1992-93, its importance to Nepal has been limited. A mixture of poor infrastructure, particularly in electrical supply, political instability, unreliable revenue policies and tax administration and unclear investment policy overall prevented more intensive FDI inflows (IIDS 1999). A total of 860 FDI projects are registered (and are in legal existence) till April 2005 with fixed capital of Rs 74 billion. But many of them have not yet come into operation. FDI has concentrated largely in manufacturing, followed by services – more specifically in manufacturing products for export to India (e.g. vegetable fat, soap, toothpaste, Ayurvedic preparations) and overseas (ready-made garments). Hotels have also

benefited; tourism brought in an estimated Rs. 14 million in foreign exchange earnings over the reform period. More recently, there has been significant FDI in hydropower, taking advantage of further policy liberalisation in this sector.

Financial liberalisation in Nepal has also led to the spread of financial institutions. Before liberalisation, Nepal boasted only two commercial banks – the Nepal Bank Limited and the Rastriya Banijya Bank. Subsequently, a number of other actors, including private banks, finance companies, cooperative societies and NGOs have been allowed to engage in banking transactions at varying levels, to cater to the financial requirements of the various economic sectors – one indication being the increased share of credit in GDP from 28% in 1985 to 54% in 2005. Commercial credit to the private sector has risen from 8.7% of GDP in 1985 to 43% in 2005. At the same time, since Nepal's unfavourable economic environment during parts of the reform period has reduced the earnings capacity in many sectors of the economy, the overall performance of commercial banks has been hindered to some extent; the volume of non-performing loans has been rising steadily, which has constrained the earning capacity of banks. It has also reduced the turnover of funds in commercial banking, translating into an average deterioration of bank asset quality.

Particularly important from the perspective of rural development is the fact that there has been no increase in credit to the agriculture sector; of the total credit extended by commercial banks, only 3% went to agriculture in 2005 – though the share of industrial sector credit increased from 18.8% in 1985 to 37% in 2005 (Khatiwada 2005). The govern-

ment has, in fact, withdrawn from rural development banks and phased out priority sector credit programmes that benefited attempts at rural regeneration. Financial liberalisation has in part also resulted in closures and mergers of rural financial networks. Though a few development banks opened in the private sector have gone to the rural areas, their coverage is constrained by their very small capital base and limited outreach. Microfinance programmes cover very small areas and incur high service costs. Additionally, they still do not reach out to people in the lowest income bracket. Consequently, rural indebtedness has risen in conjunction with growing landlessness. There has been little compliance with directives from the central bank to expand services in the rural areas and priority sectors. Indeed, the weak supervisory capacity of the central bank, followed by inadequate legal provisions, has posed challenges for the development of a healthy and sound financial system – one consequence being a reverse flow of financial resources from rural to urban areas that have arisen largely from structural bottlenecks within the financial system that need to be dealt with before the sector is liberalised further.

The other significant means of expanding people's choices and achievements is channeling a high proportion of public revenue into priority social and economic expenditures. However, with a public expenditure share in GDP of just 18.7% in the 1990s, per capita spending in Nepal has remained low even by South Asian standards. Despite comparatively low public expenditure, a high deficit – more than 5% of GDP – has persisted. Revenue has generated only 11% of GDP, remaining virtually stagnant during the reform period though it grew by 22%, be-

tween 1991 and 1995 and by 11% between 1996 and 1998 (Roy 2003). Revenue from taxes hovered around 9% during this time. Foreign aid has financed the bulk of public expenditure, while national savings have largely financed domestic investment. In particular, the control of the fiscal deficit has meant that a larger proportion of development expenditure is now financed locally – an average of 55%, as compared to an average of 40% in the 1970s.

Moreover, even falling development allocations have been ineffective: they have often remained underspent – aid disbursement was less than 70% during the reform period – or have been distributed through a highly inefficient delivery system. At the same time, a higher reliance on foreign loans to finance the fiscal deficit has meant that debt obligations have risen – partly because of the rapid depreciation of the Nepali rupee against the American dollar during this time. The government debt-servicing obligation grew from 10.2% of the total budget in 1991 to 15.1% in 2000. In 2001/02, debt servicing took up 65.35% of the inflow of foreign loans and 13.52% of regular expenditure. Two other trends have hampered the impact of public expenditure on human development – the growth of military spending (at an average rate of 13.2% per annum during 1991-2000) and the persistent centralisation of budget expenditure, and, consequently, revenue generation: in 2000, it is estimated that 82% of the budget was spent at the centre as compared to 18% disbursed at the district level (UNDP 2002b).

The Tenth Plan/PRSP

Were the country at peace, the current Tenth Plan, based on the PRSP (2002-07), could

have been expected to revive the reform process that had slowed considerably in the second half of the 1990s. Moreover, its stated objective of reducing poverty indicates a renewed attempt to improve the quality of the lives of poor people (table 8.9). Its strategic thrust hinges on broad-based economic growth by raising agricultural productivity at the rate of 2.8-4.1% per annum and encouraging the private sector, increasing investment, strengthening the manufacturing sector, focusing on employment generation and better prioritising public expenditure while maintaining macroeconomic stability. Non-agricultural production is predicted to increase by 3.9-7.5%. To mitigate regional disparities, the PRSP seeks to improve the quality and availability of social and economic services for rural communities and infrastructure, access to primary education, healthcare, drinking water and sanitation, roads and electricity. Programmes targeted particularly at poor and marginalised communities in rural areas are also foreseen. Improved service delivery and project management is expected to result from a new emphasis on good governance.

The Tenth Plan includes an informed analysis of why past economic policies could not reduce poverty significantly. The reasons include the past pattern of economic growth and development that has concentrated on towns and cities, encouraging growth in urban manufacturing and services at the expense of agricultural growth and the delivery of basic social and economic services and infrastructure (in particular, education, health, drinking water, roads) to rural areas – all of which had “limited the opportunities for income generation and human development” (NPC 2003). Fur-

ther, the exclusion of certain caste and ethnic groups, women and those living in remote areas from resources, income and employment opportunities persist. Lack of voice, political representation, empowerment, remoteness and poor governance (including a weak civil administration, the misuse of resources and a lack of accountability) has helped perpetuate the vicious cycle of under-development and poverty. Although the Plan's contents derived in part from nation-wide consultations with poor people, the specific outcomes of these consultations and, in particular, the range of variation between perceptions on the ground and at the center does not appear in the final document.

About a year after the launch of the Tenth Plan the NPC, an unlikely source, formulated a critique of the ongoing strategy from the perspective of poverty and human development (NPC 2004). It states that the Plan has not addressed a range of development issues critical for the achievement of the MDGs – in particular, the expansion of food security, including its availability; access to food, its affordability and quality; employment opportunities, gender equality and HIV/AIDS prevention and treatment. The Commission recommends strengthening the ongoing strategy in three key areas: first, in target-setting for poverty reduction; second, in the formulation of more directly pro-poor policy content; and third, in a better prioritisation of activities and accompanying resource requirements in line with specific poverty reduction targets. Most significantly, it identifies weak equity implications of the programmes selected. While HDI indicators reveal deep-seated variations by region, sector and community, it states, and while the Plan takes note of this variance, a

TABLE 8.9 Indicative targets of the tenth plan

	Ninth Plan	Tenth Plan	
	End 2001/02	Normal case	Lower case
Overall poverty level (% of population)	38	30	33
Real GDP Growth (at factor cost-percent p.a.)	3.6	6.2	4.3
Agriculture	3.3	4.1	2.8
Non-agriculture	3.9	7.5	5.2
Per capita income growth (% p.a.)	1.3	4.1	2.2
HDI	0.466	0.517	0.512
HPI	39.2	34.0	34.5

Source: NPC 2003.

holistic attempt at improving the social and economic indicators of poor people more rapidly than those of the rest of the population, it says, is not apparent.

The NPC's views on the financing of the Plan are equally candid. "If the commitment to the MDGs is genuine", it states, "the objective of reducing human poverty must drive the policy framework". Further, that "pro-poor and macroeconomic policies, distribution and equity and policy priorities... need to overcome the syndromes of structural adjustment". In order to implement the Tenth Plan/PRSP, a medium-term expenditure framework (MTEF) was developed in July 2002, highlighting a set of macroeconomic constraints (domestic borrowing, for instance, and fiscal deficit) that, in turn, determine government revenue in the medium term. A fundamental difference between the MTEF and the investment plans associated with the MDG Needs Assess-

ment (the basis of this analysis) was that the latter did not assume the same set of macroeconomic constraints that underlie the MTEF. There is a resource shortfall, therefore, between the resources allowed for by the MTEF and those required by the Needs Assessment exercise (table 8.10). Essentially, the Planning Commission is implying that PRSP formulation proceeded with the identification of a set of macroeconomic conditions, around which its poverty and human development programmes were arranged afterwards. This would indicate a reversal in the stages of PRSP formulation officially announced by the World Bank when PRSPs were first initiated. It is not clear which institution(s) would have authorised this or why.

The greatest value-added of the PRSP is that a government document identifies specifically the causes of poverty in Nepal, identifies the poor in detail, and identifies the reasons for the ineffectiveness of past policies. Further, it seeks to address poverty at both the micro and the macro level. While small-scale targeted interventions will be continued through the poverty alleviation fund (PAF), PRSP goals, once aligned with the MDGs, will build an equity objective into fiscal policy at the national level. Because of the government's tight financial position, this may require allowing for a larger fiscal deficit and a higher rate of inflation (more than 5%) than has been the case in the past (Roy 2003). Nepal's experience to date has been that increased public spending, rather than theoretical concerns of crowding out, is required to stimulate investment and increased productivity for improving measures of both income and human poverty. To increase the size of the budget without disturbing macroeconomic stability and es-

calating the debt burden will require a concerted effort at mobilising higher levels of internal revenue and streamlining non-development spending, notably on defence and the police, on administrative expenses and on debt servicing.

Moreover, there is a strong need to understand that increased spending on social services at the expense of economic services where private capital is not forthcoming – unlike the assumptions of SAPs – cannot be considered either equitable or poverty-reducing (Deraniyagala 2003). The relatively lower rates of economic empowerment in comparison to rates of social and political empowerment measured by the HEI show in quantitative terms that investment in the days ahead is particularly important in productive sectors. Most worrisome is the fact that the proportion of office development assistance going to economic services and in particular, agriculture, has fallen not just in Nepal, but all around the world (IFAD 2001). Assistance to agriculture from the IFIs has followed a similar path. In this context, providing well-targeted and limited subsidies in key areas, including food supplies, fertiliser and other agricultural inputs, in agro-enterprise promotion with high employment and export potential, interest subsidies for the provision of micro-credit and capital subsidies for small irrigation mechanisms appears to be justifiable. In the present context, fiscal planning must take into account the increased spending on national security. Targeted programmes for conflict-affected areas – including substantive components of relief, rehabilitation and reconstruction in much greater amounts than are outlined in the current PRSP, and are clearly needed now and in the foreseeable future (Pyakuryal 2004).

