

## **PRO-POOR POLICY OPTIONS: MARGINAL FARMERS, THE RURAL LANDLESS, WOMEN AND YOUTHS IN NEPAL**

### **INTRODUCTION**

This policy brief looks at the most marginalized and disadvantaged section of Nepalese society, people who are ultra poor, severely undernourished and chronically food insecure. They have long been excluded from mainstream development efforts – indeed even excluded from the communities in which they reside. Recent political developments in Nepal, particularly a new interim constitution which expressly acknowledges that the marginalized people have the same rights as all other citizens, provides an opportune moment to address the issues relating to them. The paper advocates adopting a livelihoods approach to the formulation of policies for these disadvantaged segments of Nepalese society.

Policy analysis findings and recommendations from a study conducted under the auspices of a “Pro-poor Policy Formulation, Dialogue and Implementation at the Country Level” project inform this brief<sup>1</sup>. Between 2007 and 2010, the Food and Agriculture Organization–Regional Office for Asia and the Pacific (FAO-RAP), with support from the International Fund for Agricultural Development (IFAD), implemented this project in partnership with governmental and non-governmental organizations in eight Asian countries. The project goal was to enhance institutional capacity to conduct policy analysis, formulate and implement pro-poor agricultural and rural development policies. In total, twenty-three policy studies examined issues identified at national level dialogues in all project countries<sup>2</sup>.

### **CONTEXT**

Nepal is the poorest country in South Asia and the twelfth poorest in the world. The most recent national living standards survey showed that 31 percent of the total population was living below the poverty line in 2003-04. This is an improvement on the 42 percent figure found in the previous round (1995/96) but the country is not on track to meet its MDG1 targets. Poverty is disproportionately a rural problem: almost one in three rural inhabitants live below the poverty line, compared with fewer than one in ten in the urban areas. Poverty has also been falling more slowly in the rural areas, with a reduction rate that is only about two-thirds the urban figure. Those whose incomes are less than half the poverty line are defined as ultra poor. This is 17 percent of the population, the great majority of whom are marginal farmers and landless rural households.

<b>Table 1. Poverty and Exclusion in Nepal (% below poverty line)</b>						
	<b>Caste</b>		<b>Ethnicity</b>		<b>Muslim (minority)</b>	<b>NEPAL</b>
	<b>Highest</b>	<b>Lowest</b>	<b>Accepted</b>	<b>Excluded</b>		
1995-96	34	59	19	49	44	42
2003-04	19	47	14	44	41	31
Change	-6.2%	-2.5%	-3.2%	-1.1%	-0.7%	-3.2%

Source: Adapted from DFID-World Bank 2006

Poverty in Nepal correlates very strongly with social exclusion. People can be excluded from the development mainstream on grounds of gender, ethnicity, caste or religion. No

<sup>1</sup> Dr Ava Shrestha and Dr Govind Koirala (Institute for Integrated Development Studies/SAMANATA, Kathmandu) authored the study on which this brief was based. Study methods included literature review, interviews with key informants in Kathmandu and study districts and separate focus group discussions with a sample of each of the four groups in six districts: Dailekh, Kaski, Kapilbastu, Siraha, Sunsari and Udayapur. The original study can be accessed by contacting: INFORMATION

<sup>2</sup> The other selected policy issues for Nepal are: Public-Private Partnership, Cooperatives and Contract Farming in Nepal and Pro-poor Agriculture Research and Service Delivery.

separate figures are available on gender, but Table 1 demonstrates the exclusion-poverty nexus in terms of caste, ethnicity and religion. Not only are excluded groups poorer than the mainstream, but their poverty has been diminishing more slowly. Turning to gender, the National Demographic and Health Survey of 2006 noted that women are more vulnerable than men and more likely to fall in the food deficiency trap at any time. Eight percent of women were found to be severely thin (Body Mass Index < 17). Illiterate women were even more vulnerable to malnutrition: 10.5 percent had BMI<17. The socially excluded have, by definition, been bypassed by services such as agricultural extension and credit. However the most recent national development plan and the PRSP have drawn attention to this problem, and the 2007 Interim Constitution bans all such discrimination.