TABLE 8.10 Resource gap for selected MDG sector (Rs. in billion)

MDG sector	2005			2010			2015			2005-2015		
	Public invest't requir't	Govt. resources	Financing gap	Public invest't requir't	Govt. resources	Financing gap	Public invest't requir't	Govt. resources	Financing gap	Public invest't requir't	Govt. resources	Financing gap
Hunger	13.2	2.2	11.0	20.4	4.1	16.3	26.7	5.9	22.5	227.2	45.5	181.7
Education	19.5	10.1	84.2	25.8	14.6	11.2	34.8	19.2	15.5	289.6	162.4	127.2
Health	8.8	3.6	5.2	13.2	6.1	7.2	17.7	8.4	9.3	146.2	67.1	79.1
Drinking water and sanitation	6.8	1.1	5.7	9.5	2.8	6.7	12.6	4.1	8.5	105.5	30.0	75.5
Rural transport and electrification	7.8	1.0	6.8	9.2	2.6	6.4	8.9	3.9	4.9	98.4	28.1	70.2
Total	56.2	18.1	38.2	78.1	30.2	47.9	102.7	41.6	61.2	86.7	333.2	533.8
Total in US \$ (million)	803	258	545	115	431	684	1,468	594	874	13,385	4,760	7,626

Source: NPC 2005.

Note: Exchange rate US \$ 1 = NRs 700; the resource gap is estimated under the assumption of improved security situation resulting in reduced security expenditure.

Whether growth expands the opportunities for work and contributes to human development depends not just on the rate of growth but also on its pattern. Economic growth contributes most to poverty reduction when it expands the employment, productivity and people's wages. In Nepal, this means generating growth in rural areas, from agriculture and labour utilising small and medium-scale industries that link up with production process in urban areas and outside of the country. Alongside continued deregulation and liberalisation of the economy, additional sectoral restructuring and government investment in agricultural and industrial production will be required. Detailed plans such as the Agricultural and Industrial Perspective Plans have already been formulated; it is now a matter of returning to their content and going ahead with coherent implementation. The increased shift of the labour force from the agricultural to the non-agricultural sector revealed by the latest NLSS data are evidence of the potential of building further links between the agricultural and industrial sectors in the future. The other crucial factor to be taken into account in future strategising is how best to design pricing, interest rate and exchange rate policy in view of the high integration of Nepal's economy with that of India in terms of merchandise, trade, tourism, labour and financial markets.

Land reform remains a pending item on Nepal's policy agenda, and is indeed a matter of ongoing political controversy across South Asia. However, the distribution of land in semi-feudal, agricultural societies holds important implications for the future of poverty reduction and equity. Land reform proponents, for instance, are critical of the im-

pact of the Agricultural Perspective Plan (APP) that continues until 2015. They claim that its strategy for commercial agriculture is unviable in hill and mountain areas not yet penetrated by market forces. They also hold that APP excludes mechanisms for ensuring livelihood opportunities for resource-poor and landless people (e.g. SAAPE 2003). Such concerns are valid. An equitable system of land ceilings and land taxes, secure land ownership for tenants and a verifiable programme of land transfers is likely to spread the potential benefits of increased agricultural productivity to wider sections of the population. Land reform alone, though, is not enough. It will also be necessary to provide farmers with better access to technological inputs, irrigation, power, credit and markets to sell their produce as recommended by the APP. More profitable production of basic food staples in the Tarai plains and promoting livestock and higher-value commercial crops in the hills and mountains will not only reduce hunger and ensure food security, but allow farmers to benefit more from agricultural trade with India. Government investment in rural infrastructure and the improved provision of credit facilities can further help create employment opportunities in rural areas and pave the way for agriculture-supported small and medium-scale enterprises. This can be an incentive for rural development overall, extending advantages to those without access to land as well.

CONCLUSION

A profound understanding of the nature of relations between the individual, state and society is a prerequisite for attempts to alter the composition of the social order. A new paradigm of progress (that is human devel-

opment) has emerged. It calls for a transformation in the terms on which resources are offered and opportunities made available. Given these considerations, the freely exercised agency of poor people is considered as important as their literacy and their health.

Clearly, many states have failed in their mandate of lifting millions of people out of absolute poverty. They have not tried hard enough in some cases, made the wrong decisions in others or may have been constricted by a lack of resources. History has revealed the limitations of government capacity. These are in large measure increasing as globalisation continues. It, therefore, becomes necessary to try for combinations of state and market institutions that can sustain progress towards human development. No single model that can be adjusted will suit all nations and peoples. Nor will any one combination of public and private forces endure forever in any one country. The key learning from the imposed rigidities of past growth models has been that different sets and sequences of policies come with both advantages and disadvantages; individual selections are best made at the local level. There are no simple formulae that will help policy makers make the difficult redistributive measures and hard policy choices that a path to the expansion of people's achievements and choices inevitably entails.

While development is woven into the fabric of Nepali society, it has been a deeply exclusionary process (see chapter 2). Today Nepal remains a nation in pursuit of fast and sustained economic growth to reduce the absolute poverty rate to 10% by 2017. With the majority of poor people still outside of the formal economy, dependent overwhelmingly on agriculture for their livelihoods, they have

scarcely participated in the growth process, let alone benefited from it. An inequitable delivery of social and economic services has denied particular groups any form of state support for hundreds of years. Moreover, a conflict now into its tenth year has led to wide displacement and losses among the poor, and caused people to fear for their lives and those of their children.

Once economic growth begins to be perceived as the means to the end of allowing more and more people access to more choices, improved distributions of entitlements to economic and social resources becomes the policy objective. The purpose of economic policy aimed at poverty reduction must graduate from the achievement of economic growth to making accessible economic and social security for all. While positive changes have come with the adoption of the PRSP as a planning instrument, the experience so far indicates that it has not allowed for a substantive transformation in understanding poverty or the action for which human development strives, an argument now being accepted in part by the IFIs themselves. The objectives of plans and policies and in particular, economic reforms, must be to widen the expanse and efficiency of the home market, to provide the broadest possible basis for development through appropriate structural change. This will require sectoral focus in agriculture and industry with a view to increasing competitiveness and generating employment particularly in rural areas. Specific redistributive programmes targeted at the asset-less, landless people, for instance, and those with no skills at all, will also be necessary. This will require a mix of macro-economic policies that allows for a larger fiscal deficit. Moves to increase direct taxation and a reduction in inessential spending as

well as greater discipline in tax enforcement should attempt to increase the revenue base.

In the meantime, foreign assistance in the form of grants and increasingly, loans, will remain necessary. Ultimately, broad-based growth in Nepal should not depend on access to international finance, but use the foothold offered in part by the home market. The expansion of the domestic market implies emphasising employment generation and the provision of adequate, equitable and sustainable livelihood opportunities to all people. This will also improve Nepal's prospects for engaging with external markets, provided that the implications of the open border with India is taken into account properly in formulating pricing, interest rate and exchange rate policy. At the same time, efforts must be made, together with other developing countries, to commit developed countries to realizing the targets of Goal 8 of the MDGs, those related to the controversial issues of an unjust global trading system, the insufficient supply of development assistance and debt servicing arrangements that prevent social and economic spending on poor people by debtor nations. Goal 8 also calls for special provisions for least developed countries such as Nepal. Decision-making at the institutions of global governance themselves needs to be democratised, an issue now high up on the world's policy agenda. This campaign can be made more effective by linking it to the body of human rights instruments that exists at the international level, particularly the evolving notions of economic rights.

In revenue-scarce economies such as Nepal, faced with manifold and equally urgent requirements, the central policy dilemma is the generation of resources and their distribution across a range of competing ends –

among these, increasing the number of primary schools, improving maternal health and supporting informal sector income-generating activities. Criteria can be developed to judge whether a given process of needs prioritisation is “better” than another. However, equitable policies by their very nature benefit some sections of the population to the exclusion of others, at least in the short term. What is important is building public understanding and ownership of the process to increase its chances for sustainability and freedom from violent conflict. The reform process can gain greater legitimacy if a direct link can be made between liberalisation and gains for specific groups. To ensure that these gains favour poor people, the very process of governance must become pro-poor, based on a political philosophy that strives for equity. Outside the state, pro-poor coalitions can play a part in ensuring that the state and other governance bodies remain accountable in terms of avowed poverty goals.

Countries following different forms of government have progressed on human development over time. However, comparing the social achievements of “closed” and “open” states reveals that the role of informed public discussion, with the presence of poor people and their representatives, in building consensus on reforms policies and holding decision-makers to account has no peer in generating the collective will required to sustain this slow, complex process. Building people's participation into existing institutional arrangements inevitably politicises policy-making and causes ideological conflict. But through the very “inconveniences” of contestational politics and conflicts of values and ideas that thus emerge, the chances of implementing policies and

achieving goals – certainly in the long term – seems to increase (Harris 2001). People's participation in the process of social change, though still inadequately measured by human development indices, is an intrinsic component of empowerment. Moreover, taking into account the historical causes of Nepal's present political crisis, it is difficult to contest the notion that non-accountable and ill-informed governments pose serious obstacles to increasing people's functionings and capabilities.

The human development paradigm demands a will to act at multiple levels. It requires dialogue and consensus-building within a framework of transparent and responsive institutional arrangements. A human development strategy does not question either states or markets, but advocates those types of states and markets that expand people's social, political and economic freedoms. If this process is to truly

support removing all aspects of deprivation, it must acknowledge citizen's participation as a means and an end. Not only do citizens provide policy-makers with invaluable information about the causes and effects of poverty and exclusion; they also help shape a nation's ethos and hold decision-makers to account.

At the end of the Cold War and with increasing globalisation, such deliberations can contribute in charting a new vision for capitalism in the 21st century, a third way following the extremes of welfare statism and neo-liberalism, is positioned within a framework of democracy, still not attained in either the North or South in a true sense, simply because it is the most equitable of all political and social systems. Interdisciplinary social science enquiry that rises above the limitations of any single discipline, research methodology or cultural paradigm, can best contribute to this great debate of our time.

Good governance and human development

Murari P. Upadhyay

INTRODUCTION

Governance is the complex of mechanisms, processes, relationships, and institutions through which citizens and groups articulate their interests, exercise their rights and obligations, and mediate their differences. Governance encompasses all the methods – good and bad – that societies use to distribute power and manage public resources and problems. In sound governance, public resources and problems are managed effectively, efficiently, and in response to the critical needs of society. Effective democratic forms of governance rely on public participation, accountability, and transparency.

Good governance ensures equitable access to resources without regard to gender, social, class, ethnic, or religious affiliation. It underlies the process of realizing real freedoms and capabilities, along with subsequent achievements in poverty reduction and human development. The hallmark of democratic good governance is its ability to secure freedom from discrimination, want, injustice, and fear. Freedom of participation, expression, and association and freedom for

decent work and for the realization of one's human potential are also essential elements of a mature and ideal governance system and a just and equitable society. The four essential elements of humane governance – ownership, equity, accountability, and efficiency – provide an enabling environment for human development and eradication of human deprivation.

Human development concerns widening the range of choices for people to pursue – economic, social, cultural and political – by enhancing their capabilities to shape their lives as they wish and enabling them to live in dignity (UNDP 2000). It is only through the exercise of socio-political and economic freedoms and an enhanced people's participation in governance within an inclusive democracy can the fullest human capabilities be achieved (Fukuda-Parr and Shiva Kumar 2003). The challenge of all societies at all times has been to institute a system of governance and enable it to achieve governance goals – security, rule of law – voice and participation and public goods, all of which constitute crucial elements of human development.

During the 1990's, pluralist democracy replaced long-standing authoritarian regimes in many countries. Even within democratic political systems, the concept of governance goes well beyond the formal functioning of a government. Instead, it is a system in which all the stakeholders of the state – the political elite, the civil service, the business sector and civil society at large, representing all segments of the population (professional and workers' organisations; cultural, ethnic, and racial minorities; and religious groups, among other components of civil society) arrive at a common social consensus on goals and rules.

Governance therefore lies at the heart of the human development approach because it seeks to address the capabilities of all potentially active citizens to enable them to function effectively within the established governmental system

STATE, GOVERNMENT AND CIVIL SOCIETY

Democracy and governance

It is the very nature of human beings that generates the necessity for a government, led by a monarch, tribal head or other sovereign figure. Nonetheless, individuals run the risk of being victimised by the government itself. Therefore, citizens should have control over the decision and affairs of their government. It implies that people should have right to appoint or reject the government. This provides the major reason for a democratically elected government.

However, even in a democratic governance system, there is a need to check the abuse of

power by government officials. The result was the idea of the separation of powers between different organs of the state. In this regard, the checks and balances system instituted in the American Constitution is noteworthy.

In the context of the modern state, democracy becomes an even more critical pre-condition for enhancing human capabilities. It is the obligation of the government to respond to the articulated development needs and priorities of the people and to be accountable to them in its conduct and performance.

However, in modern states, direct democracy as such generally does not exist. It is instead governed by representatives who are periodically elected by citizens. In representative democracy, there are some inherent limitations that need to be addressed to make the system truly functional and capable of delivering people's expectations. The larger the size of the assembly of representatives, the more difficult it is for assemblies to function because of diversities in terms of regional, ethnic, religious, political and contrasting ideological loyalties, as well as the sheer lack of adequate time for the representatives to discuss and deliberate on issues at hand (Dahl 1989). In a national assembly where national level issues and interests are to be discussed and resolved, its representatives can contribute meaningfully if they are understood as representative of the citizens of a given constituency to articulate national priorities and needs rather than that of the constituency s/he represents. The constitution of local governments with clear task and responsibilities to deal with local issues can make the representatives at the national assemblies contribute meaningfully in dealing with national issues.

Civil society: empowering people in governance

There is increasing consensus that democracy is good for development. The concept of governance received greater attention as important global institutions like the UNDP and the World Bank discovered that successful development requires reforms in political and administrative regime. Accordingly, it is in this perspective that “civil society” has acquired relevance.

Civil society is generally defined as the realm of social life standing between the individual and the state. It helps empower individual citizens through harnessing their collective voice in asserting their rights, needs and priorities. Right-based associations usually take confrontational relationship with the state. Others particularly, developmental organizations, do not want to take uncompromising position with the state as it undercuts the overall objective of building social capital and strengthening civil society. Strengthening civil society is based on two strategies. The first is to break state monopoly over resource mobilization and allocation and thus loosen its grip over civil society. The World Bank and other donors are supportive of this strategy by promoting market economy and delegating authority to civil society as an effort to promote democratic governance. The other strategy involves decentralizing development responsibilities to local civil society institutions. But, this also requires a parallel devolution of political authority to local governments so that these local level institutions have a chance of influencing public policy-making. Regarding scope of involvement also, there are two arguments. The minimalist argument regards civil society associations as only those that are explicitly political or civic in the sense of fostering democratic

norms. The maximalist position however makes no distinction between political and developmental organization.

In a number of developing countries even under formal democratic system of government where significant amount of resources were also invested for poverty reduction and human development, the standard indicators have not shown much improvement. What then has been missing? It has now been clearly demonstrated that governance is the link between the efforts and achievement that has been missing. UNDP defines governance as the exercise of political, economic and administrative authority in the management of a country’s affairs at all levels. It comprises the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, mediate their differences and exercise their legal rights and obligations. Therefore governance is more than the system of formal government. It includes all three sectors – the state, civil society and private sector (UNDP 1997). But there is also space for multilateral and bilateral institutions to assist the government with a comprehensive approach to human development, by fostering partnerships and facilitating the exchange of ideas and experiences.

PRINCIPLES OF GOOD GOVERNANCE

Based on the broader definition of governance presented above, it can be said that a limitation of representative democracy- absence of direct rule by the people can largely be overcome through good governance. “Good governance is a process of executing a coherent governing plan for the nation

based on the interests and priorities of people. It purports to create a just society based on the principles of human essence, such as inclusiveness, liberty, equality and cooperation" [Dahal-b]. Generally, good governance includes eight major characteristics that are mutually inclusive and reinforcing – participation, rule of law, transparency, responsiveness, consensus oriented, equity and inclusiveness, effectiveness and efficiency, and accountability (UNDP 1997).

Participation

As a core principle of democracy, every citizen has the right to participate in the management of public affairs. Participation can take both forms-directly or through representative civil society organisations (CSOs). Therefore it calls for freedom of association and expression. It also stresses on participation of both men and women as partners in conducting affairs of society. And under a democratic framework it is more than participating in periodic elections. In a decentralized polity it calls for providing explicit opportunity and power to participate in and influence decision making functions of the governments at all levels.

Rule of law

As democracy is inseparable from human rights, therefore, good governance must be based on the primacy of the law. To guarantee that the rule of law prevails, judicial institutions, police and administrators should be impartial and indiscriminatory in applying general rules to citizens. This requires the establishment of independent oversight mechanisms that are functional and efficient.

Transparency

Government decisions and their enforcement should be transparent which means that they should follow set rules and regulations. It also means that people are aware of the existence of such rules. Moreover, information on such decisions and enforcements must be made freely available to those who need them. Transparency ensures public access to decision making and effective participation.

Responsiveness

Good governance requires that government institutions and processes should be inclined to serve all stakeholders within set time frame. Crisis of governance springs from non-responsiveness of the governors, loss of legitimacy and corruption.

Consensus oriented

There are naturally a number of differing viewpoints and interests in a given society. Therefore, good governance requires mediation among differing and alternative viewpoints to arrive at a broad consensus on what is the best for the whole community. The primary task is to mediate tension, preserve equilibrium between competing claims, and resolve conflict through collective action.

Equity and inclusiveness

Good governance requires bringing all members of the society, particularly the disadvantaged and vulnerable groups, into society's mainstream. Nobody should feel excluded. This will not only enhance ownership but also diminish risk of alienation and conflicts.

Effectiveness and efficiency

Good governance should be geared towards efficient and effective delivery of public goods and services to members of the society. Effectiveness entails high performance behavior. Efficiency thus consists of a wide scope of activity matched with high success in the management of the allocation and sustainable use of resources.

Accountability

The other core principle of democracy and good governance is accountability. Public accountability is required to be observed by all – government, civil society and private sector in their conduct. Generally an organization is accountable to those who are likely to be affected by its conducts. Accountability can be ensured when conducts are made transparent and rule of law is followed.

The above features of good governance indicate that it is an ideal that will guide the society to move towards attaining human development in a coherent manner. The Human Development Report 2002 has summarized the substance of good governance as follows:

- People's human rights and fundamental freedoms are respected, allowing them to live with dignity.
- People have say in decisions that affect their lives.
- People can hold decision-makers accountable.
- Inclusive and fair rules, institutions and practices govern social interactions.
- Women are equal partners with men in private and public spheres of life and decision-making.
- People are free from discrimination based on race, ethnicity, class, gender or any other attribute.

- The needs of future generations are reflected in current policies.
- Economic and social policies are responsive to people's needs and aspirations.
- Economic and social policies aim at eradicating poverty and expanding the choices that all people have in their lives.

INSTITUTIONAL FRAMEWORK FOR GOOD GOVERNANCE

Democracy

The fundamental element for human development is human freedom to exercise ones own inalienable rights. And, in a social context the most appropriate system of human coexistence is democracy. Democracy provides favorable institutional framework, which not only defends individual's life, liberty and property but also restrains the government from encroaching upon the freedom and rights of the individual. But, these are theoretical arguments and require specific vigilance from citizens and civil society at large to translate these virtues in real practice. Some of the major areas that need reform and public caution are presented below.

Enhancing civic participation in governance process

In democracy people formally participate in the governance during times of electing the government. From the point of view of good governance there should be wider and regular formal and civic channels for public participation in governance. Political freedom can only be ensured through continuous presence and participation of people in government decision-making and implementation processes.

Public accountability

Under formal democratic governance structure the government is accountable for its conduct to the people through the legislature. Under representative democracy the efficacy of legislature can be enhanced when people participate through different citizen groups by informing and pressurizing parliamentarians. At the local level governments there is wider opportunities and possibilities of direct participation of people in public affairs that affect their life.

Transparency of government functions

Transparency in government decision-making and process of implementing decisions, which also largely enhances the legislature's oversight capability, have to be built into the system. The other mechanism is enactment of right to information law and its effective enforcement. Independent and free media in democracy are regarded indispensable institutions for effective and influential public oversight of government functions.

Functioning in-built checks and balance

The power of the state under democratic system of governance, whether in a parliamentary or presidential system, is usually divided among three branches – executive, legislative and judiciary. This is the most appropriate built-in method of ensuring rule and restraints. But, in many developing countries legislative and judiciary check and balance system is weak. If legislative branch suffers from lack of information and capability, judiciary's independence is compromised. An independent judiciary can only ensure rule of law in democracy. Similarly, in par-

liamentary system where separation of power is not very distinct, the parliament gets overshadowed by the executive branch (i.e. government). Therefore, there is a need to review prevailing system and introduce effective sub systems to ensure that system of checks and balance is effectively functional. "This conventional [check and balance] formula is necessary but by no means sufficient; for it cannot erect a balance among social, economic and political power and, as a result, the enforcement of laws is subjected to corruption and arbitrariness. In the absence of balance, the legislative, the executive and the judicial elite senselessly continue to promote their corporate interests at the cost of social needs. In the new context, newer types of checks and balances are required among the other instruments- the state, the market and the civil society" (Dahal 2002c).

Inclusion

Democracy brings to the forefront societies' diversities in terms of differing and at times mutually conflicting interests and loyalties. If such diversities are not properly addressed and harmonized, governance system is likely to break down. Therefore, democracy should build new designs and instruments where participation of different groups particularly women, vulnerable and disadvantaged groups; ethnic minorities in governance can be ensured and promoted.

Efficiency

The role of state in efficient delivery of public services is of critical importance. The responsibility of the state has increased tremendously due to larger attention of people towards the performance of their elected government in service delivery. Who makes ac-

tual delivery is immaterial, so long as government is entrusted to provisioning, efficiency in service delivery will remain an important electoral therefore, political issue. It is also crucial from a poverty reduction perspective.