There is no universally accepted definition of marginal farmer in Nepal, but data in the National Agricultural Census of 2001/02 suggest that the most appropriate land holding size category is less than 0.1 hectares (against a mean size of 0.8 ha and a modal range of 0.2 to 0.5 ha). Not only do marginal farmers have the least land, they also have the poorest quality land, and the productivity of that land is further reduced by having the lowest level of utilization of productivity-enhancing inputs (Table 2). Female-headed households are particularly poor, and tend to cluster in the marginal category (Table 3).

<b>Table 2. Technology Adoption by Holding Size Category</b>			
Holding Size Category	Percentage of all holdings		
	Access to Irrigation	Using improved seeds	Using chemical/mineral fertilizer
Marginal	29.5	6.3	9.7
Average for all holdings	59.4	9.6	15.6

Source: Computed from National Sample Census of Agriculture 2001/2002 Tables 4 and 9

<b>Table 3. Holding Size Category and Gender of Household Head</b>				
Holding Size Category	Number of holdings		Area of holdings	
	Male-headed (%)	Female-headed (%)	Male-headed (%)	Female-headed (%)
Marginal	87.4	12.6	87.4	12.6
Average for all holdings	91.9	8.1	94.6	5.4

Source: Computed from National Sample Census of Agriculture 2001/2002 Table 15

## **PROBLEM STATEMENT**

Both marginal farmers and the rural landless hire out their labour to others, primarily farmers, but their earnings are pitifully low. Agricultural work is, of course, highly seasonal, so that there are times of year when no such work is available. Seasonal migration (to the cities or to India or to mountainous areas to collect medicinal plants to sell), is an option for some, but even this requires funding to cover travel and related expenses.

Almost all marginal famers and landless labourers fall in ultra-poor category and live in small thatch/mud huts (built on government land in the case of the landless). Due to lack of education these people are least aware of their rights, and even if they were aware, lack of social and political capital would make it difficult for them to have their rights respected.

The main poverty challenge is to ensure that marginal farmers, the landless and women and youth within such households are brought into the development mainstream. Although there is some debate at the moment as to what exactly constitutes a pro poor policy, the assumption here is that, to be so-described, policies must include affirmative action in order to disproportionately benefit the poor and so accelerate the rate of poverty reduction. It is not only the direct effects of past discrimination that must be addressed, but also the social attitudes that led to such bias.

## **POLICY OPTIONS**

Poverty alleviation among marginal and landless household is best addressed through a livelihoods approach. The poor, and most especially the ultra poor, lack all five forms of livelihood capital (natural, physical, human, financial, social). Pro-poor policies would therefore entail the adoption of means for increasing all five.

### **Natural Capital**

Nepal's Community Forestry Programme has made a good start in allowing people living near the forest to access it for timber and non-timber forest products. There are indications, however, that the poor have not always been given equitable access and have sometimes been excluded from Forest User Groups (FUGs). Problems of inequitable access to FUGs must be investigated and where cases are found of exclusion of potential members on grounds of ethnicity, caste, gender, etc, this has to be corrected. The agricultural extension service can assist marginal farmers and landless people who are members of FUGs by transferring technology to them to enable them to maximise the livelihood benefits of FUG membership. A promising option is the domestication of high-value non-timber products such as medicinal plants. This would save collectors from the cost and disruption of long collecting trips, while simultaneously protecting the natural resource base.

Poor farmers and the landless have not normally been given equitable access to water when irrigation programmes have been launched. This natural resource has in effect been distributed according to land ownership – the more land the more water. Yet there are examples in Nepal of well-functioning schemes in which marginal farmers and the landless are given equitable access to water, which they can then either use or sell on to larger farmers. Such successful examples of equitable distribution should be up-scaled, and their modalities should become standard practice. Marginal farmers can be assisted to take advantage of irrigation water by introducing them to appropriate technologies, such as sprinkler/drip systems, which have been successfully piloted in Nepal.

### **Physical Capital**

For the rural poor the most important form of physical capital is land, which, by definition, is what marginal farmers and the rural landless lack most. Land reform and land redistribution may be the long-term solution, but it is a highly political topic and the policy fundamentals are still a matter of intense debate at the political level. Meanwhile it is essential to find ways in the shorter term of: (a) increasing the access of the marginal farmers and the rural landless to land under existing rules, (b) improving the efficiency of land tenure systems and (c) improving the productivity of land resources to which the poorest farmers presently have access.

**Increasing access to land.** Present policy commits the State to renting out government land to the ultra poor. Wherever such land is available this policy should be put into effect without delay. The common system of dual ownership of agricultural land (whereby both landlord and tenant have rights in the land) creates huge uncertainties and inefficiencies, which compromise land productivity and therefore livelihoods. Despite government efforts to reform this system, the present development plan notes that the practice still exists, and commits to the production of an action plan 'designed to respond to all applications to solve the dual ownership problem of land within a certain duration of time. Design and implementation of this action plan is an issue of great urgency.

**Improving land productivity.** The problem of low productivity of land (and labour) among marginal farmers needs to be addressed without delay. This requires targeted efforts to improve their access to inputs and to enable them to exploit promising market opportunities. Second generation problems with successful programmes need to be corrected. For example, off season horticulture has proved very successful in Nepal in playing to the comparative advantage of marginal farmers, but problems have arisen with respect to exports to India, because of problems with meeting phytosanitary standards. There is

presently a SAARC initiative to develop a Regional Food Security programme for South Asia, one component of which is to regularize phytosanitary standards across the Subcontinent and ensure that all food laboratories meet the same standards. Nepal has a strong interest in pushing this programme through, and should take determined steps to ensure that the necessary improvements are made to its food safety verification regime so as to remove this barrier to trade and livelihood improvement.

**Women's special technology needs.** Because of the common practice of division of labour along gender lines, women have special technology needs which need to be met in order to reduce their drudgery and increase their productivity. Technology transfer institutions are male dominated and have tended to address male technology needs only. Change agents must therefore be sensitized to the need for a more balanced approach.

**Livestock.** Livestock are particularly suited to people with severe land constraints, because animals can be kept within the homestead, and fodder can often be collected from the wild. Community forestry provides an ideal source, but even without access to forests, feed and fodder can be obtained from waste areas such as roadsides and riverbanks. A strong breeding programme is needed to ensure supplies of improved animals. Efforts are also needed to assist farmers to meet the huge annual surge in demand for animals created by the *Dassain* festival. This means attuning production cycles more closely to this market. This in turn needs a strong awareness building programme as well as technologies to ensure that stock reach peak physical condition in time to meet the quality demands of this market.

### **Human Capital**

Among marginal farmers and the rural landless educational standards are low, with high levels of illiteracy and innumeracy. Health standards are also low. This low level of human capital makes technology transfer more difficult, and heightens the danger that illness will strike and cause the household to enter a downward poverty spiral. A major corollary of the government's commitment to bring the excluded into the mainstream is that adult literacy and numeracy programmes should be intensified, and special assistance given to enable them to send their children to school. Technology transfer programmes already in existence, such as Farmer Field Schools, are already oriented towards improving clients' skills. Affirmative action is required to ensure that the most marginalized farmers are included in such programmes and that the technology that is being transferred is relevant to their needs.

Health and agriculture are inextricably linked through nutrition and food security. The approach of the health sector is to use mechanisms such as food fortification and mass campaigns to distribute micronutrients in tablet or capsule form. The agricultural approach is to meet nutritional needs through production of a range of foods that are naturally rich in the essential nutrients. Both approaches have a role to play, but there is presently virtually no mechanism for co-ordinating them. As the agricultural sector moves to address issues of micronutrient deficiency, increasing efforts will be needed to ensure that its approaches are developed in close collaboration with the health sector. A mechanism that has worked in other countries is to set up a nutrition co-ordination group, consisting of professionals and policy makers in health, nutrition and agriculture to exchange information and ideas and to find the best combination of approaches to achieving the highest possible level of coverage.