A foremost issue is of civil service reform as the performance of the bureaucracy largely determines the efficiency. A number of democracies in the past were discredited because of unmatched bureaucracy incompatible with democratic governance. A modern approach to improvement of public service is to ensuring humane aspects of public administration through the introduction of ethical norms and rules of public service. The ethics in public service can be regulated by rules, instruction and codes; trainings; introduction of role models and; public participation in government (UNDP 2000).

Corruption

Corruption is rampant in most developing countries including Nepal. One of the principal reasons for corruption is discretionary power vested in the officials – both elected and appointed. In most countries formal channels are built to discourage corrupt practices. Corruption, however, is nowadays so entrenched and pervasive that a more forceful approach may be required where focus should be on both formal and civil monitoring of official actions. Greater enforcement of transparency instruments and public participation in state conducts will also discourage corrupt practices.

Decentralization

Transforming prevalent democracies into a good governance system requires the introduction of appropriate policy, tools and in-

stitutions. The most appropriate policy in this regard is decentralization and the most appropriate institutions are local governments and civil societies. The phrase now used universally for the conceptual framework that combines both these characteristics is “decentralized local self-governance” (UNDP 2002b).

There are basically three forms of decentralization of government practiced in the world (UNDP 1993):

- **Deconcentration:** This is limited to passing down only administrative discretion to local offices of central government ministries, for example. Although it does result in some dispersal of power, few decisions can be taken without reference to the center.
- **Delegation:** This involves passing some authority and decision-making power to local officials. But central government retains the right to overturn local decisions and can, at any time, take these powers back.
- **Devolution:** The strongest form of decentralization: granting decision-making powers to local authorities and allowing them to take full responsibility without reference back to central government. This includes financial power as well as the authority to design and execute local development projects and programmes.

In the devolution model of decentralization, the popularly elected local governments, civil societies and private sector become main actors and public administration of government assumes facilitative, coordinating and enabling responsibility rather than promoting omnipresence of center at all levels. Devolution model is based on subsidiarity principle of governance as the guiding principle of decentralization.

The subsidiarity principle can be presented as follows:

- Function and services that can be carried out by citizens or citizen's institutions at their level should be allowed to be carried out by them.
- If function/services can be carried out at a lower level, it should be carried out at that lower level.
- The necessary governance functions should always be carried out as close to the citizens as possible (UNDP 2002b).

Decentralization of government is based on some following important learning (UNDP 2002b).

- Central government agencies cannot provide sufficient access to people in governance, hence people's participation and their ownership remains questionable.
- In the absence of strong local level institutions, equity and inclusion concerns cannot be addressed effectively.
- People's participation in governance and service delivery cannot be achieved in the absence of accountability and transparency.
- Effectiveness of public services is vital from the perspective of cost, coverage, quality, time and people's satisfaction.

In spite of the experience in democratic governance in many developing countries, achievements made with regard to human development have remained poor. Elites continue to control decision, resources and public services. Campaigns against poverty have often bypassed and ignored local government. Donors used to favor funneling resources through central governments now increasingly rely on CSOs. But, the critical role of local government-when elected and accountable- continues to be forgotten. Thus the effec-

tiveness of poverty programmes in reaching the poor continues to be hampered" (UNDP 2000). A recent study of eight country experience shows that human development and poverty reduction through local governments may take longer time than the "conventional targeted schemes to benefit the poor- but the eventual benefits would outweigh the costs" (UNDP 2000).

The link between decentralized local governance and human development can be understood on the following premises:

- When decision-making on the use of resources and services moves closer to the people, accountability to the people increases.
- Local elections increase direct accountability of local leaders to citizens.
- Under such a system, local people will be better placed in terms of influencing decisions affecting their life.
- Civil societies can take on catalytic roles to mobilize and enable communities to make their voices and choices heard and heeded.

Increasing participation in local governance process creates a more conducive environment for good governance by ensuring equity, accountability and efficiency of local governance bodies and institutions.

Contribution of civil society

In the context of CSO's contribution to promotion of good governance and human development, it cannot be assumed that all these associations necessarily promote democracy and human development. Civil society can undercut democracy and human development if its association pursues values that go against tolerance and respect for others. Therefore some forms of normative criteria are sug-

gested so that they are qualified as 'civil' (UNDP 2000). First, it should be autonomous of the state in terms of decisional competence and resources. Over dependence of national NGOs with poor local resource base on INGOs is also regarded harmful for the exercise of their autonomy. Such instances are more prevalent in developing countries including Nepal. Second, associations should be democratically structured so that as perceived microcosms of civil society itself, values compatible to good governance and democracy can be internalized. Third, in order to foster democratic organizational culture association's officeholders should be made accountable to members and public at large. Fourth, recruitment of staff should be made open. Exclusive and closed associations tend to be less inclined towards inclusion thus undermining cultural pluralism. Fifth, networking among civil societies is also important from the point of view of socialization of members. Well-developed networks also amplify flows of information creating conditions for collaborative campaigns. These relationships and social norms make up a nation's social capital to improve flows of future outcome.

CSOs do not always pursue the qualities of good governance nor are they always the most effective development agents. That is why states, while recognizing and protecting their democratic rights of association and action, must also ensure that the rule of law and values that reflect societal norms are adhered to (UNDP 1997).

The value of civil society in the promotion of human capabilities for good governance and human development cannot be measured in terms of volume of activities it undertakes. Far more valuable is citizen mobilization in

the creation of social goods and in fostering individual initiatives as well as group strength that build human capabilities particularly of vulnerable and disadvantaged groups. Civil society also shape public opinion on good governance problems and create pressure for change. Civil society associations, who work in partnership with the state in policy-making and its implementation on contractual basis, also foster 'welfare pluralism' (UNDP 2000). Through these engagements, they influence state policy in the advantage of the people and also eliminate chances of elite control over public goods and resources.

At the national level the role of right-based civil society is very crucial for transforming society and polity and inculcating democratic practices and culture. Civil society's engagements in articulating and advocating for gender mainstreaming or women participation in governance, for inclusionary policies, election monitoring, control of human rights abuses by the state, conflict mediation, ensuring consumer protection, child rights, biodiversity conservation, environment protection and many other public concerns, etc. have brought tremendous change in human capabilities and conducive politico-social environment for fostering good governance.

At the local community level also, the contribution of civil society can be significant. They have been proved valuable in enabling poor people and local people at large to effectively participate in local level planning and priority settings. Through introduction of public auditing systems at the local level, government accountability to people have been promoted. In a number of developing countries including Nepal, civil societies have already established faith for public- private partner-

ships in efficient delivery of public services to communities. In short, the subsidiarity principle of governance, an important subsystem for good governance has been brought under practice by the initiation of civil societies.

Contribution of private sector

It is the need for mutual exchange and trade between individuals that has promoted and shaped modern social life. But the introduction of economic policies without democratizing the decision-making power of the state does not necessarily bring benefits for human development. The neo-liberal economic prescriptions in the form of growth-centered development, deregulation and privatization of public sector, and liberalization and globalization have failed to address the plight of poor. These policies instead have helped widen the gap between haves and have-nots; created conducive environment for conflicts, and greatly weakened the state autonomy thereby weakening newly established democracies. Social obligation of private business sector has fast eroded. Therefore, new economic order is required to be built, which ensures strong democratization of economic sector where role of the state is not of a silent spectator but active umpire and mediator of class conflicts.

In the arena of good governance, the role of private sector lies in fostering consumer rights and well-being. Private sector business associations can play constructive role in bringing fairness and cleanliness in business pursuits, facilitate exchange relationship and contribute to wealth creation. The state should also explore opportunities to bring private sector in national policy making functions. It can form public -private participation forums at all levels.

In policy planning area private sector can contribute to protect vital national interests from WTO provisions. Equally important, private sector can forge alliance with civil society to discourage rent-seeking behavior of government officials by contributing to reframing of business regulations that provide arbitrary discretionary power to them.

STATE OF GOVERNANCE IN NEPAL

Political governance

With the promulgation of the Constitution of the Kingdom of Nepal in 1990, the country entered the world community of democratic nations. However, Maoist insurgency that began in 1996 in small pockets of the remote countryside of mid-western Nepal has now engulfed the entire nation with virtually full-blown war of attrition. It is estimated that around 8-10 percent of GDP is lost in the conflict. Side by side, security expenses has sky rocketed from 7 billion rupees in 2000-01 to 15 billion in 2002-03 (Joshi 2004).

Between 1990 and 2002 country saw 12 governments. All possible corrupt practices were introduced either to topple or form government. Parliament was quite often marred by the absence of democratic proceedings and practices, and consensus was often undermined in the process of majority decisions. At times even the parliament was bypassed in major policy decisions of national importance. Public service providers are stubbornly non-responsive and discriminatory practices continue unabated. There is total lack of transparency in government decision-making and implementation.

The organizational system, culture and practices of political parties were well reflected in parliamentary proceedings. A dominant patronage oriented leadership structure, absence of intra-party democracy and a credible leadership succession procedure, non-transparency of fund raising system, poor intra-party democracy, dominance of corrupt leaders in party rank and file and, exclusion have totally blocked desirable changes in political power and social relations. Accountability became a forgotten term among politicians.

The manifestation of confused, apathetic, unaccountable, corrupt and irresponsible political atmosphere, existence of exclusionary social structure, deep-rooted social cleavage and discrimination – ethnic, caste, gender and regional – offered conditions of structural injustices and provided a fertile ground for Maoist insurgency.

Judiciary

Autonomous, clean and efficient judicial system is a must for a functioning democracy and therefore for good governance. Credibility of Nepalese judiciary system is as low as that of the political parties. Autonomy of courts has to do with its accessibility, effective bankruptcy laws, sound securities and competition regimes. Efficiency of courts in providing justice to citizens is miserably low. The Supreme Court reveals that there are 16,674 backlogs in the appellate courts. On average, slightly more than half of the cases filed in the appellate courts get disposed off every year. Similarly there are 59,077 arrear cases in all the 75 district courts. The district courts dispose of the 50 percent of the cases each year on average. The problem of backlog cases is more serious in the Supreme Court, which disposes of only 30 percent of

the total cases each year. Justice delayed is justice denied.

Decentralization

Decentralisation is not a new concept in Nepal. Its existence can be traced back to ancient times, though the forms and scope both vary greatly. The modern concept of decentralization started to take clearer shape since the overthrow of the century old Rana oligarchy in 1950. The series of initiatives taken during the Panchayat rule under absolute monarchy (1960-1990) were focused largely on delegation and deconcentration. Consequently, the local bureaucracy was strengthened at the cost of empowering elected bodies.

Simultaneous delegation of central government powers to local governments as well as to line agencies led to the overlapping and duplication of their responsibilities thus creating functional anarchy at the local level. This was one basic reason for the failure of the implementation of all types of modern decentralization plans and programmes during this period.

The balance sheet of decentralization efforts made under the Panchayat System was by and large negative because its inherently centralized power structure was hardly conducive to promote and establish decentralized local self-governance. The slogan of decentralization then served the strategic need of presenting an authoritarian system look like a democracy. This never allowed the decentralization reform process get hold in the Nepalese polity.

Under governance reform, decentralization has been an important agenda of the govern-

ment following the restoration of democracy in the country. Based on the recommendation of the High Level Decentralization Coordination Committee chaired by the Prime minister himself, the LSGA was enacted in 1999. It provides sweeping powers to local government bodies. But, as it contradicts with over two dozen sectoral and other acts, its implementation has been critically impeded. Local government bodies prepare their development plans – periodic as well as annual, based on bottom up participatory approach. This approach therefore assures better matching of genuine demand and supply of services to citizens. But, as harmony between LSGA and sectoral Acts is not appropriately established, local government bodies are increasingly facing difficulty in implementing their service provisioning and delivery functions. This is much reflected in three decentralized service sectors – namely, agriculture, health and education, as their Guidelines themselves are facing implementation problems.

Government with the support from international funding agencies is implementing new design of development funding at the local level, which deliberately bypasses local government bodies. PAF and water board fund are some examples. This design not only weakens local government bodies but also limits greatly the scope of public participation in governance. The policies that affect local people and programmes dictated from the center undercut the prospect for local self-governance.

Administrative governance

Nepal's administrative structure was historically shaped to serve the needs of a highly centralized state and the political system. Ex-

ecutive function is carried out by the Council of Ministers headed by the Prime Minister. Similar to the meaning of king in parliament, the council of ministers also performs executive functions in the name of the king with king's power to warn and/or advise the Council of Ministers. Individual sectoral administrative functions are carried out through about two dozen ministries, their respective Departments and line agencies at regional, district and field levels. None of the civil servants assigned for different functions at different levels are personally accountable for their performance. Therefore, hierarchic loyalties degenerated into personal loyalties nurtured through the Chakari has been fully established as the system of reward and punishment for public service performance or non-performance. Even after the restoration of multi-party parliamentary system with constitutional monarchy in 1990, the administrative apparatus was not reformed to suite the changed need. Administrative reform programme of the government has been long overdue. Immediately following the first democratically elected government in 1992, a high-level Administrative Reform Commission was formed. Government principally agreed to implement its recommendations. However, it is now almost forgotten, except at times of consulting it as reference note. Government has since 1998 introduced a civil service reform called Governance Reform Programme. It has broad mandate of improving governance and reducing corruption in the civil service. Until recently, out of 16 proposed actions only 3 have been completed (Joshi 2004).

In order to ensure transparency in the government and to put an end to all forms of embezzlement, a joint HMG/N-IDA Country Financial Accountability Assessment was carried out, which suggested that the

regulatory framework is impressive but runs the risk of non-compliance.

Control of corruption

In order to curb corruption from public offices, a constitutional commission (CIAA) is in place with the mandate of investigating and prosecuting abuse of authority. Following broadened mandate and the law putting the burden of proof on the accused, cases against abuse of authority increased significantly. Number of registered cases between 2000-01 and 2002-03 increased from 26 to 147. Similarly, out of 55 cases decided by the court, CIAA won 47 cases.

The government constituted a judicial commission to investigate the property of public officials. Based on the report of the commission, CIAA is conducting investigation on both politicians and civil servants (Joshi 2004).

Economic governance

Design and implementation of Nepal's development policies are rarely linked with the local knowledge, realities, needs and priorities. A centralized policy planning set up run by technocrats suggest and draft policies as advisors to the Prime Minister. The very conceptualisation and design of policy planning is heavily influenced by international and bilateral donor agencies, which provide almost over 60 percent of country's development budget. Every two years there is a meeting of Nepal's donors, called Nepal development forum. It is not the country's parliament but Nepal development forum de facto determines policy direction and actions. Currently Nepal's economic reform programme follows World Bank led neo-liberal approach following the Washington

Consensus (see chapter 8). As discussed in preceding sections, economic reform policies are not addressing human development issues that the country is facing. Government has deregulated industries, foreign trade, transport and financial services sectors. Privatization is its other agenda. Government is currently finalizing second round of privatization package. Three modalities are being adopted for transferring public enterprises to private sector. Out-right sale, bulk public sale of government share by converting public corporations into public companies, and contracting out management functions of government industries and farms to private sector are the modalities that are being followed. Communication and insurance sectors have also been opened for foreign investment.

Subsidies from agriculture have been long withdrawn. Unfavorable terms of trade in agriculture sector have been further worsened. Nepal has already acquired WTO membership. It will have implication on the nation's farm sector, which has not been fully assessed.

In a context where the historical character of the economy has remained feudal, markets are internally fragmented, the introduction of neo-liberal economic policies instead of allowing market mechanism to fully function, have only promoted vested interests of private business, politicians and bureaucracy, and weakened the power of the state to influence the distribution of economic surplus to the poor. Principles of integrity, transparency and accountability are important for sound economic governance. Market performance requires perceived credibility of information where media plays a crucial role.

Inclusion

In spite of the commitments of successive governments human development remains far from inclusive in Nepal (see chapter 3). There have been some general improvement in literacy, access to safe drinking water, access to electricity, telephone, roads, etc. but the proportion has not improved among excluded groups, regions and ethnicities. Similarly, against the spirit of the civil code, socio-cultural discrimination and untouchability inflicted on Dalits, wage differentials between men and women, and lack of property rights for women continue to weaken the governance to achieve social equality. Impending affirmative actions such as reservations in political seats and jobs have not been initiated yet. The impact of neo-liberal policies have put the poor in a more disadvantaged position as most such groups are farm workers who are the ones most hit by unfavorable agricultural terms of trade. In the main, there has not been sincere effort to address exclusion in Nepal.

Civil societies

There has been profound proliferation of CSOs in Nepal following the restoration of democratic system in 1990. It is estimated that the number of active CSOs in the country is around 13 thousand. These CSOs are of all kinds, right-based advocacy, development-oriented and religious organizations. The right-based advocacy organizations have been very instrumental in articulating citizens' claims including rights of different minorities and disadvantaged groups. Some achievements are also seen in terms of legislative reforms. Development organizations have also contributed in terms of community awareness, social mobilization and collective efforts for public goods. However, many of

them are highly dependent on foreign organizations including multilateral and bilateral agencies for resources. Many CSOs naturally are streamlined to follow the donors' agenda. Indigenous knowledge, aspirations and priorities are often overlooked. Such CSOs are used to implement globally set agendas in local areas. In this way, the autonomy of the state not only at the national level but equally at the local level is getting undermined.

POLICY IMPLICATIONS: GOOD GOVERNANCE FOR HUMAN DEVELOPMENT IN NEPAL

In the on-going Tenth Plan Nepal has included what it calls the human development approach, which announces inclusion, empowerment and affirmative actions to bring poor, women and disadvantaged to development mainstream. But, these announcements are yet to be seen in actual implementation. In seeking good governance for human development in Nepal the following areas are of critical importance for review and revision.

Deconstruction of neo-liberal policies

The primary area of focus to assess the status of governance in Nepal is neo-liberal policy and its implementation instruments PRSP, MTEF and PAF-like social funds. Together, these have been instrumental in seriously undermining both the state autonomy as well as local self-governance and have direct implications for the non-performance of democratic system in the country.

Therefore, deconstruction of neo-liberal policies should be the priority area of reform for good governance. The greater democratiza-

tion of national economic conduct will address the developmental needs of the masses and is likely to address human development issues that the country is currently facing. Democratization also entails wider public participation in national priority setting. This would garner larger autonomy to state to address its unique problems of development. And, naturally, together with wider public participation in national policies and priorities and preservation of state sovereignty through effective autonomy, a synergy will be built fostering the goals of good governance. Promotion of public-private partnerships should be given serious thought as the compatible policy alternative to harness the benefits of the market, “buffering of citizens from the state” (Dahal 2002c) as well as to capacitate the state to address citizens’ needs and priorities.

Decentralization reform

As discussed in the earlier section, most of the elements of good governance cannot be enforced and achieved in the absence of decentralized local self-governance system. Therefore, devolution of state power based on subsidiarity principles of governance is the other policy area that needs serious attention. In addition to meeting preconditions for good governance conducts, it will replace technocratic wisdom with community wisdom in planning, prioritizing and mobilizing resources in meeting local needs. It will have positive influence in generating local employment, in checking migration to cities, and in preserving social capital.

Question of inclusion

Majority ruled democracy needs to be reviewed to address the question of inclusive

development. The lack of any attempts at addressing this issue is a historical legacy and perhaps is indicative of the powers of the elites that preside the political and economic status quo in Nepal. Even after the restoration of democracy the social, economic and political divide has further widened in the country. Reform in a number of areas including the constitution, electoral system and procedures etc. are required to appropriately address the issue of inclusion. Similarly, parliamentary proceedings are to be reformed so that chances of majority tyranny could be effectively checked. Under multi-party democratic system the role of political parties is also to function as links between state and civil society. Therefore, promotion and assurance of intra-party democracy is also crucial.

The established system of separation of state power into three branches – executive, legislative and judiciary – is supposed to provide mutual checks and balances. But this system is not performing as required. There have been instances when judiciary curtailed executive’s constitutional authority and looks for ways to bypass legislature. In Nepal there is increasing tendency among these branches to cultivate and promote their own corporate interests. In order to ensure good governance under democracy, newer system of checks and balances are called for. Under modern inclusive democracy, citizens articulate their demands and concerns to state, state controls and guides the market towards meeting citizen’s social needs, and market provides buffer to citizens from the state. Therefore, there is a need to explore and install new system of checks and balance between the state, market and civil society and creation of a public order that is both just and legitimate.

Empowerment – the centrepiece of human development

Sriram Raj Pande and Bikash Sharma

Conventional anti-poverty approaches, which focus almost exclusively on income and basic needs, have generally failed to reduce powerlessness and the negative attributes usually associated with it, notably isolation, vulnerability and physical weakness. By contrast, the empowerment approach – with its stress on enhancing individual entitlements, capabilities, rights and freedoms – is one of the four pillars of human development and effectively reinforces the other three: equity, productivity and sustainability (UNDP 2004b). It creates the conditions necessary to enable the poor to take advantage of poverty-reduction opportunities by strengthening their socio-cultural, economic and political capabilities.

EMPOWERMENT FOR HUMAN DEVELOPMENT

Empowerment has become a keyword of development discussions worldwide, accruing as many definitions and connotations as the word 'development' itself. Empowerment is about transforming existing power relations in favour of those (generally, the poor) who had previously been limited in exercising

power and choice of their own free will. It refers to the processes by which those who have been denied the ability to make choices acquire such ability through the expansion of assets and capabilities to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives (Kabeer 1999; World Bank 2002). Empowerment builds people's capacity to gain understanding and control over personal, social, economic and political forces to act individually as well as collectively to make choices about the way they want to be and do things in their best interest to improve their life situation. This definition captures the spirit of human development, which is defined as "creating an environment in which people can develop their full potential and lead productive, creative lives in accord with their needs and interests to be able to participate in the life of the community."