Improved food and nutritional security are key to improving human capital, and this issue is especially important for poor women for three reasons. First, intra-household discrimination in access to food is common, as a result of which women and girls suffer most from food insecurity. Second, women play a special role in food utilization because they are responsible for storing, processing and preparing food. Third, women themselves have special nutritional needs. These range from greater-than-average susceptibility to iron deficiency anaemia (which also affects adolescent girls) to the need for additional nutrients such as protein and calcium during pregnancy. An appropriate policy response would be awareness-raising campaigns about the inequity of intra-household discrimination, and this should be placed in the context of women's special nutritional needs.

## **Financial capital**

Microfinance is seen as a way of addressing this need, and microfinance institutions (MFIs) have sprung up throughout the developing world. These aim to finance small-scale economic activities for the poor which will be sufficiently profitable to repay both capital and interest and still yield a profit. This model has been in existence in Nepal long enough to throw up some important second generation problems. Many of these arise from the fact that in some parts of the country MFIs are now in intense competition with each other to provide loans, leading to lack of rigour in the identification of economic opportunities, so that they do not always yield the expected benefits, and the borrower ends up with unsustainable debt. Another problem has been lack of proper background checks, so that borrowers, unable to pay off one loan, take another, larger, loan with a different MFI so as to be able to repay capital and interest on the first loan, again leading to unsustainable debt. At the same time MFIs are virtually absent from more remote districts. An independent investigation of MFI performance in Nepal should be commissioned in order to establish the full extent of the problem, identify any MFIs whose management style has led to unsustainable debt and make recommendations as to how to bring a greater measure of discipline to this market.

Alongside development of farm-based livelihoods, opportunities for off-farm employment need to be expanded and new non-farm employment opportunities generated. Commercialization of agriculture must be promoted in order to create new rural employment opportunities, which will emerge from strengthened backward linkages from market to farm (inputs and services) and forward linkages from farm to market (farm produce) This will create opportunities in the value chain, including transportation, processing, grading, packaging and the making of packaging materials. It will also effectively lengthen the season when work is available, thus helping to address the seasonality problem. Better processing and packaging will not only add value to the product: it will also better protect fragile crops, so that they arrive at the market in peak condition. Ensuring that marginal farmers, women and the landless are able to take advantage of such opportunities will require a gender-sensitive programme of skill creation.

## **Social capital**

Lack of social capital is common among the ultra poor, so that they have no social networks on which they can rely for information, advice and help in times of crises. Nor do they have the contacts needed to access development resources or enforce their rights (even if they are aware of them). Affirmative action should be made an absolutely binding requirement for all development projects. The approach should not be to set up separate projects for the excluded, because this is likely to cause resentment on the part of the wider community, and this would be counter-productive. The emphasis should instead be on inclusiveness, so that all benefit. Given their past history of neglect, special efforts will have to be made by project staff to create the skills that the previously-excluded need (e.g. literacy, numeracy). However no-one from the wider community who wishes to participate in the associated training should be excluded from such opportunities.

## **Special policies for youths**

Problems of youth development have come strongly to the fore as a result of the recent conflict, when large numbers of young people of both sexes took part in the armed revolt against the state. It is not a coincidence that the current Development Plan contains many programmes aimed at solving the problems of youth, particularly unemployment and underemployment. The problem is that there are now 17 independent programmes for youth carried out under different ministries and departments in an uncoordinated fashion. However, since a national youth policy is presently under development, it would not be helpful to try to second-guess its contents.

## CONCLUSIONS

Nepalese society has gone through major political and social transformations in recent years and it is clear that 'business as usual' is no longer an option. Old taboos have been swept away, and problems such as exclusion on the grounds of gender, cast and ethnicity are now being openly discussed in government policy documents, and policies are being designed to address them. This creates new opportunities to correct historic wrongs by directly confronting discrimination and prejudice and the poverty that results from it. However, the challenges cannot be addressed piecemeal. They need a coordinated approach which brings together the various actors within an integrated framework. The livelihoods approach provides such a structure.

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