Empowerment is not just a process; it is also about reaching desirable outcomes/goals – substantive empowerment, which encompasses both inter-personal (individual capacities, self-esteem and self-efficacy) and instrumental (capabilities such as knowledge and skills) empowerment to achieve col-

lective socio-political goals (Rich, et al 1995). As a process, it involves building people's capacity. As an outcome, it involves people's coming together to bring about structural transformation of the political, economic, social and cultural conditions to address the causes of their poverty.

Empowerment and social inclusion are closely related but separate concepts. While the empowerment process operates "from below" and involves agency, as exercised by individuals and groups, social inclusion – through the removal of institutional barriers – requires systemic change (initiated from above) that is necessary to sustain empowerment over time (World Bank 2002). It is through the process of social inclusion that the "rules of the game" are modified and institutions transformed so that economic growth is widely shared (Malhotra, et al 2002). Empowerment has the revolutionary potential to transform conflict into constructive outcomes. However, a mismatch between political, economic and social empowerment can act negatively – transforming disputes into violent conflicts.

Empowering people and creating a good investment climate are mutually reinforcing basic pillars of any pro-poor growth strategy for sustainable poverty reduction (Stern 2002). As a comprehensive concept, empowerment is both an inherent part of and a means to sustainable poverty reduction.¹ Economic growth is essential for human development, but the link between the two is not obvious or automatic because the nature and quality of growth can be jobless, ruthless, voiceless and futureless. Empowerment is the surest way to establish the link

between economic growth and human development – by addressing the voices and choices of the people.

Failure to place the empowerment agenda at the centre of human development makes human poverty intractable, as poverty is intricately linked to disempowerment and deprivation. As the concept of human development is much broader than any of its measures, the human development index (HDI) cannot fully capture the comprehensive picture of human development (Jahan 1999). The HDI encompasses only three critical human choices (a long and healthy life, knowledge and a decent standard of living); it does not capture human freedom and human rights – the essential ingredients of human empowerment. This has led to a continuous search for a broader range of indicators to encompass holistically the attributes of human development. That search underpins the rationale for the human empowerment index (HEI).

Economic empowerment concerns the expansion of access to productive assets, including physical and financial opportunities, to pursue economic gains. Although economic empowerment necessarily involves the distribution of capital and of income generating opportunities, it also entails ensuring that the workings of the market and relative prices can enhance people's economic agency.

Political empowerment involves enlarging the capabilities associated with democratic self-governance. It ensures not only respect for the fundamental dignity of the human

¹ Empowerment is an integral component of any strategy of development and poverty reduction, a message that can be heard through the World Bank study, *Voices of the Poor*, which drew on surveys of more than 60,000 poor people in more than 60 countries (Narayan, et al 2000).

person and the basic rights set out by international norms, but equitable representation in decision-making processes and institutions – especially those that can demand accountability from public servants and the private sector bodies entrusted with public resources. It includes freedom to participate in political dialogue, to dissent from majority or accepted views, and to mobilize for change. It also encompasses legal empowerment, generally understood as the process of acquiring the knowledge essential to protect one's rights and to assert them under the law.

Socio-cultural empowerment entails strengthening the social fabric by augmenting a complex network of human qualities – both individual and collective – whose sum and synergies we call “social capital”. It is the process through which people and groups become aware of the interplay of societal and cultural forces at work in their lives and learn how they can act individually and jointly to influence and eventually control the dynamics of these forces.

CONCEPTUAL FRAMEWORK

Improvement in one dimension of empowerment can play a catalytic role in bringing about change in the other two. Expanding human knowledge and capabilities certainly has an indirect influence on economic and political empowerment. Nonetheless, direct linkages are hardly automatic, let alone rapid and self-perpetuating in virtuous synergies, i.e., sustainable. Sustainable empowerment requires an integrated approach and tools to make this integration operational. Empowerment becomes sustainable only in an environment where policies and institutional reforms complement grassroots initiatives to address

political, social and economic empowerment simultaneously – in short, the policy environment generally termed “pro-poor”.

The Venn diagram in figure 1 illustrates the relationships among social, economic and political empowerment and their place in the larger canvas of human development. Interactions between social and political empowerment without economic empowerment make people's empowerment unsustainable (area B). Likewise, area D represents a situation where a lack of political empowerment will make social and economic empowerment unsustainable. Hence, promoting sustainable empowerment (area A) requires an integrated empowerment-led strategy for poverty reduction and human development. This framework offers a potential roadmap for making empowerment strategies operational and for measuring their impacts.

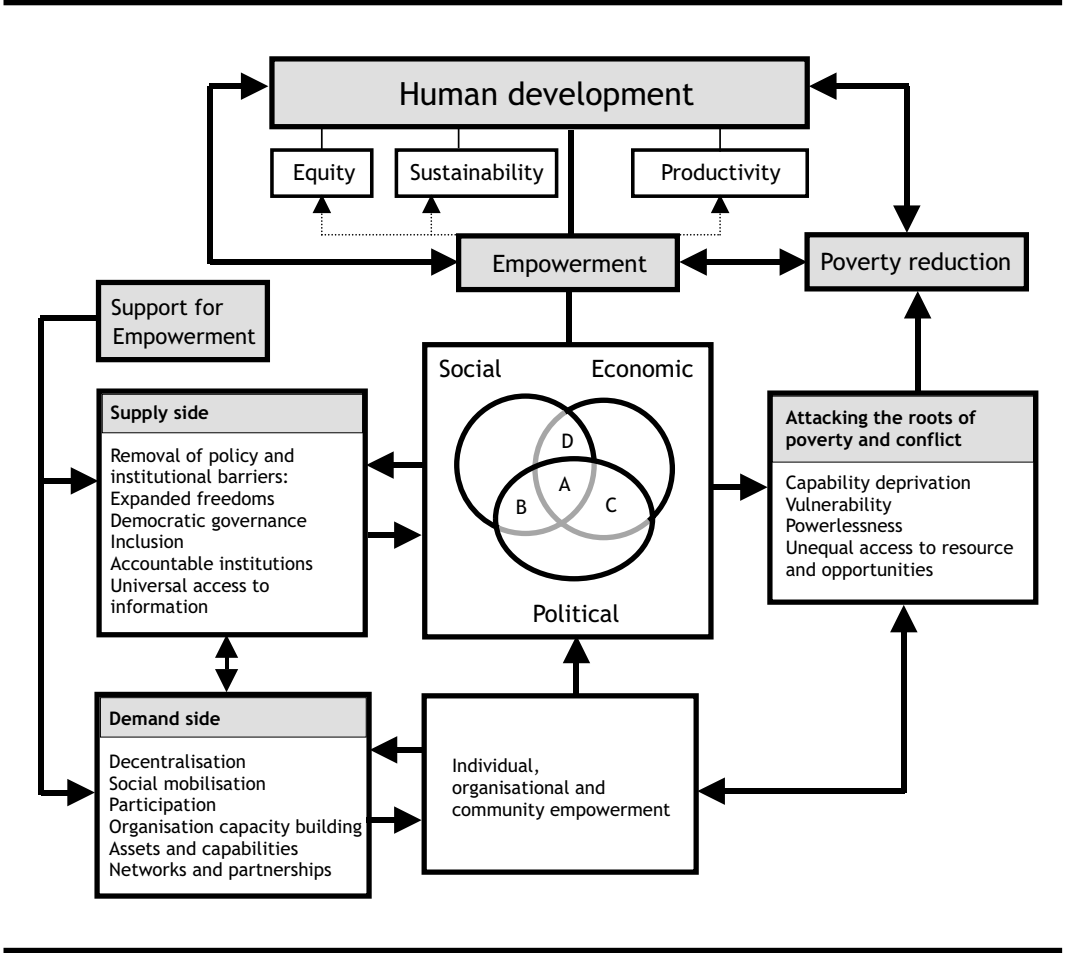
This framework can become operational only under genuine democracy that guarantees human rights and freedoms. Development experience clearly shows a two-way relationship between good governance and empowerment. Deepening democracy is thus essential to promoting transparent, responsive, participatory, inclusive and accountable governance. Empowerment – through inclusion, voice and accountability – also promotes social cohesion and inclusiveness. Evidence further demonstrates that the breakdown of social cohesion and trust leads to war and civil conflict. Thus, mainstreaming the empowerment agenda lies not only at the heart of deepening democracy, but also addressing ongoing conflicts around the world.

To make this approach operational, the HEI has been constructed for the first time by bringing together social, economic and po-

litical dimensions of empowerment in a holistic perspective to measure the empowerment level of all human beings in the same spirit as the HDI. This information provides planners and policy makers with new insights to devise appropriate policy interventions to address concentrated poverty and disempowerment at different geographical levels. As with the HDI, the disaggregation of HEI will provide the basis for measuring disparities in terms of caste, ethnicity and gender, subject to the availability of a sufficiently desegregated database (see annex 1 for indicators used for measuring HEI).

From a policy perspective, the HEI provides a picture of the levels of human empowerment and how these levels in social, economic and political terms manifest themselves across regions. As such, the HEI captures poverty-reducing opportunities, as well as social economic and political capabilities, more than the HDI and other associated indices, such as GEM and the Human Poverty Index (HPI). Second, the HEI is a particularly accurate tool for identifying areas of concentrated poverty, especially at the lower end of the development scale where the HDI exceeds HEI (figure 10.2). Third, with a larger

FIGURE 10.1 Empowerment and human development - a conceptual framework



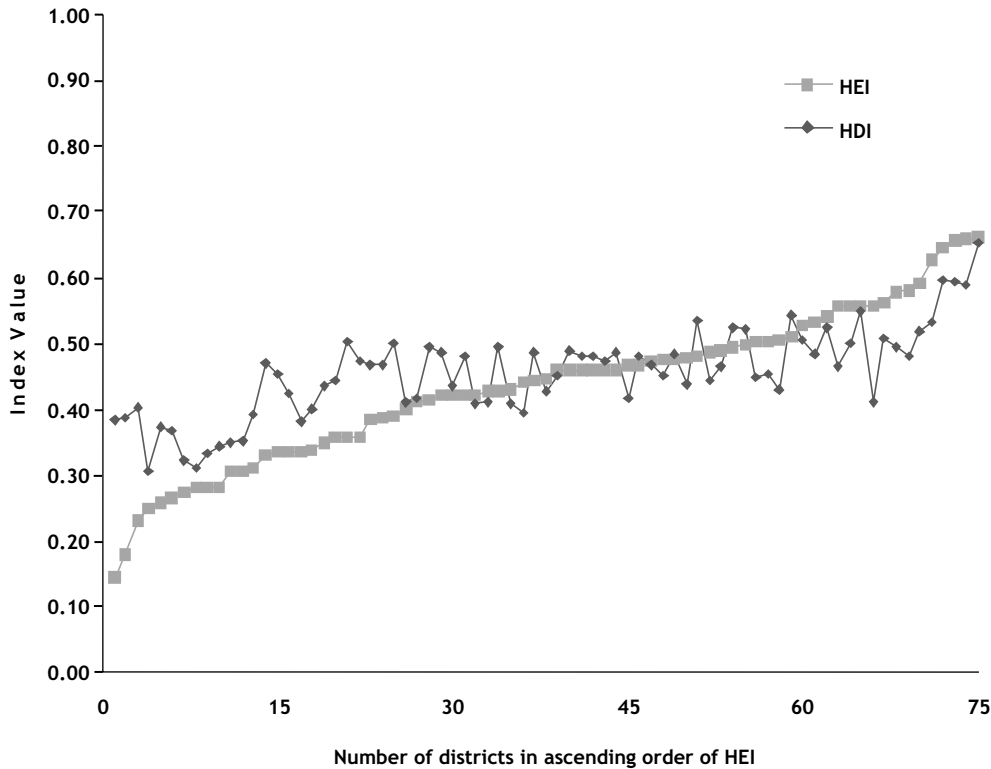
set of short and medium-term progress indicators measuring social, economic and political choices, it provides policy signals not only as to the kinds of social, economic and political interventions essential to reducing disparities at the local level, but also the scale of such corrective measures.

**NEPAL’S DEVELOPMENT
TRAJECTORY – AN UNEVEN
PLAYING FIELD**

Nepal has made some progress in raising living standards over the last 50 years, par-

ticularly since 1990. However, development outcomes have varied inequitably, manifesting themselves in gender, caste, ethnic and geographic disparities. But Nepal is hardly alone among the numerous countries worldwide that have allowed both historical and contemporary factors to perpetuate the gaps between its haves and have-nots. Although the disadvantaged and marginalized groups have used new opportunities to organize themselves and voice their concerns, these advances have not yet reduced the powerlessness of the vast majority of its citizens or significantly diminished the isolation, vulnerability and marginality in which

FIGURE 10.2 Relationship between HEI and HDI across districts



Source: UNDP 2004b.

they live. Indeed, the country's low per capita growth rate and high disparities in income distribution have limited the impact of economic growth on the poverty of that majority and starved the nation as a whole of the contributions that these very citizens could make to the development of Nepal's well-being - economically, socially, culturally and politically.

The HEI is a powerful tool for identifying and addressing specific issues of exclusion, incongruities among the critical aspects of empowerment and multiple disempowerments in areas of concentrated poverty. The overall Index shows considerable regional disparity and mismatch between the three dimensions of empowerment - social, economic and political. Economic empowerment (0.337) is lowest and political empowerment the highest (0.646) - with social empowerment (0.406) in between (table 10.1). While the high level of political empowerment is a clear manifestation of democratic practices and the rising aspirations of the people, the low level of economic empowerment is reflected by low incomes, limited access to productive assets, and a lack of gainful employment opportunities that severely limit the expansion and exercise of human and social capabilities. Sustainable poverty reduction cannot take place when both economic and social empowerment remains so low. These imbalances have provided fertile ground for conflict.

Nepal's Tenth Plan/PRSP (2002-2007) attempts to redress the crisis now facing the country by placing peace-building and security centre-stage. The Tenth Plan also offers a variety of strategies for drawing the excluded into the mainstream of Nepal's development. However, the Plan cannot reduce poverty sig-

nificantly or address exclusion effectively without systematic efforts to augment and harmonize the three fundamental components of empowerment: the economic, the political and the socio-cultural.

Policies and programmes alone cannot guarantee empowerment. Unless their individual and social capabilities can enhance their position in competitive bargaining or to hold institutions accountable, people may not be able to take advantage of the opportunities created by reforms. So far, the devolution of authority, capacity-building and accountability to local bodies in accordance with the principles of local self-governance and the spirit of the LSGA of 1999 has not occurred fast enough to consolidate the empowerment of people at the grassroots level. But devolution will not work effectively without partnerships and other forms of collaboration, both horizontal and vertical, that ensure the communication of the voices and choices of the poor to governance bodies well beyond their immediate communities. All in all, a "top-down" development paradigm directed by the country's elite, coupled with slow progress in devolution, has found itself overwhelmed by narrowly-based growth policies, widened income inequalities and exacerbated conflicts in the distribution of national income and assets. Clearly, it is essential take a holistic and integrated approach to development.

A REFORM AGENDA FOR MAINSTREAMING EMPOWERMENT

Deepening democracy is a key to enhancing empowerment. Without strengthening democratic institutions that enhance the de-

cision-making powers of the disadvantaged groups, initiatives to increase empowerment cannot be sustained. Yet once citizens have experienced democratic political practices, social imbalances are bound to surface, whether because of historical or contemporary factors. The fact that these imbalances have now exacerbated violent conflict throughout Nepal points clearly to a need for radical, dynamic social transformation through systemic reforms in policies and institutions to overcome the current emergency successfully. Now, facing the worst crisis in its modern history, the country must take a critical step further and place the empowerment of these citizens at the centre of its application of the human development paradigm. Without radical shifts in current policies and resource allocations,

Nepal will not be able to sustain the progress it has made to date.

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

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

TABLE 10.1 Dimensions of human empowerment in Nepal by region

	Social	Economic	Political	Overall HEI
Nepal	0.406	0.337	0.646	0.463
Place of Residence				
Urban	0.604	0.518	0.737	0.62
Rural	0.372	0.304	0.642	0.439
Ecological Region				
Mountain	0.315	0.236	0.526	0.359
Hills	0.476	0.31	0.568	0.451
Tarai	0.362	0.392	0.674	0.476
Development Region				
Eastern	0.398	0.369	0.691	0.489
Central	0.413	0.383	0.695	0.497
Western	0.468	0.317	0.599	0.461
Mid Western	0.33	0.247	0.602	0.393
Far Western	0.347	0.268	0.582	0.399

Source: UNDP 2004b.

Changing the long-standing institutional culture that governs Nepal's decision-making processes simply will not take place without radical changes in mindsets of those who work within them. This process need not take generations. The process can be accelerated by making empowerment the centrepiece of development with a radiantly shining human face. There clearly exists a need to create an enabling environment through substantial shifts in policies and priorities by linking the MDGs with the

PRSP, among other development plans, roadmaps and tools. Since it is a movement from power of the elite to the power of the citizen in the street, poverty alleviation will continue to be a myth until we redefine and transform these power dynamics in the broader context of an empowerment-led development framework. Sustainable human development strategy for poverty reduction would become possible only when we have this new vision, a vision in which development is seen as truly human.

ANNEX I: MEASURING HUMAN EMPOWERMENT INDEX: APPROACH, METHOD AND APPLICATION

Existing literature shows varied dimensions of the empowerment (Malhotra, et al 2002, Freidman 1992, CIDA, 1996 Stromquist 1995) occurring mainly within economic, socio-cultural, political, legal, inter-personal and psychological dimensions.¹ For operational purposes, it becomes possible to group these into three broad categories, namely the socio-cultural, economic and political. Clearly, each of these dimensions is very broad, containing a range of sub-domains within which people may be empowered. Social empowerment encompasses both human capability (education, skills, health, access to safe water and sanitation, information and communication) and social capabilities (social status, dignity, cultural expression, and a sense of belonging and solidarity in society and participation in social organizations).² Economic empowerment is about expanding people's economic capabilities to improve their access to productive assets (both physical and financial) as well as access to economic opportunities (employment, markets and production technologies) to make use of these capabilities. Political empowerment cannot be seen solely as the power to vote, but also as the power of voice and of collec-

tive action (Freidman 1992). It is about the expansion of political capabilities/entitlement associated with democratic governance, encompassing opportunities for political dialogue, dissent and critique, as well as voting rights and a participatory selection of legislators and executives.³

Sen's capability approach, which provides the foundation of the human development concept, can be seen as an appropriate framework for conceptualizing and operationalizing empowerment.⁴ Capability is a combination of functionings that a person can achieve, reflecting the freedom to lead one type of life over another. Given that these functionings are objectively observable, whereas the person's capability (potential being and doing) are unobservable facts, most empirical applications, including the HDI are often limited to measuring outcomes through achieved functionings (outcome-based evaluation), rather than measuring opportunities through capabilities (Roemer 1996). The capability approach is similar to the notion of empowerment, comprising three interrelated components: resources, which form the enabling conditions under which choices are made (similar to the notion of primary good or resource in the capability approach); agency, which lies at the heart of the process through which choices are made (similar to the conversion factors influenced

¹ Psychological empowerment is about the individual's sense of potency (perceived competencies, self-confidence and self-determination) which is largely a result of successful action in the social and political domain (Freidman 1992).

² Capability may be seen as the capacity that enables people to increase their well-being – depending on a variety of factors, such as education, health, skills that are inherent in the family or skills that are acquired or learnt. In addition to its direct value (creative and healthy life) in its own right, it has also instrumental value (indirect role) in influencing social, economic and political participation and entitlements (Sen 2001).

³ Democratic governance ensures that people's human rights and freedoms are respected, that people have influence in decisions that affect their lives and that they can hold decision-makers accountable.

⁴ Sen's capability approach has contributed to an important paradigm shift in development economics with increased emphasis on incorporating individual entitlements, capabilities, freedoms and rights into conceptual foundation of economics and social choice. This approach can be seen as a framework of thought and stresses the plurality of purposes for which it can have relevance for conceptualizing and analyzing well-being and poverty, liberty and freedom and empowerment (Sen 1993).

by instrumental freedoms); and achievements, which are the outcomes of choices (achieved functionings/capabilities). If human development is about enlarging people's choices by enhancing their functionings and capabilities, empowerment means that opportunities and choices most basic to human development are fully realized. Considering that poverty is the reflection of disempowerment, capabilities and functionings may be the most appropriate focal variables for measuring empowerment. If poverty includes all the dimensions of capability deprivations, empowerment is the expansion of assets and capabilities made possible through freedom of choice and action. These assets and capabilities can be broadly grouped into social (including human), economic and political components to provide the conceptual foundation for developing indicators for the three broad dimensions of empowerment. The framework delineating these dimensions of capability expansion offers potential roadmaps for operationalizing empowerment and measuring it.

CONSTRUCTING THE HEI FOR NEPAL

The HEI has been constructed to bring together the available objective social, economic and political indicators into a composite index of empowerment at a more disaggre-

gated level of spatial unit – in the case, the district. It embodies⁵ a holistic perspective to measure the empowerment level of all human beings at the district level in the same spirit of the HDI. The choice of indicators for computing empowerment index has been largely guided by reliance on availability of relevant quantitative indicators at the district level.⁶ As such, the indicators selected for use are neither exhaustive nor comprehensive enough to measure all the crucial attributes of varied dimensions of empowerment. Altogether, 15 objective indicators have been selected for capturing the three dimensions of empowerment in the composite Index briefly described below:

Social

Addressing the social dimension of empowerment requires expanding both human (educational attainment, good health and other life-enhancing information technologies/ skills) and social capabilities (social status, dignity and a sense of belonging, leadership, trust, identity and the capacity to organize and participate in social organizations) and entitlements through social opportunities to address social exclusion and deprivation.

- **Educational Attainment:** Knowledge is a critical human choice in its own right. It is also valued as a constituent of the human capabilities to do other things (contributes to productivity, self-respect

⁵ Functionings are achievements more directly related to living conditions, whereas capabilities are ability to achieve or notions of freedom to enhance capabilities - real opportunities people have regarding the lives they may lead. The functionings that a person has achieved are not sufficient to determine her or his overall well-being. Instead, it is the potential functionings that a person could have achieved, given the opportunity to choose or exercise freedom of choice. While the potential functionings (or capabilities) of an individual cannot be easily evaluated, the achieved functionings can be measured, observed and compared.

⁶ Most subjective/ qualitative variables crucial for measuring empowerment are not available at the district level. Nor are they conceptually possible to link to available objective indicators so as to arrive at the composite index of empowerment. Even the existing databases are not sufficiently rich to provide a useful set of objective indicators, especially to measure political empowerment.

and relative power or empowerment) – instrumental empowerment. As in the case of HDI, the two sets of indicators used to capture the educational attainment are adult literacy and mean years of schooling.

- **Health Status:** As with knowledge, the health of a country's citizens is another critical human choice. Life expectancy at birth is certainly the most comprehensive indicator of the health outcome. But the capability expansion in health has been measured by three indicators, namely infant mortality per 1000 live births, chronic malnutrition among children under 5, and the proportion of population with access to sanitation facilities. These indicators can be considered more meaningful and sensitive for capturing short-term policy changes than long-term stock variables, such as life expectancy.
- **Information and Communication:** Information is power. Conceptually, access to information and justice cannot be seen only as the outreach of mass information and communication media (newspapers, radio, TV) but also the degree of openness in their access (the Right to Information Act, mechanisms for social audits).⁷ In the absence of the latter set of indicators (objective), the extent of mass information and communication media has been proximated by the population served by radio and telephone.
- **Participation in Local Organizations:** The participation of people in social organi-

zations is considered one of the critical elements of social empowerment. Organized communities are more likely to have their voices heard and their demands met than unorganized communities. The proportion of household members participating in various social organizations (outreach of social organization) has been included as a proxy for capturing social capital or capabilities of organized communities at the district level.

Economic

Addressing the economic dimension of empowerment requires enhancing economic entitlements and capabilities through the expansion of economic facilities/infrastructure and promoting equitable access to economic opportunities. Economic empowerment is measured by five sets of indicators that reflect access to land and its distribution, access to credit, employment and per capita income.

- **Access to and control over productive assets:** In many developing countries, including Nepal, where poverty is predominantly a rural phenomenon, lack of access to land and its unequal distribution remains a critical barrier to economic empowerment of the poor. To better reflect unequal control over economic resources, the inequality adjusted or Gini-corrected average size of land holding⁸ has been used.

⁷ While the people may have the constitutional right to demand information on any matter of public importance, such a provision cannot be realized without specific legislation adopted by the government.

⁸ When G is the Gini coefficient utilized to measure the degree of inequality in the distribution of land-holding and L is the average size of operational holding, Gini corrected average land holding (W) is computed as $W = L(1-G)$. If a particular district has a higher value of W, then it can be seen as having higher level of productive asset than the latter.

- **Access to Financial Resources:** In addition to the physical assets such as land, other financial assets – particularly credit – are of the foremost importance to any understanding of the economic empowerment of people, especially the poor. The proportion of households benefiting from institutional credit is an important indicator for reflecting the coverage of institutional credit in the country.
- **Access to electrification:** The availability of electricity creates many avenues for development and empowerment of people; it enables them to start up or expand small-scale economic enterprises for reducing poverty and also creates the opportunity for climbing up the energy ladder. The proportion of households that are connected to electricity has been included to proximate the role of enabling economic infrastructure for empowering the people.
- **Employment:** With Nepal's persistently high levels of unemployment and under-employment, there is mounting concern about the economic exclusion that follows from limited employment opportunities, poor labour market information systems and discriminatory labour market practices in the country. The ratio of labour force employed in non-agricultural employment is used to capture the extent of sectoral shift/transformation in employment away from agricultural jobs (towards non-agricultural wage employment).
- **Income:** As a crucial means to a number of important ends (control over purchasable commodities), income has great significance in the accounting of economic capabilities in an indirect way (both as proxy and as causal antecedent) about the ability of a person to do thing that she or he has reason to value (Anand and Sen 2000). Per capita GDP in PPP \$ is treated as source of economic power in the same spirit as GEM as opposed to adjusting it to take into account the law of diminishing returns, as in the HDI.

Political

Conceptually, both negative (freedom from arbitrary arrest, exclusion) as well as positive (freedom to vote, participate in political and social life) aspects of political freedom should be captured by focusing on both the formal availability and actual exercise of political freedom by people. Most of the indicators reflecting the attributes of political empowerment are subjective in nature⁹ and, as such, they are open to dispute and to perception biases. Second, subjective indicators cannot be conceptually linked to objective indicators in the formulation of the composite index. Voter turnout and the existence of competitive and fair elections are the two most widely used and readily available objective indicators of democracy and political rights¹⁰ and are thus used in the absence of any other readily available objective indica-

⁹ A World Bank team has constructed six aggregate indices based on numerous indicators from more than a dozen sources: voice and accountability, political instability and violence, rule of law, corruption, government effectiveness and regulatory burden. The voice and accountability index combines several indicators of the political process, including the selection of governments, with indicators of civil liberties and political rights, and press freedom and independence (UNDP 2002b).

¹⁰ Even these readily available objective indicators are not without ambiguity and controversy, as they often fail to capture the widespread, substantive participation and accountability of people holding power required for the truly democratic governance. For example, the very low voter turnout in the local government election is also visible even in the healthiest democratic system such as Britain. In some cases a country may hold elections without their ever resulting in a change in power, whereas in others there are changes in power, but civil liberties such as press freedoms may be curtailed.

tors at the district. The first indicator is indented to capture the extent of participation in political process to exercise their voting rights, while the latter indicator is included to measure the degree of competition among citizens in the local election.

NORMALIZATION AND SCALING

Each variable selected for measuring different dimensions of empowerment is normalized through a process of scaling. The normalized variable is constructed by the ratio of difference between the observed value and the minimum value to the difference of the maximum value and the minimum value. This method transforms the values of all indicators from 0 (worst condition) to 1 (best condition) of spatial unit (district in our case) and handles the indicators that are directly proportional to the well-being (equation 1) and those that are inversely proportional to empowerment or well-being (equation 2). The normalized variable, which is a pure number, shows for a particular variable the path covered by a society as a proportion of the path to be covered.

$$I_{ij} = \frac{X_{ij} - X_{i(\min)}}{X_{i(\max)} - X_{i(\min)}} \quad (1)$$

Where I_{ij} is the normalized value of i^{th} indicator for j^{th} region (district) in the country. X_{ij} is the observed value of i^{th} indicators for j^{th} district whereas $X_{i(\max)}$ and $X_{i(\min)}$ are the maximum and minimum value of the same indicators respectively.

$$I^*_{ij} = \frac{X_{i(\max)} - X_{ij}}{X_{i(\max)} - X_{i(\min)}} \quad (2)$$

A composite index of empowerment is the simple arithmetic mean of these three dimensions of empowerment. The maximum value of the empowerment index is 1 and the minimum value is 0.

$$EI_j = \frac{1}{N} \sum_{i=1}^n I_{ij} \quad (3)$$

Where E_{ij} is the overall empowerment index for j^{th} spatial unit (districts and eco-development region in this case) and I_{ij} denote the normalized value of i^{th} sub indices, comprising social, economic and political empowerment for j^{th} spatial unit. N is the number of three sub-indices: those for social, economic and political empowerment. Box 10.1 illustrates the calculation of the human empowerment index for Nepal based on the estimate of normalized value of each indicator.

SCOPE FOR FURTHER RESEARCH

There is a scope for refinements of the HEI in a number of ways. First, there is a need for further research to explore the threshold level for certain indicators beyond which an individual or community may feel empowered in each sphere of life. In some cases, a very low level of disempowerment for a single indicator – no matter how high or empowered a region is relative to other indicators – may be enough to dominate all other considerations. Second, there is a need to fix the goalpost for all indicators in order to make the HEI comparable over time. In the absence of such information, the observed minimum and maximum value of indicators across the regions/districts have to be utilized for normalizing the indicators and

BOX 10.1 Summary Illustration of Human Empowerment index Calculation for Nepal**SOCIAL EMPOWERMENT INDEX**

Adult literacy Index (i.e., normalized value of adult literacy rate) = 0.538

Mean Years of Schooling Index = 0.320

Education Index = $(0.538+0.320)/2$ = **0.429**

Infant mortality Index = 0.703

Malnourished children under 5 index = 0.623

Population with access to sanitation Index = 0.362

Health Index = $(0.703+0.623+0.362)/3$ = **0.563**

Radio ownership Index = 0.443

Access to Telephone Index = 0.151

Information & Communication Index = $(0.442+0.151)/2$ = **0.297**

Social mobilization outreach Index = **0.336**

Social Empowerment Index = $(0.429+0.563+0.297+0.336)/4$ = **0.406**

ECONOMIC EMPOWERMENT INDEX

Gini corrected average land holding Index = 0.540

Electrification Index = 0.317

Access to institutional credit Index = 0.289

Non agricultural sector job Index = 0.309

Income Index = 0.229

Economic Empowerment Index = $(0.54+0.317+0.289+0.309+0.229)/5$ = **0.337**

POLITICAL EMPOWERMENT INDEX

Voters Turn out Index = 0.698

Degree of competition (candidates per seat) Index = 0.594

Political Empowerment Index = $(0.698+0.594)/2$ = **0.646**

HUMAN EMPOWERMENT INDEX = $(0.406+0.337+0.646)/3$ = **0.463**

Source: UNDP 2004b.

this was the method also used by UNDP initially (till 1994) in normalizing HDI indicators. A third possible refinement is to explore the possibility of assigning weights for each indicator – although the treatment of weight is not always free from dispute. While the assumption of no substitution among some indicators that are important in their own right makes the equal weighting defensible, more research is needed to explore the substitution possibilities among indicators through modeling. In summary, as a much broader concept, human empowerment includes many aspects – both subjective perceptions and

objective realities of life – that have not been possible to fully capture, or are not being measured. Political freedom, participation in decision-making, personal security, and threats to sustainability (environment) are some critical aspects of human empowerment that are difficult to measure. While these have currently deterred our efforts to include other pertinent governance-related subjective indicators of political empowerment, constant research in this area, together with the establishment of disaggregated data, will certainly provide scope for capturing a greater number of the aspects of political empowerment in future.

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Chapter 2 draws on Anand 1994; Anand and Sen 2003a, 2003b, 2003c; Atkinson 1970; Chhetry 2004; Desai 2003; Fukuda-Parr and Shiva Kumar 2003; Fukuda-Parr, Raworth and Shiva Kumar 2003; Lanjouw, et al 1998; Raworth and Stewart 2003; and UNDP 1990, 1995, 1996, 1997, 2002b.

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